7.20 GOVERNING LAWS AND REGULATIONS INCLUDING ENVIRONMENTAL CONCERNS

Our Group's business operations are subject to, among others, the following laws and regulations:

(i) Industrial Coordination Act 1975 governing the co-ordination and development of manufacturing activities in Malaysia;

(ii) Street, Drainage and Building Act 1974 and the relevant by-laws issued pursuant thereto regulating among others the occupation of buildings and uniformity of local government matters relating to street, drainage and buildings;

(iii) Local Government Act 1976 and the by-laws issued pursuant thereto setting out the requirements to obtain business and signage licences;

(iv) Customs Act 1967 governing, among others, the levying of custom duties, port clearances, warehousing and other custom related matters;

(v) Poisons Act 1952 provides regulations for importation, possession, manufacture, compounding, storage, transport, sale and use of poisons; and

(vi) National Land Code 1965 governing the administration of land matters in Peninsular Malaysia.

The above summary does not purport to be an exhaustive description of all laws and regulations of which our business is subject to. As at the LPD, we are in compliance with all the relevant laws, regulations, rules or requirements governing the conduct of our business and environmental issues which may materially affect our business or operations.

7.21 ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES

We are committed to adopting environmental, social and governance practices such as ensuring environmentally responsible operations, providing conducive workplaces for employees and adopting a high standard of corporate governance for sustainable value creation.

(i) Environmental

We endeavour to adhere to environmentally friendly practices in the design of our products such as our chip aging test board (also known as IC bun-in-board) and PCB produced are used in the production of Electric Vehicle (EV) for our customers and our CSP carriers produced are supply parts in the production of energy-saving light-emitting diode (LED).

(ii) Social

We prioritise our employees and strive to foster a safe and conducive work environment where they can enhance their knowledge, skills, competencies and experience. We have established Health, Safety and Environment ("**HSE**") Policy and Standard Operating Procedures which include proactively identifying and managing HSE risks such as, among others, fire drills and evacuation procedures, hygiene and waste disposal.

We practice gender equality and cultural diversity with equal opportunities for employment, career development and advancement in pay to attract and retain our employees. Consistent with the Pembangunan Sumber Manusia Berhad Act 2001, we provide training to our employees based on training need analysis and employees can request participation in any training programme relevant to their work skillset.

(iii) Governance

We are committed to achieving and sustaining high standards of corporate governance i.e., ethical behaviour, accountability, transparency and sustainability, in order to promote business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value while taking into account the interest of our stakeholders. We have in place policies and procedures to promote and maintain compliance with the following:

- Malaysian Anti-Corruption Commission Act 2009 and the Whistleblower Protection Act 2010
- Anti-money Laundering, Anti-terrorism Financing and Proceeds of Unlawful Activities Act 2001 and the Guidelines on Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for the Designated Non-Financial Businesses and Professions (DNFBPs) & Non-Bank Financial Institutions (NBFIs) issued by the Bank Negara Malaysia on 31 December 2019
- Personal Data Protection Act 2010
- Wholesaler's Poisons Licence, Poisons Act 1952

7.22 MATERIAL DEPENDENCY ON CONTRACTS, AGREEMENTS, DOCUMENTS OR OTHER ARRANGEMENTS

There are no contracts, agreements, documents or other arrangements on which our Group is materially dependent as at the LPD.

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7. BUSINESS OVERVIEW (CONT'D)

7.23 INTELLECTUAL PROPERTIES RIGHTS

As at the LPD, save for the intellectual property rights disclosed below, we do not have any other intellectual property rights registered and / or in the process of registration:

(i) <u>Trademark</u>

Trademark	Issuing authority	Registered owner / Applicant	Application number / Trademark number	Class / Classification	Status / Application Date / Gazetted Date / Registration Date / Expiry Date
	Intellectual Property Corporation of Malaysia	Edelteq	TM2021033587	7 / Semiconductor manufacturing machines	Status: Registered / Application Date: 30 November 2021 / Gazetted Date: 11 August 2022 / Registration Date: 19 October 2022 / Expiry Date: 30 November 2031

7. BUSINESS OVERVIEW (CONT'D)

(ii) Patent

Title of invention	Issuing authority	Registered owner / Applicant	Application number / Patent number	Status / Application date
Wafer-level packaging emboss placement techniques	Intellectual Property Corporation of Malaysia	Edelteq[(1)]	PI2021007400	Pending approval / 11 December 2021

Note:

(1) The application for the registration of the patent was submitted by Chin Yong Keong, our Executive Director / Group CEO on 11 December 2021. On 19 January 2022, our Company has submitted an application to the Intellectual Property Corporation of Malaysia to record the assignment / transmission of the patent application by Chin Yong Keong to our Company. As at the LPD, the approval for the application is still pending. However, our Group has commercialised wafer-level packaging emboss placement techniques.

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7.24 ADDITIONAL DISCLOSURE / OTHER MATTERS

7.24.1 Pioneer Status granted by MIDA

For information purposes, the application for pioneer status with MIDA generally involves 2 stages, i.e. (i) pioneer status approval and (ii) pioneer status certification. Upon procuring the pioneer status approval from MIDA (stage 1), there are certain criterias to be met by the applicant prior to the submission of the application for pioneer status certificate (stage 2). An applicant will only be entitled for the tax incentives upon the receipt of pioneer status certificate.

For the avoidance of doubt, ETSB was granted with Pioneer Status Certification and entitled for the tax incentives. EVSB was granted with Pioneer Status Approval but is in the midst of applying for pioneer status certification and is not entitled for any tax incentives. Further details of the pioneer status granted by MIDA to our Group are set out in the ensuing paragraphs.

Pursuant to the IPO, our Group will not enjoy 100.00% tax exemption pursuant to the pioneer status granted by MIDA to ETSB.

Pursuant to the Pioneer Status Certificates, ETSB had enjoyed full tax incentives for FYE 2020 and FYE 2021 for the production of stainless-steel carrier for wafer chip scale packaging and chip aging test board (also known as IC burn-in-board).

During the Financial Years Under Review, ETSB was entitled to RM524,996, RM1,535,045 and RM1,536,174 of tax incentives for FYE 2020, FYE 2021 and FYE 2022, respectively for the production of stainless-steel carrier for wafer chip scale packaging and chip aging test board. Please refer to Section 21 of Accountants' Report for further details. The Pioneer Status Certificates are for a period of 5 years from 1 January 2020 to 31 December 2024.

For illustration purposes, the comparison on the PAT of our Group for the Financial Years Under Review based on the scenario of with and without tax incentives enjoyed by ETSB for FYE 2020, FYE 2021 and FYE 2022 are set out below:

	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
With tax incentives for FYE 2020, 2021 and 2022				
PBT	**773**	**4,512**	**9,778**	**6,192**
Taxation	(221)	(527)	(767)	(753)
PAT	**552**	**3,985**	**9,011**	**5,439**
PAT margin (%)	4.46	23.88	37.62	22.33
Effective tax rate (%)	28.59	11.68	7.84	12.16
Without tax incentives for FYE 2020, 2021 and 2022				
PBT	**773**	**4,512**	**9,778**	**6,192**
Taxation	(221)	(1,052)	(2,302)	(2,289)
PAT	**552**	**3,460**	**7,476**	**3,903**
PAT margin (%)	4.46	20.74	31.22	16.02
Effective tax rate (%)	28.59	23.32	23.54	36.98
Impact of operating cash flows for FYE 2020, 2021 and 2022 without tax incentives				
Net cash flows from operating activities	402	3,881	5,376	3,537
Additional income tax to be paid (without tax incentive)	-	(525)	(1,535)	(1,536)
Adjusted net cash flows from operating activities	**402**	**3,356**	**3,841**	**2,001**

In addition to the above, EVSB also received Pioneer Status Approval. As at the LPD, EVSB has yet to obtain the pioneer status certificate from MIDA and the sequence of events or application for EVSB's pioneer status with MIDA are set out below:

- For information purpose, the application for pioneer status with MIDA generally involves 2 stages, i.e. (i) pioneer status approval and (ii) pioneer status certification. An applicant will only be entitled for the tax incentives upon the receipt of pioneer status certificate.

- EVSB had on 2 October 2019 received the Pioneer Status Approval from MIDA for tax incentives, for the production of reel auto changer and cassette loader, automated inspection machine, parts and components for semiconductor machines and factory automation systems for a period of 5 years. Based on the Pioneer Status Approval, EVSB shall apply for a pioneer status certificate from MIDA within 24 months from the Pioneer Status Approval. However, there are certain criteria to be met by EVSB prior to the submission of the application for pioneer status certificate. One of the criteria is to have incurred at least RM730,000 of operating expense for each financial year during the tax incentive period ("**OPEX Requirement**").

- Notwithstanding the Pioneer Status Approval, EVSB has not applied for a pioneer status certificate for the aforesaid productions from MIDA as EVSB did not meet the OPEX Requirement for FYE 2019 and FYE 2020. Accordingly, EVSB had on 19 August 2021 submitted an application for an extension of time to apply for the pioneer status certificate. On 30 November 2021, EVSB had obtained an approval on the extension of time of 1 year from 2 October 2021 to 1 October 2022 from MIDA for the application of the pioneer status certificate.

- On 31 December 2021, EVSB had also made an appeal to MIDA to lower the OPEX Requirement, in which MIDA had subsequently on 24 February 2022 granted an approval to lower the OPEX Requirement from RM730,000 of operating expense for each financial year during the tax incentive period to RM400,000 of operating expense for FYE 2020 and FYE 2021 and RM730,000 of operating expense for the remaining tax incentive period.

- However, as our Company embarked on the Listing, we noted that EVSB will not be qualified to enjoy the tax incentives pursuant to the IPO as it is wholly-owned by our Company which has shareholders' funds of more than RM2,500,000 (as elaborated below). Nonetheless on 12 February 2022, EVSB had made an appeal to MIDA to waive the aforesaid shareholders' funds requirement, in which MIDA is still processing the appeal as at the LPD.

- On 27 October 2022, EVSB had submitted a second application for an extension of time for the application of pioneer status certificate, which is still pending approval from MIDA as at the LPD.

- As EVSB has not been granted with the pioneer status certificate, EVSB is not entitled to claim for any tax incentives and has never claimed for any tax incentives for these productions during the Financial Years Under Review and up to the LPD.

Pursuant to Paragraph IV of the Pioneer Status Certificates and Paragraph IV of the Pioneer Status Approval, 20.00% and above of the paid-up capital of ETSB and EVSB shall not be directly or indirectly owned by a holding company / related company having shareholders' funds of more than RM500,000 and RM2,500,000, respectively. Accordingly, pursuant to the IPO, ETSB will not be qualified to enjoy the tax incentives as it is wholly-owned by our Company which has shareholders' funds of more than RM500,000. Nothwithstanding the status of approval of the pioneer status certificate for EVSB as at the LPD, in the event EVSB obtained the pioneer status certificate, pursuant to the IPO, EVSB will not be qualified to enjoy the tax incentives as it is wholly-owned by our Company which has shareholders' funds of more than RM2,500,000. In this regard, the taxable income generated by ETSB and EVSB are subject to the prevailing statutory tax rate.

The loss of pioneer status granted by MIDA to ETSB will have a material impact to our Group's PAT and operating cash flows moving forward, as a result of an increase in the effective tax rate of our Group (which may be equivalent or higher than the prevailing statutory tax rate due to non-tax deductible items) compared to the effective tax rate for the Financial Years Under Review.

Notwithstanding the above, the loss of pioneer status granted by MIDA to ETSB (which may deprive our Group from enjoying tax incentives for some of its production activities) is not expected to affect the business operations or pre-tax financial income of our Group.

7.24.2 Non-compliance with National Land Code (Revised 2020) ("NLC")

In the past, our Group had utilised the following premises for its production activities (i.e. for industrial purposes), which did not comply with their category of land use and express conditions as stipulated in the documents of title:

(a) No. 4, Lorong Impian Ria 6, Taman Impian Ria, 14000 Bukit Mertajam, Pulau Pinang (property owned by our Group);

(b) No. 17, Lorong Impian Ria 6, Taman Impian Ria, 14000 Bukit Mertajam, Pulau Pinang (property rented by our Group); and

(c) No. 18, 20 and 22, Lorong Impian Ria 4, Taman Impian Ria, 14000 Bukit Mertajam, Pulau Pinang (property owned by our Group).

For clarification purposes, the category of land use in respect of the abovementioned properties is '*Bangunan'* and the express condition is '*untuk tujuan perniagaan sahaja'*

The duration of our Group utilising the abovementioned premises for its production activities (i.e. for industrial purposes), which did not comply with their category of land use and express conditions as stipulated in the documents of title are set out below:

Premises occupied by our Group	Commencement of Production Activities	Duration of the non-compliance
No. 4, Lorong Impian Ria 6, Taman Impian Ria, 14000 Bukit Mertajam, Pulau Pinang	October 2014 to June 2022	93 months
No. 17, Lorong Impian Ria 6, Taman Impian Ria, 14000 Bukit Mertajam, Pulau Pinang	January 2020 to June 2022 **Note:** EVSB terminated the tenancy effective on 16 April 2022 and vacated Lot 17 in June 2022.	30 months
No. 18, 20 and 22, Lorong Impian Ria 4, Taman Impian Ria, 14000 Bukit Mertajam, Pulau Pinang	September 2017 to June 2022	58 months

For the avoidance of doubt, our Group had been operating with the required regulatory licensing. However, our Group's past non-compliance with NLC was mainly due to our management's interpretation of the NLC being '*untuk tujuan perniagaan sahaja'*, where we were of the opinion that production activities is part of the business of our Group. As part of the due diligence process for the Listing, our management was advised by the due diligence working group that production activities would not be covered under '*untuk tujuan perniagaan sahaja'*. Therefore, our Group had taken the necessary steps to rectify this non-compliance by relocating our production activities to Lot 9 Asasjaya and Lot 11 Asasjaya.

Our Group's decision to relocate the production activities to aforementioned new premises was also in line with the expansion of our Group's business operations, in which our Group requires larger premises to house additional equipment parts and to undertake more assembly activities moving forward.

Potential legal and financial implications

Pursuant to the NLC, every condition or restriction in the interest imposed by the state authority shall be endorsed on or referred to in the document of title to the land. In the event of breach of conditions, the land administrator has the right to either:

(i) impose a fine under Section 127 of the NLC after serving a notice on and requesting the landowner to attend a hearing to show cause to the satisfaction of the land administrator, the reason that a fine should not be imposed in respect of such beach, failing which, the landowner may be liable to pay a fine of not less than RM500 (and in the case of a continuing breach, a further fine of not less than RM100 for each day the continuing breach);

(ii) request the landowner to remedy the breach within the time stipulated in the notice served by the land administrator under Section 128 of the NLC, failing which, the land administrator may take action to enforce forfeiture of the land under Section 129 of the NLC; or

(iii) hold an enquiry to forfeit the land under Section 129 of the NLC.

As at the LPD, our Group has not received any form of notice or communication from the land administrator. In view of the above, our Group has undertaken the following mitigation steps to rectify the above non-compliance:

(1) our Group had by virtue of the letter of termination dated 17 January 2022 terminated the tenancy for No. 17, Lorong Impian Ria 6, Taman Impian Ria, 14000 Bukit Mertajam, Pulau Pinang; and

(2) our Group had relocated the production activities undertaken in the premises stipulated in sub-sections (a), (b) and (c) above to Lot 9 Asasjaya and Lot 11 Asasjaya, which complied with the provisions under the NLC.

As stated above, our Group has not been issued with any notices by the land administrator to show cause or to forfeit the lands nor imposed with fines or penalties.

The above matter will not have a material adverse impact to our Group's business operations and financial conditions as the non-compliance was a past event.

7.24.3 Taxation matters

The following are the taxation matters involving our Group during the YA for 2019 and 2020:

(i) Late payment and / or shortfall of tax instalments based on the tax estimate under forms CP204 / 204A

(a) In November 2019 and July 2020, there were late payments of tax instalment based on the tax estimate under forms CP204 / 204A by ETMSB and CESB respectively, to the IRB amounting to a total of RM24,011.00; and

(b) There was also a shortfall of tax instalment payment for November 2020 amounting to RM21,536, which was subsequently settled in December 2020 and January 2021 tax instalment payments.

Subsequent to the abovementioned full payment and as at the LPD, no further actions have been taken against our Group by the IRB in relation to the above matters.

(ii) Late payment for monthly tax deductions remittance

In October 2019 and June 2020, there were late payments of the monthly tax deductions remittance by ETMSB and CESB respectively, to the IRB amounting to a total of RM3,406.00. Pursuant thereto, penalties amounting to RM400.00 have been imposed on ETMSB and CESB respectively, by the IRB on 24 December 2019 and 25 August 2020 for the abovementioned late payments, which have been fully settled by the respective companies on 14 January 2020 and 15 September 2020.

Subsequent to the abovementioned full payment and as at the LPD, no further actions have been taken against our Group by the IRB in relation to the above matters.

The taxation matters involving our Group during the YA for 2019 and 2020 was in relation to the late payment and shortfall of tax payment which happened mainly due to our Group's lack of experienced personnel in the Finance Department. In the past, the tax computation was prepared by an external tax agent together with the submission of tax assessment whilst remitting of tax payment to the IRB was the responsibility of an accounting clerk who was an ex-employee of our Group. The abovementioned late payment and shortfall of tax payment were mainly due to the accounting clerk's lack of experience in handling corporate tax obligations / payment and the accounting clerk was the only person in the Finance Department that was in charge of the taxation matters.

Since 2021, our Group has strengthened its Finance Department through the employment of 2 new employees with relevant professional qualifications and working experience in the field of accounting and finance, namely Yap Hooi Min (Financial Controller) and Tan Beow Sze (Finance Manager) to which Tan Beow Sze is currently assisting Yap Hooi Min. For information purposes, Yap Hooi Min was appointed to act as the Group's Financial Controller in December 2021. Prior to the appointment of Yap Hooi Min, the personnel-in-charge of overseeing the Group's Finance Department were Tan Beow Sze (from September 2021 to December 2021), Lim Siew May (from September 2020 to September 2021) and Thor Szu In (from July 2017 to October 2020).

For information purposes, Yap Hooi Min graduated with a degree in Bachelor of Accounting from Universiti Utara Malaysia in October 2009. She has been a member of the Malaysian Institute of Accountants since 2013 and she has approximately 13 years of experience in accounting, taxation and finance. Please refer to Section 5.4.2(iv) of this Prospectus for further details on the profile of Yap Hooi Min. Tan Beow Sze obtained her London Chamber of Commerce and Industry (LCCI) qualification in accounting in June 2009. During the same year, our Group has also engaged a different tax consultant, namely Grant Thornton Tax Consultants Sdn Bhd to verify our Group's tax computation and to update our Group's Finance Department in regard to new regulations affecting our Group's tax computation.

As at the LPD, there is no on-going audit or tax investigation conducted by the IRB on our Group.

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SMITH ZANDER

Date: 11 April 2023

The Board of Directors

Edelteq Holdings Berhad
No. 20, 1st Floor, Lorong Impian Ria 4,
Taman Impian Ria,
14000 Bukit Mertajam,
Pulau Pinang.

Dear Sirs/ Madams,

Independent Market Research Report on the IC Assembly and Test Segment of the Semiconductor Industry and Semiconductor Engineering Support Industry ("IMR Report")

This IMR Report has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER") for inclusion in the Prospectus in conjunction with the listing of Edelteq Holdings Berhad ("Edelteq") on the ACE Market of Bursa Malaysia Securities Berhad.

The objective of this IMR Report is to provide an independent view of the industry and market(s) in which Edelteq and its subsidiaries ("Edelteq Group") operate and to offer a clear understanding of the industry and market dynamics. Edelteq Group is principally involved in the design and assembly of integrated circuit ("IC") burn-in boards ("BIBs") and supply of printed circuit boards ("PCBs"); supply and refurbishment of IC assembly and test consumables; design, development and assembly of automated inspection equipment ("ATE") and factory automation; and trading of operating supplies, spare parts and tools for IC assembly and testing. As such, the scope of work for this IMR Report will address the following areas:

(i) The IC assembly and test segment of the semiconductor industry, being the specialised segment of the semiconductor industry that Edelteq Group supports;
(ii) The semiconductor engineering support industry, being the industry that Edelteq Group operates;
(iii) Key demand drivers, risks and challenges; and
(iv) Competitive landscape of the IC assembly and test segment of the semiconductor industry.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this IMR Report presents a balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in this IMR Report. SMITH ZANDER shall not be held 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 mentioned in this report.

For and on behalf of SMITH ZANDER:

DENNIS TAN
MANAGING PARTNER

SMITH ZANDER

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The research for this IMR Report was completed on 10 April 2023.

For further information, please contact:

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About SMITH ZANDER INTERNATIONAL SDN BHD

SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.

Profile of the signing partner, Dennis Tan Tze Wen

Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has over 25 years of experience in market research and strategy consulting, including over 20 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.

1 THE IC ASSEMBLY AND TEST SEGMENT OF THE SEMICONDUCTOR INDUSTRY

Overview of the IC manufacturing, including IC assembly and testing

An IC is an assembly and integration of active semiconductor components such as transistors, diodes and passive semiconductor components such as resistors and capacitors on a single thin semiconductor material known as wafer, or silicon wafer. The wafer, fabricated with pre-defined conductive copper tracks (i.e. functional circuits), enables semiconductor components to be imprinted or soldered onto its surface. The individual blocks on the wafer imprinted with the functional circuits form the die to be packaged into an IC.

The production of IC begins with the design and manufacturing of the IC by imprinting functional circuits and semiconductor components onto the wafer to form individual blocks of die. Depending on the architecture of an IC, a full IC can be divided into multiple functional blocks, and further sub-divided into multiple sub-blocks for their respective hierarchy level within an IC. Upon completion at each hierarchy level, the sub-blocks are then integrated to form a functional block, and functional blocks are integrated to form a full IC. ICs are typically produced in large batches on a single wafer which will be diced into individual pieces, each containing one copy of the printed circuit.

The traditional process of packaging ICs comprises dicing an individual block of die from the wafer, attaching the die onto a leadframe or substrate carrier, and then overmoulding to form the final package. In wafer-level chip scale packaging ("WLCSP"), the individual blocks of die are modified to add environmental protection layers, and to have solder balls attached directly to the die which are used to form the connection to the package carrier or substrate. This removes the need for external casing and wiring which enables it to be space saving, as well as allowing semiconductor components to be integrated in the design using the smallest possible form factor. Before going through the packaging process, semiconductor components are assembled onto the wafer to form the IC. Packaged IC on the wafer will then be diced into individual units of ICs. A comparison on the 2 types of packaging process is illustrated in *Diagram 1* below.

The invention of WLCSP gave rise to the trend of miniaturisation whereby manufactured ICs are close to the size of a die, typically measuring between 0.1 millimeter square and 35 millimeter square. This supports the demand for smaller-size and high-performance mobile devices. Presently, WLCSP is one of the most advanced forms of packaging used in the semiconductor industry because of its strength in performance and the cost advantages it delivers for smartphones, tablets and other applications that require high functionality and low power consumption in small form factor.

IC assembly and testing

IC assembly and test are processes of IC manufacturing. The IC assembly process involves the attach of ICs by means of an alloy or an adhesive to either a lead or leadless die attach pad (i.e. a metallic device used to connect the IC to a printed circuit board) and thereafter attached to the package. The assembly process is necessary to protect the ICs and enable the dissipation of heat from the ICs, as well as facilitate the integration of ICs into electronic systems to manufacture electronic products. ICs typically undergo 2 stages of tests during the manufacturing process, comprising wafer sort and IC burn-in test:

- **Wafer sort**, also known as wafer test, is the first stage of test carried out in the process of IC manufacturing. It is a process where the individual blocks of die are tested for functional defects while still in wafer form. The test is done using a wafer prober or ATE for wafer inspection whereby electrical signals are transmitted individually to each block of die on the wafer to detect physical and pattern defects. When all test patterns pass for a specific die, its position will be remembered through wafer mapping to prepare the die for the next process. Functioning dice will then be identified and picked up for the assembly process to form packaged ICs.
- **IC burn-in test** is the second stage of test carried out in the process of IC manufacturing, and is also known as the final test or package test to test the reliability of ICs under extreme conditions. The test is carried out using IC BIBs in which ICs are inserted into the sockets or clipped onto the IC BIB to be placed into the IC burn-in system. IC burn-in systems are ATEs that are designed to carry out IC burn-in tests, where the ICs are tested in extreme conditions over a period of time. Electrical signals are transmitted through the IC BIB to the individual units of packaged ICs to detect potential early failures in the ICs due to factors such as design flaws, material defects or defective manufacturing process. Burn-in subjects ICs to tests under extreme conditions such as high temperature operating life (i.e. simulation of an environment of high temperature by continuous electricity input to evaluate the expected lifespan of the IC) and highly

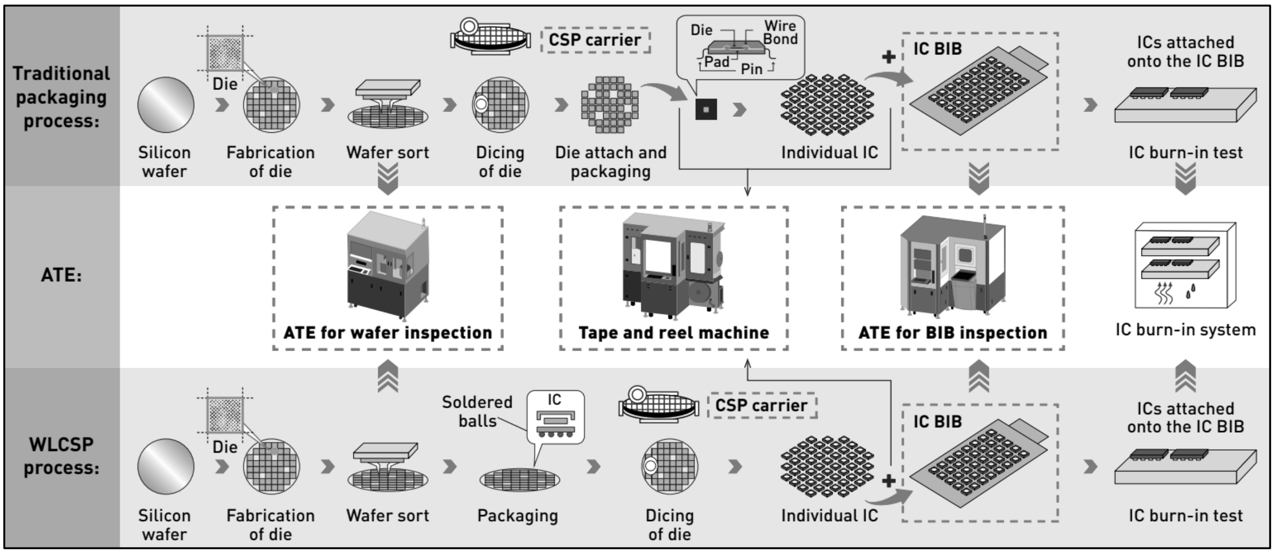
accelerated stress test (i.e. simulation of an environment of high temperature and humidity by accelerating water vapor to infiltrate the IC to evaluate the resistance of IC to humidity).

An IC BIB comprises multiple attach points (e.g. sockets and clips) which allows for multiple ICs to be tested at a time. IC BIB is a consumable that is disposed upon reaching the end of its useful lifespan. The lifespan of IC BIBs is generally measured in terms of the number of IC insertions or the number of testing hours that it can perform. The design of IC BIBs is generally customised according to user requirements, budget, type of IC packaging and the type of test to be carried out. In addition, an IC burn-in system is also able to hold multiple IC BIBs at a time, thus allowing for more ICs to be tested simultaneously and increasing testing capacity.

To ensure the functionality, credibility and accuracy of the IC burn-in test carried out, an IC BIB is usually first tested using an ATE for BIB inspection. Once it has passed the inspection test, the IC BIB is then qualified to perform the IC burn-in test.

An illustration of the overall IC manufacturing process, differentiated by type of packaging process and the steps where wafer sort and IC burn-in test are carried out, is as shown below.

Diagram 1: An illustration of the overall IC manufacturing process



Note:
- [ ] denotes the primary products offered by Edelteq Group.

Sources: Edelteq Group, SMITH ZANDER

IC assembly and test are generally carried out by integrated device manufacturers ("IDMs") or outsourced semiconductor assembly and test companies ("OSATs") which is further explained in the ***Value chain of the semiconductor industry*** section below. Due to the emergence of companies specialised in various segments of the value chain in the semiconductor industry, ICs are commonly shipped from 1 industry player to another throughout the process of IC manufacturing. Constant transferring exposes ICs to the possibility of sustaining damage during shipment. As such, to protect the ICs from being damaged during shipment, ICs will be packed into individual pockets of carrier tapes which are then sealed with cover tapes using a tape and reel machine.

Throughout the IC assembly and test process, various IC assembly and test consumables are used to support the process such as dicing blade (i.e. to dice the wafer), CSP carrier (i.e. to guide the dicing process), testing probe pins (i.e. spring-loaded pins used in tests) and wire bonding clampers (i.e. used to grip the gold wires during wire bonding). These consumables are generally disposed at the end of their useful lifecycle.

Overview of the semiconductor industry

The global semiconductor industry has significant economic contribution to most regions around the world, with significant linkages to the global electrical and electronic ("E&E") industry. Semiconductors are essential components of electronic devices. The technology of semiconductors has been constantly evolving in terms of performance and size of semiconductor devices in order to meet the increasing demand for lighter and more sophisticated electronic devices. Today, ICs can have up to trillions of transistors integrated into a single electronic circuit, and are progressively reducing in size and increasing in performance.

ICs are technology enablers for electronic products as ICs are used to perform functions such as data transmission, processing and storage, wireless connectivity, operations control, sensing, computing and power management. The range of applications for ICs has broadened significantly over the last decade and they play an essential role in almost every aspect of our lives, supporting the needs of various industries such as consumer electronics, information and communications technology, telecommunications, automotive, healthcare and manufacturing. Hence, the semiconductor industry is highly correlated to the growth of the E&E industry as the demand for electronic products reflects the market for its raw materials, namely ICs.

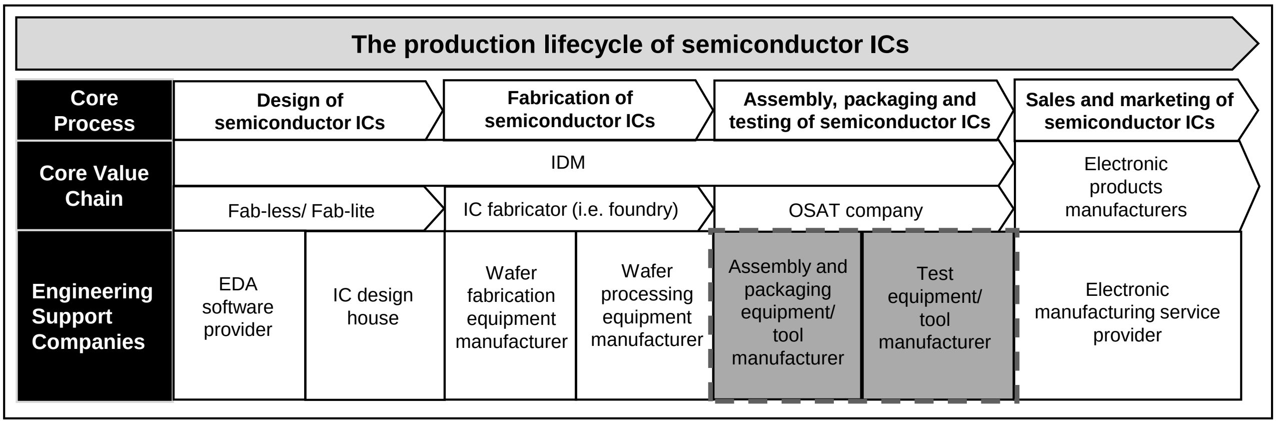
Value chain of the semiconductor industry

The semiconductor industry comprises companies involved in the design, manufacturing, assembly, testing, and sales and marketing of semiconductor chips or semiconductor ICs. In the past, the semiconductor industry comprised primarily of IDMs, which are typically brand owners or intellectual property owners of ICs. These IDMs were vertically integrated, in which its principal activities encompassed the design, fabrication, assembly and testing of ICs. Over the years, rapid technology advancements and product innovation has increased global competition in IC production, leading to the emergence of companies specialised in various segments of the value chain in the semiconductor industry, namely fab-less companies, fab-lite companies, IC fabricators and OSATs.

Presently, there are 5 major types of semiconductor industry players, namely IDMs, fab-less companies (i.e. companies that design ICs and outsource the entire IC fabrication process), fab-lite companies (i.e. companies that design ICs and outsource a significant part of the IC fabrication process), IC fabricators (i.e. foundries) and OSATs in the core value chain of the semiconductor industry. OSATs are industry players that are specialised in the segment of IC assembly and test, whereby the fab-less and fab-lite companies, and sometimes the IDMs, outsource assembly and test activities to the OSATs.

IDMs, fab-less and fab-lite companies, and IC fabricators are generally multinational companies ("MNCs") that have global presence. Some examples of IDMs are Intel Corporation, Samsung Electronics Co Ltd and Infineon Technologies AG; fab-less or fab-lite companies are Qualcomm Technologies Inc, Broadcom Inc, and Nvidia Corporation; and IC fabricators are Taiwan Semiconductor Manufacturing Company Limited, United Microelectronics Corporation and GlobalFoundries Inc. On the other hand, OSATs comprise MNCs such as ASE Technology Holding Co Ltd, Amkor Technology Inc, and JCET Group Co Ltd, as well as local players which may have foreign presence, namely Inari Amertron Berhad, Malaysia Pacific Industries Berhad and Unisem (M) Berhad, amongst others.

The semiconductor industry players are supported by engineering support companies such as electronic design automation ("EDA") software providers, IC design houses, as well as wafer, assembly and test equipment/tools manufacturers to perform all or part of the core processes of IC production. Upon the completion of design, fabrication, assembly and testing of ICs by the semiconductor industry players, ready ICs will be shipped to electronic products manufacturers for use in the manufacturing of electronic products.



Notes:
- denotes the segment within the semiconductor industry value chain in which Edelteq Group is principally involved.
- Companies involved in the value chain may have overlapping principal activities and thus, may have multiple roles in the semiconductor value chain.

Source: SMITH ZANDER

Industry performance, size and growth

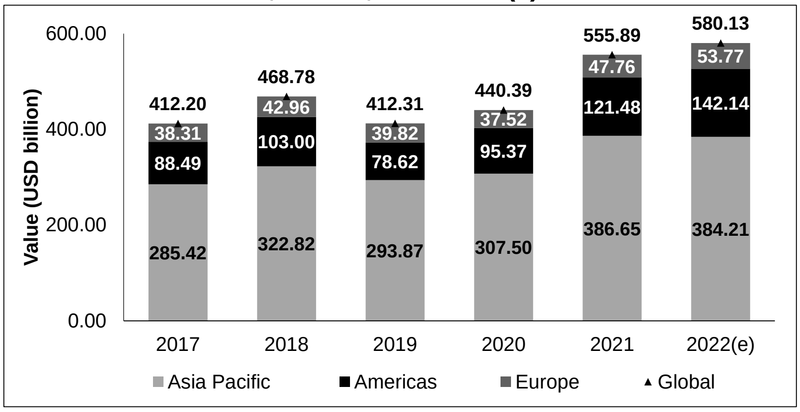
Semiconductor industry

As the growth of the IC assembly and test segment is highly correlated to the growth of the global semiconductor industry, the performance of the global semiconductor industry is one of the parameters used to represent the performance of the IC assembly and test segment. The semiconductor industry grows in tandem with the demand for electronic products, and the growth of the semiconductor industry over the last 2 decades has been primarily driven by continuous demand for mobile devices and other consumer electronic products. Due to the global decline of the semiconductor industry in 2019 and 2020, a 6-year-period data is presented to provide a better representation of the industry performance.

The growth of the semiconductor industry, measured in terms of global semiconductor sales, increased from USD412.2 billion (RM1.77 trillion[1]) in 2017 to an estimated USD580.13 billion (RM2.55 trillion[1]) in 2022, at a compound annual growth rate ("CAGR") of 7.07%.

In 2019, global semiconductor sales decreased by 12.05% year-on-year ("YOY"), from USD468.78 billion (RM1.89 trillion[1]) in 2018 to USD412.31 billion (RM1.71 trillion[1]) mainly resulting from uncertainties arising from the escalation of the United States ("US")-China trade war.

Semiconductor sales, Global, 2017-2022(e)



Sources: World Semiconductor Trade Statistics ("WSTS"), SMITH ZANDER

Nevertheless, driven by continuous technological advancements which have led to the increased usage of semiconductors in various end-user applications, global semiconductor sales recovered by 6.81% YOY to USD440.39 billion (RM1.85 trillion[1]) in 2020. Despite the recovery, global semiconductor sales recorded in 2020 were lower than 2018, resulting from global chip shortages as detailed in the section below. Between 2017 and 2022, Asia Pacific was the largest contributor of global semiconductor sales, contributing an average 69.17% to global semiconductor sales, followed by the Americas (21.75%) and Europe (9.08%). In general, Asia Pacific, the Americas and Europe exhibited similar growth trends between 2017 and 2022, registering CAGRs of 6.13%, 9.94% and 7.02% respectively. WSTS expects global semiconductor sales to decrease from USD580.13 billion (RM2.55 trillion) in 2022 to USD556.57 billion (RM2.45 trillion[1]) in 2023, at a YOY decline of 4.06%, due to oversupply conditions in some semiconductor segments which had resulted from manufacturers increasing production to address the global chip shortage situation as detailed in the section below.

In the Philippines, the semiconductor industry is a major contributor to the country's economy, whereby semiconductor components/devices contributed 47.60% to the country's total exports in 2022. The export of semiconductor components/devices grew from PHP1.04 trillion (RM88.75 billion[2]) in 2017 to PHP1.59 trillion (RM128.41 billion[3]) in 2022 at a CAGR of 8.86%.[4]

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[1] *Exchange rate from USD to RM was converted based on average annual exchange rates of the respective years, extracted from published information from Bank Negara Malaysia ("BNM").*

Year	Exchange rate
2017	*USD1=RM4.3008*
2018	*USD1=RM4.0353*
2019	*USD1=RM4.1427*
2020	*USD1=RM4.2016*
2021	*USD1=RM4.1454*
2022	*USD1=RM4.4005*
2023	*USD1=RM4.4005*

[2] *Exchange rate from PHP to RM in 2017 was converted based on average annual exchange rates in 2017 extracted from published information from Bank Negara Malaysia at PHP100 = RM8.5332.*

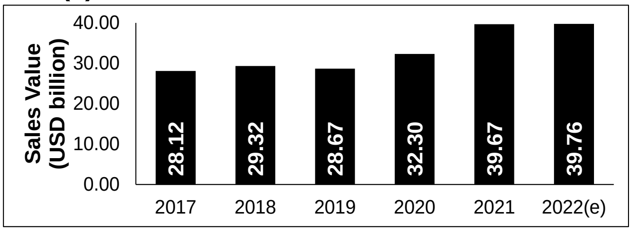
[3] *Exchange rate from PHP to RM in 2022 was converted based on average annual exchange rates in 2022 extracted from published information from Bank Negara Malaysia at PHP100 = RM8.0760.*

[4] *Source: Philippine Statistics Authority.*

IC Assembly and Test segment

In particular, the growth of the IC assembly and test segment which is measured in terms of global IC packaging and testing sales, increased from USD28.12 billion (RM120.94 billion) in 2017 to an estimated USD39.76 billion (RM174.96 billion) in 2022 at a CAGR of 7.17%.

IC Assembly and Test segment, Global, 2017-2022(e)



Sources: Taiwan Semiconductor Industry Association (TSIA), SMITH ZANDER

Global chip shortage

The global chip shortage began in late 2020 when the demand for ICs surpassed its supply. The emergence of the global chip shortage was driven by factors such as increase in cost and global supply chain disruptions within the semiconductor industry, caused primarily by a series of events including the US-China trade war and the COVID-19 pandemic which had caused temporary shutdown of factories in the semiconductor value chain in 2020, all of which contributed to the supply constraints of ICs.

The global chip shortage had then been further exacerbated by a surge in demand for ICs, mainly contributed by a shift towards remote working, virtual learning, home entertainment, online gaming and e-commerce during the pandemic, which had increased the demand for ICs powering computers, laptops, cloud computing and equipment for communications; as well as a faster-than-expected recovery in the demand for automobiles following the lifting of lockdowns from various countries globally. Collectively, the shortfall in production against the surge in demand for ICs had caused supply chain disruptions in many end-user applications such as consumer electronics and automobiles.

Nevertheless, the slower growth for consumer electronics due to anticipation of a global recession attributed to factors such as interest rate hikes and rising inflation, amongst others, could result in lower disposable income of consumers. Starting from the second half of 2022, the global chip shortage situation has turned into oversupply in some semiconductor segments such as in the memory and data centre segments, which is expected to persist in 2023. The weakening demand for consumer electronics may reduce the demand for semiconductors, in turn easing the global chip shortage. In spite of the slowdown in the consumer electronics market, the semiconductor market is expected to continue to be driven by demand from the automotive sector. Automakers who reduced chip orders during the beginning of the pandemic to avoid having excessive inventory are now demanding more ICs as automobiles sales recover. Hence, albeit potentially lower demand for ICs from the consumer electronics market, demand for ICs from the automotive sector is anticipated to continue driving the growth of the semiconductor industry.

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2 THE SEMICONDUCTOR ENGINEERING SUPPORT INDUSTRY

Overview

As different equipment and tools are required at each stage of the semiconductor value chain, semiconductor industry players are supported by engineering support companies that supply equipment and/or tools that are required in the manufacturing of semiconductors. The engineering support companies include, amongst others, industry players that specialise in the production of equipment and/or tools (e.g. wafer manufacturing machines, wafer demounting and cleaning machines, semiconductor moulding systems, die-attach packaging machines, ATE for wafer inspection, ATE for BIB inspection, IC burn-in systems, WLCSP sorting machines, tape and reel machines, IC BIBs and dicing equipment), in which these equipment and tools are generally customised according to customer requirements and budgets; and industry players that produce or supply consumables that are used in IC assembly and test such as dicing blades, CSP carriers, solder wires, solder bars, solder pastes and cleaning chemicals.

Industry performance, size and growth

Edelteq Group is principally involved in the design and assembly of IC BIBs and supply of PCBs; supply and refurbishment of IC assembly and test consumables; design, development and assembly of ATE and factory automation; and trading of operating supplies, spare parts and tools for IC assembly and testing. As such, this section of the report will focus on the following:

i) Manufacturing sales value of PCBs to represent the industry size of IC BIBs and PCBs in Malaysia; and
ii) Manufacturing sales value of specialised machinery and equipment to represent the industry size for the manufacturing of ATEs in Malaysia.

Due to the fragmented nature of the industry segments related to the supply and refurbishment of IC assembly and test consumables; and the trading of operating supplies, spare parts and tools for IC assembly and testing, as well as the wide range of products available in these industry segments, the industry size for these industry segments cannot be determined.

Manufacturing sales value of PCBs, Malaysia, 2017-2022

RM billion	2017	2018	2019	2020	2021	2022
Manufacturing sales value of PCBs*	66.46	74.47	86.54	85.85	105.85	128.54

Note:
- * Figures also include manufacturing sales value of electrical capacitors and resistors and manufacturing sales value of display components.

Source: Department of Statistics Malaysia ("DOSM")

The manufacturing sales value of PCBs in Malaysia increased from RM66.46 billion in 2017 to RM128.54 billion in 2022 at a CAGR of 14.10%.

Manufacturing sales value of specialised machinery and equipment, Malaysia, 2017-2022

RM billion	2017	2018	2019	2020	2021	2022
Manufacturing sales value of specialised machinery and equipment	5.26	6.55	7.57	6.80	6.03	8.32

Sources: DOSM, SMITH ZANDER

Specialised machinery and equipment refer to machinery and equipment that are specially designed and customised for use in specific sectors such as E&E, oil and gas, packaging, agricultural and plastics sectors. Customers of the specialised machinery and equipment industry are generally manufacturers and contract manufacturers providing manufacturing services.

The manufacturing sales value of specialised machinery and equipment is used to represent the industry size for the manufacturing of ATEs as specific data on ATEs is not publicly available. The manufacturing sales value of specialised machinery and equipment in Malaysia increased from RM5.26 billion in 2017 to RM8.32 billion in 2022 at a CAGR of 9.60%.

3 KEY DEMAND DRIVERS, RISKS AND CHALLENGES

Key Demand Drivers

- **Rapid technological advancements in electronic products to drive demand for semiconductors, which in turn drives the IC assembly and test segment**

Technologies used in the semiconductor industry are constantly changing owing to the dynamic business environment and the continuous demand for more sophisticated and high-performance semiconductors. The importance of electronic products in supporting various applications in our daily activities, coupled with rapid technological advancements within the E&E industry, have driven and is also expected to continue to promote, new product advancements in the market as manufacturers need to ensure their products remain competitive and are not obsolete.

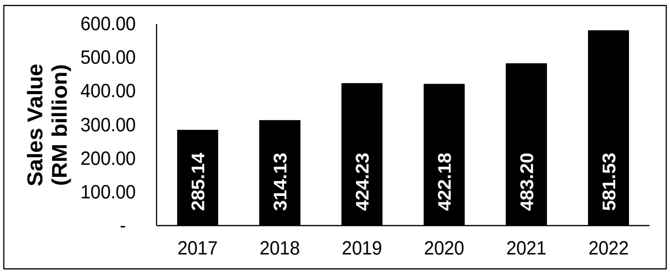
As consumers are highly receptive to new product innovations, this in turn results in relatively shorter product lifecycles for most electronic products. The shorter product lifecycles have led to semiconductor industry players reducing turnaround times for semiconductor manufacturing, by introducing new products quicker. One of the most prevalent trends is the rise of mobile and portable engineering designs which promote convenience. With the increase in demand for mobile and wireless devices, manufacturers are constantly developing new and enhanced versions of electronics and semiconductor components to meet market requirements for smaller and more lightweight but higher performance products. As a result, this is expected to drive the demand for semiconductor devices for the manufacturing of these electronic products, thus driving the IC assembly and test segment.

- **Increasing global demand for E&E supports and increases the demand for semiconductors which drives the IC assembly and test segment**

The growth of the semiconductor industry is highly correlated to the growth in demand for E&E. The global market for E&E grew from USD2.73 trillion (RM11.74 trillion) in 2017 to USD3.44 trillion (RM15.14 trillion) in 2022 at a CAGR of 4.73%.[5]

In Malaysia, the E&E industry measured in terms of manufacturing sales value of E&E, increased from RM285.14 billion in 2017 to RM581.53 billion in 2022 at a CAGR of 15.32%. The outbreak of the COVID-19 pandemic in 2020 had driven the demand for electronic products particularly mobile and wireless devices, arising from the new norm of remote working and online classes. According to DOSM, the percentage of individuals using computers in Malaysia rose from 69.8% in 2017 to 83.5% in 2021.[6]

E&E industry, Malaysia, 2017-2022



Source: DOSM

Notwithstanding the above, the outbreak of the COVID-19 pandemic had resulted in temporary shutdown of factories and reduction in workforce capacity in 2020. As a result, this had impeded the growth of the E&E industry in 2020, which registered a YOY decline of 0.48% to RM422.18 billion. In 2021, the E&E industry recorded a robust recovery, increasing by 14.45% YOY to RM483.20 billion. According to BNM, the longer-term outlook for the Malaysian E&E industry remains supported by strong order books, introduction of new products, and commencement of new plants, which will allow the industry to benefit from continued global demand.

As a supporting industry to the semiconductor industry, the semiconductor equipment industry is sustained by the strong prospects of the electronics and semiconductor industries. In conclusion, the IC assembly and test segment is expected to benefit from the importance of electronic products in multiple industries, and increased sales as a result of rapid technological changes and rising consumer income levels.

- **Increased adoption of Internet of Things ("IoT") to drive the semiconductor industry**

IoT refers to the network of devices and systems that are connected to the Internet to exchange data with one another via a common platform. Through the application of IoT, a device can be transformed into a smart device when multiple devices are connected to a common platform that allows for remote controlling of the

[5] *Source: Japan Electronics and Information Technology Industries Association (JEITA).*
[6] *Source: DOSM.*

device from a web or mobile-based application. Some examples of IoT applications are energy efficiency systems, smart security systems, smart door locks and smart lightings. In order to leverage on the benefits of IoT, these devices are embedded with technology enablers such as ICs to allow for the devices to perform functions such as data transmission, processing and storage, wireless connectivity, operations control, sensing, computing and power management. IoT promotes enhanced user experience, and improves productivity and efficiency of business operations. The increased adoption of IoT is supported by advancements in cloud computing and machine learning, both of which require computing power to operate. This is expected to lead to the increase in demand for semiconductors which will, in turn, drive the IC assembly and test segment.

▶ **Technological advancement of automotive electronics to drive the semiconductor industry**

Technological advancement in the automotive industry is driving the need for more sophisticated and higher performance ICs. Automotive electronics are electronic systems used in vehicles such as engine management, transmission performance, ignition and in-car entertainment systems. Further, technological evolution has led to increasingly advanced autonomous driving technologies that promote better driving experience such as emergency braking assistance, parking assistance, lane-keep assistance, pedestrian detection, automatic headlight adjustment and enhanced safety features, which drives the increasing need for ICs as the technology enabler to perform the required functions. While global vehicle production has been relatively weaker since 2019, and was subsequently affected by the COVID-19 pandemic due to temporary factory shutdowns, it began recovering in 2021. Further, the increasing demand for advanced technology for vehicles will consequently lead to increasing semiconductor content per unit of vehicle manufactured. Hence, this is expected to boost the demand for ICs, thus driving the IC assembly and test segment.

▶ **Government initiatives to drive the E&E and semiconductor industries**

In 2021, the E&E industry in Malaysia recorded total approved investments of RM147.98 billion for 94 approved projects, driven by higher foreign direct investments ("FDI"). The approved investments in the E&E industry contributed to 75.85% of total investments in the manufacturing sector[7]. The increase in approved E&E projects in 2021 had driven the growth of the industry, as well as the demand for semiconductors which in turn drove the IC assembly and test segment. In 2022, total approved investments in the E&E industry stood at RM29.25 billion (i.e. 34.71% of total investments in the manufacturing sector) with 106 approved projects, driven by lower FDI.

Further, the government has set out various initiatives to drive the E&E and semiconductor industries, as follows:

- Through the 12th Malaysia Plan (12MP) 2021 – 2025, the government has highlighted the intention to accelerate the digitalisation process, promote the adoption of advanced technology to achieve a high technology-based economy, and driving the development of several high impact industries, including the E&E industry. The government also encourages the manufacturing of semiconductors by industry players as it plays an important role in the adoption of technologies such as artificial intelligence (AI), IoT, robotics and big data.
- In line with the New Investment Policy ("NIP") introduced in October 2022, the government had identified the E&E, digital economy and pharmaceutical sectors as the target sectors for their first phase of investment transformation. With this, the government had introduced sector-level initiatives which focus on identifying sector specific challenges, proposing targeted reforms and subsequently achieving targeted outcomes for the E&E sector as outlined in the NIP such as expansion into high-value and economically complex activities, extending domestic participation in global value chains, as well as developing new and existing economic clusters. These initiatives are intended to create more investment opportunities within the E&E industry, thus driving the growth of the E&E industry in Malaysia.
- Under the Budget 2023, the government has allocated RM18 million to develop Technology Park Malaysia, Bukit Jalil into an Industrial Revolution 4.0 ("IR4.0") Innovation Hub that will benefit 10,000 potential entrepreneurs. The innovation hub will act as a one-stop centre supporting the innovation ecosystem to develop new technology clusters such as health technology and smart manufacturing. In line with the IR4.0 and the National Policy on Industry 4.0 (Industry4WRD), a fund amounting to RM35 million will also be allocated to incentivise the adoption of technological transformation by small and midsize enterprises

[7] *Source: Malaysian Investment Development Authority (MIDA).*

("SMEs") and midstage companies within the manufacturing and services sector. The government will also provide RM10 billion in loan funds through BNM to encourage the automation and digitisation of SMEs.

- In addition, the Budget 2023 also included initiatives to improve digital connectivity as the government intends to narrow the digital divide in terms of lack of digital infrastructure and services particularly in rural areas. The National Digital Network (JENDELA) initiative will be further intensified to enhance digital connectivity by continuing to fiberise more premises or homes and construct new 4G mobile sites, as well as to expand 5G services in across the country. In this regard, the government will allocate RM700 million under the Budget 2023 to improve digital connectivity in 47 industrial areas and approximately 3,700 schools. The government has also allocated a grant of RM25 million to Tenaga Nasional Berhad for the provision of high-speed broadband facilities in rural areas, and intends to implement infrastructure expenditure worth RM1.3 billion through Digital National Berhad to extend 5G coverage in populated areas.

The abovementioned government initiatives in boosting the E&E industry, driving technological advancements and improving digital connectivity, are expected to spur the demand for semiconductors. As the semiconductor industry in Malaysia grows, it is expected to drive the IC assembly and test segment.

Industry Risks and Challenges

► **The growth of the IC assembly and test segment is reliant on sufficient skilled personnel**

The E&E industry constantly faces rapid advancements of technology, therefore having skilled talent is important for industry players within the IC assembly and test segment. Industry players have to ensure their workforce possesses suitable and relevant competencies in the production of equipment and/or tools that are used to support IC assembly and testing in order to remain competitive in the market. Industry players have to always keep abreast of technology advancements, so that they are able to offer improved products and services timely to cater to their customers' requirements in the fast-changing electronics and semiconductor industries. Employers have to continuously attract and retain suitably equipped talents, such as providing conducive working environments, attractive employee benefits and remunerations, technical training, as well as clear and transparent career development paths. Failure to hire and/or retain talents with suitable skills and capabilities may adversely affect an industry player's abilities to secure new customers and/or to sustain revenue growth, which could lead to challenges in improving their financial performance.

► **Adverse economic conditions may adversely impact the overall semiconductor industry, including the IC assembly and test segment**

The performance of the overall semiconductor industry, including the IC assembly and test segment, can be directly or indirectly impacted by the performance of the general economy. A growing economy leads to increase in disposable income and purchasing power of consumers, as well as spending budgets of businesses, resulting in the rise in demand for electronic products which drives the demand for semiconductors. In contrast, a downturn in the economy could slash purchasing power and spending, leading to a decline in the demand for electronic products. This could cause negative impact on the business performance of semiconductor industry players, including industry players within the IC assembly and test segment. The semiconductor industry has experienced downturns in the past due to decline of the general economy. Any economic crisis that affects the financial well-being of consumers and businesses may cause volatility and uncertainty within the semiconductor industry, in turn affecting the IC assembly and test segment which could adversely impact the performance of industry players.

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4 COMPETITIVE LANDSCAPE OF THE IC ASSEMBLY AND TEST SEGMENT OF THE SEMICONDUCTOR INDUSTRY

Overview

The IC assembly and test segment is global in nature, with customers of the IC assembly and test equipment/tools manufacturers (i.e. IDMs and OSATs) sourcing equipment, tools and supplies globally. The IC assembly and test segment in Malaysia comprises local-based companies and MNCs with presence in Malaysia. Many of these MNCs have local offices to manage the sales of assembly and test equipment/tools and/or offer support services such as training, installation and after-sales service including maintenance, upgrades and trouble-shooting services. Further, some of these MNCs may also have manufacturing facilities established locally in Malaysia. Industry players may specialise in the provision of certain products and services, or may have multiple roles in the semiconductor value chain and offer different range products and services. In the provision of their products and services, industry players may be involved in the manufacturing of the products or may outsource the manufacturing to third party manufacturers.

Edelteq Group is involved in the design and assembly of IC BIBs and supply of PCBs; supply and refurbishment of IC assembly and test consumables; design, development and assembly of ATE and factory automation; and trading of operating supplies, spare parts and tools for IC assembly and testing. Due to the wide range of its offering, Edelteq Group competes with various industry players within the semiconductor value chain. The closest identified key competitors of Edelteq Group for the aforementioned segments are listed below.

Key Industry Players

The identified key industry players include all industry players that were identified by SMITH ZANDER based on sources available, such as the internet, published documents and industry directories. However, there may be companies that do not have online and/or published media presence, or are operating with minimal public advertisement, and hence SMITH ZANDER is unable to state conclusively that the list of industry players identified is exhaustive. In instances where industry players are exempt private companies for the latest available financial year, or industry players with no publicly available financial reports, the industry players are not included in the table as the audited financial statements of the companies are not publicly available.

► **Key industry players in the design and assembly of IC BIBs and supply of PCBs**

The basis for selection of the key industry players is based on the industry player’s involvement in the design, manufacturing and/or assembly of IC BIBs, manufacturing and/or supply of PCBs, and having presence in Malaysia. Due to the niche segment of the design and assembly of IC BIBs and supply of PCBs in Malaysia which Edelteq Group is involved, the key industry players listed below are industry players that can be identified by SMITH ZANDER based on publicly available information.

Company name	Geographical presence	Products and/or services offered	Latest available financial year	Revenue (RM million)	Gross Profit/(Loss) (RM million)	Gross Profit/(Loss) Margin (%)	Profit/(Loss) Before Tax (RM million)	Profit/(Loss) Before Tax Margin (%)
KESP Sdn Bhd (Subsidiary of KESM Industries Berhad)	Malaysia (Penang)	• Provision of semiconductors / Light Emitting Diodes (LED) burn-in and test services • Assembly of PCBs • Provision of electronics manufacturing services	31 July 2022	17.39	10.25	58.94	(4.72)	(27.16)

Company name	Geographical presence	Products and/or services offered	Latest available financial year	Revenue (RM million)	Gross Profit/(Loss) (RM million)	Gross Profit/(Loss) Margin (%)	Profit/(Loss) Before Tax (RM million)	Profit/(Loss) Before Tax Margin (%)
Edelteq Holdings Berhad	Malaysia	• Design and assembly of IC BIBs and supply of PCBs • Supply and refurbishment of IC assembly and test consumables • Design, development and assembly of ATE and factory automation • Trading of operating supplies, spare parts and tools for IC assembly and testing	31 December 2022	24.36 / 12.72[(i)]	11.60 / 5.92[(i)]	47.63 / 46.59[(i)]	6.19	25.42
Trio-Tech (Malaysia) Sdn Bhd	United States, Singapore, Malaysia (Petaling Jaya), China, Thailand	• Manufacture of burn-in systems, BIBs, ATE for BIB inspection, as well as ATEs and chambers for other test purposes • Provision of burn in services • Manufacturing and assembly of PCBs • Provision of reliability testing services as well as other semiconductor and E&E related services	30 June 2022	21.48	4.28	19.93	(0.71)	(3.31)
EDA Malaysia Industries Sdn Bhd (Subsidiary of EDA Industries Group S.p.A.)	Italy, Singapore, Philippines, China, Malaysia (Johor), Morocco, Thailand, Vietnam, India	• Design and manufacture of BIBs • Design and manufacture of burn-in and environmental stress chambers, test equipment and automation • Provision of wafer level burn-in services • Supply of test electronics for burn-in system and other semiconductor related products and services	31 December 2021	8.82	2.21	25.06	0.20	2.27
JAC Engineering Sdn Bhd	Malaysia (Selangor)	• Design and/or fabrication of BIBs and PCBs • Assembly of PCBs • Electronics and radio-frequency identification ("RFID") product design services • Provision of manufacturing and test services for electronics and RFID products	31 May 2022	4.06	0.82	20.20	0.03	0.74

Company name	Geographical presence	Products and/or services offered	Latest available financial year	Revenue (RM million)	Gross Profit/(Loss) (RM million)	Gross Profit/(Loss) Margin (%)	Profit/(Loss) Before Tax (RM million)	Profit/(Loss) Before Tax Margin (%)
		• Provision of mechanical design, plastic mold injection and metal stamping services						
CEPCO Integration Sdn Bhd	Malaysia (Penang)	• Design of BIBs • Supply of PCBs and semiconductor related products and materials	N/A	N/A	N/A	N/A	N/A	N/A

Notes:
(i) Segmental revenue, gross profit and gross profit margin of Edelteq Holdings Berhad for the design and assembly of IC BIBs and supply of PCBs segment.
(ii) N/A – Not available. Information is not publicly available.

Sources: Edelteq Group, various company websites, Companies Commission of Malaysia, SMITH ZANDER

- **Key industry players in the supply and refurbishment of IC assembly and test consumables**

Due to the fragmented nature of the segment related to the supply and refurbishment of IC assembly and test consumables, and the wide range of products available, SMITH ZANDER is unable to identify suitable industry players for comparison. Nonetheless, SMITH ZANDER has identified a public listed company that is involved in the supply and/or refurbishment of IC assembly and test consumables, namely Foundpac Group Berhad. Products and services of Foundpac Group Berhad include design, development and manufacturing of test consumables, supply of custom fabrication parts, as well as manufacturing of laser stencils and industrial equipment and machinery. Foundpac Group Berhad recorded a revenue of RM71.03 million in the financial year ending 30 June 2022. Edelteq Holdings Berhad recorded a group revenue of RM24.36 million and a segmental revenue of RM4.74 million for the supply and refurbishment of IC assembly and test consumables segment in the financial year ending 31 December 2022.

- **Key industry players in the design, development and assembly of ATE and factory automation**

The basis for selection of the key industry players is based on the industry player's involvement in the design, development and assembly of ATE and/or factory automation, and having presence in Malaysia. Due to the fragmented nature of the design, development and assembly of ATE and factory automation segment where industry players may be involved in offering different range of ATE, the key industry players listed below are the closest identified industry players based on the similarity of product offering with Edelteq Group.

Company name	Geographical presence	Products and/or services offered	Latest available financial year	Revenue (RM million)	Gross Profit (RM million)	Gross Profit Margin (%)	Profit Before Tax (RM million)	Profit Before Tax Margin (%)
ViTrox Corporation Berhad	Malaysia (Penang), China, Germany, USA	• Design and manufacturing of ATEs, vision inspection systems and handling equipment • Provision of Industry 4.0 manufacturing intelligence solutions	31 December 2021	680.12	423.30	62.24	178.19	26.20
Pentamaster Corporaion Berhad	Malaysia (Penang), Cayman Islands, China,	• Design, development and manufacturing of ATEs, factory automation systems and other handling equipment	31 December 2021	508.39	152.60	30.02	119.47	23.50

Company name	Geographical presence	Products and/or services offered	Latest available financial year	Revenue (RM million)	Gross Profit (RM million)	Gross Profit Margin (%)	Profit Before Tax (RM million)	Profit Before Tax Margin (%)
	Singapore, Japan, USA	• Provision of factory/warehouse automation solutions and medical automation solutions						
Greatech Technology Berhad	Malaysia (Penang), China, USA, Philippines	• Design and manufacture of ATEs as well as production line systems • Provision of equipment parts and components and engineering services.	31 December 2022	546.21	163.42	29.92	127.90	23.42
Mi Technovation Berhad	Malaysia (Penang), Korea, Taiwan, China, USA, Singapore	• Design, development and manufacturing of ATEs, handling equipment and precision bonding machines • Manufacture of semiconductor related materials	31 December 2021	375.48	196.93	52.45	63.51	16.91
QES Group Berhad	Malaysia (Selangor), Thailand, Hong Kong, Vietnam, Philippines, Singapore, Indonesia	• Manufacturing of ATEs and handling equipment • Distribution of analytical instruments, inspection and measurement equipment, semiconductor related products, and equipment parts and components	31 December 2021	222.84	51.62	23.16	25.39	11.39
Aemulus Holdings Berhad	Malaysia (Penang), China	• Design and development of ATEs as well as test and measurement instruments	30 September 2022	73.04	36.50	49.97	12.46	17.06
VisDynamics Holdings Berhad	Malaysia (Melaka)	• Design, development, assembly and installation of ATEs and handling equipment	31 October 2022	51.08	33.72	66.00	16.40	32.11
MMS Ventures Berhad	Malaysia (Penang)	• Manufacturing of ATEs and handling equipment • Development of software (e.g. LED tester software)	31 December 2022	52.87	18.10	34.23	9.80	18.54
Edelteq Holdings Berhad	Malaysia	• Design and assembly of IC BIBs and supply of PCBs	31 December 2022	24.36 / 6.02[(i)]	11.60 / 1.88[(i)]	47.63 / 31.25[(i)]	6.19	25.42

Company name	Geographical presence	Products and/or services offered	Latest available financial year	Revenue (RM million)	Gross Profit (RM million)	Gross Profit Margin (%)	Profit Before Tax (RM million)	Profit Before Tax Margin (%)
		• Supply and refurbishment of IC assembly and test consumables • Design, development and assembly of ATE and factory automation • Trading of operating supplies, spare parts and tools for IC assembly and testing						

Note:

(i) Segmental revenue, gross profit and gross profit margin of Edelteq Holdings Berhad for the design, development and assembly of ATE and factory automation segment.

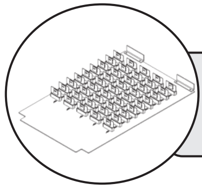
Sources: Edelteq Group, various company websites, SMITH ZANDER

▶ **Key industry players in the trading of operating supplies, spare parts and tools for IC assembly and testing**

Due to the fragmented nature of the segment related to the trading of operating supplies, spare parts and tools for IC assembly and testing, and the wide range of products available, SMITH ZANDER is unable to identify suitable industry players for comparison.

Market Share

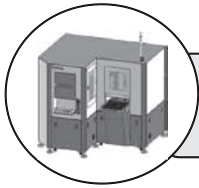
Design and assembly of IC BIBs and supply of PCBs



Market share
0.0099%

Edelteq Group captured a market share of 0.0099% in Malaysia, computed based on its segmental revenue derived from design and assembly of IC BIBs and supply of PCBs of RM12.72 million in the FYE 2022 against the manufacturing sales value of PCBs of RM128.54 billion in Malaysia in 2022.

Design, development and assembly of ATE and factory automation



Market share
0.072%

Edelteq Group captured a market share of 0.072% in Malaysia, computed based on its segmental revenue derived from design, development and assembly of ATE and factory automation of RM6.02 million in the FYE 2022 against the manufacturing sales value of specialised machinery and equipment of RM8.32 billion in Malaysia in 2022.

Due to the fragmented nature of the segments related to the supply and refurbishment of IC assembly and test consumables; and the trading of operating supplies, spare parts and tools for IC assembly and testing, as well as the wide range of products available in the industry, the market share of Edelteq Group for these segments cannot be computed as the industry size cannot be determined.

5 PROSPECTS AND OUTLOOK

The growth of the semiconductor industry, measured in terms of global semiconductor sales, increased from USD412.2 billion (RM1.77 trillion) in 2017 to an estimated USD580.13 billion (RM2.55 trillion) in 2022, at a CAGR of 7.07%. In 2019, global semiconductor sales decreased by 12.05% YOY, from USD468.78 billion (RM1.89 trillion) in 2018 to USD412.31 billion (RM1.71 trillion) mainly resulting from uncertainties arising from the escalation of the US-China trade war. Nevertheless, driven by continuous technological advancements which have led to the increased usage of semiconductors in various end-user applications, global semiconductor sales recovered by 6.81% YOY to USD440.39 billion (RM1.85 trillion) in 2020. Despite the recovery, global semiconductor sales recorded in 2020 were lower than 2018, resulting from global chip shortages. WSTS expects global semiconductor sales to decrease from USD580.13 billion (RM2.55 trillion) in 2022 to USD556.57 billion (RM2.45 trillion) in 2023, at a YOY decline of 4.06%, due to oversupply conditions in some semiconductor segments which had resulted from manufacturers increasing production to address the global chip shortage situation. The future outlook of the semiconductor industry is expected to be driven by rapid technological advancements in electronic products, increasing global demand for E&E, increased adoption of IoT, technological advancement of automotive electronics and Government initiatives.

As different equipment and tools are required at each stage of the semiconductor value chain, semiconductor industry players are supported by engineering support companies that supply equipment and/or tools that are required in the manufacturing of semiconductors. The manufacturing sales value of PCBs, which is used to represent the industry size of IC BIBs and PCBs in Malaysia, increased from RM66.46 billion in 2017 to RM128.54 billion in 2022 at a CAGR of 14.10%. The manufacturing sales value of specialised machinery and equipment, which is used to represent the industry size for the manufacturing of ATEs in Malaysia, increased from RM5.26 billion in 2017 to RM8.32 billion in 2022 at a CAGR of 9.60%. Due to the fragmented nature of the industry segments related to the supply and refurbishment of IC assembly and test consumables; and the trading of operating supplies, spare parts and tools for IC assembly and testing, as well as the wide range of products available in these industry segments, the industry size for these industry segments cannot be determined. The future outlook of the semiconductor engineering support industry is expected to grow in tandem with the growth of the semiconductor industry, and will similarly be driven by rapid technological advancements in electronic products, increasing global demand for E&E, increased adoption of IoT, technological advancement of automotive electronics and Government initiatives.

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9. RISK FACTORS

Before investing in our Shares, you should pay particular attention to the fact that we and to a large extent, our business and operations are subject to the legal, regulatory and business environments in the regions where we operate. Our operations are also subject to a number of factors, many of which are outside our control. Before making an investment decision, you should carefully consider, along with the other matters in this Prospectus, the risks and investment considerations set out below.

9.1 RISKS RELATING TO OUR BUSINESS AND OUR OPERATIONS

9.1.1 We are dependent on our top 2 major customers who contribute substantially to our revenue

We are dependent on our top 2 major customers, namely Infineon Technologies (Malaysia) Sdn Bhd and Customer A as these top 2 major customers collectively contributed 57.19%, 69.77%, 61.05% and 55.62% to our total revenue for the Financial Years Under Review, respectively. The breakdown of revenue contribution by our top 5 major customers are as set out in Section 7.6 of this Prospectus. Infineon Technologies (Malaysia) Sdn Bhd and Customer A have been our customers for the past 6 years and 10 years, respectively.

Any delay in the receipt of orders, or decrease in the value of orders, from our major customers could have an adverse effect on our financial performance. Further, there is no assurance that our existing major customers will continue to purchase our products in the future or that demand from them will be sustained at current levels in the future. Any loss of these major customers and our inability to replace these customers with new customers or with additional orders from existing customers in a timely manner, could result in a loss of revenue and will have an adverse impact on our Group's financial performance.

Our ability to continue securing sales from our major customers are dependent on several factors including, among others, our ability to meet these customers' specification and requirements, competitive pricing, timely delivery of products, as well as continued customer service. Nonetheless, in the event that we are able to secure new customers, there is no assurance that we will be able to achieve the same level of sales value and maintain and / or improve our profit margins. If such adverse events occur, our financial performance will be adversely affected.

9.1.2 We are dependent on our key management team and the availability of technical professionals for continued success and growth of our business

We attribute our continuous success to the abilities, skills, experience, competency and efforts of our key management team. We are dependent on our key management team who possess the relevant knowledge on their respective fields of work to ensure the smooth operations of our business as well as the continued growth of our Group.

We depend particularly on the leadership of our Executive Director / Group CEO, Chin Yong Keong and our Executive Director / Business Unit Director, Khong Chee Seong, in determining the strategic direction and driving the business development and growth of our Group. Additionally, we also rely on our Electronics Manufacturing Solution Business Unit Director, Chin Yuen Fong and our Engineering Director, Lee Kim Loon, for their respective expertise and technical knowledge which are essential to our business operations. Please refer to Sections 5.1.2 and 5.4.2 of this Prospectus for further details on their profiles.

We recognise that our Group's continuing success and future growth depend significantly on the capabilities and efforts of our key management team. Therefore, the loss of any of our key management personnel simultaneously or within a short period of time may create unfavourable impact on our Group's operations and the future growth of our business. If we are unable to attract suitable talents to replace the loss of any of our key management personnel in a timely manner, this may eventually affect the results of operations, financial performance and prospects of our Group.

9. RISK FACTORS (CONT'D)

Further, our Group is also dependent on the availability of technical professionals for our main business activities, namely design and assembly of IC burn-in boards and supply of PCBs, supply and refurbishment of IC assembly and test consumables, and design, development and assembly of ATE and factory automation which require specialised skills.

The availability of technical professionals in our Group will enable us to continuously develop IC burn-in boards, PCBs, IC assembly and test consumables, ATE and factory automation in accordance with the development of new technologies and industry demands. As at the LPD, we have 16 engineers, as set out in Section 7.15 of this Prospectus, out of which 11 engineers have the relevant qualifications and 5 engineers have the relevant technical capabilities accruing from their experience in the industry, enabling us to meet our customers' operational requirements. The loss of any of our Group's technical professionals simultaneously or within a short span of time without any suitable and timely replacements, and our inability to attract or retain qualified and competent technical professionals, may adversely affect our ability to compete and grow in the industry we operate in. In view of this, our Group has been monitoring the employee attrition rate and the employee attrition rate of our Group for the Financial Years Under Review is set out as below:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	%	%	%	%
Attrition rate(1)	6.45	10.81	11.90	10.00

Note:

(1) Computed based on the number of employees resigned during the financial year over the total number of employees as at the end of each financial year.

While we have not experienced any major disruptions to our operations due to shortage of technical professionals in the Financial Years Under Review, there is no assurance that we will be able to continue recruiting and developing adequate number of qualified technical professionals in a timely manner and that we will be able to retain sufficient number of qualified technical professionals to support the continued growth of our Group.

9.1.3 Our financial performance may be materially affected in the event of revocation or expiry of the pioneer status granted by MIDA

For information purposes, the application for pioneer status with MIDA generally involves 2 stages, i.e. (i) pioneer status approval and (ii) pioneer status certification. Upon procuring the pioneer status approval from MIDA (stage 1), there are certain criteria to be met by the applicant prior to the submission of the application for pioneer status certificate (stage 2). An applicant will only be entitled for the tax incentives upon the receipt of pioneer status certificate.

For the avoidance of doubt, ETSB was granted with Pioneer Status Certificates and entitled for the tax incentives. EVSB was granted with Pioneer Status Approval but is in the midst of applying for pioneer status certification and is not entitled for any tax incentives. Please refer to Section 7.24.1 of this Prospectus for further information on the pioneer status granted by MIDA.

Our subsidiary, ETSB acquired pioneer status from MIDA to carry out the activity of design, development and manufacturing of stainless-steel carrier for wafer chip scale packaging in 2020, as well for the manufacturing of chip aging test board (also known as IC burn-in-board) in 2021, which entitles us with pioneer status incentives under the Promotion of Investments Act, 1986 (Amendment). With the pioneer status incentives, the profit derived from chip aging test board and stainless-steel carrier for wafer chip scale packaging is exempted from taxation, at a statutory tax rate of 24.00%, for a total relief period of 5 years, from 1 January 2020 to 31 December 2024.

9. RISK FACTORS (CONT'D)

For the avoidance of doubt, during the Financial Years Under Review, ETSB was entitled to RM524,996, RM1,535,045 and RM1,536,174 of tax incentives for FYE 2020, FYE 2021 and FYE 2022, respectively for the production of stainless-steel carrier for wafer chip scale packaging and chip aging test board (also known as IC burn-in board).

For illustration purposes, the comparison on the PAT of our Group for the Financial Years Under Review based on the scenario of with and without tax incentives enjoyed by ETSB for FYE 2020, FYE 2021 and FYE 2022 are set out below:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	**RM'000**	**RM'000**	**RM'000**
With tax incentives for FYE 2020, 2021 and 2022				
PBT	**773**	**4,512**	**9,778**	**6,192**
Taxation	(221)	(527)	(767)	(753)
PAT	**552**	**3,985**	**9,011**	**5,439**
Without tax incentives for FYE 2020, 2021 and 2022				
PBT	**773**	**4,512**	**9,778**	**6,192**
Taxation	(221)	(1,052)	(2,302)	(2,289)
PAT	**552**	**3,460**	**7,476**	**3,903**

Accordingly, as disclosed above, ETSB had only enjoyed tax incentives amounting to RM524,996 in FYE 2020 (for a period of 5 months commencing July 2020), RM1,535,045 in FYE 2021 and RM1,536,174 in FYE 2022.

In addition, our subsidiary, EVSB also received Pioneer Status Approval by MIDA in 2019 for reel auto changer and cassette loader, automated inspection machine, parts and components for semiconductor machines and factory automation system, which entitles us with pioneer status incentives under the Promotion of Investments Act, 1986 (Amendment). With the pioneer status incentives, the profit derived from reel auto changer and cassette loader, automated inspection machine, parts and components for semiconductor machines and factory automation system is exempted from taxation, at a statutory tax rate of 24.00%, for a total relief period of 5 years. As at the LPD, EVSB has yet to obtain the pioneer status certificate from MIDA and has never claimed any tax incentives for these productions.

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9. RISK FACTORS (CONT'D)

For clarification purpose, the revenue contribution of each of the segment under pioneer activities is set out as below:

	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	**% to total revenue**	**RM'000**	**% to total revenue**	**RM'000**	**% to total revenue**	**RM'000**	**% to total revenue**
Wafer chip scale packaging[(1)]	516	4.17	4,159	24.93	5,199	21.71	3,240	13.30
Chip aging test board[(2)]	-	-	434	2.60	8,485	35.43	10,027	41.16
Reel auto changer and cassette loader, automated inspection machine, parts and components for semiconductor machines and factory automation system[(3)]	145	1.17	1,090	6.53	3,923	16.38	5,050	20.73
Total revenue	**12,374**	**100.00**	**16,685**	**100.00**	**23,950**	**100.00**	**24,360**	**100.00**

Notes:

(1) Revenue generated by ETSB only and claimed for tax incentives from FYE 2020 onwards.

(2) Revenue generated by ETSB only and claimed for tax incentives from FYE 2021 onwards.

(3) Revenue generated by EVSB only and did not claim for tax incentives during the Financial Years Under Review as EVSB has yet to obtain the pioneer status certificate from MIDA.

Pursuant to the conditions of the Pioneer Status Certificates and Pioneer Status Approval, upon the completion of the Listing, ETSB and EVSB will not be entitled to the tax incentives.

Further, the loss of pioneer status granted by MIDA to ETSB will directly affect our financial performance as our Group's income will be subject to the prevailing statutory tax rate. Please refer to Section 7.24.1 of this Prospectus for further details on the pioneer status granted by MIDA.

9.1.4 Our business operations are exposed to unexpected interruptions or delays caused by equipment failures, fire, natural disasters, force majeure events and outbreak of diseases, which may be beyond our control

We rely on machinery and equipment to carry out our business activities. These machinery and equipment may, on occasion, be out of service due to unanticipated failures or damages sustained during operations. Our business is also subject to loss due to fire, that are beyond our control, which may cause damage or destruction of all or part of our factory and machinery and equipment, resulting in interruptions to, or prolonged suspension of, our operations.

Further, our business operations may be affected by the occurrence of unexpected power failure, and adverse weather conditions or natural disasters such as floods or storms, which may lead to interruptions to the operations at our factory and / or damages to our machinery and equipment. We maintain insurance at levels that are customary in our industry to protect against various losses and liabilities such as fire, flood, burglary and public liability insurance arising from our business operations. In addition, any occurrence of force majeure events such as war, strikes and riots may prohibit us from performing our operations. The occurrence of these unexpected events may affect our ability to meet the agreed upon delivery schedule to our customers.

Our business operations may also be affected by the outbreak of diseases such as the COVID-19 pandemic. Details on the interruptions to our business operations arising from the COVID-19 pandemic are as set out in Section 7.17 of this Prospectus. Any implementation or tightening of movement restriction arising from the outbreak of diseases which results in the suspension of operations and / or reduction of workforce may affect our business operations. Further, any delays in our delivery schedules and procurement activities may adversely impact our ability to fulfil orders in a timely manner, and subsequently affecting our revenue recognition.

In the event that we have to halt our operations due to the abovementioned incidences, we will still be required to incur operating expenses such as labour costs, utility costs and rental expenses. Our Group's operations and financial performance may be adversely affected should the interruptions occur for a prolonged period of time. As such, there is no assurance that we will be able to record profits and have sufficient funds for our operations to recover from the damages caused by such events. Save for the temporary disruption to our business operations arising from the COVID-19 pandemic as detailed in Section 7.17 of this Prospectus, we have not experienced any major interruptions to our business operations caused by unexpected equipment failures, fire, natural disasters and force majeure that have adversely affected our business operations and / or financial performance in the Financial Years Under Review and up to the LPD. Notwithstanding that, there is no assurance that we will not encounter such events and our business operations and / or financial performance will not be adversely affected should such events occur in the future.

9.1.5 We rely on subcontractors for the fabrication of PCBs, internal precision parts and sheet metal works

Our Group offers IC burn-in boards, PCBs, IC assembly and test consumables, ATE and factory automation and we are involved in the design, development and assembly of these products. We outsource the fabrication of PCBs, internal precision parts and metal structure of the ATE and factory automation equipment, as well as source for surface finishing services and electrical wiring works from our subcontractors.

We maintain a list of approved subcontractors for the fabrication of PCBs, internal precision parts and sheet metal works. As at the LPD, there are 8 approved subcontractors for the fabrication of PCBs, 13 approved subcontractors for internal precision parts, and 5 approved subcontractors for sheet metal works. The onboarding requirement and assessment prior to engaging the subcontractors is carried out based on our evaluation of, inter alia, their core expertise, company profiles, past completed jobs, competitiveness in terms of quotations and prototypes (if product qualification test is required). An annual assessment will be conducted on the list of approved subcontractors to ensure the quality, reliability and price competitiveness of their products and services. From time to time, we will also source for new vendors to be added to our list of approved subcontractors.

In general, we are dependent on our subcontractors as we have to adhere to our delivery schedule. Our Group's subcontractor costs were recorded at RM7.08 million, RM6.94 million, RM6.04 million and RM5.61 million, which contributed 81.25%, 72.75%, 52.96% and 44.00% respectively to our total cost of sales for the Financial Years Under Review. Any delay on our subcontractor's part may affect the timely delivery of products to our customers which may in turn have an adverse impact on our Group's reputation.

Further, as we are accountable to our customers on the quality of our products, our Group will oversee / monitor the subcontracted works and the procurement of supplies by our subcontractors during the course of carrying out the subcontracted works. In the event that the products manufactured by our subcontractors do not meet the quality requirement of our customers, our Group will be held accountable by our customers which may include cost incurred to rectify the issues. There was no rectification cost incurred by our Group for the Financial Years Under Review and up to the LPD.

Notwithstanding the business relationships with our subcontractors, there are no formal agreements or contracts signed with these subcontractors, and engagements with our subcontractors are based on purchase orders. In the event where our existing subcontractors are not able to accept our purchase orders, we will need to engage new subcontractors to carry out the required services. Any unsuccessful attempt to engage new subcontractors for the fabrication, surface finishing and electrical wiring works may result in delays in product deliveries, which will consequently affect our industry reputation. In addition, we may experience cost overruns due to having to engage new subcontractors at higher cost, which may have material adverse impact on our profitability. Further, should our subcontractors face any disruptions in their business operations resulting in delays in the fabrication of our products or in completing the provision of surface finishing services and electrical wiring works, it may subsequently cause a delay in our delivery schedules.

In the Financial Years Under Review, we have not experienced any major disruptions to our business operations as a result of our dependence on subcontractors. Nevertheless, there is no assurance that we will always be able to procure such services in a timely manner, or that our financial performance and business operations will not be adversely affected due to the need to change subcontractors. There is also no assurance that there will not be any delays in the delivery of our products caused by prolonged unexpected delays by our subcontractors in completing the fabrication works outsourced by our Group.

9.1.6 We do not have long-term contracts with our customers

Our Group has not historically entered into and presently does not have any long-term contracts with our customers. The lack of long-term contracts with our customers is in line with the dynamics of IC assembly and test within the semiconductor industry, which is subject to rapid technological changes, and thus frequent changes of product specifications. Therefore, our customers purchase our products by way of purchase orders.

The absence of long-term contracts may result in the fluctuation of our Group's sales and result in uncertainties on our overall financial performance. While our Group continuously seeks to maintain and strengthen existing business relationships and establish relationships with new customers to expand our customer base, any adverse economic conditions, or slowdowns in the semiconductor industry, may negatively impact our sales, which will subsequently result in a decline in our financial performance.

9.1.7 We may be adversely affected by product defects, and it may lead to negative perception towards our products or our Group

The products that we offer primarily include IC burn-in boards, PCBs, IC assembly and test consumables, ATE and factory automation. While measures to prevent the occurrence of product defects and malfunction incidents have been taken, there can be no assurance that our products will not have any defects or malfunction that may lead to disruption of our customers' operations.

9. RISK FACTORS (CONT'D)

For ATE and factory automation, we provide our customers with a warranty period of up to 2 years. The warranty covers up to 2 times maintenance services and replacement of non-wear and tear defective parts and components of the ATE and factory automation equipment. Hence, we are obligated to ensure that our ATE and factory automation are functioning as per the design and customer specifications before they are delivered to our customers. Failure to do so could result in losses from repair or replacement costs which may affect our financial performance.

Further, frequent occurrence of defects could result in the loss of our customers' confidence towards our products and may lead to loss of sales from existing customers. It may also damage our industry reputation which may result in negative perception towards the credibility of our Group. An adverse reputation or negative perception towards the quality of our products, or our Group in general, could result in substantially lower demand for our products which, in turn, could have an adverse effect on our financial position, results of operations and prospects.

In the Financial Years Under Review, there was no warranty cost incurred by us, and there was no incidence where our customers returned defective products to us. Nevertheless, there is no assurance that we would not experience any warranty claims or negative publicity which may materially affect our Group's business and financial performance in the future.

9.1.8 Our future growth depends on our ability to execute our business strategies and future plans

Our business strategies and future plans are as follows:

(i) we intend to expand our premises through the construction of the Proposed Batu Kawan Factory;

(ii) we intend to expand our product and service portfolio through the development of new products and refurbishment methods; and

(iii) we intend to enhance our factory automation solutions.

Please refer to Section 7.4 of this Prospectus for further information on our business strategies and future plans.

The implementation of these business strategies and future plans involves capital expenditure as well as other operating expenses such as depreciation charges, machinery and equipment maintenance costs and staff costs. The feasibility and implementation of such business strategies and future plans will also depend on, among others, favourable economic conditions and the timing of execution.

Our financial performance will be adversely affected if we are not able to secure sufficient orders from existing and / or new customers following the implementation of the above business strategies and future plans due to the additional costs incurred. Further, there is no assurance that the demand for our products and services will match our enlarged capacity on an immediate basis.

As such, there is no assurance that the execution of our business strategies and future plans will be successful, nor will we be able to anticipate all the risks and uncertainties that may arise during the implementation of these business strategies and future plans, which may materially affect the business operations and financial performance of our Group.

9.1.9 We are exposed to the risk of infringement by third parties on our intellectual property rights as well as infringement on third parties' intellectual property rights

Our Group relies on a combination of trademark, patent and common law copyright protection to establish and protect our intellectual property. We are in the process of registering our trademark and patent with the Intellectual Property Corporation of Malaysia. For further details please refer to Section 7.23 of this Prospectus. However, there can be no assurance that our intellectual property rights will adequately protect our Group against any external infringement of our intellectual property rights by third parties. Further, any third party may also challenge our Group’s intellectual property rights and there is no assurance that such incidents will be resolved in our favour. In the event that we are unsuccessful in pursuing any action against third party infringers, we may suffer financial losses arising from litigation costs incurred.

As at the LPD, our Group has not entered into any agreement or arrangement with any third party relating to the right or licence to use the third party’s intellectual property rights in providing our services and products. Nonetheless, our Group may unintentionally infringe intellectual property rights of third parties and may be sued for such infringements. While we have not been subjected to any intellectual property claims in the Financial Years Under Review and up to the LPD, there is no assurance that we may not unintentionally infringe intellectual property rights of third parties. Any future litigation regarding patents or other intellectual property infringements could be detrimental to our business operations and reputation, in addition to the cost and time that may be incurred in defending such law suits. If our Group loses a claim, we may also be prevented from selling our products which have infringed the third party’s intellectual property rights, be requested to pay royalty fees or licensing fees, as well as compensate the owner of the intellectual property rights against any damages and / or losses suffered.

9.1.10 We are subject to foreign exchange fluctuation risks which may impact the profitability of our Group

Some of our supplies such as PCBs, internal precision parts, connectors and sockets are sourced from overseas and are mainly denominated in USD.

For the Financial Years Under Review, our purchase of supplies is as follows:

Purchases in:	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RM	4,321	61.96	5,294	61.17	4,229	40.27	4,407	32.48
USD	2,653	38.04	3,237	37.40	6,213	59.17	9,014	66.43
Others	-	-	124	1.43	59	0.56	148	1.09

In the FYE 2022, our purchases of supplies from our overseas suppliers amounted to RM9.16 million. For illustration, assuming the fluctuation of RM against the currencies such as USD is 5.00% and such foreign exchange fluctuations is not passed on to customers by way of selling price changes, this will result in an increase or decrease in our GP for the FYE 2022 by RM0.46 million, depending on the direction of the foreign exchange movement between RM and USD.

Further, 4.24%, 5.42%, 20.68% and 22.13% of our total revenue were denominated in USD for the Financial Years Under Review, respectively. In the FYE 2022, our sales denominated in USD amounted to RM5.39 million. For illustration, assuming the fluctuation of RM against the USD is 5.00%, this will result in an increase or decrease in our GP for the FYE 2022 by RM0.27 million, depending on the direction of the foreign exchange movement between RM and USD.

Our Group does not hedge our exposure to fluctuations in foreign currency exchange rates. As at the LPD, we have not entered into any foreign exchange contracts. As such, we are subject to foreign exchange fluctuation risk for the purchase of our supplies and revenue from our foreign sales. A depreciation of the RM against the USD will lead to higher costs of supplies for our Group. In the event that we are unable to pass the increase in cost to our customers in a timely manner, our financial performances may be adversely affected due to the reduced GP margin from higher cost of supplies.

9.1.11 Our insurance coverage may not be adequate to cover all losses or liabilities that may arise in connection with our operations

We maintain insurance at levels that are customary in our industry to protect against various losses and liabilities such as fire, flood, burglary and public liability insurance arising from our business operations, and group hospitalisation and surgical insurance policy for our employees. However, our insurance may not be adequate to cover all losses and liabilities that may be incurred in the course of our operations. For instance, while we are insured against losses resulting from fire, we do not maintain insurance against losses due to other forms of natural disasters (i.e. earthquakes and subsidence) at our manufacturing facilities. During the Financial Years Under Review and up to the LPD, we have not made any material claims against our insurance policies.

Moreover, we will be subject to the risk that, in the future, we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our business operations and financial performance.

9.2 RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

9.2.1 We are dependent on the semiconductor industry and we face changes and uncertainties in the end-user industries for semiconductor

Our Group is principally involved in the provision of engineering support for IC assembly and test processes, and our customers are mainly IDMs and OSATs which are the semiconductor industry stakeholders. As such we are dependent on the semiconductor industry as our main source of revenue. The semiconductor industry, which includes IC manufacturing, is driven by the growth and changes in its end-user industries, such as the electrical and electronics industry and automotive industry. The market for electronic products is inextricably linked to the continuing evolution in technology and evolving industry standards. In addition, semiconductor manufacturers continuously demand for more sophisticated technology and comprehensive functionality of products to cater to their manufacturing needs, in order to meet the expectations from the end-user industries.

It is imperative that our Group keeps abreast with the latest technology and responds to the market trends and development through the adoption, customisation and integration of new technology in a timely and cost-effective manner. As such, we stand the risk of our existing customers switching to other competitors if we are unable to keep up with the change in technology and market demand, which may adversely affect the financial performance of our Group. While our Group has not encountered incidents where the technology used for our products are obsolete and are not demanded by customers, there is no assurance that such incidents will not occur in the future if we fail to adapt our technology in a timely manner due to factors that are beyond our control such as high investment or operating cost, and our ability to retain and attract suitable talents with the relevant expertise and capability to keep up with any new technology requirements.

9.2.2 We are subject to risk relating to the economic, political and / or legal environment in the markets in which we operate

Notwithstanding that we principally operate in Malaysia, we derive an increasing portion of our revenue from overseas sales to various countries including Singapore, China, United States and Thailand. In the Financial Years Under Review, our overseas sales accounted for 4.24%, 2.87%, 20.68% and 22.39% of our total revenue respectively.

As we continue to expand our business, our financial performance and results of operations are expected to be affected by the economic, political and / or legal conditions in the countries where we transact business or have interests, making us increasingly susceptible to the operational risks caused by these conditions.

Conducting business in other markets also requires us to comply with foreign laws and regulations covering many aspects of our operations, including trade laws and licensing regulations, and these laws and regulations may change, or may be updated and amended, from time to time. Much of the above changes are beyond our control. Whilst we practise prudent financial management and efficient operating procedures, there can be no assurance that any adverse economic, political and / or legal developments will not materially affect the financial performance of our Group.

9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

9.3.1 There is no prior market for our Shares and it is uncertain whether an active or sustainable market will ever develop

Prior to our IPO, there has been no prior public market for our Shares. Accordingly, there is no assurance that an active market for our Shares will develop upon Listing or, if developed, that such a market can be sustained. There is also no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares.

In addition, there can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the ACE Market of Bursa Securities upon our Listing. There is also no assurance that the market price of our Shares will not decline below the IPO Price.

9.3.2 Our Share price and trading volume may be volatile

The performance of Bursa Securities is dependent on external factors such as the performance of the regional and global stock exchanges and the flows of foreign funds. The sentiment is also induced by factors such as economic and political conditions and the growth potential of the various sectors of the economy. These factors constantly contribute to the volatility of share prices witnessed on Bursa Securities and this adds risks to the market price of our Shares. Nevertheless, our profitability is not dependent on the performance of Bursa Securities as our business activities have no direct correlation with the performance of securities listed on Bursa Securities.

In addition, the market price of our Shares may fluctuate significantly and rapidly in response to, among others, the following factors, some of which are beyond our control:

(i) variations in our financial results and operations;

(ii) success or failure of our management team in implementing business and growth strategies;

(iii) gain or loss of an important business relationship;

(iv) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;

(v) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other related events or factors;

(vi) changes in market valuations and share prices of companies with similar businesses to our Group that may be listed on Bursa Securities;

(vii) additions or departures of our Key Senior Management;

(viii) fluctuation in stock market prices and volume;

(ix) involvement in litigation; or

(x) natural disasters, health epidemics and outbreaks of contagious diseases.

There is no assurance that the market price of our Shares will not be subject to volatility due to market sentiments.

9.3.3 The interest of our Promoters who control our Group may not be aligned with the interest of our shareholders

Upon Listing, our Promoters will hold in aggregate 72.85% of our enlarged number of issued Shares. As a result, they will be able to effectively control the business direction and management of our Group, including the election of Directors, the timing and payment of dividends and influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law, or by relevant guidelines or regulations.

There can be no assurance that the interests of our Promoters will always be aligned with those of our other shareholders.

9.3.4 Failure or delay in our Listing

Our Listing could be delayed or terminated due to the possible occurrences of certain events, which include the following:

(i) our Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations thereunder;

(ii) we are unable to meet the public shareholding spread requirement of the Listing Requirements of at least 25.00% of our enlarged number of issued Shares to be held by a minimum of 200 public shareholders holding not less than 100 Shares each, at the point of our Listing; and

(iii) the revocation of approvals from relevant authorities prior to our Listing or admission to the Official List for whatever reason.

Where prior to the issuance and allotment or transfer of our IPO Shares:

(i) if the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled, and we or such other person who received the monies shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10.00% per annum or at such rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or

(ii) if our Listing is aborted, investors will not receive any of our IPO Shares and all monies paid in respect of all applications for our IPO shares will be refunded free of interest.

Where subsequent to the issuance and allotment of our IPO Shares:

(i) if the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall forthwith be repaid without interest, and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC from the expiry of that period pursuant to Section 245(7)(b) of the CMSA; or

(ii) if our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of our share capital as provided under the Act and its related rules. Such cancellation can be implemented by either:

(a) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or

(b) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from our directors.

9.3.5 Uncertainty of dividend payments

Our ability to declare dividends to our shareholders is dependent on, among others, our future financial performance, cash flow position, capital requirements and other obligations, and our ability to implement our business plans. Deterioration of these factors could have an effect on our business, which in turn will affect our ability to declare dividends to our shareholders. As such, there is no assurance that we will be able to pay dividends to our shareholders.

Furthermore, dividend payments are not guaranteed and our Board may decide, at its discretion, at any time and for any reason, not to pay dividends. If we do not pay dividends, or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of any investment in our Shares may be reduced.

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10. RELATED PARTY TRANSACTIONS

Pursuant to the Listing Requirements, subject to certain exemptions, a "related party transaction" is a transaction entered into by a listed corporation or its subsidiaries, which involves the interest, direct or indirect, of a related party. A "related party" is defined as a director, major shareholder or person connected with such director or major shareholder (including a director or major shareholder within the preceding 6 months before the transaction was entered into). "Major shareholder" means a shareholder with a shareholding of 10.00% or more (or 5.00% or more where such person is the largest shareholder in the corporation) of all the voting shares in the corporation.

After the Listing, we will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate. The interested person shall abstain from voting on resolution(s) pertaining to the respective transaction.

Under the Listing Requirements, related party transactions may be aggregated to determine its materiality if the transactions occurred within a 12-month period, are entered into with the same party or with parties connected with one another or if the transactions involved the acquisition or disposal of securities or interests in one corporation / asset or of various parcels of land contiguous to each other.

10.1 RELATED PARTY TRANSACTIONS

Save as disclosed below, our Board have confirmed that there are no other material related party transactions, existing or proposed, that we had entered or to be entered into with the related parties for the Financial Years Under Review and up to the LPD:

No.	Transacting parties	Nature of transaction	Nature of relationship	Transaction value				
				FYE 2019	FYE 2020	FYE 2021	FYE 2022	1 January 2023 up to the LPD
				RM	RM	RM	RM	RM
1.	(i) EVSB (as tenant) (ii) Khay Lee Mooi (as landlord)*	Rental of Lot 17 by Khay Lee Mooi (as landlord) to EVSB (as tenant) at an annual rental of RM12,000. Lot 17 was used for manufacturing activities of EVSB.	Khay Lee Mooi is the wife of Chin Yuen Fong, who is our Group's Promoter, major shareholder and Key Senior Management.	12,000 (represents 2.17% of our Group's PAT)	11,000 (represents 0.28% of our Group's PAT)	11,000 (represents 0.12% of our Group's PAT)	3,533 (represents 0.07% of our Group's PAT)	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Transacting parties	Nature of transaction	Nature of relationship	Transaction value				
				FYE 2019	FYE 2020	FYE 2021	FYE 2022	1 January 2023 up to the LPD
				RM	RM	RM	RM	RM
		(The tenancy agreement was terminated effective on 16 April 2022. Please refer to Note (1) for further details.)	She is also the sister-in-law of Chin Yong Keong, who is our Group's Promoter, major shareholder and Executive Director / Group CEO.					
2.	(i) EVSB (ii) Edelmex Technologies Sdn Bhd (now known as Aicode Labs)	Provision of services in relation to machine design for auto detaper, reel auto changer and magnetic encap handler (This is a one-off transaction and does not contain any salient terms. Please refer to Note (2) for further details.)	Chin Yong Keong, who is our Group's Promoter, major shareholder and Executive Director / Group CEO, was also the director and shareholder of Edelmex Technologies Sdn Bhd (now known as Aicode Labs) with 100.00% equity interest. Khong Chee Seong, who is our Group's Promoter, major shareholder and Executive Director, was also the director of Edelmex Technologies Sdn Bhd (now known as Aicode Labs).	-	32,500 (represents 0.34% of our Group's cost of sales)	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Notes:

* The registered proprietors of Lot 17 are Chin Yuen Fong and Khay Lee Mooi. However, the tenancy agreement for the rental of Lot 17 was only entered into with Khay Lee Mooi, being the spouse of Chin Yuen Fong. On 16 April 2022, the tenancy agreement had been terminated and our Group vacated Lot 17 in June 2022.

(1) Between 1 January 2019 to 31 January 2021, there was a monthly tenancy in respect of the premises for a monthly rental of RM1,000. Subsequently, the tenancy was renewed from 1 February 2021 for the tenure of 2 years based on similar rental. On 16 April 2022, the tenancy agreement had been terminated and our Group vacated Lot 17 in June 2022.

For clarification, our Group had utilised Lot 17 for its production activities (i.e. for industrial purposes) for a period of approximately 30 months, which did not comply with the category of land use and express conditions as stipulated in the documents of title. In view of the foregoing, our Group had by virtue of the letter of termination dated 17 January 2022 terminated the tenancy for Lot 17 (the effective date of termination after 3-month notice period was 16 April 2022) and vacated the Lot 17 in June 2022. Please refer to 7.24.2 of this Prospectus for further details on the above matter.

Our Group's decision to terminate the tenancy for Lot 17 and relocate its production activities in Lot 17 to a new premise was also in line with the expansion of our Group's business operations, in which our Group requires larger premises to house additional equipment parts and to undertake more assembly activities moving forward.

The revenue contribution from the design, development and assembly of ATE and factory automation business segment during the Financial Years Under Review are set out in the table below and our Group expects the demand from this business segment to continue growing moving forward:

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Design, development and assembly of ATE and factory automation	1,500	12.12	1,951	11.69	5,243	21.89	6,019	24.71
Total revenue	**12,374**	**100.00**	**16,685**	**100.00**	**23,950**	**100.00**	**24,360**	**100.00**

10. RELATED PARTY TRANSACTIONS (CONT'D)

Accordingly, EVSB had identified Lot 9 Asasjaya (which is a double-storey semi-detached light industrial factory) as the new business premises to carry out its assembly activities, after taking into consideration the location of Lot 9 Asasjaya which is situated next to another rented premises by our Group (i.e. Lot 11 Asasjaya), thereby allowing for better coordination of its manufacturing operations between the rented premises and to optimise logistics arrangements. Further, Lot 9 Asasjaya has larger floor space (built up area of 3,965.42 sq. ft.) as compared to Lot 17 (built up area of 2,250.07 sq. ft.). EVSB had on 13 January 2022 entered into a tenancy agreement with a third party (i.e. Meganes Technology Sdn Bhd) for the rental of Lot 9 Asasjaya for a period of 2 years from 1 February 2022 to 31 January 2024 with an option to renew on yearly basis. Please refer to Section 7.19.3 of this Prospectus for further details.

On the longer run, it is the intention of our Group to move its production and business operations to the Proposed Batu Kawan Factory. The Proposed Batu Kawan Factory will be partially financed via the IPO proceeds, and it forms part of our Group's future plan to expand the production capacity of its existing products and its product portfolio. Please refer to Section 4.5.1 of this Prospectus for further details on our Group's plans to utilise the proceeds from the IPO for the construction of the Proposed Batu Kawan Factory and Section 7.4.1 of this Prospectus for further details on our Group's intention to expand our premises through the construction of the Proposed Batu Kawan Factory.

(2) EVSB had engaged Aicode Labs for the provision of services in relation to engineering design for auto reel detaper machine, reel auto changer and magnetic encap handler, which forms part of the design and development stage for our Group's ATE / factory automation.

For information purposes, Aicode Labs was previously identified by the Promoters to form part of our group of companies for the purpose of the Listing. However, pursuant to discussions between the Promoters and the 45.00% owner and co-founder of Aicode Labs, it was decided that Aicode Labs would not partake in the Listing. None of the Directors, substantial shareholders of Edelteq and / or persons connected with them has any interest, whether direct or indirect, in the aforesaid 45.00% owner and co-founder of Aicode Labs.

In view of the above, EVSB had ceased engaging Aicode Labs for the abovementioned services from FYE 2021 onwards and EVSB had instead leveraged upon / expanded its in-house design team for the engineering design activities. In particular, EVSB had enhanced its technical capabilities via the expansion of its workforce through the hiring of 2 senior engineers and 2 engineering managers with the necessary technical knowhow to undertake the abovementioned services in-house instead of relying on third party service provider. For the avoidance of doubt, Chin Yong Keong had also on 18 July 2022 disposed his entire 100.00% equity interest in Aicode Labs to Chua Swee Phin (who is an acquaintance of Chin Yong Keong and Khong Chee Seong), and both Chin Yong Keong and Khong Chee Seong had resigned as the Directors of Aicode Labs on 18 July 2022. Please refer to Sections 5.2.4(ii) and (iii) of this Prospectus for further details.

10. RELATED PARTY TRANSACTIONS (CONT'D)

Our Board consider the related party transactions outlined above were not transacted on an arm's length basis due to:

(i) the rental rate payable by EVSB to Khay Lee Mooi for the rental of Lot 17 was provided on terms favourable to us as the rental rate was below the market rate for property of a similar size; and

(ii) the consideration payable by EVSB to Edelmex Technologies Sdn Bhd (now known as Aicode Labs) for the provision of services in relation to the machine design to EVSB which was rendered on terms favourable to us as the consideration was below the market value for services of similar nature.

Nevertheless, our Board consider the above related party transactions being immaterial to our Group, in view that the values of the abovementioned related party transactions are low, (i.e. (i) the tenancy agreement between EVSB (as tenant) and Khay Lee Mooi (as landlord) represents 2.17%, 0.28%, 0.12% and 0.07% of our Group's PAT for the FYE 2019, FYE 2020, FYE 2021 and FYE 2022, respectively; and (ii) the provision of services by Aicode Labs to EVSB represents 0.34% of our Group's cost of sales for the FYE 2020). Such transaction values would not have any material financial impact to our Group and our Group was not dependent on the abovementioned transactions as the tenancy had been terminated on 16 April 2022 and provision of services in relation to the machine design was a one-off transaction.

Following our Listing, the Audit Committee of our Group will review the terms of any related party transactions and ensure that any related party transactions (including any recurrent related party transactions) are carried out on terms not more favourable to the related party than those generally available to the third parties dealing at arm's length basis with our Group and are not detrimental to our minority shareholders.

In the event that there is any proposed related party transaction that requires the prior approval of our Company's shareholders, the Directors, substantial shareholders and / or persons connected with them, which have any interest, direct or indirect, in the transaction, will abstain from voting in respect of his direct and / or indirect shareholdings. Such interested Directors and / or substantial shareholders will also undertake to ensure that the person connected with them will abstain from voting on the resolution approving the proposed related party transaction at a general meeting.

10.2 TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITION

Our Board have confirmed that there are no related party transactions that are unusual in its nature or conditions, involving goods, services, tangible or intangible assets, to which our Company and / or our Subsidiaries was a party for the Financial Years Under Review and up to the LPD.

10. RELATED PARTY TRANSACTIONS (CONT'D)

10.3 OUTSTANDING LOANS AND / OR FINANCIAL ASSISTANCE MADE TO OR FOR THE BENEFIT OF RELATED PARTIES

10.3.1 Guarantees

Chin Yong Keong, being our Group's Promoter, substantial shareholder and Executive Director / Group CEO and Khong Chee Seong, being our Group's Promoter, substantial shareholder and Executive Director / Business Unit Director, had extended personal guarantees for banking facilities granted to our Group, of which further details are set out in Section 12 of this Prospectus.

In conjunction with our Listing, our Group has obtained the conditional consent from the financial institution to discharge the above personal guarantees by substituting the same with a corporate guarantee from our Company upon our successful listing.

10.3.2 Financial assistance to third party

There were no outstanding loans, including guarantees of any kind, or financial assistance made by our Group to or for the benefit of the related parties during the Financial Years Under Review and as at the LPD.

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10. RELATED PARTY TRANSACTIONS (CONT'D)

10.4 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

10.4.1 Audit Committee review

One of the main functions of our Audit Committee is to assess the matters relating to related party transaction and conflict of interest that may arise. In carrying out this task, our Audit Committee maintains and reviews the adequacy of the procedures and processes set by our Company to monitor all related party transactions and conflict of interest situations.

The review also includes having in place the procedures and processes to ensure that the transactions are carried out in the best interest of our Company on normal commercial terms and not more favourable to the related party than those generally available to third parties dealing at arm's length and are not detrimental to the interest of our Company's minority shareholders.

In the event that there are any proposed related party transactions that require the prior approval of our shareholders, our Directors, major shareholders and / or persons connected with our Directors or major shareholders, which have any interest, direct or indirect, in the proposed related party transactions will be required to abstain from deliberations and voting on the transaction.

The reviews conducted by our Audit Committee are reported to our Board.

10.4.2 Our Group's policy on related party transactions

It is our Group's policy that all related party transactions and conflict of interest or potential conflict of interest situations must be immediately and fully disclosed by the interested Directors or major shareholders to the management for reporting to the Audit Committee. Such transactions must be reviewed by the Audit Committee to ensure that they are negotiated and agreed upon in the best interest of our Company on an arm's length basis, and are based on normal commercial terms and not more favourable to the related party than those generally available to third parties and are not detrimental to the interest of our Company's minority shareholders.

When necessary, our Board will make appropriate disclosures in our annual report of any related party transaction and conflicts of interest with our Group. The Audit Committee must also carry out an annual assessment of our Board which include an assessment of such related party transactions and / or conflict of interest. The Audit Committee will report to our Board after their evaluation and assessment in order to make the appropriate recommendations to our Board.

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11. CONFLICT OF INTEREST

11.1 CONFLICT OF INTEREST

11.1.1 Interest in the businesses or corporations which are our customers or suppliers

As at the LPD, none of our Directors and / or substantial shareholders has any other interest, whether direct or indirect, in any businesses or corporations which are the customers or suppliers of our Group.

11.1.2 Interest in similar businesses or corporations

As at the LPD, none of our Directors and / or substantial shareholders has any other interest, whether direct or indirect, in any businesses or corporations which are carrying on a similar trade as our Group.

11.2 DECLARATION BY ADVISERS ON CONFLICT OF INTEREST

11.2.1 Principal Adviser, Sponsor, Underwriter and Placement Agent

UOBKH as confirmed that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Underwriter and Placement Agent for our IPO.

11.2.2 Solicitors for the Listing

Christopher & Lee Ong has confirmed that there is no existing or potential conflict of interest in its capacity as the Solicitors to our Group in relation to the Listing.

11.2.3 Auditors and Reporting Accountants

Grant Thornton Malaysia PLT has confirmed that there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants to our Group in relation to the Listing.

11.2.4 Independent Market Researcher

SMITH ZANDER has confirmed that there is no existing or potential conflict of interest in its capacity as the IMR to our Group in relation to the Listing.

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12.1 HISTORICAL FINANCIAL INFORMATION

Our historical financial information throughout the Financial Years Under Review 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 and cash flows.

Our Company was incorporated on 18 September 2019 as an investment holding company, and the Acquisitions were completed on 24 March 2023. Our Company, ETSB, EVSB, CESB, DTSB and ETMSB have been under the common control of our Promoters throughout the Financial Years Under Review and are regarded as continuing entities. As such, the historical financial information of our Group for the Financial Years Under Review is presented based on the audited combined financial statements of our Group.

The following tables set out a summary of the combined statements of profit or loss and other comprehensive income and combined statements of financial position of our Group for the Financial Years Under Review. The combined financial statements should be read in conjunction with the Accountants' Report as set out in Section 13 of this Prospectus.

(i) Combined statements of comprehensive income of our Group

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Revenue	12,374	16,685	23,950	24,360
Cost of sales	(8,711)	(9,536)	(11,401)	(12,758)
GP	**3,663**	**7,149**	**12,549**	**11,602**
Other income	128	398	302	364
Administrative expenses	(2,709)	(2,723)	(2,669)	(5,418)
Selling and distribution expenses	(153)	(185)	(220)	(194)
Operating profit	**929**	**4,639**	**9,962**	**6,354**
Finance costs	(156)	(127)	(184)	(162)
PBT	**773**	**4,512**	**9,778**	**6,192**
Taxation	(221)	(527)	(767)	(753)
PAT / Total comprehensive income	**552**	**3,985**	**9,011**	**5,439**
EBIT(1)	922	4,634	9,951	6,289
EBITDA(1)	1,182	4,899	10,195	6,758
GP margin (%)(2)	29.60	42.85	52.40	47.63
PBT margin (%)(3)	6.25	27.04	40.83	25.42
PAT margin (%)(3)	4.46	23.88	37.62	22.33
Effective tax rate (%)(4)	28.59	11.68	7.84	12.16
Number of Shares in issue after the IPO ('000)	532,536	532,536	532,536	532,536
Basic / diluted EPS (sen)(5)	0.10	0.75	1.69	1.02

Notes:

(1) EBIT and EBITDA are calculated as follows:

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
PAT	552	3,985	9,011	5,439
Less:				
Interest income	(7)	(5)	(11)	(65)
Add:				
Finance costs	156	127	184	162
Taxation	221	527	767	753
EBIT	**922**	**4,634**	**9,951**	**6,289**
Add:				
Depreciation	260	265	244	469
EBITDA	**1,182**	**4,899**	**10,195**	**6,758**

(2) GP margin is calculated based on GP over revenue.

(3) PBT or PAT margin is calculated based on PBT or PAT over revenue.

(4) Effective tax rate is calculated based on tax expenses divided by PBT.

(5) Basic and diluted EPS is calculated based on PAT for the financial year over enlarged share capital of 532,535,630 Shares upon Listing. The diluted EPS is equal to basic EPS as no potential dilutive securities are in issue during the Financial Years Under Review.

(ii) Combined statements of financial position of our Group

	Audited			
	As at 31 December			
	2019	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	1,979	2,177	5,433	5,592
Investment properties	3,295	3,275	3,255	3,235
Right-of-use assets[(1)]	-	-	-	240
Total non-current assets	**5,274**	**5,452**	**8,688**	**9,067**
Current assets				
Inventories	186	667	1,401	4,061
Trade receivables	4,012	5,282	7,202	7,202
Other receivables, deposits and prepayments	43	1,797	319	1,038
Current tax recoverable	320	398	548	629
Cash and bank balances	3,117	5,449	5,599	6,238
Total current assets	**7,678**	**13,593**	**15,069**	**19,168**
TOTAL ASSETS	**12,952**	**19,045**	**23,757**	**28,235**

	Audited			
	As at 31 December			
	2019	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES				
Share capital	200	200	1,020	1,020
Invested capital	1,224	1,224	1,447	1,447
Retained profits	4,295	7,281	12,662	16,601
Total equity	**5,719**	**8,705**	**15,129**	**19,068**
Non-current liabilities				
Borrowings	2,777	2,363	3,468	2,853
Deferred tax liabilities	25	41	81	58
Lease liabilities	-	-	-	143
Total non-current liabilities	**2,802**	**2,404**	**3,549**	**3,054**
Current liabilities				
Trade payables	3,382	2,799	1,719	1,530
Other payables and accruals	328	1,583	1,023	712
Contract liabilities(1)	-	2,277	1,251	3,323
Lease liabilities	-	-	-	108
Refund liabilities	108	114	367	98
Amount due to directors	364	581	-	-
Current tax payable	64	310	141	-
Borrowings	185	272	578	342
Total current liabilities	**4,431**	**7,936**	**5,079**	**6,113**
TOTAL LIABILITIES	**7,233**	**10,340**	**8,628**	**9,167**
TOTAL EQUITY AND LIABILITIES	**12,952**	**19,045**	**23,757**	**28,235**

Notes:

(1) Represents the rights-of-use of rented factories at Lot 9 Asasjaya and Lot 11 Asasjaya pursuant to 2 years rental agreement entered, with an option to extend the lease for another 1 year.

(2) Contract liabilities consist of deposits received from customers from the design, development and assembly of ATE and factory automation segment where our Group has billed or has collected the payment before the goods are delivered or services are provided to the customers. The contract liabilities will be reversed and recognised as revenue upon satisfying the performance obligation within the contract. These performance obligations are expected to be fulfilled within the next 12 months.

12.2 CAPITALISATION AND INDEBTEDNESS

The table below summarises our capitalisation and indebtedness as at 31 March 2023 and after adjusting for the effects of the IPO and utilisation of proceeds.

	Unaudited	I	II
	As at 31 March 2023[(1)]	After our IPO	After I and utilisation of proceeds
	RM'000	RM'000	RM'000
Capitalisation			
Shareholders' equity	22,302	46,302	44,194
Total capitalisation	**22,302**	**46,302**	**44,194**
Indebtedness[(2)]			
Current			
Term loan	251	251	-
Hire purchase	84	84	84
Lease liabilities	113	113	113
Non-current			
Term loan	2,674	2,674	925
Hire purchase	106	106	106
Lease liabilities	112	112	112
Total indebtedness	**3,340**	**3,340**	**1,340**
Total capitalisation and indebtedness	25,642	49,642	45,534
Gearing ratio (times)[(3)]	0.15	0.07	0.03

Notes:

(1) After adjusting for the Share Split and the Acquisitions.

(2) All of our indebtedness are secured and / or guaranteed except for hire purchase which are secured but not guaranteed. The lease liabilities arose from our Group's recognition of right-of-use assets in accordance with *MFRS 16 - Leases.*

(3) Calculated based on total indebtedness divided by total capitalisation.

12.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of our Group's financial condition and results of operations for the Financial Years Under Review should be read in conjunction with the combined financial statements of our Group and the accompanying notes as set out in the Accountants' Report included in Section 13 of this Prospectus. Our combined financial statements for the Financial Years Under Review were not subject to any audit qualification. There are no accounting policies that are peculiar to our Group in regard to the nature of the business or the industry in which our Group is involved.

12.3.1 Overview and results of our operations

(i) Principal activities

We are principally involved in the provision of engineering support for IC assembly and test in the semiconductor industry. Our business is segmented into the following core principal activities:

(a) Design and assembly of IC burn-in boards and supply of PCBs

We are involved in the design and assembly of IC burn-in boards. We design the configuration of the IC burn-in boards according to customers' requirements which are based on the type of IC packages and type of reliability tests to be conducted as well as the IC burn-in system used by our customers.

For the supply of PCBs, we design the configuration of the PCBs according to customers' requirements for their end-products (e.g. industrial appliances and personal computer appliances).

(b) Supply and refurbishment of IC assembly and test consumables

We design the IC assembly and test consumables according to our customers' requirements. Depending on the type of IC assembly and test consumables, we may source raw materials for the production of IC assembly and test consumables in-house or outsource the fabrication to our subcontractors.

We are also involved in the refurbishment of used or defective IC assembly and test consumables to increase their lifespan. We collect used or defective IC assembly and test consumables from our customers to be refurbished into usable IC assembly and test consumables. These refurbished IC assembly and test consumables are supplied to the same customers which we collect from and our customers will be charged with refurbishment fees.

(c) Design, development and assembly of ATE and factory automation

We are involved in the design, development and assembly of standard platform ATE of burn-in board inspection handler, wafer inspection machine, auto reel detaper machine, auto reel changer and strip assembly handler. We design and develop the standard platform ATE based on our research on market requirements and feedback from our customers, which can be subsequently customised into ATE with the specifications required by our customers. The standard platform ATE can also be further customised into factory automation which allows remote management and monitoring, data-driven visualisation and analysis during the production process. For clarification purpose, our Group secured our first factory automation contract on 20 January 2022 where we provided Smart Molding Automation System to our existing multinational customer (Customer A) (i.e. automation that enables the linking of assembly, molding and curing processes for the automotive segment of the said customer). The abovementioned contract was deemed completed and revenue will be recognised upon the completion of customer acceptance test on the Smart Molding Automation System at the customer's site in January 2023 instead of upon delivery of the said system at customer's site. Hence, there was no revenue recorded for factory automation in the Financial Years Under Review.

We are also involved in the refurbishment of ATE where we modify, upgrade and replace metal structures, electrical wiring, parts and components that may be old or defective, as well as upgrade software that may be obsolete, as required by our customers. We refurbish ATEs which are designed and developed by us, as well as ATEs which are not designed and developed by our Group.

(d) Trading of operating supplies, spare parts and tools for IC assembly and testing

We source and supply operating supplies (e.g. gloves, rotary cutters, containers, solder wires, syringe pistons and barrels), as well as spare parts and tools when requested by our customers.

Please refer to Section 7.2 of this Prospectus for our Group's detailed business overview.

Revenue recognition

Revenue is recognised only when (or as) our Group satisfies a performance obligation by transferring control of the promised goods or services to a customer.

The transfer of control can occur over time or at a point in time.

To determine whether to recognise revenue, our Group follows a five-step process:

(i) identifying the contract with a customer;
(ii) identifying the performance obligation;
(iii) determining the transaction price;
(iv) allocating the transaction price to the performance obligations; and
(v) recognising revenue when / as performance obligations are satisfied.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

(i) the customer simultaneously receives and consumes the benefits provided by our Group's performance as our Group performs;
(ii) our Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and
(iii) our Group's performance does not create an asset with an alternative use to our Group and has an enforceable right to payment for performance completed to date.

Provision of electronic manufacturing solutions and sale of industrial materials

Revenue from the provision of electronic manufacturing solutions encompasses the design and assembly of IC burn-in board and PCBs and supply and refurbishment of IC assembly and test consumables. Revenue from the sale of industrial materials encompasses trading of operating supplies, spare parts and tools for IC assembly and testing. Revenue from both the provision of electronic manufacturing solutions and sale of industrial materials are recognised at a point in time when the transfer of control of the goods has been passed to the buyer, i.e. generally when the customer has acknowledged delivery of the goods.

Design, development and assembly of ATE and factory automation

Revenue from the design, development and assembly of ATE and factory automation usually includes the customised equipment and installation. Revenue under this segment also includes revenue from the refurbishment of ATE which was purchased previously by our customers either from us or third parties.

The sale of the standard or customised equipment and its related installation services are considered as one performance obligation because the promises to transfer the equipment and provide installation service are not capable of being distinct and they are highly interrelated.

The performance obligation for design, development and assembly of ATE and factory automation is satisfied at a point in time because the customer does not control the equipment and the customer does not simultaneously receive and consume the benefits from the equipment manufactured by our Group.

Revenue is recognised upon shipment or at the delivery destination point, provided that the product meets the performance acceptance criteria which are normally carried out prior to shipment. Under certain circumstances, customer acceptance is conducted at the customer's site i.e. to ensure that the equipment purchased can be integrated with the customer's existing production flow. Under such circumstances, revenue is only recognised once customer acceptance has been received at the customer's site.

Our Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. non-assurance type warranties and maintenance service). In determining the transaction price for the sale of customised equipment, our Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).

Variable considerations

If the consideration in a contract includes a variable amount, our Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained only to the extent that it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Our Group provides a fixed rebate calculated at the end of each financial year on total revenue derived from a customer under the electronic manufacturing solutions segment. Such rebate will be offset against the balance owing by the customer in the following financial year.

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12. FINANCIAL INFORMATION (CONT'D)

(ii) Revenue

Analysis of revenue by business segment

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Design and assembly of IC burn-in boards and supply of PCBs[(1)]	5,236	42.31	7,694	46.11	10,229	42.71	12,716	52.20
Supply and refurbishment of IC assembly and test consumables	5,569	45.01	6,241	37.41	7,504	31.33	4,741	19.46
Design, development and assembly of ATE and factory automation	1,500	12.12	1,951	11.69	5,243	21.89	6,019	24.71
Trading of operating supplies, spare parts and tools for IC assembly and testing	69	0.56	799	4.79	974	4.07	884	3.63
Total	**12,374**	**100.00**	**16,685**	**100.00**	**23,950**	**100.00**	**24,360**	**100.00**

Note:

(1) Further breakdown of the revenue contribution from IC burn-in boards and PCBs during the Financial Years Under Review is set out below:

	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
IC burn-in boards	2,784	53.17	6,019	78.23	8,267	80.82	10,027	78.85
PCBs	2,452	46.83	1,675	21.77	1,962	19.18	2,689	21.15
Total	**5,236**	**100.00**	**7,694**	**100.00**	**10,229**	**100.00**	**12,716**	**100.00**

Analysis of revenue by geographical location

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	**11,849**	**95.76**	**16,206**	**97.13**	**18,998**	**79.32**	**18,906**	**77.61**
Overseas								
- Singapore	145	1.17	177	1.06	3,776	15.77	2,612	10.72
- China	78	0.63	156	0.93	774	3.23	-	-
- Thailand	207	1.67	146	0.88	402	1.68	145	0.60
- United States	95	0.77	-	-	-	-	2,697	11.07
	525	**4.24**	**479**	**2.87**	**4,952**	**20.68**	**5,454**	**22.39**
Total	**12,374**	**100.00**	**16,685**	**100.00**	**23,950**	**100.00**	**24,360**	**100.00**

Comparison between FYE 2019 and FYE 2020

Our revenue increased by RM4.31 million or 34.84% to RM16.68 million for FYE 2020 (FYE 2019: RM12.37 million), mainly contributed by our improved revenue from the design and assembly of IC burn-in boards and supply of PCBs segment, which increased by RM2.45 million or 46.76% to RM7.69 million for FYE 2020 (FYE 2019: RM5.24 million).

The supply and refurbishment of IC assembly and test consumables segment and trading segment have also contributed to our improved revenue for FYE 2020, which contributed to aggregate growth in revenue of RM1.40 million or 24.82% of our total revenue to RM7.04 million for FYE 2020 (FYE 2019: RM5.64 million).

The design and assembly of IC burn-in boards and supply of PCBs segment and the supply and refurbishment of IC assembly and test consumables segment are our main revenue contributors, collectively contributing 83.52% of our total revenue for FYE 2020 (FYE 2019: 87.32%).

The local market was our largest revenue contributor, which recorded RM16.21 million or 97.13% of our total revenue for FYE 2020 (FYE 2019: RM11.85 million or 95.76%).

Design and assembly of IC burn-in boards and supply of PCBs

The design and assembly of IC burn-in boards and supply of PCBs segment has contributed RM6.02 million or 78.23% and RM1.67 million or 21.77%, respectively, of the total revenue for this segment for FYE 2020 (FYE 2019: RM2.79 million or 53.17% and RM2.45 million or 46.83%, respectively).

Our revenue from the design and assembly of IC burn-in boards and supply of PCBs segment increased by RM2.45 million or 46.76% to RM7.69 million for FYE 2020 (FYE 2019: RM5.24 million). In particular, the revenue contribution from IC burn-in boards and PCBs are as follow:

(a) IC burn-in boards' contribution increased by RM3.23 million or 115.77% to RM6.02 million for FYE 2020 (FYE 2019: RM2.79 million); and

(b) PCBs' contribution decreased by RM0.78 million or 31.84% to RM1.67 million for FYE 2020 (FYE 2019: RM2.45 million).

The increase in revenue from the design and assembly of IC burn-in boards and supply of PCBs segment was mainly attributable to the following:

(a) Higher purchase orders for our clip, socket and DUT-card types IC burn-in boards from one of our major local customers, Infineon Technologies (Malaysia) Sdn Bhd, which increased by RM3.15 million to RM5.86 million for the said products in FYE 2020 (FYE 2019: RM2.71 million); and

(b) New purchase orders for our PCBs from a local customer involved in manufacturing semiconductors and related solid-state devices, which registered revenue of RM0.70 million for FYE 2020 (FYE 2019: RM Nil).

The abovementioned increases were narrowed partially by the lower purchase orders for our PCBs from a major local customer involved in the manufacturing and sub-assembly of semiconductor components, which decreased by RM1.42 million or 72.08% to RM0.55 million for FYE 2020 (FYE 2019: RM1.97 million).

Supply and refurbishment of IC assembly and test consumables

Our revenue from the supply and refurbishment of IC assembly and test consumables segment increased by RM0.67 million or 12.03% to RM6.24 million for FYE 2020 (FYE 2019: RM5.57 million), mainly attributable to the following:

(a) New purchase orders on our services for the refurbishment of IC assembly and test consumables from a local customer, who is a supplier and manufacturer of solid-state storage systems and other electronic storage systems, which contributed to the increase in revenue of RM0.52 million (FYE 2019: RM Nil);

(b) The upwards revision of our selling prices for the CSP carrier to align with the market prices of CSP carrier in the 3rd quarter of FYE 2020, after taking into consideration the anticipated increase in material costs resulting from the interruption of the global supply chain caused by the COVID-19 pandemic. This include the CSP carrier sold to a local customer involved in the manufacturing of illumination products, which contributed to an increase in revenue of RM0.12 million to RM4.38 million for FYE 2020 (FYE 2019: RM4.26 million).

Design, development and assembly of ATE and factory automation

Our revenue from the design, development and assembly of ATE and factory automation segment improved by RM0.45 million or 30.00% to RM1.95 million for FYE 2020 (FYE 2019: RM1.50 million), mainly contributed by the revenue from our refurbishment of ATE machine services provided to a local customer, who is a supplier and manufacturer of solid-state storage systems and other electronic storage systems, which increased by RM1.16 million to RM1.22 million in FYE 2020 (FYE 2019: RM0.06 million). In addition, our Group sold 1 unit of reel handler module and 2 units of custom made ATE machine, which collectively contributed RM0.60 million to our revenue from this segment for FYE 2020.

Such an increase was offset by lower purchase orders for our machine module upgrade services, in which the revenue decreased by RM1.17 million to RM0.13 million for FYE 2020 (FYE 2019: RM1.30 million).

Trading of operating supplies, spare parts and tools for IC assembly and testing

Revenue from the trading segment recorded an increase of RM0.73 million or 1,042.86% to RM0.80 million for FYE 2020 (FYE 2019: RM0.07 million), contributed mainly by higher revenue for the sale of gloves.

Comparison between FYE 2020 and FYE 2021

Our revenue improved further by RM7.27 million or 43.59% to RM23.95 million for FYE 2021 (FYE 2020: RM16.68 million). Such increase was contributed mainly by the increased revenue from the design, development and assembly of ATE and factory automation segment and the design and assembly of IC burn-in boards and supply of PCBs segment that collectively increased by RM5.83 million or 60.48% to RM15.47 million for FYE 2021 (FYE 2020: RM9.64 million).

The design and assembly of IC burn-in boards and supply of PCBs segment and the supply and refurbishment of IC assembly and test consumables segment have remained our largest revenue contributors, which collectively contributed RM17.73 million or 74.04% of our total revenue for FYE 2021 (FYE 2020: RM13.93 million or 83.52%).

The local market continued as our primary revenue contributor, which recorded RM19.00 million or 79.32% of our total revenue for FYE 2021 (FYE 2020: RM16.21 million or 97.13%).

Revenue from Singapore was the main contributor to our overseas market, contributing 15.77% of our total revenue for FYE 2021 (FYE 2020: 1.06%), which was contributed mainly by one of our major customers, namely Skyworks Global Pte Ltd, which recorded increased revenue of RM3.69 million for FYE 2021 (FYE 2020: RM0.06 million) as a result of selling 2 units of wafer inspection machines and 1 unit of auto reel detaper machine during FYE 2021.

Design and assembly of IC burn-in boards and supply of PCBs

The design and assembly of IC burn-in boards and supply of PCBs segment has contributed RM8.27 million or 80.84% and RM1.96 million or 19.16%, respectively, of the total revenue for this segment for FYE 2021 (FYE 2020: RM6.02 million or 78.23% and RM1.67 million or 21.77%, respectively).

Our revenue from the design and assembly of IC burn-in boards and supply of PCBs segment continued to grow by RM2.54 million or 33.03% to RM10.23 million for FYE 2021 (FYE 2020: RM7.69 million). In particular, the revenue contribution from IC burn-in boards and PCBs are as follow:

(a) IC burn-in boards' contribution increased by RM2.25 million or 37.38% to RM8.27 million for FYE 2021 (FYE 2020: RM6.02 million); and

(b) PCBs' contribution increased by RM0.29 million or 17.37% to RM1.96 million for FYE 2021 (FYE 2020: RM1.67 million).

The increase in revenue from the design and assembly of IC burn-in boards and supply of PCBs segment was mainly attributable to the following:

(a) Higher purchase orders for our socket and DUT-card types burn-in boards from a major local customer, Infineon Technologies (Malaysia) Sdn Bhd, which recorded increased revenue of RM2.18 million to RM5.08 million for the said products in FYE 2021 (FYE 2020: RM2.90 million); and

(b) Our PCBs recorded higher revenue, which increased by RM0.29 million to RM1.96 million for FYE 2021 (FYE 2020: RM1.67 million).

Supply and refurbishment of IC assembly and test consumables

Revenue from the supply and refurbishment of IC assembly and test consumables segment recorded an increase of RM1.26 million or 20.19% to RM7.50 million for FYE 2021 (FYE 2020: RM6.24 million). The said increase was mainly due to the following:

(a) Higher purchase orders for our CSP carriers from three local customers, which contributed to our revenue increased by RM1.00 million to RM5.38 million for FYE 2021 (FYE 2020: RM4.38 million);

(b) Higher purchase orders for our other IC assembly and test consumables from a local customer involved in manufacturing illumination products resulted in increased revenue of RM0.55 million to RM0.68 million for FYE 2021 (FYE 2020: RM0.13 million); and

(c) Further upwards revision of our selling prices for the CSP carrier to align with the market prices of CSP carrier in the 4th quarter of FYE 2021.

The abovementioned increases were offset partially by the lower purchase orders from a local customer, who is a supplier and manufacturer of solid-state storage systems and other electronic storage systems, for our services for the refurbishment of IC assembly and test consumables by RM0.38 million to RM0.14 million for FYE 2021 (FYE 2020: RM0.52 million).

Design, development and assembly of ATE and factory automation

Revenue from the design, development and assembly of ATE and factory automation segment recorded an increase of RM3.29 million or 168.72% to RM5.24 million for FYE 2021 (FYE 2020: RM1.95 million), mainly attributable to the following:

(a) Our Group sold 2 units of wafer inspection machine and 1 unit of auto reel detaper machine to a Singapore customer, namely Skyworks Global Pte Ltd, during FYE 2021, contributed to RM2.87 million and RM0.86 million in our revenue for this segment in FYE 2021 respectively; and

(b) We received new purchase orders from a China customer, who is a manufacturer and distributor of computer peripherals, through a recommendation by its sister company in Malaysia who is a supplier and manufacturer of solid-state storage systems and other electronic storage systems, which contributed to the increased revenue of RM0.77 million for FYE 2021 (FYE 2020: RM Nil). The purchase orders were in relation to the customisation and upgrading of machine services for the design, assembly and commissioning of contamination removal system into the wire bonding machines.

Notwithstanding the above increases, our Group recorded lower purchase orders from a local customer, who is a supplier and manufacturer of solid-state storage systems and other electronic storage systems, for our modification and module upgrading services by RM0.88 million to RM0.34 million for FYE 2021 (FYE 2020: RM1.22 million).

Trading of operating supplies, spare parts and tools for IC assembly and testing

Revenue from the trading segment recorded an increase of RM0.17 million or 21.25% to RM0.97 million for FYE 2021 (FYE 2020: RM0.80 million). The increase in revenue was mainly contributed by higher revenue from syringe pistons and barrels and rotary cutters.

Comparison between FYE 2021 and FYE 2022

Our revenue increased by RM0.41 million or 1.71% to RM24.36 million for FYE 2022 (FYE 2021: RM23.95 million). Such increase was contributed mainly by the increased revenue from the design and assembly of IC burn-in boards and supply of PCBs segment and the design, development and assembly of ATE and factory automation segment, which collectively increased by RM3.26 million or 21.07% to RM18.73 million for FYE 2022 (FYE 2021: RM15.47 million). Such an increase was partially offset by lower revenue from the supply and refurbishment of IC assembly and test consumables, segment, which declined by RM2.76 million or 36.80% to RM4.74 million for FYE 2022 (FYE 2021: RM7.50 million), due to the reasons as explained below.

The design and assembly of IC burn-in boards and supply of PCBs segment was our Group's largest revenue contributor, contributing RM12.72 million or 52.20% of our Group's total revenue for FYE 2022 (FYE 2021: RM10.23 million or 42.71%).

The local market continued as our primary revenue contributor, which recorded RM18.91 million or 77.61% of its total revenue for FYE 2022 (FYE 2021: RM19.00 million or 79.32%).

Revenue from Singapore decreased by RM1.17 million or 30.95% to RM2.61 million for FYE 2022 (FYE 2021: RM3.78 million), mainly due to lesser ATE machine sold to a Singapore customer, namely Skyworks Global Pte Ltd during FYE 2022. Our Group sold 2 units of wafer inspection machine and 1 unit of auto reel detaper machine with total revenue of RM3.73 million during FYE 2021, compared to the sale of 1 unit of wafer inspection machine with revenue of RM1.53 million during FYE 2022.

During the FYE 2022, our Group sold 5 units of strip assembly handler to a customer from the USA, which contributed to RM2.70 million for its revenue from the design, development and assembly of ATE and factory automation segment.

Design and assembly of IC burn-in boards and supply of PCBs

The design and assembly of IC burn-in boards and supply of PCBs segment has contributed RM10.03 million or 78.85% and RM2.69 million or 21.15%, respectively, of the total revenue for this segment for FYE 2022 (FYE 2021: RM8.27 million or 80.82% and RM1.96 million or 19.18%, respectively).

Our revenue from the design and assembly of IC burn-in boards and supply of PCBs segment increased by RM2.49 million or 24.34% to RM12.72 million for FYE 2022 (FYE 2021: RM10.23 million). In particular, the revenue contribution from IC burn-in boards and PCBs are as follows:

(a) IC burn-in boards' contribution increased by RM1.76 million or 21.28% to RM10.03 million for FYE 2022 (FYE 2021: RM8.27 million); and

(b) PCBs' contribution increased by RM0.73 million or 37.24% to RM2.69 million for FYE 2022 (FYE 2021: RM1.96 million).

The abovementioned increases were contributed mainly by the following:

(a) Higher purchase orders for our Group's DUT-card type burn-in boards from a major local customer, Infineon Technologies (Malaysia) Sdn Bhd, which recorded increased revenue of RM1.71 million to RM3.53 million for the said products in FYE 2022 (FYE 2021: RM1.82 million);

(b) Higher purchase orders mainly for our Group's PCBs and DUT-card type burn-in boards from a local customer involved in manufacturing semiconductors and related solid-state devices, which recorded increased revenue of RM0.76 million to RM2.22 million for FYE 2022 (FYE 2021: RM1.46 million); and

(c) New purchase orders for our Group's DUT-card type burn-in boards from a local customer involved in environmental testing, test equipments customisation, test technology development, failure analysis, reliability and safety testing, which registered revenue of RM0.81 million for FYE 2022 (FYE 2021: RM Nil).

Supply and refurbishment of IC assembly and test consumables

Revenue from the supply and refurbishment of IC assembly and test consumables segment recorded a decrease of RM2.76 million or 36.80% to RM4.74 million for FYE 2022 (FYE 2021: RM7.50 million). The said decrease was mainly due to the following:

(a) Lesser purchase orders for our Group's CSP carrier and test consumables and operating supplies from a local customer involved in the manufacturing of illumination products, contributing to a decrease in revenue of RM2.05 million to RM3.44 million for FYE 2022 (FYE 2021: RM5.49 million); and

(b) There were no purchase orders from two Malaysia customers, for our Group's CSP carrier and test consumables and operating supplies during FYE 2022 (FYE 2021: RM1.07 million).

The abovementioned decreases were partially offset by the higher revenue from a local customer, a supplier and manufacturer of solid-state storage systems and other electronic storage systems, which increased by RM0.42 million from RM0.14 million for FYE 2021 to RM0.56 million for FYE 2022 mainly for the IC assembly and test consumables.

Design, development and assembly of ATE and factory automation

Revenue from the design, development and assembly of ATE and factory automation segment recorded an increase of RM0.78 million or 14.89% to RM6.02 million for FYE 2022 (FYE 2021: RM5.24 million), mainly attributable to the following:

(a) Our Group sold 5 units of strip assembly handler to a customer from the USA, contributed to RM2.70 million in our revenue for this segment in FYE 2022; and

(b) Our Group sold 1 unit of burn-in board inspection handler to a customer from Singapore, contributing to RM0.93 million in our revenue for this segment in FYE 2022.

The abovementioned increases were partially offset by the following decreases:

(a) Our Group completed the machine refurbishment services in FYE 2021 to a customer from China, who is a manufacturer and distributor of computer peripherals, for the customisation and upgrading of machine services, amounted to RM0.77 million and there was no purchase order from this customer during FYE 2022; and

(b) Lesser units of ATE machine sold to a Singapore customer, namely Skyworks Global Pte Ltd during FYE 2022. Our Group sold 2 units of wafer inspection machine and 1 unit of auto reel detaper machine with a total revenue of RM3.73 million during FYE 2021 as compared to the sale of 1 unit of wafer inspection machine with revenue of RM1.53 million during FYE 2022.

Trading of operating supplies, spare parts and tools for IC assembly and testing

Revenue from the trading segment recorded a decrease of RM0.09 million or 9.28% to RM0.88 million for FYE 2022 (FYE 2021: RM0.97 million). The decrease in revenue was mainly attributable to lower revenue from rotary cutters which decreased by RM0.11 million to RM0.03 million for FYE 2022 (FYE 2021: RM0.14 million). Such a decrease was partially narrowed by the increase in revenue from industrial containers, which increased by RM0.05 million to RM0.61 million for FYE 2022 (FYE 2021: RM0.56 million).

(iii) Cost of sales, GP and GP margin

Analysis of cost of sales by cost component

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Subcontractors costs[(1)]	7,077	81.25	6,937	72.75	6,038	52.96	5,614	44.00
Assembly materials, parts, trading goods and consumables	922	10.58	1,666	17.47	4,030	35.35	5,616	44.02
Direct labour	425	4.88	574	6.02	976	8.56	917	7.19
Depreciation charges	96	1.10	33	0.34	35	0.31	145	1.14
Others[(2)]	191	2.19	326	3.42	322	2.82	466	3.65
Total	**8,711**	**100.00**	**9,536**	**100.00**	**11,401**	**100.00**	**12,758**	**100.00**

Notes:

(1) Comprise mainly costs incurred for subcontracting fabrication of PCBs, surface treatment and the fabrication of precision parts such as contact terminals, metal brackets, heatsink, base plates, shafts, push pins, bearing housing, cylinder brackets, motor housings, as well as metal structure.

(2) Comprise mainly carriage inwards and production overheads such as rental of factory and transportation charges.

12. FINANCIAL INFORMATION (CONT'D)

Analysis of cost of sales by business segment

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Design and assembly of IC burn-in boards and supply of PCBs	3,522	40.43	4,640	48.66	5,964	52.31	6,792	53.24
Supply and refurbishment of IC assembly and test consumables	4,114	47.23	3,236	33.94	2,399	21.04	1,517	11.89
Design, development and assembly of ATE and factory automation	1,035	11.88	1,261	13.22	2,717	23.83	4,138	32.43
Trading of operating supplies, spare parts and tools for IC assembly and testing	40	0.46	399	4.18	321	2.82	311	2.44
	8,711	**100.00**	**9,536**	**100.00**	**11,401**	**100.00**	**12,758**	**100.00**

Analysis of GP and GP margin by business segment

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	GP	GP margin	GP	GP margin	GP	GP margin	GP	GP margin
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Design and assembly of IC burn-in boards and supply of PCBs	1,714	32.73	3,054	39.69	4,265	41.70	5,924	46.59
Supply and refurbishment of IC assembly and test consumables	1,455	26.13	3,005	48.15	5,105	68.03	3,224	68.00
Design, development and assembly of ATE and factory automation	465	31.00	690	35.37	2,526	48.18	1,881	31.25
Trading of operating supplies, spare parts and tools for IC assembly and testing	29	42.03	400	50.06	653	67.04	573	64.82
	3,663	**29.60**	**7,149**	**42.85**	**12,549**	**52.40**	**11,602**	**47.63**

Comparison between FYE 2019 and FYE 2020

Our cost of sales increased by RM0.83 million or 9.53%, to RM9.54 million for FYE 2020 (FYE 2019: RM8.71 million), which was in tandem with our revenue growth for FYE 2020.

Our subcontractors costs and the costs incurred for assembly materials and parts have not fluctuated in line with our revenue growth between FYE 2019 and FYE 2020, given that these costs may vary based on our customers' requirements for the design of the IC burn-in boards, IC assembly and test consumables which are dependent on, amongst others, the type of IC packages, the types of reliability tests, the types of IC burn-in system as well as the types of IC assembly and test consumables required by our customers.

Subcontractors costs constituted the largest portion of our cost of sales, representing 81.25% and 72.75% of our total cost of sales for FYE 2019 and FYE 2020, respectively. The subcontractors costs for FYE 2020 decreased by RM0.14 million or 1.98% to RM6.94 million for FYE 2020 (FYE 2019: RM7.08 million). In the past, our Group relied on third parties to carry out 4 processes for the IC assembly and test consumables production process (i.e. residue removal, surface cleaning, fiducial ink removal and surface etching processes). During the FYE 2020, our Group had undertaken process optimisation to streamline the surface treatment processes for CSP carriers (i.e. removed residue and surface cleaning processes which were previously outsourced to our subcontractors). Accordingly, our Group managed to cut down 2 outsourced processes and relied on in-house workers to undertake the IC assembly and test consumables production process. Thus, this has resulted in lower subcontractors costs incurred during FYE 2020, despite the increase in revenue from the supply and refurbishment of IC assembly and test consumables segment.

The assembly materials, parts, trading goods and consumables increased by RM0.75 million or 81.52% to RM1.67 million for FYE 2020 (FYE 2019: RM0.92 million), mainly attributable to costs incurred for assembly of ATE machines, machine refurbishment services and also trading of operating supplies and consumables, which were in tandem with the related revenue growth for FYE 2020.

Our GP increased by RM3.49 million or 95.36% to RM7.15 million for FYE 2020 (FYE 2019: RM3.66 million). Our design and assembly of IC burn-in boards and supply of PCBs segment, and the supply and refurbishment of IC assembly and test consumables segment are the main contributors to our GP, which collectively recorded an increase of RM2.89 million or 91.17% to RM6.06 million for FYE 2020 (FYE 2019: RM3.17 million). The improvement in GP was mainly attributable to revenue growth from both the design and assembly of IC burn-in boards and supply of PCBs segment and the supply and refurbishment of IC assembly and test consumables segment. In addition, the cost savings arising from the lower subcontractor costs incurred for the supply and refurbishment of IC assembly and test consumables segment as explained above, have also contributed to the improved GP in FYE 2020.

Design and assembly of IC burn-in boards and supply of PCBs

Our costs of sales for the design and assembly of IC burn-in boards and supply of PCBs segment increased by RM1.12 million or 31.82% to RM4.64 million for FYE 2020 (FYE 2019: RM3.52 million), which grew at a rate lower than the revenue growth rate of 46.76% for FYE 2020. This was mainly attributable to the change in revenue mix, i.e., we secured more orders for the design and assembly of IC burn-in boards for FYE 2020, which contributed RM6.02 million or 78.23% of the total revenue for this segment (FYE 2019: RM2.79 million or 53.17%). The contribution from the supply of PCBs decreased to RM1.67 million or 21.77% for FYE 2020 (FYE 2019: RM2.45 million or 46.83%). Our IC burn-in boards generally yielded a better margin than PCBs due to the high level of customisation required by our customers for the IC burn-in boards (i.e. subject to the type of IC packages, type of reliability tests to be conducted as well as the IC burn-in system used by the customers) and therefore yielded a better margin. Thus, this segment has recorded a higher GP of RM1.34 million or 78.36% to RM3.05 million for FYE 2020 (FYE 2019: RM1.71 million), and our GP margin improved from 32.73% for FYE 2019 to 39.69% for FYE 2020.

Supply and refurbishment of IC assembly and test consumables

The cost of sales for supply and refurbishment of IC assembly and test consumables segment decreased by RM0.87 million or 21.17% to RM3.24 million for FYE 2020 (FYE 2019: RM4.11 million), which has not fluctuated in line with the revenue growth of 12.03%. The decrease in the cost of sales for this segment was mainly attributable to lower subcontractors costs for FYE 2020, as explained above. Therefore, this segment has recorded a higher GP of RM1.55 million or 106.16% to RM3.01 million for FYE 2020 (FYE 2019: RM1.46 million), and our GP margin improved from 26.13% for FYE 2019 to 48.15% for FYE 2020. The increase in GP margin was also attributable to the upwards revision of our selling prices for the CSP carrier to align with the market prices of CSP carrier in the 3rd quarter of FYE 2020.

Design, development and assembly of ATE and factory automation

Our costs of sales for the design, development and assembly of ATE and factory automation segment increased by RM0.23 million or 22.33% to RM1.26 million for FYE 2020 (FYE 2019: RM1.03 million), which grew at a rate lower than the revenue growth rate of 30.00% for FYE 2020. This was mainly attributable to the change in revenue mix, i.e., we secured higher revenue for the assembly and refurbishment of ATE machines for FYE 2020, contributed RM1.76 million or 90.29% of the total revenue for this segment (FYE 2019: RM0.06 million or 3.87%). The work processes involved for the assembly and refurbishment of ATE machines were customised based on the customers' requirements which rely on technical know-how and solution feasibility and therefore yielded a better margin. Thus, this segment has recorded a higher GP of RM0.23 million or 50.0% to RM0.69 million for FYE 2020 (FYE 2019: RM0.46 million), and our GP margin improved further from 31.00% for FYE 2019 to 35.37% for FYE 2020.

Trading of operating supplies, spare parts and tools for IC assembly and testing

Our trading segment recorded an increase in cost of sales of RM0.36 million or 900.00% to RM0.40 million for FYE 2020 (FYE 2019: RM0.04 million), which increased in tandem with our revenue growth for this segment. Our GP for this segment improved by RM0.37 million to RM0.40 million for FYE 2020 (FYE 2019: RM0.03 million), mainly attributable to higher purchase orders for the gloves during FYE 2020, which yielded a better margin due to increased market demands for gloves during FYE 2020 resulted from the COVID-19 pandemic. Thus, our GP margin improved to 50.06% for FYE 2020 (FYE 2019: 42.03%).

Comparison between FYE 2020 and FYE 2021

Our cost of sales increased further by RM1.86 million or 19.50%, to RM11.40 million for FYE 2021 (FYE 2020: RM9.54 million), which was in tandem with our revenue growth for FYE 2021.

Our subcontractors costs and the costs incurred for assembly materials and parts have not fluctuated in line with our revenue growth between FYE 2020 and FYE 2021, given that these costs may vary based on our customers' requirements for the design of the IC burn-in boards, IC assembly and test consumables which are dependent on, amongst others, the type of IC packages, the types of reliability tests, the types of IC burn-in system as well as the types of IC assembly and test consumables required by our customers.

Subcontractors costs constituted the largest portion of our cost of sales, representing 72.75% and 52.96% of our cost of sales for FYE 2020 and FYE 2021, respectively. The subcontractors' costs for FYE 2021 decreased by RM0.90 million or 12.97% to RM6.04 million for FYE 2021 (FYE 2020: RM6.94 million). During FYE 2021, our Group had undertaken further process optimisation on the IC assembly and test consumables production process to streamline the surface treatment processes for CSP carriers (i.e. integrated surface etching during the fiducial ink removal process which was previously outsourced to subcontractors).

Accordingly, our Group managed to merge 2 outsourced processes into 1 outsourced process to undertake the integrated fiducial ink removal process in a shortened timeframe. Together with the removal of 2 outsourced processes that were implemented in FYE 2020, our Group managed to remove in total 3 outsourced processes by FYE 2021. Thus, this has resulted in lower subcontractors costs incurred during FYE 2021 of RM6.04 million as compared to the preceding financial year (FYE 2020: RM6.94 million).

Our assembly materials, parts, trading goods and consumables increased by RM2.36 million or 141.32% to RM4.03 million for FYE 2021 (FYE 2020: RM1.67 million), mainly attributable to costs incurred for the 2 units of wafer inspection machine and 1 unit of auto reel detaper machine sold during FYE 2021 under the supply and refurbishment of IC assembly and test consumables segment.

Thus, our GP has improved further by RM5.40 million or 75.52% to RM12.55 million for FYE 2021 (FYE 2020: RM7.15 million). Our design and assembly of IC burn-in boards and supply of PCBs segment, and supply and refurbishment of IC assembly and test consumables segment have remained the primary contributors to our GP, which collectively recorded an increase of RM3.31 million or 54.62% to RM9.37 million for FYE 2021 (FYE 2020: RM6.06 million). The rise in GP was in tandem with the increase in revenue from these 2 business segments for FYE 2021. Meanwhile, our GP from the design, development and assembly of ATE and factory automation segment increased by RM1.84 million or 266.67% to RM2.53 million for FYE 2021, which was in tandem with the increased revenue in this segment. In addition, the cost savings arising from the lower subcontractor costs incurred for the supply and refurbishment of IC assembly and test consumables segment as explained above, have also contributed to the improved GP in FYE 2021.

Design and assembly of IC burn-in boards and supply of PCBs

Our costs of sales for the design and assembly of IC burn-in boards and supply of PCBs segment increased further by RM1.32 million or 28.45% to RM5.96 million for FYE 2021 (FYE 2020: RM4.64 million), which grew at a rate lower than the revenue growth rate of 33.03% for FYE 2021. This was mainly attributable to an increase in orders for the design and assembly of IC burn-in boards for FYE 2021, which contributed RM8.27 million or 80.84% of the total revenue for this segment (FYE 2020: RM6.02 million or 78.23%). The contribution from the supply of PCBs grew to RM1.96 million or 19.16% for FYE 2021 (FYE 2020: RM1.67 million or 21.77%). Our IC burn-in boards generally yielded a better margin than PCBs due to the high level of customisation required by our customers for the IC burn-in boards (i.e. subject to the type of IC packages, type of reliability tests to be conducted as well as the IC burn-in system used by the customers) and therefore yielded a better margin. Thus, this segment has recorded a higher GP of RM1.21 million or 39.67% to RM4.26 million for FYE 2021 (FYE 2020: RM3.05 million), and our GP margin grew further from 39.69% for FYE 2020 to 41.70% for FYE 2021.

Supply and refurbishment of IC assembly and test consumables

The cost of sales for supply and refurbishment of IC assembly and test consumables segment decreased further by RM0.84 million or 25.93% to RM2.40 million for FYE 2021 (FYE 2020: RM3.24 million), which has not fluctuated in line with the revenue growth of 20.19%. The decrease in the cost of sales for this segment was mainly attributable to lower subcontractors costs for FYE 2021, as explained above. Additionally, the increased sales from IC assembly and test consumables, i.e. copper shunt, yielded a higher margin. Therefore, this segment has recorded a higher GP of RM2.10 million or 69.77% to RM5.11 million for FYE 2021 (FYE 2020: RM3.01 million), and our GP margin improved further from 48.15% for FYE 2020 to 68.03% for FYE 2021. The increase in GP margin was also attributable to further upwards revision of our selling prices for the CSP carrier to align with the market prices of CSP carrier in the 4th quarter of FYE 2021 and the impact of the price revisions in the 3rd quarter of FYE 2020.

Design, development and assembly of ATE and factory automation

Our costs of sales for the design, development and assembly of ATE and factory automation segment increased further by RM1.46 million or 115.87% to RM2.72 million for FYE 2021 (FYE 2020: RM1.26 million), which grew at a rate lower than the revenue growth rate of 168.72% for FYE 2021. This was mainly attributable to our Group selling 2 units of wafer inspection machine and 1 unit of auto reel detaper machine during FYE 2021, which contributed to RM2.87 million and RM0.86 million in our revenue for this segment respectively and generally yielded a better margin. Thus, this segment has recorded a higher GP of RM1.84 million or 266.67% to RM2.53 million for FYE 2021 (FYE 2020: RM0.69 million), and our GP margin improved further from 35.37% for FYE 2020 to 48.18% for FYE 2021.

Trading of operating supplies, spare parts and tools for IC assembly and testing

Our trading segment recorded a decrease in the cost of sales of RM0.08 million or 20.00% to RM0.32 million for FYE 2021 (FYE 2020: RM0.40 million). Our GP for this segment has continued to grow by RM0.25 million or 62.50% to RM0.65 million for FYE 2021 (FYE 2020: RM0.40 million), mainly attributable to higher purchase orders for the syringe pistons and barrels and rotary cutter for FYE 2021, which generally yielded a better margin. The syringe pistons and barrels sourced by our Group command higher margin primarily due to the specific type of syringe pistons and barrels supplied by our Group which meet the process specifications of our customer's electronic devices packaging while our rotary cutters are generally high-grade cutting tools which command price premium. Correspondingly, our GP margin improved to 67.04% (FYE 2020: 50.06%).

Comparison between FYE 2021 and FYE 2022

Our cost of sales increased further by RM1.36 million or 11.93%, to RM12.76 million for FYE 2022 (FYE 2021: RM11.40 million), which grew at a rate higher than our revenue growth for FYE 2022 of 1.71%. We recorded higher assembly material, parts, trading goods and consumables for FYE 2022, which increased by RM1.59 million or 39.45% to RM5.62 million for FYE 2022 (FYE 2021: RM4.03 million). Such an increase was primarily attributable to higher costs for assembly materials, parts and consumables for the 5 units of strip assembly handlers sold to a customer from the USA during FYE 2022 as the said USA customer has requested our Group to purchase the assembly materials and parts for these ATE machine from its related company at the predetermined prices fixed by the customer.

The abovementioned increase was offset partially by the decrease in our subcontractors costs of RM0.43 million or 7.12% to RM5.61 million for FYE 2022 (FYE 2021: RM6.04 million). The said decrease was mainly due to lower subcontractors costs incurred for our supply and refurbishment of IC assembly and test consumables segement as a result of lower revenue generated from the said segment during FYE 2022.

Despite our revenue growth in FYE 2022, we recorded a lower GP for FYE 2022, which declined by RM0.95 million or 7.57% to RM11.60 million for FYE 2022 (FYE 2021: RM12.55 million). Such decrease was mainly due to lower GP recorded by the supply and refurbishment of IC assembly and test consumables and design, development and assembly of ATE and factory automation segments, which collectively recorded a decrease of RM2.53 million or 33.16% to RM5.10 million for FYE 2022 (FYE 2021: RM7.63 million). The decrease in GP of these two segments was partially narrowed by the increased GP in the design and assembly of IC burn-in boards and supply of PCBs segment by RM1.66 million or 38.97% to RM5.92 million for FYE 2022 (FYE 2021: RM4.26 million).

Our Group's GP margin decreased from 52.40% for FYE 2021 to 47.63% for FYE 2022 mainly attributable to the lower margin recorded for FYE 2022 from the design, development and assembly of ATE and factory automation and trading of operating supplies, spare parts and tools for IC assembly and testing segments of 31.25% and 64.82%, respectively (FYE 2021: 48.18% and 67.04%, respectively).

Design and assembly of IC burn-in boards and supply of PCBs

Our costs of sales for the design and assembly of IC burn-in boards and supply of PCBs segment increased further by RM0.87 million or 14.60% to RM6.79 million for FYE 2022 (FYE 2021: RM5.96 million), which grew at a rate lower than the revenue growth rate of 24.34% for FYE 2022. This was mainly attributable to an increase in orders for the design and assembly of IC burn-in boards for FYE 2022, which increased by RM1.76 million or 21.28% to RM10.03 million for FYE 2022 (FYE 2021: RM8.27 million). The design and assembly of IC burn-in boards contributed 78.85% to revenue for the design and assembly of IC burn-in boards and supply of PCBs segment (FYE 2021: 80.82%), which is a higher contribution as compared to the supply of PCBs. Our IC burn-in boards generally yielded a better margin than the supply of PCBs and there were higher demand for DUT-card type burn-in-boards during FYE 2022 which yielded a better margin. Thus, this segment's GP margin grew from 41.70% for FYE 2021 to 46.59% for FYE 2022.

Supply and refurbishment of IC assembly and test consumables

The cost of sales for supply and refurbishment of IC assembly and test consumables segment decreased further by RM0.88 million or 36.67% to RM1.52 million for FYE 2022 (FYE 2021: RM2.40 million) while GP decreased by RM1.89 million or 36.99% to RM3.22 million for FYE 2022 (FYE 2021: RM5.11 million), which decrease in tandem with the decrease in revenue (due to reasons as elaborated above). Thus, our GP margin for this segment during FYE 2022 remained consistent with the preceding financial year.

Design, development and assembly of ATE and factory automation

Our costs of sales for the design, development and assembly of ATE and factory automation segment increased further by RM1.42 million or 52.21% to RM4.14 million for FYE 2021 (FYE 2021: RM2.72 million), which grew at a rate higher than the revenue growth rate of 14.89% for FYE 2022. This was mainly due to the Group recording higher costs for assembly materials, parts and consumables, for the 5 units of strip assembly handlers sold to a customer from the USA during FYE 2022 as the said USA customer has requested our Group to purchase the assembly materials and parts for these ATE machine from its related company at the predetermined prices fixed by the customer.

For clarification purpose, during the FYE 2022, the said USA customer (which is principally involved in the manufacturing of semiconductor test equipment such as strip test, laser mark and film frame handlers) had engaged our Group to assemble ATE machines instead of undertaking such activities in-house due to its shortage of manpower. Pursuant to the engagement, the said USA customer had offered to supply the assembly materials and parts to our Group at the original cost that was procured earlier by the said USA customer. Such arrangement would allow by the said USA customer to clear the inventories initially purchased for its own use whilst at the same time, enable our Group to shorten the lead time to complete the ATE machines as opposed to sourcing the raw materials from other suppliers. As a result, the raw materials supplied by the said USA customer to our Group during FYE 2022 were sold at predetermined prices fixed by the said USA customer based on the original cost of purchase of these raw materials. Save for the said USA customer, there were no other customers with such arrangement for the Financial Years Under Review.

Hence, our GP for this segment decreased by RM0.65 million or 25.69% to RM1.88 million for FYE 2022 (FYE 2021: RM2.53 million), and our GP margin for this segment declined from 48.18% for FYE 2021 to 31.25% for FYE 2022. Such decrease in GP margin was mainly due to the arrangement with the abovementioned USA customer to assemble 5 units strip assembly handler as explained above.

Trading

Our trading segment recorded a decrease in cost of sales of RM0.01 million or 3.13% to RM0.31 million for FYE 2022 (FYE 2021: RM0.32 million), which decreased in tandem with the decrease in our revenue for this segment. Our GP for the trading segment decreased by RM0.08 million or 12.31% to RM0.57 million for FYE 2022 (FYE 2021: RM0.65 million). Such a decrease in GP was mainly attributable to lower revenue from rotary cutters, which yielded a higher margin.

(iv) Other income

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest income	7	5.47	5	1.26	11	3.64	65	17.86
Realised gain on foreign exchange	8	6.25	-	-	1	0.33	51	14.01
Rental income	113	88.28	235	59.04	205	67.88	219	60.17
Government wage subsidy	-	-	125	31.41	85	28.15	1	0.27
Other	-	-	33(1)	8.29	-	-	28(2)	7.69
Total	**128**	**100.00**	**398**	**100.00**	**302**	**100.00**	**364**	**100.00**

Notes:

(1) During FYE 2020, our Group received a one-off fee amounting to RM0.03 million for arranging manpower to undertake 3rd party machine installation work overseas.

(2) Comprises term loan interest rebate upon the full settlement of the term loan used to finance the investment property at Juru Sentral during FYE 2022.

Comparison between FYE 2019 and FYE 2020

Our other income increased by RM0.27 million or 207.69% to RM0.40 million for FYE 2020 (FYE 2019: RM0.13 million), mainly due to:

(a) Rental income increased by RM0.13 million resulting from the full-year impact of rental income for renting our investment property in FYE 2020, in which the tenancy was entered within May 2019 to August of 2019; and

(b) A government wage subsidy of RM0.13 million was received during FYE 2020 pursuant to the temporary financial assistance programme introduced by the government to assist small and medium enterprises due to the COVID-19 pandemic.

Comparison between FYE 2020 and FYE 2021

Our other income decreased by RM0.10 million or 25.00% to RM0.30 million for FYE 2021 (FYE 2020: RM0.40 million), mainly due to the following:

(a) Our Group received a lower government wage subsidy for FYE 2021, which decreased by RM0.05 million or 38.46% to RM0.08 million for FYE 2021 (FYE 2020: RM0.13 million); and

(b) Rental income decreased by RM0.03 million, mainly due to a tenant's termination of the rental agreement in FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our other income increased by RM0.06 million or 20.00% to RM0.36 million for FYE 2022 (FYE 2021: RM0.30 million), mainly due to the following:

(a) Realised gain on foreign exchange increased by RM0.05 million during FYE 2022, mainly resulting from our USD-denominated revenue due to the strengthening of USD against RM during FYE 2022; and

(b) A term loan interest rebate of RM0.03 million upon the full settlement of the said term loan during FYE 2022.

(v) Administrative expenses

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff costs	664	24.51	1,091	40.07	1,037	38.86	1,361	25.12
Directors' remuneration:								
- directors of the Company	847	31.27	659	24.20	646	24.20	1,050	19.38
- directors of a combining entity	644	23.77	202	7.42	171	6.41	280	5.17
Depreciation	164	6.06	233	8.56	209	7.83	324	5.98
Professional fees	80	2.95	109	4.00	184	6.90	1,791	33.06
Utilities	93	3.43	109	4.00	86	3.22	69	1.27
Insurance	28	1.03	37	1.36	46	1.72	80	1.48
Realised loss on foreign exchange	-	-	32	1.18	-	-	-	-
License fee	31	1.15	23	0.84	58	2.17	36	0.66
Others(1)	158	5.83	228	8.37	232	8.69	427	7.88
Total	**2,709**	**100.00**	**2,723**	**100.00**	**2,669**	**100.00**	**5,418**	**100.00**

Note:

(1) Others comprise mainly annual dinner expenses, upkeep of office, office rental, rental of office equipments and forklifts, entertainment, printing and stationery, small value assets and accrual of tax penalty arising from the underestimation of tax.

Comparison between FYE 2019 and FYE 2020

Our administrative expenses increased by RM0.01 million or 0.37% to RM2.72 million for FYE 2020 (FYE 2019: RM2.71 million), mainly due to the following:

(a) Staff costs increased by RM0.44 million, primarily attributable to an increase in our administrative employees from 9 employees as at 31 December 2019 to 13 employees as at 31 December 2020 to cater for the growth in our Group's business operations;

(b) Depreciation increased by RM0.07 million, mainly attributable to the new motor vehicles purchased during FYE 2020 and towards the end of FYE 2019;

(c) Realised loss on foreign exchange increased by RM0.03 million, mainly arising from our billings denominated in USD whereby RM was strengthening against USD when the payment was received from the customer; and

(d) Professional fees increased by RM0.03 million, mainly due to higher accounting, audit and secretarial fees incurred by our Group as a result of the incorporation of new subsidiaries in FYE 2019.

The above increases were offset partially by the decrease in directors' remuneration (i.e. directors' fee, salaries, allowance, bonus, EPF, SOCSO and EIS) of RM0.63 million as part of the cost control measures implemented during FYE 2020 resulting from the COVID-19 pandemic, in which there was no director fees being paid by our Group for FYE 2020 (FYE 2019: RM0.90 million).

Comparison between FYE 2020 and FYE 2021

Our administrative expenses decreased marginally by RM0.05 million or 1.84% to RM2.67 million for FYE 2021 (FYE 2020: RM2.72 million), mainly attributable to a decrease in staff costs by RM0.05 million as a result of lower staff allowances incurred for FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our administrative expenses increased by RM2.75 million or 103.00% to RM5.42 million for FYE 2022 (FYE 2021: RM2.67 million), mainly attributable to the following:

(a) Directors' remuneration increased by RM0.51 million, mainly due to annual salary increment in FYE 2022 as a reward for the achievement of higher PAT of our Group for FYE 2021;

(b) Staff costs increased by RM0.32 million, mainly due to annual salary increment as well as the recruitment of technical staff with higher average salary to cater for the growth in our Group's business operations; and

(c) Professional fees increased by RM1.61 million, mainly due to expenses incurred for the Listing charged to our Group's combined statements of comprehensive income during FYE 2022. The professional fees mainly comprised of listing expense, accounting, audit and secretarial fees, amounted to RM1.91 million, in which RM0.30 million of listing expenses was capitalised and set off against the share capital.

(vi) Selling and distribution expenses

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Transportation	30	19.61	66	35.68	39	17.73	31	15.98
Travelling expenses	106	69.28	94	50.81	159	72.27	104	53.61
Upkeep of motor vehicles	17	11.11	25	13.51	22	10.00	40	20.61
Others(1)	-	-	-	-	-	-	19	9.80
Total	**153**	**100.00**	**185**	**100.00**	**220**	**100.00**	**194**	**100.00**

Note:

(1) Others comprise mainly the costs incurred for the enterprise resource planning system to manage procurement and billing processes.

Comparison between FYE 2019 and FYE 2020

Our selling and distribution expenses increased by RM0.04 million or 26.67% to RM0.19 million for FYE 2020 (FYE 2019: RM0.15 million), mainly due to higher transportation costs incurred for FYE 2020 as a result of our engagement of an outsourced transportation company for the delivery of our products to customers instead self-delivery during the MCO in FYE 2020.

Comparison between FYE 2020 and FYE 2021

Our selling and distribution expenses increased further by RM0.03 million or 15.79% to RM0.22 million for FYE 2021 (FYE 2020: RM0.19 million), mainly due to an increase in travelling expenses of RM0.06 million which was offset partially by the decrease in transportation costs by RM0.03 million resulting from further relaxation of the MCO in FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our selling and distribution expenses decreased by RM0.03 million or 13.64% to RM0.19 million for FYE 2022 (FYE 2021: RM0.22 million), mainly due to a decrease in travelling expenses of RM0.06 million for FYE 2022 as compared to the preceding financial year (i.e. our engineers incurred higher travelling expenses in FYE 2021 for traveling to Singapore for the installation and commissioning of ATE machines sold to Singapore).

(vii) Finance costs

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Term loan interest	149	95.51	120	94.49	170	92.39	127	78.39
Hire purchase interest	7	4.49	7	5.51	14	7.61	19	11.73
Accretion of interest on lease liability	-	-	-	-	-	-	16	9.88
Total	**156**	**100.00**	**127**	**100.00**	**184**	**100.00**	**162**	**100.00**

Comparison between FYE 2019 and FYE 2020

Our finance costs decreased by RM0.03 million or 18.75% to RM0.13 million for FYE 2020 (FYE 2019: RM0.16 million), mainly attributable to lower term loan interest incurred pursuant to the principal repayments of the term loan during FYE 2020.

Comparison between FYE 2020 and FYE 2021

Our finance costs increased by RM0.05 million or 38.46%, to RM0.18 million for FYE 2021 (FYE 2020: RM0.13 million), mainly attributable to higher term loan interest incurred from the new term loan drawdown during FYE 2021 to finance the purchase of Batu Kawan Land for constructing our Proposed Batu Kawan Factory.

In addition, our Group purchased a motor vehicle under a hire purchase arrangement during FYE 2021, contributing to the increase in hire purchase interest by RM0.01 million.

Comparison between FYE 2021 and FYE 2022

Our finance costs decreased by RM0.02 million or 11.11%, to RM0.16 million for FYE 2022 (FYE 2021: RM0.18 million), mainly attributable to the decrease in term loan interest of RM0.04 million resulting from the full settlement of the term loan in the first quarter of FYE 2022. Such a decrease was narrowed partially by the increase in accretion of interest on lease liabilities of RM0.02 million incurred for the rights-of-use of rented factories at Lot 9 Asasjaya and Lot 11 Asasjaya.

(viii) Taxation

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FYE 2022
Tax expenses (RM'000)	221	527	767	753
Statutory tax rate (%)	24.00	24.00	24.00	24.00
Effective tax rate (%)	28.59	11.68	7.84	12.16

As disclosed in Section 7.24 of this Prospectus, ETSB has been granted pioneer status by MIDA for its following business activities:

(a) Design, development and manufacturing of stainless-steel carriers for wafer chip scale packaging on 22 July 2020; and

(b) Manufacturing of chip aging test board on 29 March 2021.

ETSB would be entitled to the full tax exemption on its statutory income from its pioneer activities for 5 years, from 1 January 2020 to 31 December 2024, under the Promotion of Investments Act 1986.

ETSB was the main contributor to our Group's profit for FYEs 2020 and 2021. Thus, the pioneer status has resulted in our effective tax rates of approximately 11.68%, 7.84% and 12.16% for FYEs 2020, 2021 and 2022 being lower than the statutory tax rate of 24.00%.

Comparison between FYE 2019 and FYE 2020

Our tax expenses increased by RM0.31 million or 140.91% to RM0.53 million for FYE 2020 (FYE 2019: RM0.22 million), mainly attributable to our higher PBT for FYE 2020 compared to FYE 2019.

Our Group recorded a lower effective tax rate of 11.68% for FYE 2020, primarily due to the income generated from the design, development and manufacturing of stainless-steel carriers for wafer chip scale packaging by ETSB being exempted from income tax under ETSB's pioneer status.

Comparison between FYE 2020 and FYE 2021

Our tax expenses increased by RM0.24 million or 45.28% to RM0.77 million for FYE 2021 (FYE 2020: RM0.53 million), mainly attributable to improved PBT for FYE 2021 as compared to FYE 2020.

Comparison between FYE 2021 and FYE 2022

Our tax expenses decreased by RM0.02 million or 2.60% to RM0.75 million for FYE 2022 (FYE 2021: RM0.77 million). Such a decrease was mainly attributable to lower PBT recorded for FYE 2022, as explained in Section 12.3.1(ix) of this Prospectus.

We recorded a higher effective tax rate of 12.16% for FYE 2022 (FYE 2021: 7.84%), mainly due to the underprovision of income tax expenses of RM0.31 million which were accumulated from prior financial years.

(ix) PBT and PAT

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
PBT (RM'000)	773	4,512	9,778	6,192
PBT margin (%)	6.25	27.04	40.83	25.42
PAT (RM'000)	552	3,985	9,011	5,439
PAT margin (%)	4.46	23.88	37.62	22.33

Comparison between FYE 2019 and FYE 2020

We recorded an increase in PBT of RM3.74 million or 485.71% to RM4.51 million for FYE 2020 (FYE 2019: RM0.77 million), mainly contributed by our revenue and GP growth as explained in Sections 12.3.1(ii) and 12.3.1(iii) of this Prospectus, respectively. Thus, our PBT margin increased from 6.25% for FYE 2019 to 27.04% for FYE 2020, which resulted from the improved GP margin.

For FYE 2020, the income from the design, development and manufacturing of stainless-steel carriers for wafer chip scale packaging of ETSB, one of our subsidiaries, was exempted from income tax as explained in Section 12.3.1(viii) of this Prospectus. Thus, this has resulted in a higher PAT and PAT margin during FYE 2020.

Comparison between FYE 2020 and FYE 2021

Our PBT further increased by RM5.27 million or 116.85% to RM9.78 million for FYE 2021, mainly contributed by our revenue and GP growth as explained in Sections 12.3.1(ii) and 12.3.1(iii) of this Prospectus, respectively. In addition, the increase was also attributable to our main administrative expenses, i.e. staff costs and directors' remuneration, which were fixed in nature, and were not moved at the same rates as revenue and GP growth. Thus, our PBT margin improved from 27.04% for FYE 2020 to 40.83% for FYE 2021.

During FYE 2021, in addition to the income from the design, development and manufacturing of stainless-steel carriers for wafer chip scale packaging of ETSB which were exempted from income tax, ETSB also enjoyed income tax exemption for its income from the manufacturing of chip aging test board for 5 years commencing 1 November 2020. Hence, our Group has recorded a higher PAT for FYE 2021, and our PAT margin improved further from 23.88% for FYE 2020 to 37.62% for FYE 2021.

Comparison between FYE 2021 and FYE 2022

We recorded a decrease in PBT and PAT of RM3.59 million or 36.70% and RM3.57 million or 39.66%, respectively, for FYE 2022, mainly contributed by lower GP, which decreased by RM0.95 million or 7.57%, mainly as a result of lower GP recorded by (i) supply and refurbishment of IC assembly and test consumables segment, in which the GP decreased in tandem with the decrease in revenue; and (ii) design, development and assembly of ATE and factory automation segment, in which higher costs for assembly materials, parts and consumables were recorded during FYE 2022, as explained in Section 12.3.1(iii) of this Prospectus. Further, the decrease in PBT and PAT for FYE 2022 was also contributed by higher administrative expenses, which increased by RM2.75 million or 103.00%, mainly due to (i) higher directors' remuneration; (ii) higher staff costs; and (iii) higher professional fees incurred during FYE 2022, as explained in Section 12.3.1(v) of this Prospectus.

12.3.2 Significant factors affecting our business and results of operations

Our financial position and results of operations have been and are expected to be affected by a number of factors, including those set out below:

(i) We are dependent on our top 2 major customers who contribute substantially to our revenue;

(ii) Our financial performance may be materially affected in the event of revocation or expiry of the Pioneer Status of our subsidiaries;

(iii) We are dependent on the availability of technical professionals;

(iv) Our business operations are exposed to unexpected interruptions or delays caused by equipment failures, fire, natural disasters, force majeure events and outbreak of diseases, which may be beyond our control;

(v) We may be adversely affected by product defects, and it may lead to negative perception toward our products or our Group;

(vi) We rely on subcontractors for fabrication of PCBs, internal precision parts and sheet metal works;

(vii) We are subject to foreign exchange fluctuation risks which may impact the profitability of our Group; and

(viii) We are dependent on the semiconductor industry and we face changes and uncertainties in the end-user industries for semiconductors.

Further details of these significant factors affecting our business and results of operations are set out in Sections 9.1 and 9.2 of this Prospectus.

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12.3.3 Liquidity and capital resources

(i) Working capital

We finance our operations with cash generated from operations, credit extended by trade creditors, and existing cash and bank balances. Our facilities from financial institutions comprise trade financing, bank overdrafts, term loans and hire purchase.

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 inflows, future working capital requirements, future capital expenditure requirements and interest rates on borrowings. We carefully consider our cash position and ability to obtain further financing before making significant capital commitments.

Our Board confirms that we have sufficient funds for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus, taking into consideration the following:

(a) Our cash and cash equivalent of RM8.15 million as at the LPD;

(b) Our expected future cash flows from operations;

(c) Our total banking facilities as at the LPD of RM15.13 million (excluding hire purchase), of which RM2.93 million have been utilised; and

(d) Our pro forma gearing level of 0.03 times, computed based on our pro forma statements of financial position as at 31 December 2022 after the Acquisitions, IPO and utilisation of proceeds.

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. This measure has proven to be effective while maintaining a cordial relationship with our customers.

(ii) Cash flows

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net cash from operating activities	402	3,881	5,376	3,537
Net cash used in investing activities	(324)	(126)	(3,469)	(437)
Net cash from / (used in) financing activities	84	(1,423)	(1,757)	(2,461)
Net increase in cash and bank balances	162	2,332	150	639
Cash and cash equivalents at the beginning of the financial year	**2,955**	**3,117**	**5,449**	**5,599**
Cash and cash equivalents at the end of the financial year	**3,117**	**5,449**	**5,599**	**6,238**

FYE 2019

Net cash from operating activities

For FYE 2019, our Group recorded a net cash inflow from operating activities of RM0.40 million. We collected RM11.10 million, consist of RM10.95 million from our customers and RM0.15 million from our rental income.

The above collections were offset partially by cash payments of RM10.70 million in respect of the following:

(a) Payments to our subcontractors and suppliers of RM6.96 million;

(b) Payments for staff costs and other operating expenses of RM3.11 million;

(c) Interest payments for term loans and hire purchase totalling RM0.16 million; and

(d) Payments for income tax of RM0.47 million.

Net cash used in investing activities

For FYE 2019, our Group recorded a net cash outflow of RM0.32 million for investing activities, mainly attributable to the following:

(a) Purchase of property, plant and equipment of RM0.14 million, primarily comprising furniture, fittings and office equipment for our business operations;

(b) Payment for the balance consideration pursuant to the acquisition of an investment property at Juru Sentral of RM0.19 million; and

(c) Interests received from our bank balances and short-term fixed deposits of RM0.01 million.

Net cash from financing activities

For FYE 2019, our Group recorded a net cash inflow of RM0.08 million from financing activities, mainly attributable to the following:

(a) Net advances from directors of RM0.36 million for working capital purposes;

(b) Proceeds from the issuance of ordinary shares by our Company of RM0.20 million and our subsidiaries, namely ETSB and EVSB totalling RM0.17 million;

(c) Repayment of term loans of RM0.59 million; and

(d) Repayment of hire purchase of RM0.06 million.

FYE 2020

Net cash from operating activities

For FYE 2020, our Group recorded a net cash inflow from operating activities of RM3.88 million. We collected RM17.91 million mainly from the following:

(a) Collections of RM17.54 million from our customers;

(b) Rental income from our investment property of RM0.23 million;

(c) Government wage subsidy of RM0.13 million; and

(d) Tax refunded of RM0.01 million.

The above collections were offset partially by cash payments of RM14.03 million mainly for the following:

(a) Payments of RM9.88 million to our subcontractors and suppliers;

(b) Payments for staff costs and other operating expenses of RM3.66 million;

(c) Interest payments for term loans and hire purchase totalling RM0.13 million; and

(d) Payments for income tax of RM0.36 million.

Net cash used in investing activities

For FYE 2020, our Group recorded a net cash outflow of RM0.13 million for investing activities, mainly attributable to the purchase of furniture, fittings and office equipment for our business operations.

Net cash used in financing activities

For FYE 2020, our Group recorded a net cash outflow of RM1.42 million for financing activities, mainly attributable to the following:

(a) Payments for dividends of RM1.00 million;

(b) Repayment of term loans of RM0.59 million;

(c) Repayment of hire purchase of RM0.05 million; and

(d) Net advances from directors of RM0.22 million for our working capital purposes.

FYE 2021

Net cash from operating activities

For FYE 2021, our Group recorded a net cash inflow from operating activities of RM5.38 million. We collected RM21.57 million mainly from the following:

(a) Collections of RM21.26 million from our customers;

(b) Rental income from our investment property of RM0.20 million;

(c) Government wage subsidy of RM0.10 million; and

(d) Interest received of RM0.01 million.

The above collections were offset partially by cash payments of RM16.19 million in respect of the following:

(a) Payments of RM11.20 million to our subcontractors and suppliers;

(b) Payments for staff costs and other operating expenses of RM3.76 million;

(c) Interest payments for term loans and hire purchases totalling RM0.18 million; and

(d) Payments for income tax of RM1.05 million.

Net cash used in investing activities

For FYE 2021, our Group recorded a net cash outflow of RM3.47 million for investing activities, mainly attributable to the following:

(a) Purchase of property, plant and equipment of RM3.48 million, out of which RM3.39 million was paid for the purchase of Batu Kawan Land and capitalised expenses for the construction of the Proposed Batu Kawan Factory (i.e. stamp duty as well as professional fees for land valuation and soil investigation); and

(b) Interests received from bank balance and short-term fixed deposits of RM0.01 million.

Net cash used in financing activities

For FYE 2021, our Group recorded a net cash outflow of RM1.76 million for financing activities, mainly attributable to the following:

(a) Payments for dividends of RM3.63 million;

(b) Repayment of term loans of RM1.63 million;

(c) Repayment of hire purchase of RM0.14 million;

(d) Drawdown of term loans of RM3.18 million for the purchase of Batu Kawan Land for the construction of the Proposed Batu Kawan Factory;

(e) Proceeds from the issuance of ordinary shares by our Company of RM0.82 million and our subsidiaries, namely DTSB, ETSB and CESB totalling RM0.22 million; and

(f) Net repayment to directors of RM0.58 million for advances to our Group for working capital purposes.

FYE 2022

Net cash from operating activities

For FYE 2022, our Group recorded a net cash inflow from operating activities of RM3.54 million. We collected RM26.44 million mainly from the following:

(a) Collections of RM26.15 million from our customers;

(b) Rental income from our investment property of RM0.22 million; and

(c) Interest received of RM0.07 million.

The above collections were offset partially by cash payments of RM22.90 million mainly for the following:

(a) Payments of RM13.62 million to our subcontractors and suppliers;

(b) Payments for staff costs and other operating expenses of RM6.43 million;

(c) Payments for listing expenses of RM1.73 million;

(d) Interest payments for term loans and hire purchase totalling RM0.12 million; and

(e) Payments for income tax of RM1.00 million.

Net cash used in investing activities

For FYE 2022, our Group recorded a net cash outflow of RM0.44 million for investing activities, mainly attributable to the following:

(a) Purchase of property, plant and equipment of RM0.50 million, out of which RM0.21 million was the stamp duty and design fee incurred for the Proposed Batu Kawan Factory and RM0.08 million incurred for our server room; and

(b) Interests received from bank balance and short-term money market fund of RM0.06 million.

Net cash used in financing activities

For FYE 2022, our Group recorded a net cash outflow of RM2.46 million for financing activities, mainly attributable to the following:

(a) Payments for dividends of RM1.50 million;

(b) Repayment of term loans of RM0.93 million;

(c) Repayment of hire purchase of RM0.12 million;

(d) Payment of lease liabilities of RM0.11 million; and

(e) Term loans drawdown of RM0.20 million to finance the insurance expenses for Batu Kawan Land for the construction of the Proposed Batu Kawan Factory.

12.3.4 Borrowings and financial instruments

All our borrowings are secured, interest-bearing and denominated in RM. Our total outstanding borrowings as at 31 December 2022 stood at RM3.19 million, details of which are set out below:

	Purpose	**Security**	**Tenure of the facility**	**Interest rate %**	**As at 31 December 2022 RM'000**
Interest bearing short-term borrowings, payable within 1 year:					
Term loan for the Proposed Batu Kawan Factory	Finance Batu Kawan Land and Proposed Batu Kawan Factory	(i) Assignment over the rights, titles and interest to the leasehold land at Batu Kawan (ii) Power of attorney in favour of the bank over the leasehold land at Batu Kawan (iii) Legal charge over the leasehold land at Batu Kawan (iv) Joint and guarantee by Chin Yong Keong, Khong Chee Seong and Tan Joo Hung (a former director) (v) Corporate guarantee by ETMSB (vi) Assignment of Rental Proceeds (vii) Assignment of takaful policy by Khong Chee Seong	10 to 15 years	ICOF + 1.00%	252
Hire purchase	Hire purchase for motor vehicles	Motor vehicles	3 to 5 years	2.12 to 2.40	90
Subtotal					342

12. FINANCIAL INFORMATION (CONT'D)

	Purpose	Security	Tenure of the facility	Interest rate %	As at 31 December 2022 RM'000
Interest bearing long-term borrowings, payable after 1 year:					
Term loan for the Proposed Batu Kawan Factory	Finance Batu Kawan Land and Proposed Batu Kawan Factory	(i) Assignment over the rights, titles and interest to the leasehold land at Batu Kawan (ii) Power of attorney in favour of the bank over the leasehold land at Batu Kawan (iii) Legal charge over the leasehold land at Batu Kawan (iv) Joint and guarantee by Chin Yong Keong, Khong Chee Seong and Tan Joo Hung (a former director) (v) Corporate guarantee by ETMSB (vi) Assignment of Rental Proceeds (vii) Assignment of takaful policy by Khong Chee Seong	10 to 15 years	ICOF + 1.00%	2,731
Hire purchase	Hire purchase for motor vehicles	Motor vehicles	3 to 5 years	2.12 to 2.40	122
Subtotal					2,853
Total					**3,195**
Gearing (times)					
After Acquisitions but before IPO and utilisation of proceeds(1)					0.17
After Acquisitions, IPO and utilisation of proceeds(2)					0.03

Notes:

(1) Computed based on our pro forma equity attributable to the owners of the Company of RM19.07 million in the pro forma statements of financial position after the Acquisitions, but before IPO and utilisation of proceeds.

(2) Computed based on our pro forma equity attributable to the owners of the Company of RM40.96 million in the pro forma statements of financial position after the Acquisitions, IPO and utilisation of proceeds which includes the repayment of bank borrowings of RM10.25 million.

Our bank borrowings and hire purchase carry the following interest rates for the Financial Years Under Review:

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	% per annum			
Floating rate				
Term loans	4.35	4.35	4.35-5.64	5.64-6.64
Fixed rate				
Hire purchase payables	2.34-2.40	2.12-2.40	2.12-2.40	2.12-2.40

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

We have not defaulted on payments of principal sums and / or interests in respect of any of our borrowings throughout the Financial Years Under Review and up to LPD.

As at the LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan, which can materially affect our financial position and results or business operations or the investments by holders of our securities. During the Financial Years Under Review, we did not experience any clawback or reduction in the facilities limit granted to us by our lenders.

12.3.5 Type of financial instruments used

As at the LPD, save as disclosed in Section 12.3.4 above, we do not have nor utilise any other financial instruments. We finance our operations mainly through cash generated from our operations, credit extended by our suppliers and external sources of funds which mainly comprise borrowings. The principal usages of these bank borrowings are for working capital as well as the purchase of leasehold land and motor vehicles.

Save for our hire purchase, other borrowings bear variable interest rates based on the banks' base lending rate plus or minus a rate, which varies depending on the different types of bank facilities.

12.3.6 Treasury policies and objectives

Our main treasury policy is to maintain sufficient working capital to finance our operations and meet the estimated commitments arising from our operational expenditures and financial liabilities by maintaining adequate liquidity. We manage our liquidity to help ensure access to sufficient funding at acceptable costs to meet our business needs and financial obligations throughout our business cycles. The primary objective is to have sustainable shareholders' equity to ensure our business operations continue going concern and grow our business to maximise shareholders' value.

We have been financing our operations mainly through internally generated funds and credit extended by trade creditors. Our principal sources of liquidity are our cash and bank balances and cash generated from our operations.

12.3.7 Material commitment

As at the LPD, our Group has committed to construct the Proposed Batu Kawan Factory, costing RM10.88 million for our business operations, which will be financed by our internally generated funds, bank borrowing and the proceed from the IPO.

Save as disclosed above, we do not have any other material capital commitments as at the LPD.

12.3.8 Material contingent liabilities

As at the LPD, there are no material contingent liabilities incurred by our Group, which upon becoming enforceable may have a material effect on our business, financial results or position.

12.3.9 Material litigation

We are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant. 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 the LPD.

12.3.10 Impact of foreign exchange rates, interest rates and / or commodity prices on our operations

(a) Impact of foreign exchange rates

Our proportions of sales and purchases transactions denominated in local and foreign currencies are as follows:

	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Sales denominated in:								
- RM	11,849	95.76	15,780	94.58	18,998	79.32	18,970	77.87
- USD	525	4.24	905	5.42	4,952	20.68	5,390	22.13
	12,374	**100.00**	**16,685**	**100.00**	**23,950**	**100.00**	**24,360**	**100.00**
Purchases denominated in:								
- RM	4,321	61.96	5,294	61.17	4,229	40.27	4,407	32.48
- USD	2,653	38.04	3,237	37.40	6,213	59.17	9,014	66.43
- SGD	-	-	115	1.33	59	0.56	48	0.35
- RMB	-	-	8	0.09	-	-	-	-
- GBP	-	-	1	0.01	-	-	1	0.01
- NTD	-	-	-	-	-	-	88	0.65
- EUR	-	-	-	-	-	-	11	0.08
	6,974	**100.00**	**8,655**	**100.00**	**10,501**	**100.00**	**13,569**	**100.00**

We are exposed to transactional currency exposure as 4.24%, 5.42%, 20.68% and 22.13% of our total revenue were denominated in USD for FYE 2019, 2020, 2021 and 2022, respectively. In addition, 38.04%, 38.83%, 59.73% and 67.52% of our purchases were denominated in currencies other than RM for FYE 2019, 2020, 2021 and 2022. The purchases denominated in foreign currencies are mainly in USD.

An appreciation or depreciation of the RM against the USD may have an impact to our financial performance and GP. If the USD significantly appreciates against the RM, we will record a higher revenue and higher cost of sales in RM after conversion from USD. Conversely, if the USD significantly depreciates against the RM, we will record a lower revenue and lower cost of sales in RM after conversion from USD.

For FYE 2019, 2020, 2021 and 2022, our gains and losses from foreign exchange fluctuations are as follows:

	Audited			
	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000
Realised gain / (loss) on foreign exchange	8	(32)	1	51

We currently do not have a formal policy with respect to our foreign exchange transactions. Exposure on foreign exchange is monitored on an ongoing basis, and our Group endeavours to keep the net exposure at an acceptable level. Our Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

Our Group does not hedge our exposure to fluctuation in foreign currency exchange rates. As at the LPD, we have not entered into any foreign exchange contracts. As such, we are subject to foreign exchange fluctuation risk for the purchases from our foreign suppliers and revenue from our foreign sales. A depreciation of the RM against the USD will lead to higher costs of supplies for our Group. In the event that we are unable to pass the increase in costs to our customers in a timely manner, our financial performances may be adversely affected due to the reduced GP margin from higher costs of supplies.

(b) Impact of interest rates

Interest coverage ratio measures the number of times a company can make its interest payments with its EBIT. Our interest coverage ratio for the Financial Years Under Review is as follows:

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FYE 2022
Interest coverage ratio (times)(1)	5.91	36.49	54.08	38.82

Note:

(1) Computed based on EBIT over finance costs for the Financial Years Under Review.

Our interest coverage ratios range from 5.91 times in FYE 2019 to 54.08 times during the Financial Years Under Review, indicating that our Group has been able to generate sufficient profits from operations to meet our interest serving obligations.

Our financial results for the Financial Years Under Review were not materially affected by fluctuations in interest rates. However, any major increase in interest rates would raise the cost of our borrowings and our finance costs, which may have an adverse effect on the performance of our Group.

(c) Impact of commodity prices

As at the LPD, our Group is not affected by fluctuations in commodity prices.

12.3.11 Impact of government, economic, fiscal or monetary policies

Save for policies in relation to COVID-19, there were no government, economic, fiscal or monetary policies or factors which had materially affected our operations during the Financial Years Under Review. 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 materially affect our operations are set out in Section 9 of this Prospectus.

12.3.12 Exceptional and extraordinary items and audit qualifications

There were no exceptional or extraordinary items during the Financial Years Under Review. In addition, our audited financial statements for the Financial Years Under Review were not subject to any audit qualifications.

12.3.13 Impact of inflation

During the Financial Years Under Review, our financial performance was not materially affected by inflation. However, there is no assurance that our financial performance will not be adversely affected by inflation moving forward. Any significant increase in our costs of sales in the future may adversely affect our operations and performance if we are unable to pass on the higher costs to our customers through an increase in selling prices.

12.4 KEY FINANCIAL RATIOS

The key financial ratios of our Group are as set out below:-

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
Trade receivables turnover (days)(1)	103	102	95	108
Trade payables turnover (days)(2)	129	118	72	46
Inventory turnover (days)(3)	7	16	33	78
Current ratio (times)(4)	1.73	1.71	2.97	3.14
Gearing ratio (times)(5)	0.52	0.30	0.27	0.17

Notes:

(1) Computed based on the average trade receivables and net of allowances for impairment loss as at year-end over revenue for the year, multiplied by 365 days for each financial year.

(2) Computed based on the average trade payables as at year-end over cost of sales for the respective years, multiplied by 365 days for each financial year.

(3) Computed based on average inventory as at year-end over cost of sales for the respective years, multiplied by 365 days for each financial year.

(4) Computed based on current assets over current liabilities as at the end of each financial year.

(5) Computed based on total interest-bearing borrowings over total equity as at the end of each financial year.

(i) Trade receivables turnover period

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Opening trade receivables	2,958	4,012	5,282	7,202
Closing trade receivables	4,012	5,282	7,202	7,202
Average trade receivables	3,485	4,647	6,242	7,202
Revenue	12,374	16,685	23,950	24,360
Trade receivables turnover period (days)	103	102	95	108

The normal credit periods granted by our Group ranged from 30 to 90 days from the date of our invoice. Our credit terms to customers are assessed and approved on a case-by-case basis.

Our Group established policies on credit control involving comprehensive credit evaluations, setting up appropriate credit limits, ensuring the sales are made to customers with good credit history and regular review of customers' outstanding balances and payment trends. Our Group considers the risk of material loss in the event of non-performance by the customers to be unlikely.

As our Group did not hold any collateral, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position. A significant portion of trade receivables represents regular customers of our Group. Our Group uses ageing analysis to monitor the credit quality of the trade receivables.

Our Group assesses expected credit losses on trade receivables based on the 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 forward-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.

Our average trade receivables turnover period for FYE 2019, 2020, 2021 and 2022 was 103 days, 102 days, 95 days and 108 days, respectively. The trade receivables turnover periods for the Financial Years Under Review were higher than our credit terms granted to our customers as some of our customers will make payment within one to two months after the pre-agreed credit terms.

Further, at the end of FYE 2020, there were certain outstanding invoices within the design, development and assembly of ATE and factory automation segment of RM0.57 million, where our customer could only fulfil its payment obligations to our Group after their internal buyoff procedures (i.e. a series of inspections, test runs and witnessing, performed by our customers to ensure the products delivered by our Group meet their specifications and order requirements, prior to final acceptance of every new machine bought). The said outstanding invoices have resulted trade receivables increasing as at 31 December 2020 but have no impact on our revenue for FYE 2020 as the related revenue had been classified under contract liabilities as at 31 December 2020 and will only be recognised subsequent to FYE 2020 upon final acceptance by the customer.

The trade receivables turnover period for FYE 2022 increased to 108 days, mainly due to certain outstanding invoices within the design, development and assembly of ATE and factory automation segment of RM0.60 million remained outstanding at the end of FYE 2022, where our customers could only fulfil their payment obligations to our Group after their internal buyoff procedures (i.e. a series of inspections, test runs and witnessing, performed by customers to ensure products delivered meet specifications and order requirements, prior to final acceptance of every new machine bought).

The ageing analysis of our trade receivables as at 31 December 2022 is as follows:

	Trade receivables as at 31 December 2022		Collections from 1 January 2023 to LPD	Balance trade receivables as at the LPD
	RM'000	Percentage of trade receivables	RM'000	RM'000
	(a)	(a) / total of (a)	(b)	(c) = (a) – (b)
Neither past due nor impaired	6,407	88.96	6,294	113
Past due but not impaired:				
- less than 30 days	334	4.64	327	7
- 31 to 60 days	106	1.47	105	1
- 61 to 90 days	-	-	-	-
- over 90 days	355	4.93	337	18
	795	11.04	769	26
	7,202	**100.00**	**7,063**	**139**

As at 31 December 2022, our total trade receivables stood at approximately RM7.20 million, with approximately RM0.80 million or 11.04% of our trade receivables exceeding the normal credit period.

As at the LPD, approximately RM7.06 million or 98.07% of our trade receivables as at 31 December 2022 have been collected. The remaining balance of RM0.14 million or 1.93% of our total trade receivables have yet to be collected as at LPD. Our Group has not encountered any major disputes with our trade receivables and majority of the trade receivables as at 31 December 2022 were within the normal credit period. Hence, our Board is of the opinion that the remaining outstanding trade receivables are recoverable and will monitor closely the recoverability of the said receivables on a regular basis, and when required, provide for impairment of these receivables.

None of our trade receivables that are neither past due nor impaired have been renegotiated over the Financial Years Under Review.

Notwithstanding the COVID-19 pandemic during FYE 2020 and 2021, our customers have generally been paying within the credit period granted. Our Group has not encountered any major disputes with our trade receivables.

(ii) Trade payables turnover period

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Opening trade payables	2,758	3,382	2,799	1,719
Closing trade payables	3,382	2,799	1,719	1,530
Average trade payables	3,070	3,091	2,259	1,625
Cost of sales	8,711	9,536	11,401	12,758
Trade payables turnover period (days)	129	118	72	46

Trade payables comprise amounts outstanding for trade purchases. The credit terms granted to our Group for trade purchases ranged from 15 to 90 days. To maintain a good relationship with our suppliers, we will pay the suppliers as they fall due.

Our trade payables turnover period for FYE 2019, 2020, 2021 and 2022 was 129 days, 118 days, 72 days and 46 days, respectively. The trade payables turnover periods for FYEs 2019 and 2020 were higher than the credit terms granted by our suppliers and subcontractors as our Group seeks to balance its working capital requirements by matching the timing of cash outflows to suppliers with the cash inflows arising from customers' collections. Certain of our suppliers have granted the extended credit period to our Group. Our trade payables turnover period subsequently improved to 72 days for FYE 2021 and 46 days for FYE 2022, which was within the range of credit terms granted to our Group.

Our trade payables turnover period improved to 72 days for FYE 2021 from 118 days for FYE 2020, mainly due to some of our new suppliers offering better pricing with shorter credit terms. Our Group's trade payables turnover period improved further to 46 days for FYE 2022 from 72 days for FYE 2021 and our trade payables turnover period for the aforesaid financial years was within the range of credit terms granted to our Group.

The ageing analysis of our trade payables as at 31 December 2022 is as follows:

	Trade payables as at 31 December 2022		Payments from 1 January 2023 to LPD	Balance trade payables as at the LPD
	RM'000	Percentage of trade payables	RM'000	RM'000
	(a)	(a) / total of (a)	(b)	(c) = (a) – (b)
Within credit period	1,349	88.17	1,200	149
Exceeding credit period:				
- less than 30 days	152	9.93	152	-
- 31 to 60 days	2	0.13	2	-
- More than 60 days	27	1.77	27	-
	181	11.83	181	-
	1,530	**100.00**	**1,381**	**149**

As at 31 December 2022, our total trade payables stood at RM1.53 million, with RM0.18 million or 11.83% of our trade payables exceeding the normal credit period.

As at the LPD, we have settled the outstanding trade payables of RM1.38 million, representing 90.26% of our trade payables as at 31 December 2022.

As at the LPD, we do not have any material disputes in respect of our trade payables and no material legal proceedings to demand for payment have been initiated by our suppliers against us. There are also no disputes regarding trade payables, and our suppliers have not initiated any legal action against us to demand for payments.

(iii) Inventories turnover period

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Opening inventories	169	186	667	1,401
Closing inventories	186	667	1,401	4,061
Average inventories	178	427	1,034	2,731
Cost of sales	8,711	9,536	11,401	12,758
Inventory turnover period (days)	7	16	33	78

Inventory turnover period by type of inventory

	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
Burn-in boards and PCB (days)	18	15	19	30
IC assembly & test consumables (days)	1	2	11	49
ATE (days)	-	59	85	173
Operating supplies (days)	-	14	25	12

Our inventories comprise raw materials (assembly materials and parts), work-in-progress for burn-in boards and finished goods. Our average inventory turnover for FYE 2019, 2020, 2021 and 2022 was 7 days, 16 days, 33 days and 78 days, respectively.

Our average inventory turnover increased from 16 days for FYE 2020 to 33 days for FYE 2021, mainly due to 1 unit of ATE machine under work-in-progress as at 31 December 2021, which was delivered to our customer subsequently to FYE 2021. In addition, 2 units of assembled ATE machines were delivered to our customer before year end but have yet to be recognised as revenue in the profit or loss as the said machines were still pending performance acceptance test at the customers' site as at 31 December 2021. The said performance acceptance test by our customers were successfully conducted subsequent to 31 December 2021.

The average inventory turnover increased from 33 days for FYE 2021 to 78 days for FYE 2022, due to the following:

(a) The increased inventory turnover for burn-in-boards and PCB, mainly due to our Group's strategy to hold extra inventories during FYE 2022 as a result of uncertainty in escalating prices in raw materials as well as uncertainty in foreign currency fluctuation;

(b) The increased inventory turnover for IC assembly and test consumables, mainly attributable to more inventories received towards to end of FYE 2022 due to larger orders received from customers for delivery subsequent to FYE 2022 as our Group practice just-in-time inventory policy for this segment; and

(c) The increased inventory turnover for ATE attributable to 4 units assembled ATE machines totaling RM2.47 million (comprising 1 unit of factory automation conveyor system and 1 unit of wafer inspection and 2 units of strip assembly handler) delivered to our customer before end of FYE 2022 which were still pending performance acceptance test at the customers' site; and 1 unit of work-in-progress ATE machine (strip assembly handler) of RM0.45 million as at 31 December 2022.

The performance acceptance test for the 4 units assembled ATE was completed in January 2023 while the 1 unit of work-in-progress ATE machine is still pending for the performance acceptance test as at the LPD and the performance acceptance test is expected to be completed in the 4th quarter of FYE 2023.

We review our inventories on a product-by-product and aging basis during the periodic stock count, and we make allowance for damaged, obsolete and slow-moving inventories when necessary. Management estimates the net realisable value for such inventory items based primarily on the current market conditions. We did not have material slow-moving and / or obsolete inventories for the Financial Years Under Review and up to LPD.

(iv) Current ratio

	Audited			
	As at 31 December			
	2019	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000
Current assets	7,678	13,593	15,069	19,168
Current liabilities	4,431	7,936	5,079	6,113
Net current assets	**3,247**	**5,657**	**9,990**	**13,055**
Current ratio (times)	1.73	1.71	2.97	3.14

Our current ratio ranges from 1.71 times to 3.14 times for the Financial Years Under Review. This indicates that our Group can meet our current obligations as our current assets, such as inventories and trade receivables, which can be readily converted into cash, together with our cash and bank balances, are enough to meet immediate current liabilities.

(v) Gearing ratio

	Audited			
	As at 31 December			
	2019	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000
Total borrowings	2,962	2,635	4,046	3,195
Total equity	5,719	8,705	15,129	19,068
Gearing ratio (times) [(1)]	0.52	0.30	0.27	0.17

Note:

(1) Computed based on total interest-bearing borrowings over total equity as at the end of each financial year.

Our gearing ratio ranges from 0.17 times to 0.52 times throughout the Financial Years Under Review.

Our gearing ratio improved from 0.52 times as at 31 December 2019 to 0.30 times as at 31 December 2020 and further improved to 0.27 times as at 31 December 2021 mainly due to an increase in share capital and profit generated from each of the respective financial year. Our gearing ratio improved further from 0.27 times as at 31 December 2021 to 0.17 times as at 31 December 2022 mainly due to the full repayment of one of the term loans during the first quarter of 2022 coupled with improved total equity arising from the profit generated during FYE 2022.

12.5 TREND INFORMATION

As at the LPD, our financial performance, position and operations are not 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 financial performance, position and operations, save as disclosed in Sections 12.2, 7, 8 and 9 of this Prospectus;

(b) Material commitments for capital expenditure disclosed in Section 12.3.7 of this Prospectus;

(c) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Sections 12.2 and 9 of this Prospectus;

(d) Known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our revenue and / or profit as disclosed in Section 12.2 of this Prospectus, business and industry overview, as set out in Sections 7 and 8 of this Prospectus, and business strategies and future plans as set out in Section 7.4 of this Prospectus;

(e) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical financial statements not indicative of the future financial performance and position, save as disclosed in Section 12 and Section 9 of this Prospectus; and

(f) 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 liquidity and capital resources, save as disclosed in Section 12 and in Sections 7 and 9 of this Prospectus.

Our Board is optimistic about the future prospects of our Group given our competitive strengths as set out in Section 7.3 of this Prospectus, the outlook of our products and services industry in Malaysia as set out in the IMR Report in Section 8 and our commitment to implement the business strategies and future plans as set out in Section 7.4 of this Prospectus.

12.6 ORDER BOOK

We do not enter into long-term contracts with our customers. Our sales are made based on purchase orders from our customers on an ongoing basis. As at the LPD, our unbilled purchase orders stood at RM7.12 million and are expected to be fulfilled during FYE 2023.

12.7 SIGNIFICANT CHANGES

Save as disclosed in this Prospectus, there are no significant changes that have occurred which may have a material effect on the financial position and results of our Group subsequent to our audited combined financial statements for FYE 2022.

12.8 DIVIDEND POLICY

As we are a holding company, our ability to declare and pay dividends or make other distributions to our shareholders are dependent upon the dividends we receive from our subsidiaries, present and future. However, our ability to pay dividends or make other distributions to our shareholders in the future years is subject to various factors such as having profits and excess funds, which are not required to be retained to fund our business.

Our Group has a fixed dividend policy of up to 20% and it is our Group's intention to target a dividend payout ratio of up to 20% of our annual PAT attributable to the shareholders of our Company, after taking into account our results of operation, level of cash and bank balances, working capital requirements, and also subject to any applicable law and contractual obligations. Save for certain restrictive covenants from our credit facilities, which our subsidiaries are subject to, there is no other dividend restriction imposed on our subsidiaries as at the LPD.

Our Board will consider the following factors (which may not be exhaustive) when recommending dividends for approval by our shareholders or when declaring any interim dividends:

(a) The level of cash and level of indebtedness;

(b) Required and expected interest expense, cash flows, profits, return on equity and retained earnings;

(c) Our expected results of operations and future level of operations;

(d) Our projected levels of capital expenditure and other investment plans; and

(e) The prior consent from our lenders, if any.

The payment and amount of any dividends or distributions to our shareholders will be at the discretion of our Board and will depend on the factors stated above (which may not be exhaustive). There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or the timing of such payment.

However, no dividend or distribution shall be declared in excess of the amount recommended by our Board. Further, under the Act, our Company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

(a) Our Company is, or would after the payment be unable to pay its liabilities as they become due; or

(b) The realisable value of our Company's assets would thereby be less than its liabilities.

For the Financial Years Under Review and up to LPD, our Group declared and paid the following dividends to shareholders of the respective subsidiaries:

	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000
PAT attributable to owners of the Company	552	3,985	9,011	5,439
Dividends declared	-	1,000	3,630	1,500(2)
Dividends paid	-	1,000	3,630	1,500(2)
Dividend payout rate (%)(1)	N/A	25.09	40.28	27.58

There was no dividend declared and paid to shareholders of our Company and our subsidiaries from 1 January 2023 up to the LPD.

Notes:

(1) Computed based on dividends declared over PAT for each financial year / period.

(2) Our subsidiary, ETSB had, subsequent to the FYE 2021 declared an interim dividend for FYE 2022 (i.e. RM1.50 million) to its shareholders (i.e. Chin Yong Keong and Khong Chee Seong) and the interim dividend was fully paid in July 2022.

The dividends above were funded by internal funds sourced from the cash and bank balances of the respective subsidiaries. The dividends will not affect the execution and implementation of our future plans or business strategies. Together with the IPO proceeds, we believe that we have sufficient funding of cash from operations and bank borrowings for the funding requirement for our operations and our expansion plans.

As at the LPD, there is no outstanding dividend declared but remained unpaid. Subsequent to the LPD, no dividend was declared, made or paid by our Group.

No influence should or can be made from any of the above statements as to our actual future profitability or our ability to pay dividends in the future.

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EDELTEQ HOLDINGS BERHAD
Registration No. 201901033362 (1342692-X)
(Incorporated in Malaysia)

ACCOUNTANTS' REPORT ON THE COMBINED FINANCIAL STATEMENTS

GRANT THORNTON MALAYSIA PLT

CHARTERED ACCOUNTANTS

Member Firm of Grant Thornton International Ltd.

GrantThornton

Date: 11 April 2023

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The Board of Directors
Edelteq Holdings Berhad
No. 20, 1st Floor, Lorong Impian Ria 4,
Taman Impian Ria,
14000 Bukit Mertajam,
Penang.

Dear Sirs,

Reporting Accountants' Opinion On The Combined Financial Statements Contained In The Accountants' Report Of Edelteq Holdings Berhad ("Company" or "Edelteq")

Opinion

We have audited the accompanying combined financial statements of the Company and its combining entities, Edelteq Technologies Sdn. Bhd., Edelteq Ventures Sdn. Bhd., Camyang Enterprise Sdn. Bhd., Edel Technology (M) Sdn. Bhd. and Dysteq Technique Sdn. Bhd. (collectively known as "Group") which comprise the combined statements of financial position as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 and the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the corresponding financial years then ended and a summary of accounting policies and other explanatory notes, as set out on pages 4 to 71.

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 Edelteq in connection with the listing of and quotation for the entire enlarged issued share capital of Edelteq 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, 31 December 2020, 31 December 2021 and 31 December 2022 and of their combined financial performance and combined cash flows for the corresponding financial years 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 audit 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 Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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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 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 combined 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.

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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 an 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 comply to the Company and 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 Securities 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. 03298/04/2025 J
Chartered Accountant

Penang

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2022 RM	2021 RM	2020 RM	2019 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	5,591,875	5,432,869	2,176,650	1,979,373
Investment property	5	3,235,440	3,255,330	3,275,220	3,295,110
Right-of-use assets	6	240,334	-	-	-
		9,067,649	8,688,199	5,451,870	5,274,483
Current assets					
Inventories	7	4,061,086	1,400,387	666,774	186,338
Trade receivables	8	7,202,021	7,202,081	5,282,273	4,012,345
Other receivables, deposits and prepayments	9	1,038,046	318,746	1,796,546	42,336
Current tax recoverable		628,631	548,250	398,125	320,288
Cash and bank balances	10	6,238,009	5,598,937	5,449,010	3,116,528
		19,167,793	15,068,401	13,592,728	7,677,835
TOTAL ASSETS		28,235,442	23,756,600	19,044,598	12,952,318
EQUITY AND LIABILITIES					
Share capital	11(i)	1,020,000	1,020,000	200,000	200,000
Invested equity	11(ii)	1,447,000	1,447,000	1,223,500	1,223,500
Retained profits	12	16,600,562	12,661,755	7,280,756	4,295,341
Total equity		19,067,562	15,128,755	8,704,256	5,718,841
Non-current liabilities					
Lease liabilities	6	143,202	-	-	-
Borrowings	13	2,852,793	3,467,861	2,363,468	2,777,186
Deferred tax liabilities	14	58,457	80,783	40,970	25,186
		3,054,452	3,548,644	2,404,438	2,802,372
Current liabilities					
Trade payables	15	1,530,355	1,718,606	2,799,213	3,382,190
Other payables and accruals	16	712,188	1,022,730	1,582,870	328,201
Contract liabilities	17	3,323,098	1,251,511	2,277,275	-
Refund liabilities	18	97,603	367,714	114,350	107,997
Amount due to directors	19	-	-	580,350	364,320
Lease liabilities	6	108,578	-	-	-
Borrowings	13	341,606	577,827	272,146	184,449
Current tax payable		-	140,813	309,700	63,948
		6,113,428	5,079,201	7,935,904	4,431,105
TOTAL LIABILITIES		9,167,880	8,627,845	10,340,342	7,233,477
TOTAL EQUITY AND LIABILITIES		28,235,442	23,756,600	19,044,598	12,952,318

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		For the financial year ended 31 December			
	Note	**2022 RM**	**2021 RM**	**2020 RM**	**2019 RM**
Revenue	20	24,360,439	23,950,012	16,684,633	12,373,637
Cost of sales		(12,758,319)	(11,400,591)	(9,535,457)	(8,710,943)
Gross profit		11,602,120	12,549,421	7,149,176	3,662,694
Other income		364,377	302,195	398,403	128,384
Administrative expenses		(5,417,856)	(2,669,108)	(2,722,584)	(2,709,377)
Selling and distribution expenses		(194,676)	(220,303)	(185,470)	(152,619)
Operating profit		6,353,965	9,962,205	4,639,525	929,082
Finance costs		(161,522)	(184,514)	(127,439)	(156,026)
Profit before tax	21	6,192,443	9,777,691	4,512,086	773,056
Taxation	22	(753,636)	(766,632)	(526,671)	(221,197)
Net profit, representing total comprehensive income for the financial year		5,438,807	9,011,059	3,985,415	551,859
Basic earnings per ordinary share (sen)	23	1.02	1.69	0.75	0.10

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	|------------ Non-distributable ------------|		|--- Distributable ---|	
		Share Capital RM	**Invested Equity * RM**	**Retained Profits RM**	**Total Equity RM**
Balance as at 1 January 2019		-	1,050,000	3,743,482	4,793,482
Total comprehensive income for the financial year		-	-	551,859	551,859
Transaction with common controlling shareholders of the combining entities:					
Issuance of ordinary shares	11	200,000	173,500	-	373,500
Balance as at 31 December 2019		200,000	1,223,500	4,295,341	5,718,841
Total comprehensive income for the financial year		-	-	3,985,415	3,985,415
Transaction with common controlling shareholders of the combining entities:					
Dividends	24	-	-	(1,000,000)	(1,000,000)
Balance as at 31 December 2020		200,000	1,223,500	7,280,756	8,704,256
Total comprehensive income for the financial year		-	-	9,011,059	9,011,059
Transaction with common controlling shareholders of the combining entities:					
Dividends	24	-	-	(3,630,060)	(3,630,060)
Issuance of ordinary shares	11	820,000	223,500	-	1,043,500
Balance as at 31 December 2021		1,020,000	1,447,000	12,661,755	15,128,755

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

		|------------ Non-distributable -----------|		|-- Distributable --|	
	Note	**Share Capital RM**	**Invested Equity * RM**	**Retained Profits RM**	**Total Equity RM**
Balance as at 1 January 2022		1,020,000	1,447,000	12,661,755	15,128,755
Total comprehensive income for the financial year		-	-	5,438,807	5,438,807
Transaction with common controlling shareholders of the combining entities:					
Dividends	24	-	-	(1,500,000)	(1,500,000)
Balance as at 31 December 2022		1,020,000	1,447,000	16,600,562	19,067,562

** This denotes the share capital of the combining entities.*

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS

	Note	2022 RM	2021 RM	2020 RM	2019 RM
		For the financial year ended 31 December			
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		6,192,443	9,777,691	4,512,086	773,056
Adjustments for:					
Accretion of interest on lease liabilities		15,698	-	-	-
Depreciation of:					
- property, plant and equipment		343,147	223,753	245,463	239,972
- investment property		19,890	19,890	19,890	19,890
- right-of-use assets		105,748	-	-	-
Interest expense		145,824	184,514	127,439	156,026
Interest income		(64,780)	(11,248)	(5,388)	(7,530)
Property, plant and equipment written off		-	-	1,355	-
Operating profit before working capital changes		6,757,970	10,194,600	4,900,845	1,181,414
Changes in:					
Inventories		(2,660,699)	(733,613)	(480,436)	(17,533)
Receivables		(719,240)	(442,008)	(3,024,138)	(1,090,088)
Payables		(498,793)	(1,640,747)	671,692	841,730
Contract liabilities		2,071,587	(1,025,764)	2,277,275	-
Refund liabilities		(270,111)	253,364	6,353	107,997
Cash generated from operations		4,680,714	6,605,832	4,351,591	1,023,520
Income tax paid		(1,004,718)	(1,045,831)	(358,140)	(467,139)
Income tax refunded		7,562	-	15,168	1,788
Interest paid		(145,824)	(184,514)	(127,439)	(156,026)
Net cash from operating activities		3,537,734	5,375,487	3,881,180	402,143
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received		64,780	11,248	5,388	7,530
Addition of property, plant and equipment	A	(502,153)	(3,479,972)	(131,095)	(136,280)
Addition of investment property		-	-	-	(195,000)
Net cash used in investing activities		(437,373)	(3,468,724)	(125,707)	(323,750)
Balance carried forward		3,100,361	1,906,763	3,755,473	78,393

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

	Note	2022 RM	2021 RM	2020 RM	2019 RM
		For the financial year ended 31 December			
Balance brought forward		3,100,361	1,906,763	3,755,473	78,393
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		(1,500,000)	(3,630,060)	(1,000,000)	-
Net change in directors' account	B	-	(580,350)	216,030	362,500
Net repayment of hire purchase	B	(119,648)	(139,496)	(46,004)	(62,776)
Net (repayment)/drawdown of term loans	B	(731,641)	1,549,570	(593,017)	(589,798)
Repayment of lease liabilities	B	(110,000)	-	-	-
Proceeds from issuance of shares		-	1,043,500	-	373,500
Net cash (used in)/from financing activities		(2,461,289)	(1,756,836)	(1,422,991)	83,426
NET INCREASE IN CASH AND CASH EQUIVALENTS		639,072	149,927	2,332,482	161,819
CASH AND CASH EQUIVALENTS AT BEGINNING		5,598,937	5,449,010	3,116,528	2,954,709
CASH AND CASH EQUIVALENTS AT END		6,238,009	5,598,937	5,449,010	3,116,528
The cash and cash equivalents are represented by:					
Short term funds with a licensed financial institution		1,000,000	-	-	-
Cash and bank balances		5,238,009	5,598,937	5,449,010	3,116,528
		6,238,009	5,598,937	5,449,010	3,116,528

A. Addition of property, plant and equipment:

	2022 RM	2021 RM	2020 RM	2019 RM
	For the financial year ended 31 December			
Total acquisition cost	502,153	3,479,972	444,095	296,280
Acquired under hire purchase	-	-	(313,000)	(160,000)
Total cash acquisition	502,153	3,479,972	131,095	136,280

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

B. Reconciliation of movement of liabilities to cash flows arising from financing activities

	Balance at beginning RM	Net cash flows RM	Other [1] RM	Balance at end RM
2022				
Hire purchase	331,284	(119,648)	-	211,636
Term loans	3,714,404	(930,990)	199,349	2,982,763
Lease liabilities	-	(110,000)	361,780	251,780
Total liabilities arising from financing activities	4,045,688	(1,160,638)	561,129	3,446,179
2021				
Hire purchase	470,780	(139,496)	-	331,284
Term loans	2,164,834	(1,629,779)	3,179,349	3,714,404
Amount due to directors	580,350	(580,350)	-	-
Total liabilities arising from financing activities	3,215,964	(2,349,625)	3,179,349	4,045,688
2020				
Hire purchase	203,784	(46,004)	313,000	470,780
Term loans	2,757,851	(593,017)	-	2,164,834
Amount due to directors	364,320	216,030	-	580,350
Total liabilities arising from financing activities	3,325,955	(422,991)	313,000	3,215,964
2019				
Hire purchase	106,560	(62,776)	160,000	203,784
Term loans	3,347,649	(784,798)	195,000	2,757,851
Amount due to directors	1,820	362,500	-	364,320
Total liabilities arising from financing activities	3,456,029	(485,074)	355,000	3,325,955

[1] Others consist of non-cash movement as follows:

	|---------------- For the financial year ended 31 December ----------------|			
	2022 RM	**2021 RM**	**2020 RM**	**2019 RM**
Accretion of interest on lease liabilities	15,698	-	-	-
Addition of lease liabilities	346,082	-	-	-
Addition of hire purchase	-	-	313,000	160,000
Drawdown of term loans	199,349	3,179,349	-	195,000
	561,129	3,179,349	313,000	355,000

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

This report has been prepared in accordance with the Prospectus Guidelines issued by the Securities Commission Malaysia and for inclusion in the prospectus of Edelteq Holdings Berhad (the "Company" or "Edelteq") 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 ("Bursa Securities") (hereinafter defined as "the Listing") via an initial public offering ("IPO").

1.1 Introduction

Edelteq was incorporated on 18 September 2019 under the Companies Act 2016 in Malaysia as a private limited company and subsequently converted into a public limited company on 20 September 2022 and assumed its present name.

The registered office of Edelteq is located at 55A, Medan Ipoh 1A, Medan Ipoh Bistari, 31400 Ipoh, Perak. The principal place of business of the Company is located at No. 20, 1st Floor, Lorong Impian Ria 4, Taman Impian Ria, 14000 Bukit Mertajam, Pulau Pinang.

The principal activity of Edelteq is that of investment holding. Edelteq was incorporated to act as the holding company of the combining entities described in Note 1.2 to the combined financial statements. Details of the internal restructuring prior to the IPO are highlighted in Note 1.3 to the combined financial statements.

1.2 Details of the combining entities

Name of company	Country of incorporation	Date of incorporation	Effective equity interest	Principal activities
Edelteq Technologies Sdn. Bhd. ("ETSB")	Malaysia	27 March 2019	100%	Design and assembly of integrated circuit burn-in boards, supply and refurbishment of integrated circuit assembly and test consumables.
Edelteq Ventures Sdn. Bhd. ("EVSB")	Malaysia	11 April 2019	100%	Design, development and assembly of automated test equipment and factory automation.
Camyang Enterprise Sdn. Bhd. ("CESB")	Malaysia	28 February 2006	100%	Trading of operating supplies, spare parts and tools for integrated circuit assembly and testing.
Edel Technology (M) Sdn. Bhd. ("ETMSB")	Malaysia	24 June 2004	100%	Supply of printed circuit board and value-add services.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

1. **GENERAL INFORMATION (CONT'D)**

1.2 **Details of the combining entities (cont'd)**

Name of company	Country of incorporation	Date of incorporation	Effective equity interest	Principal activities
Dysteq Technique Sdn. Bhd. ("DTSB")	Malaysia	17 April 2019	100%	Trading of operating supplies, spare parts and tools for integrated circuit assembly and testing.

Edelteq and the combining entities above are collectively referred to herein as the "Group".

1.3 **Pre-IPO Restructuring Exercise**

Prior to the Listing, the Company undertook the Pre-IPO Restructuring Exercise as detailed below:

(i) **Capitalisation**

As at 31 December 2021, Mr. Chin Yong Keong and Mr. Khong Chee Seong have advanced a total amount of RM820,647 to Edelteq. On 31 December 2021, an amount of RM820,000 was capitalised via the issuance of 820,000 new ordinary shares at an issue price of RM1.00 per ordinary shares and the remaining balance of RM647 was fully satisfied by cash. The Capitalisation exercise was completed on 31 December 2021 and the issued share capital of Edelteq had increased from RM200,000 comprising 200,000 ordinary shares to RM1,020,000 comprising 1,020,000 ordinary shares.

(ii) **Share Split**

Upon completion of the Capitalisation exercise, Edelteq had undertaken a subdivision of every existing 35 ordinary shares into 1,000 ordinary shares ("Subdivision of Shares").

Arising from the Subdivision of Shares, the resultant number of ordinary shares in issue was increased from 1,020,000 units to 29,142,857 units. The paid-up capital of the Company remained unchanged at RM1,020,000. The Subdivision of Shares was completed on 28 July 2022.

(iii) **Acquisitions**

(a) **Acquisition of ETSB**

On 1 August 2022, Edelteq had entered into a share sale agreement to acquire the entire issued share capital of ETSB comprising 200,000 ordinary shares for a purchase consideration of RM7,570,172 from Mr. Chin Yong Keong and Mr. Khong Chee Seong. The purchase consideration was fully satisfied by issuance of 216,290,629 new ordinary shares in the Company at an issue price of RM0.035 per ordinary share as set out below:

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

1. **GENERAL INFORMATION (CONT'D)**

1.3 **Pre-IPO Restructuring Exercise (cont'd)**

(iii) **Acquisitions (cont'd)**

(a) **Acquisition of ETSB (cont'd)**

Vendor	No. of ordinary shares in ETSB acquired	Shareholdings held in ETSB (%)	Purchase consideration (RM)	No. of new ordinary share issued
Chin Yong Keong	140,000	70.00	5,299,120	151,403,440
Khong Chee Seong	60,000	30.00	2,271,052	64,887,189
Total	**200,000**	**100.00**	**7,570,172**	**216,290,629**

The purchase consideration of RM7,570,172 was arrived at on a willing buyer-willing seller basis and after taking into account the audited Net Assets ("NA") of ETSB as at 31 December 2021 of RM7,570,172. The Acquisition of ETSB was completed on 24 March 2023 and ETSB became a wholly-owned subsidiary of the Company.

(b) **Acquisition of EVSB**

On 1 August 2022, Edelteq had entered into a share sale agreement to acquire the remaining 49.0% of the entire issued share capital of EVSB comprising 200,000 ordinary shares for a purchase consideration of RM197,906 from Mr. Chin Yong Keong, Mr. Khong Chee Seong and Mr. Tan Joo Hung. The purchase consideration was fully satisfied by issuance of 5,654,457 new ordinary shares in the Company at an issue price of RM0.035 per ordinary share as set out below:

Vendor	No. of ordinary shares in EVSB acquired	Shareholdings held in EVSB (%)	Purchase consideration (RM)	No. of new ordinary share issued
Chin Yong Keong	51,800	25.90	104,607	2,988,785
Khong Chee Seong	22,200	11.10	44,832	1,280,907
Tan Joo Hung	24,000	12.00	48,467	1,384,765
Total	**98,000**	**49.00**	**197,906**	**5,654,457**

The purchase consideration of RM197,906 was arrived at on a willing buyer-willing seller basis and after taking into account 49.0% of the audited NA of EVSB as at 31 December 2021 of RM403,890. The Acquisition of EVSB was completed on 24 March 2023 and EVSB became a wholly-owned subsidiary of the Company.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

1. **GENERAL INFORMATION (CONT'D)**

1.3 **Pre-IPO Restructuring Exercise (cont'd)**

(iii) **Acquisitions (cont'd)**

(c) **Acquisition of CESB**

On 1 August 2022, Edelteq had entered into a share sale agreement to acquire the entire issued share capital of CESB comprising 100,000 ordinary shares for a purchase consideration of RM919,173 from ETSB and Mr. Chin Yuen Fong. The purchase consideration was fully satisfied by issuance of 26,262,086 new ordinary shares at an issue price of RM0.035 per ordinary share as set out below:

Vendor	No. of ordinary shares in CESB acquired	Shareholdings held in CESB (%)	Purchase consideration (RM)	No. of new ordinary share issued
ETSB	51,000	51.00	468,778	(*)13,393,664
Chin Yuen Fong	49,000	49.00	450,395	12,868,422
Total	**100,000**	**100.00**	**919,173**	**26,262,086**

The purchase consideration of RM919,173 was arrived at on a willing buyer-willing seller basis and after taking into account the audited NA of CESB as at 31 December 2021 of RM919,173. The Acquisition of CESB was completed on 24 March 2023 and CESB became a wholly-owned subsidiary of the Company.

Note:

* *The Consideration Shares for ETSB amounting to 13,393,664 ordinary shares, are issued and allotted directly to its shareholders based on the proportion of the shareholdings of Mr. Chin Yong Keong and Mr. Khong Chee Seong, of 70% and 30% in ETSB respectively.*

(d) **Acquisition of ETMSB**

On 1 August 2022, Edelteq had entered into a share sale agreement to acquire the entire issued share capital of ETMSB comprising 1,000,000 ordinary shares for a purchase consideration of RM4,982,459 from Mr. Chin Yong Keong, Mr. Khong Chee Seong and Mr. Chin Yuen Fong. The purchase consideration was fully satisfied by issuance of 142,355,972 new ordinary shares at an issue price of RM0.035 per ordinary share as set out below:

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

1. **GENERAL INFORMATION (CONT'D)**

1.3 **Pre-IPO Restructuring Exercise (cont'd)**

(iii) **Acquisitions (cont'd)**

(d) **Acquisition of ETMSB (cont'd)**

Vendor	No. of ordinary shares in ETMSB acquired	Shareholdings held in ETMSB (%)	Purchase consideration (RM)	No. of new ordinary share issued
Chin Yong Keong	400,000	40.00	1,992,984	56,942,388
Khong Chee Seong	300,000	30.00	1,494,737	42,706,792
Chin Yuen Fong	300,000	30.00	1,494,738	42,706,792
Total	**1,000,000**	**100.00**	**4,982,459**	**142,355,972**

The purchase consideration of RM4,982,459 was arrived at on a willing buyer-willing seller basis and after taking into account the audited NA of ETMSB as at 31 December 2021 of RM4,982,459. The Acquisition of ETMSB was completed on 24 March 2023 and ETMSB became a wholly-owned subsidiary of the Company.

(e) **Acquisition of DTSB**

On 1 August 2022, Edelteq had entered into a share sale agreement to acquire the entire issued share capital of DTSB comprising 100,000 ordinary shares for a purchase consideration of RM449,037 from Mr. Chin Yong Keong, Mr. Khong Chee Seong and Mr. Chin Yuen Fong. The purchase consideration was fully satisfied by issuance of 12,829,629 new ordinary shares at an issue price of RM0.035 per ordinary share as set out below:

Vendor	No. of ordinary shares in DTSB acquired	Shareholdings held in DTSB (%)	Purchase consideration (RM)	No. of new ordinary share issued
Chin Yong Keong	40,000	40.00	179,615	5,131,851
Khong Chee Seong	30,000	30.00	134,711	3,848,889
Chin Yuen Fong	30,000	30.00	134,711	3,848,889
Total	**100,000**	**100.00**	**449,037**	**12,829,629**

The purchase consideration of RM449,037 was arrived at on a willing buyer-willing seller basis and after taking into account the audited NA of DTSB as at 31 December 2021 of RM449,037. The Acquisition of DTSB was completed on 24 March 2023 and DTSB became a wholly-owned subsidiary of the Company.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

1. **GENERAL INFORMATION (CONT'D)**

1.4 **Movement of Share Capital of Edelteq**

The share capital of Edelteq as at the latest practicable date ("LPD") is RM1,020,000 comprising 432,535,630 ordinary shares. The movement of Edelteq's share capital since its incorporation are set out below:

Date of Allotment	No. of Shares allotted	Consideration/Type of Issue	Cumulative share capital RM
18 September 2019	1,000	RM1,000 / Subscribers' shares	1,000
31 December 2019	199,000	RM199,000 / Allotment of shares	200,000
31 December 2021	820,000	RM820,000/ Allotment of Shares pursuant to the Capitalisation	1,020,000
28 July 2022	28,122,857	RM Nil / Share Split	1,020,000
21 March 2023	403,392,773	RM14,118,747/ Allotment of Shares pursuant to the Acquisitions	15,138,747

As at LPD, Edelteq does not has any outstanding warrant, option, convertible securities and uncalled capital. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment of shares.

Upon completion of the IPO, the enlarged share capital of Edelteq will increase from RM15,138,747 comprising 432,535,630 ordinary shares to RM39,138,747 comprising 532,535,630 ordinary shares.

1.5 **IPO Exercise**

(i) **Public Issue**

A total of 100,000,000 new Edelteq ordinary shares ("Issue Shares") representing 18.78% of the enlarged share capital of Edelteq are offered at an issue price of RM0.24 per share and shall be allocated in the following manner:

(a) 26,630,000 Issue Shares, representing 5.00% of the enlarged share capital are made available for application by the Malaysian Public,

(b) 63,370,000 Issue Shares, representing 11.90% of the enlarged share capital are reserved for private placement to selected investors, and

(c) 10,000,000 Issue Shares, representing 1.88% of the enlarged share capital are reserved for our eligible employees and persons who have contributed to the success of the Group.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

1. **GENERAL INFORMATION (CONT'D)**

1.5 **IPO Exercise (cont'd)**

(ii) **Offer for Sale**

The major shareholders, Mr. Chin Yong Keong, Mr. Khong Chee Seong and Mr. Chin Yuen Fong will undertake an offer for sale of 43,200,000 existing ordinary shares in Edelteq ("Offer Shares"), representing approximately 8.11% of the enlarged share capital of Edelteq, at RM0.24 per Offer Shares, by way of private placement to selected investors.

(iii) **Listing**

Subsequent to the above, the Company's entire enlarged share capital of RM39,138,747 comprising 532,535,630 ordinary shares shall be listed on the ACE Market of Bursa Securities.

2. **BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS**

The combined financial statements of the Group have been prepared in the context that the Group has been operating as a single economic entity throughout the financial years ended 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022, since the combining entities were under common control throughout the financial years under review by virtue of common controlling shareholders.

The common control of the Group has been established since Mr. Chin Yong Keong, Mr. Khong Chee Seong, Mr. Chin Yuen Fong and persons connected to them were the major shareholders of the combining entities throughout the financial years under review. Mr. Chin Yong Keong, Mr. Khong Chee Seong and Mr. Chin Yuen Fong are identified as promoters of the Group.

2.1 **Statement of Compliance**

For the purpose of preparing this Accountants' Report, the combined financial statements of the Group for the financial years ended 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs") and in compliance with Chapter 10, Part II Division I: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia.

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.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

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

2.2 **Basis of Measurement (cont'd)**

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 market 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.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

2.3 **Functional and Presentation Currency**

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

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

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**

The following are accounting standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group:

Effective for annual periods beginning on or after 1 January 2023
MFRS 17 Insurance Contracts and 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 Statements: 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

Effective for annual periods beginning on or after 1 January 2024
Amendments to MFRS 16 Leases: Lease Liability in a Sale and Leaseback
Amendments to MFRS 101 Presentation of Financial Statements - Non-Current Liabilities with Covenants

Effective date yet to be confirmed
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 years. 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 the combined financial statements requires 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.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

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)**

2.5.1 **Judgements made in applying accounting policies**

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Determining the lease term of contract with renewal and termination option - As lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group have lease contracts that includes an extension and termination option. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option or to terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group has included the extension option period as part of the lease term for leases of light industrial buildings as it is reasonably certain that the extension option will be exercised. The period covered by termination option are included as part of the lease term only when they are reasonably certain not to be exercised.

2.5.2 **Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty 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:

(i) **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 5 to 10 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.

The carrying amount of the Group's property, plant and equipment is disclosed in Note 4 to the combined financial statements.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

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)**

2.5.2 **Key sources of estimation uncertainty (cont'd)**

(ii) **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.

The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 7 to the combined financial statements.

(iii) **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 customer's actual default in the future.

The information about the ECL on the Group's trade receivables is disclosed in Note 28.3 to the combined financial statements.

(iv) **Leases - Estimating the incremental borrowing rate**

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. **ACCOUNTING POLICIES**

The following accounting policies adopted by the Group are consistently applied throughout the 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 of, 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.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. **ACCOUNTING POLICIES (CONT'D)**

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	60 years
Freehold buildings	2%
Plant and machinery	10%
Furniture, fittings and office equipment	10%
Electrical installation and renovation	10%
Motor vehicles	20%

Freehold land is not depreciated as it has an infinite life.

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. Capital work-in-progress are not depreciated until the assets are ready for their intended 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.

Fully depreciated items of property, plant and equipment are retained in the accounts until the items are no longer in use.

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 disposed assets and are recognised in profit or loss in the financial year in which the assets are derecognised.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. **ACCOUNTING POLICIES (CONT'D)**

3.3 **Investment Properties**

Investment properties are properties which are owned or right-of-use asset held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost, including transaction costs. Cost includes expenditures that are directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

The Group's commercial building is depreciated on the straight-line method to write off the cost to its residual value over its estimated useful life.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit are expected from their disposal. Any gains or losses on the retirement or disposal of investment properties are recognised in profit or loss in the year in which they arise.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained profits; the transfer is not made through profit or loss.

3.4 **Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, 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. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. **ACCOUNTING POLICIES (CONT'D)**

3.4 **Leases (cont'd)**

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities 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 as follows:

Light industrial buildings	3 years

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 assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, lease liabilities are recognised and 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. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its 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 the short-term lease recognition exemption to its short-term leases of office (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). It also applies the lease of low-value assets recognition exemption to leases of office equipment and forklift that are considered to be low value. 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.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. **ACCOUNTING POLICIES (CONT'D)**

3.4 **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 arising is accounted for on a straight-line basis over the lease terms and is included in other income in the combined statements of comprehensive income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as other income in the period in which they are earned.

3.5 **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.

3.6 **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. **ACCOUNTING POLICIES (CONT'D)**

3.6 **Financial Instruments (Cont'd)**

3.6.1 **Financial assets**

(i) **Initial recognition and measurement**

Financial assets are measured at initial recognition at fair value and subsequently measured at amortised cost ("AC"), fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exceptions of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, at its transaction costs.

In order for a financial asset to be classified and measured at AC or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at AC are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

(ii) **Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at AC (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses upon derecognition (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

The Group does not have any financial assets measured at FVOCI and FVTPL as at the end of the reporting period.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. **ACCOUNTING POLICIES (CONT'D)**

3.6 **Financial Instruments (Cont'd)**

3.6.1 **Financial assets (Cont'd)**

(ii) **Subsequent measurement (Cont'd)**

Financial assets at AC

Financial assets at AC are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost include cash and bank balances, short-term fund, trade receivables, other receivables and refundable deposits.

(iii) **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's combined statements of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has as transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. **ACCOUNTING POLICIES (CONT'D)**

3.6 **Financial Instruments (Cont'd)**

3.6.1 **Financial assets (Cont'd)**

(iv) **Impairment**

The Group recognises allowance for expected credit losses ("ECLs") on financial assets measured at AC, debt investments measured at FVOCI, contract assets, and lease receivables. ECLs are a probability-weighted estimate of credit losses.

The Group measures loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade and other receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

The Group estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at AC is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group assesses whether the financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset has occurred.

The gross carrying amount of a financial asset is written off (either partially or fully) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts owing. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery amounts due.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. **ACCOUNTING POLICIES (CONT'D)**

3.6 **Financial Instruments (Cont'd)**

3.6.2 **Financial liabilities**

(i) **Initial recognition and measurement**

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include borrowings, trade payables, other payables and accruals and amount due to directors.

(ii) **Subsequent measurement**

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at AC
- Financial liabilities at FVTPL

The Group does not have any financial liabilities measured at FVTPL as at the end of the reporting period.

Financial liabilities at AC

This is the category most relevant to the Group. After initial recognition, borrowings, trade payables, other payables and accruals are subsequently measured at AC using the effective interest rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. AC is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the combined statements of comprehensive income.

(iii) **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the combined statements of comprehensive income.

3.6.3 **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 a legal 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.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. **ACCOUNTING POLICIES (CONT'D)**

3.7 **Inventories**

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

Cost of raw material and trading goods comprise the original cost of purchase plus the cost of bringing the inventories to their present location and condition and is determined on the first-in, first-out basis.

Cost in the case of work-in-progress and finished goods consist of raw material, direct labour and an appropriate proportion of production overheads.

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

3.8 **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand, cash at bank, cash funds with a licensed bank and demand deposits. Cash and 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.

3.9 **Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and 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.

3.9.1 **Warranty**

Provision for warranty costs is made in respect of goods sold and still under warranty at the end of the reporting period based on the terms of warranty and historical claim experience.

The Group typically provides warranties for general repairs of defects that existed at the time of sale and replacement of non-wear and tear defective parts and components of the automated test equipment. The warranty period is typically provided up to two years from the date of sale. These assurance-type warranties are accounted for under MFRS 137 Provisions, Contingent Liabilities and Contingent Assets. For the financial years under review, the provision for warranty has not been provided as it is not significant.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. **ACCOUNTING POLICIES (CONT'D)**

3.10 **Revenue Recognition**

Revenue is recognised only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer.

The transfer of control can occur over time or at a point in time.

To determine whether to recognise revenue, the Group follows a five-step process:

(1) identifying the contract with a customer;
(2) identifying the performance obligation;
(3) determining the transaction price;
(4) allocating the transaction price to the performance obligations; and,
(5) recognising revenue when/as performance obligations are satisfied.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

(i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
(ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
(iii) the Group's performance does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to date.

Provision of electronic manufacturing solutions and trading of industrial materials

Revenue from provision of electronic manufacturing solutions encompasses design and assembly of integrated circuit ("IC") burn-in board and printed circuit board ("PCB") and supply and refurbishment of IC assembly and test consumables. Revenue from sale of industrial materials encompasses trading of operating supplies, spare parts and tools for IC assembly and testing. Revenue from both the electronic manufacturing solutions and trading of industrial materials are recognised at a point in time when the transfer of control of the goods has been passed to the buyer, i.e. generally when the customer has acknowledged delivery of the goods.

Design, development and assembly of automated test equipment ("ATE") and factory automation

Revenue from design, development and assembly of ATE includes standard platform ATE of burn-in board inspection handler, wafer inspection machine, auto reel detaper machine, auto reel changer and strip assembly handler. This standard platform can be customised into ATE with the specifications required by customers and can also be further customised into factory automation which allows remote management and monitoring, data-driven visualisation and analysis during the production process. Revenue under this segment also includes revenue from refurbishment of ATEs which was purchased previously by the Group's customers either from the Group or third parties.

The sale of the standard or customised equipment and its related installation services are considered as one performance obligation because the promises to transfer the equipment and provide installation service are not capable of being distinct and they are highly interrelated.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. **ACCOUNTING POLICIES (CONT'D)**

3.10 **Revenue Recognition (Cont'd)**

Design, development and assembly of automated test equipment ("ATE") and factory automation (Cont'd)

The performance obligation for design, development and assembly of ATE and factory automation is satisfied at a point in time because the customer does not control the equipment and customer does not simultaneously receive and consume the benefits from the equipment manufactured by the Group.

Revenue is recognised upon shipment or at delivery destination point, provided that the product meets the performance acceptance criteria which is normally carried out prior to shipment. Under certain circumstances, customer acceptance is conducted at customer's site i.e. to ensure that the equipment purchased can be integrated with the customer's existing production flow. Under such circumstance, revenue is only recognised once customer acceptance has been received at the customer's site.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., non-assurance type warranties and maintenance service). In determining the transaction price for the sale of customised equipment, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).

Variable considerations

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained only to the extent that it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group provides a fixed rebate calculated at the end of each financial year on total revenue derived from a customer under the electronic manufacturing solutions segment. Such rebate will be offset against balance owing by the customer in the following financial year.

Interest income

Interest income is recognised on a time proportion basis using the applicable effective interest rate.

Rental income

Rental income is accounted for on a straight-line basis over the lease terms.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. **ACCOUNTING POLICIES (CONT'D)**

3.10 **Revenue Recognition (cont'd)**

3.10.1 **Contract balances**

Contract balances consist of the closing balances of the trade receivables and contract liabilities as at the end of the reporting period.

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 liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group satisfies its performance obligation under the contract.

3.10.2 **Refund liabilities**

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer for which the Group is not entitled, and is measured at the amount to be returned to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

3.11 **Borrowing Costs**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest rate method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and undertakes activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for their intended use or sale are interrupted or completed.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. **ACCOUNTING POLICIES (CONT'D)**

3.12 **Employee Benefits**

Short term benefits

Wages, salaries, bonuses and social security contributions ("SOCSO") 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.

3.13 **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 at 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 at 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.

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.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. **ACCOUNTING POLICIES (CONT'D)**

3.14 **Sales and Service Tax ("SST")**

SST is recognised as part of the expense or cost of acquisition of the asset as SST is not recoverable.

Revenue is recognised net of the amount of SST billed as it is payable to the taxation authority.

The net SST payable to the taxation authority is included as part of payables in the statements of financial position. The rate for Sales Tax is fixed at 5% or 10%, while the rate for Service Tax is fixed at 6%.

3.15 **Foreign Currency Transactions**

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 year 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.

3.16 **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 or approved.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. **ACCOUNTING POLICIES (CONT'D)**

3.17 **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 attributable to ordinary equity holders of the Group over the weighted average number of ordinary shares in issue during the period. There was no dilutive effects for EPS for all the financial years under review.

3.18 **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 Executive Directors 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.

3.19 **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 Group 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.

(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 entity 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.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

4. **PROPERTY, PLANT AND EQUIPMENT**

	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Electrical installation and renovation RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
2022									
At cost									
Balance at beginning	941,501	3,387,876	403,501	553,452	310,672	116,256	1,017,950	-	6,731,208
Additions	-	116,592	-	22,538	55,604	123,174	-	184,245	502,153
Balance at end	941,501	3,504,468	403,501	575,990	366,276	239,430	1,017,950	184,245	7,233,361
Accumulated depreciation									
Balance at beginning	-	-	80,631	364,802	122,927	68,752	661,227	-	1,298,339
Current charge	-	14,602	12,105	32,864	43,504	23,010	217,062	-	343,147
Balance at end	-	14,602	92,736	397,666	166,431	91,762	878,289	-	1,641,486
Carrying amount	941,501	3,489,866	310,765	178,324	199,845	147,668	139,661	184,245	5,591,875

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

4. **PROPERTY, PLANT AND EQUIPMENT**

	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Electrical installation and renovation RM	Motor vehicles RM	Total RM
2021								
At cost								
Balance at beginning	941,501	-	403,501	520,103	251,925	116,256	1,017,950	3,251,236
Additions	-	3,387,876	-	33,349	58,747	-	-	3,479,972
Balance at end	941,501	3,387,876	403,501	553,452	310,672	116,256	1,017,950	6,731,208
Accumulated depreciation								
Balance at beginning	-	-	72,560	333,356	95,024	57,127	516,519	1,074,586
Current charge	-	-	8,071	31,446	27,903	11,625	144,708	223,753
Balance at end	-	-	80,631	364,802	122,927	68,752	661,227	1,298,339
Carrying amount	941,501	3,387,876	322,870	188,650	187,745	47,504	356,723	5,432,869

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

4. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	Freehold land RM	Buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Electrical installation and renovation RM	Motor vehicles RM	Total RM
2020							
At cost							
Balance at beginning	941,501	403,501	687,103	250,032	162,256	669,484	3,113,877
Additions	-	-	-	95,629	-	348,466	444,095
Written offs	-	-	(167,000)	(93,736)	(46,000)	-	(306,736)
Balance at end	941,501	403,501	520,103	251,925	116,256	1,017,950	3,251,236
Accumulated depreciation							
Balance at beginning	-	64,490	471,268	161,554	90,421	346,771	1,134,504
Current charge	-	8,070	29,088	26,931	11,626	169,748	245,463
Written offs	-	-	(167,000)	(93,461)	(44,920)	-	(305,381)
Balance at end	-	72,560	333,356	95,024	57,127	516,519	1,074,586
Carrying amount	941,501	330,941	186,747	156,901	59,129	501,431	2,176,650

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

4. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	Freehold land RM	Buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Electrical installation and renovation RM	Motor vehicles RM	Total RM
2019							
At cost							
Balance at beginning	941,501	403,501	675,823	208,428	150,534	437,810	2,817,597
Additions	-	-	11,280	41,604	11,722	231,674	296,280
Balance at end	941,501	403,501	687,103	250,032	162,256	669,484	3,113,877
Accumulated depreciation							
Balance at beginning	-	56,420	378,336	138,866	74,195	246,715	894,532
Current charge	-	8,070	92,932	22,688	16,226	100,056	239,972
Balance at end	-	64,490	471,268	161,554	90,421	346,771	1,134,504
Carrying amount	941,501	339,011	215,835	88,478	71,835	322,713	1,979,373

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

4. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

(i) The carrying amount of motor vehicles acquired under hire purchase arrangement are as follows:

	As at 31 December			
	2022	**2021**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Motor vehicles	116,490	356,720	501,428	297,670

(ii) The carrying amount of property, plant and equipment which are pledged to the financial institutions as securities for banking facilities granted to the Group as disclosed in Note 13 to the combined financial statements are as follows:

	As at 31 December			
	2022	**2021**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Leasehold land	3,489,866	3,387,876	-	-

(iii) The information of right-of-use assets which are included in the property, plant and equipment is as follows:

	Carrying amount	**Current depreciation**	**Additions**
	RM	**RM**	**RM**
As at 31 December			
2022			
Leasehold land	3,489,866	14,602	116,592
2021			
Leasehold land	3,387,876	-	3,387,876

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

5. **INVESTMENT PROPERTY**

	As at 31 December			
	2022	**2021**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
At cost				
Balance at beginning	3,315,000	3,315,000	3,315,000	3,120,000
Additions	-	-	-	195,000
Balance at end	3,315,000	3,315,000	3,315,000	3,315,000
Accumulated depreciation				
Balance at beginning	59,670	39,780	19,890	-
Current charge	19,890	19,890	19,890	19,890
Balance at end	79,560	59,670	39,780	19,890
Carrying amount	3,235,440	3,255,330	3,275,220	3,295,110

(i) The investment property represents a 4-storey shop office constructed on a piece of freehold land.

(ii) The Group's investment property is pledged to a financial institution as security for banking facilities granted to the Group as disclosed in Note 13 to the combined financial statements.

(iii) Group as lessor

The Group has entered into operating leases on its investment property. These leases have terms of two years.

The following are recognised in profit or loss in respect of investment property:

	For the financial year ended 31 December			
	2022	**2021**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Rental income from income generating properties	218,820	204,600	235,000	112,800
Direct operating expenses from income generating properties, including depreciation	41,267	79,591	141,962	168,731

(iv) The fair value of the investment property for disclosure purpose is approximately RM4,000,000. The fair value of investment property has been generally derived using the market comparison approach. Selling price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot ("psf") of comparable properties. The unobservable input of investment property is RM596 psf. An increase/(decrease) in the unobservable input would result in higher/(lower) fair value.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

6. **RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

Group as a lessee

The Group has lease contracts for light industrial buildings used in its operations that has lease term of two years, with option to extend the lease for another one year. The Group expect that it is reasonably certain that it will exercise the option to extend the leases and has factored the extension option as part of the lease term for the leases.

The Group also has certain leases of office with lease terms of 12 months or less and leases of office equipment and forklift with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the financial year:

	As at 31 December 2022 RM
Addition	346,082
Depreciation	(105,748)
Balance at the end	240,334

Lease liabilities

Set out below are the carrying amount of lease liabilities recognised and the movements during the financial year:

	As at 31 December 2022 RM
Addition	346,082
Accretion of interest	15,698
Payments	(110,000)
Balance at end	251,780
Represented by:	
Non-current liabilities	143,202
Current liabilities	108,578
	251,780

The maturity analysis of lease liabilities is disclosed in Note 28.4 to the financial statements.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

6. **RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)**

The following are the amounts recognised in profit or loss:

	For the financial year ended 31 December			
	2022	**2021**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Depreciation expense of right-of-use assets	105,748	-	-	-
Accretion of interest on lease liabilities	15,698	-	-	-
Expenses relating to short-term leases	24,220	28,139	25,081	26,052
Expenses relating to low-value assets	8,070	2,972	2,116	1,944
Total amount recognised in profit or loss	153,736	31,111	27,197	27,996

The total cash outflow of the Group for leases during the year are RM142,290 (2021: RM31,111; 2020: RM27,197; 2019: RM27,996).

7. **INVENTORIES**

	As at 31 December			
	2022	**2021**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
At cost:				
Raw materials	635,689	208,689	214,272	186,338
Work-in-progress	763,321	372,664	24,224	-
Finished goods	2,646,563	792,003	380,308	-
Trading goods	15,513	27,031	47,970	-
	4,061,086	1,400,387	666,774	186,338
Cost of inventories recognised in profit or loss:				
Inventories recognised as cost of sales	12,758,319	11,400,591	9,535,457	8,710,943

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

8. **TRADE RECEIVABLES**

The currency profile of trade receivables is as follows:

	As at 31 December			
	2022	**2021**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	5,458,522	6,445,990	4,632,614	3,732,628
United States Dollar	1,743,499	756,091	649,659	264,345
Singapore Dollar	-	-	-	15,372
	7,202,021	7,202,081	5,282,273	4,012,345

The normal credit terms granted to trade receivables range from 15 to 90 days (2021: 30 to 90 days; 2020: 30 to 90 days; 2019: 30 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition. Other credit terms are assessed and approved on a case-by-case basis.

9. **OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	As at 31 December			
	2022	**2021**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Other receivables	2,565	2,065	51,353	28,338
Refundable deposits	74,530	39,804	26,022	13,998
Non-refundable deposit	-	-	1,657,388	-
Prepayments	960,951	276,877	61,783	-
	1,038,046	318,746	1,796,546	42,336

Included in other receivables is an amount of Nil (2021: Nil; 2020: RM4,000; 2019: Nil) due from a person connected to a director of the Group.

Non-refundable deposit represents the amount paid to Penang Development Corporation to acquire a piece of leasehold land. The acquisition was completed on 8 April 2021 and consequently this deposit is transferred to property, plant and equipment.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

10. **CASH AND BANK BALANCES**

	As at 31 December			
	2022	**2021**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Short term fund with a licensed financial institution	1,000,000	-	-	-
Cash in hand and at banks	5,238,009	5,598,937	5,449,010	3,116,528
	6,238,009	5,598,937	5,449,010	3,116,528

Short term fund with a licensed financial institution of the Group is primarily invested in money market instruments with financial institutions. The fund can be redeemed at any point in time upon request.

The currency profile of cash and bank balances is as follows:

	As at 31 December			
	2022	**2021**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	6,001,620	5,342,499	4,750,941	2,545,731
United States Dollar	231,427	251,340	684,608	560,942
Singapore Dollar	4,962	5,098	13,461	9,855
	6,238,009	5,598,937	5,449,010	3,116,528

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

11. **SHARE CAPITAL AND INVESTED EQUITY**

(i) **Share capital**

	As at 31 December							
	Number of shares 2022	Amount 2022 RM	Number of shares 2021	Amount 2021 RM	Number of shares 2020	Amount 2020 RM	Number of shares 2019	Amount 2019 RM
Issued and fully paid ordinary shares with no par value								
Balance at date of incorporation/ beginning	1,020,000	1,020,000	200,000	200,000	200,000	200,000	1,000	1,000
Issuance of ordinary shares	-	-	820,000	820,000	-	-	199,000	199,000
Share split	28,122,857	-	-	-	-	-	-	-
Balance at end	29,142,857	1,020,000	1,020,000	1,020,000	200,000	200,000	200,000	200,000

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

11. **SHARE CAPITAL AND INVESTED EQUITY (CONT'D)**

(ii) **Invested equity**

	As at 31 December							
	Number of shares 2022	Amount 2022 RM	Number of shares 2021	Amount 2021 RM	Number of shares 2020	Amount 2020 RM	Number of shares 2019	Amount 2019 RM
Issued and fully paid ordinary shares with no par value								
Balance at beginning	1,447,000	1,447,000	1,223,500	1,223,500	1,223,500	1,223,500	1,050,000	1,050,000
Issuance of ordinary shares	-	-	223,500	223,500	-	-	173,500	173,500
Balance at end	1,447,000	1,447,000	1,447,000	1,447,000	1,223,500	1,223,500	1,223,500	1,223,500

12. **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.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

13. BORROWINGS

	As at 31 December			
	2022 RM	**2021 RM**	**2020 RM**	**2019 RM**
Non-current liabilities				
Secured:				
Hire purchase	122,330	205,520	333,233	127,618
Term loans	2,730,463	3,262,341	2,030,235	2,649,568
	2,852,793	3,467,861	2,363,468	2,777,186
Current liabilities				
Secured:				
Hire purchase	89,306	125,764	137,547	76,166
Term loans	252,300	452,063	134,599	108,283
	341,606	577,827	272,146	184,449

The borrowings (except for hire purchase) are secured by way of:

(i) legal charge over the Group's leasehold land as disclosed in Note 4 to the combined financial statements;
(ii) legal charge over the Group's investment property as disclosed in Note 5 to the combined financial statements; and
(iii) joint and several guarantee of certain directors of the Group.

A summary of the effective interest rates and the maturities of the borrowings are as follows:

	Effective interest rate per annum (%)	**Total 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**
2022						
Hire purchase	2.12 to 2.40	211,636	89,306	65,650	56,680	-
Term loans	5.64 to 6.64	2,982,763	252,300	252,300	756,900	1,721,263
2021						
Hire purchase	2.12 to 2.40	331,284	125,764	88,574	116,946	-
Term loans	4.35 to 5.64	3,714,404	452,063	460,927	953,223	1,848,191
2020						
Hire purchase	2.12 to 2.40	470,780	137,547	125,785	207,448	-
Term loans	4.35	2,164,834	134,599	140,574	460,270	1,429,391
2019						
Hire purchase	2.34 to 2.40	203,784	76,166	79,728	47,890	-
Term loans	4.35	2,757,851	108,283	113,089	370,279	2,166,200

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

14. DEFERRED TAX LIABILITIES

	As at 31 December			
	2022 RM	**2021 RM**	**2020 RM**	**2019 RM**
Balance at beginning	80,783	40,970	25,186	25,186
Recognised in profit or loss	(12,036)	10,745	3,337	-
	68,747	51,715	28,523	25,186
(Over)/Under provision in prior years	(10,290)	29,068	12,447	-
Balance at end	58,457	80,783	40,970	25,186

The deferred tax liabilities at the end of the reporting period are made up of the temporary difference arising from plant and equipment.

15. TRADE PAYABLES

The currency profile of trade payables is as follows:

	As at 31 December			
	2022 RM	**2021 RM**	**2020 RM**	**2019 RM**
Ringgit Malaysia	818,715	883,902	2,247,880	2,647,289
United States Dollar	620,693	765,257	542,045	734,901
New Taiwan Dollar	54,990	69,447	-	-
Singapore Dollar	35,957	-	1,385	-
Chinese Renminbi	-	-	7,903	-
	1,530,355	1,718,606	2,799,213	3,382,190

Included herein is an amount of Nil (2021: RM9,540; 2020: RM32,500; 2019: Nil) due to a company in which certain directors of the Company have substantial financial interests.

The normal credit terms granted by trade payables range from 15 to 90 days (2021: 15 to 90 days; 2020: 30 to 90 days; 2019: 30 to 90 days).

16. OTHER PAYABLES AND ACCRUALS

	As at 31 December			
	2022 RM	**2021 RM**	**2020 RM**	**2019 RM**
Other payables	110,336	89,366	1,330,784	33,918
Accruals	574,162	890,464	218,286	256,083
Deposits received	27,690	42,900	33,800	38,200
	712,188	1,022,730	1,582,870	328,201

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

17. CONTRACT LIABILITIES

	As at 31 December			
	2022	**2021**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Movement of contract liabilities:				
Balance at beginning	1,251,511	2,277,275	-	-
Advances received during the year	3,323,098	1,795,386	2,277,275	-
Revenue recognised during the year	(1,251,511)	(2,821,150)	-	-
Balance at end	3,323,098	1,251,511	2,277,275	-

Contract liabilities comprised of deposits received from customers where the Group has billed or has collected the payment before the goods are delivered or services are provided to the customers. The contract liabilities will be reversed and recognised as revenue upon satisfying the performance obligation within the contract. These performance obligations are expected to be fulfilled within the next twelve (12) months.

18. REFUND LIABILITIES

	As at 31 December			
	2022	**2021**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Arising from fixed rebates	97,603	367,714	114,350	107,997
Movement of refund liabilities:				
Balance at beginning	367,714	114,350	107,997	-
Current year expected rebates	294,382	510,825	373,741	107,997
Set-off against receivables	(564,493)	(257,461)	(367,388)	-
Balance at end	97,603	367,714	114,350	107,997

The sales rebates provided are expected to be materialised within the next financial year.

19. AMOUNT DUE TO DIRECTORS

The amount due to directors are unsecured, non-trade related, non-interest bearing and repayable on demand.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

20. REVENUE

20.1 Disaggregated revenue information

	For the financial year ended 31 December			
	2022 RM	**2021 RM**	**2020 RM**	**2019 RM**
Type of revenue:				
Electronic manufacturing solutions:				
- Design and assembly of IC burn-in board and PCB	12,716,050	10,229,456	7,694,336	5,235,276
- Supply and refurbishment of IC assembly and test consumables	4,741,058	7,503,917	6,240,894	5,568,983
Design, development and assembly of ATE and factory automation	6,019,313	5,242,926	1,950,575	1,500,190
Trading of operating supplies, spare parts and tools for IC assembly and testing	884,018	973,713	798,828	69,188
Total revenue from contracts with customers	24,360,439	23,950,012	16,684,633	12,373,637
Geographical markets:				
Malaysia	18,906,371	18,998,200	16,205,796	11,849,308
United States	2,697,171	-	-	94,993
Singapore	2,612,400	3,775,858	176,904	144,607
Thailand	144,497	401,761	145,670	206,914
China	-	774,193	156,263	77,815
Total revenue from contracts with customers	24,360,439	23,950,012	16,684,633	12,373,637

20.2 Timing of revenue recognition

Sales of goods is recognised at a point in time upon the satisfaction of performance obligations which is upon the delivery and acceptance of goods by customers. The amount of revenue recognised is adjusted for fixed rebates.

20.3 Performance obligations

Performance obligations of the Group are disclosed in Note 3.10 to the financial statements.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

20. **REVENUE (CONT'D)**

20.4 **Contract balances**

	As at 31 December			
	2022 **RM**	**2021** **RM**	**2020** **RM**	**2019** **RM**
Trade receivables (Note 8)	7,202,021	7,202,081	5,282,273	4,012,345
Contract liabilities (Note 17)	3,323,098	1,251,511	2,277,275	-
Refund liabilities (Note 18)	97,603	367,714	114,350	107,997

21. **PROFIT BEFORE TAX**

This is arrived at:

	For the financial year ended 31 December			
	2022 **RM**	**2021** **RM**	**2020** **RM**	**2019** **RM**
After charging:				
Accretion of interest on lease liabilities	15,698	-	-	-
Depreciation of:				
- property, plant and equipment	343,147	223,753	245,463	239,972
- investment property	19,890	19,890	19,890	19,890
- right-of-use asset	105,748	-	-	-
Directors' fee:				
- Executive directors of the Group	-	376,800	-	750,000
- Executive director of a combining entity	-	-	-	150,000
- Non-executive directors of the Group	100,000	-	-	-
Expenses relating to short-term leases	24,220	28,139	25,081	26,052
Expenses relating to leases of low value assets	8,070	2,972	2,116	1,944
Initial public offering expense	1,491,936	-	-	-
Interest expense on:				
- hire purchase	19,276	13,709	7,518	6,917
- term loans	126,548	170,805	119,921	149,109
Property, plant and equipment written off	-	-	1,355	-
Realised loss on foreign exchange	-	-	31,848	-
Staff costs (*)	3,513,617	2,228,332	2,343,858	1,693,190
And crediting:				
Interest income	64,780	11,248	5,388	7,530
Realised gain on foreign exchange	51,516	1,047	-	7,800
Rental income	218,820	204,600	235,000	112,800

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

21. **PROFIT BEFORE TAX (CONT'D)**

	I---------------- For the financial year ended 31 December --------------I			
	2022	**2021**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
* Staff costs				
- Salaries, allowance, overtime and bonus	3,084,758	1,986,061	2,079,023	1,471,741
- EPF	398,170	216,756	241,388	203,612
- SOCSO and EIS	30,689	25,515	23,447	17,837
	3,513,617	2,228,332	2,343,858	1,693,190

Included in staff costs are directors' emoluments as shown below:

	I---------------- For the financial year ended 31 December --------------I			
	2022	**2021**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Executive directors of the Group:				
- Salaries, allowance and bonus	1,069,120	385,700	754,595	513,855
- EPF	141,852	51,158	103,345	74,608
- SOCSO and EIS	3,006	3,348	2,921	2,416
	1,213,978	440,206	860,861	590,879
Non-executive directors of the Group:				
- Allowances	16,000	-	-	-
Total directors' remuneration	1,229,978	440,206	860,861	590,879

The directors also received benefits-in-kind as shown below:

	I---------------- For the financial year ended 31 December --------------I			
	2022	**2021**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Directors of the Group	35,000	41,508	28,450	16,382

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

22. **TAXATION**

	For the financial year ended 31 December			
	2022	**2021**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Malaysia income tax:				
Based on results for the financial year				
- Current tax	(463,834)	(726,279)	(511,544)	(219,091)
- Deferred tax relating to the origination and reversal of temporary differences	12,036	(10,745)	(3,337)	-
	(451,798)	(737,024)	(514,881)	(219,091)
Under provision in prior years				
- Current tax	(312,128)	(540)	657	(2,106)
- Deferred tax	10,290	(29,068)	(12,447)	-
	(301,838)	(29,608)	(11,790)	(2,106)
	(753,636)	(766,632)	(526,671)	(221,197)

The reconciliation of tax expense of the Group is as follows:

	For the financial year ended 31 December			
	2022	**2021**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Profit before tax	6,192,443	9,777,691	4,512,086	773,056
Income tax at Malaysia statutory tax rate of 24%	(1,486,186)	(2,346,646)	(1,082,901)	(185,533)
Income not subject to tax	21,556	-	-	-
Expenses not deductible for tax purpose	(710,817)	(106,981)	(55,193)	(93,122)
Pioneer income not subject to tax	1,536,174	1,535,045	524,996	-
Reduced tax rate on the first RM600,000 (2021: RM600,000; 2020: and 2019: RM500,000) chargeable income	187,475	168,758	104,969	65,612
Utilisation of unabsorbed tax losses and capital allowances	-	12,800	6,048	-
Deferred tax assets not recognised	-	-	(12,800)	(6,048)
	(451,798)	(737,024)	(514,881)	(219,091)
Under provision in prior years	(301,838)	(29,608)	(11,790)	(2,106)
	(753,636)	(766,632)	(526,671)	(221,197)

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

22. **TAXATION (CONT'D)**

The following deferred tax assets (gross amount) have not been recognised as at the end of the reporting period:

	I---------------- For the financial year ended 31 December --------------I			
	2022	**2021**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Unabsorbed tax losses	-	-	11,780	-
Unabsorbed capital allowances	-	-	41,555	25,200
	-	-	53,335	25,200

The unabsorbed tax losses which was previously allowed to be utilised for seven (7) consecutive years of assessment ("YAs") effective from YA 2019 was extended to ten (10) consecutive YAs during the financial years under review. The unabsorbed capital allowances can be carried forward indefinitely.

A subsidiary of the Group has been granted pioneer status on certain pioneer activities namely, manufacturing of chip aging test board and design, development and manufacturing of stainless-steel carrier for wafer chip scale packaging under the Promotion of Investments Act, 1986 by the Malaysian Industrial Development Authority which exempts 100% of taxable income arising from these pioneer activities for the period from 1 January 2020 to 31 December 2024.

23. **EARNINGS PER SHARE**

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the financial year ended 31 December 2019, 2020, 2021 and 2022 was based on the profit attributable to the shareholder of the combining entities and its weighted average number of shares in issue during the said financial years as follows:

	I----------------- For the financial year ended 31 December -------------I			
	2022	**2021**	**2020**	**2019**
Profit for the financial year attributable to the shareholder of the combining entities (RM)	5,438,807	9,011,059	3,985,415	551,859
Weighted average number of shares expected to be in issue upon completion of the Listing (units)	532,535,630	532,535,630	532,535,630	532,535,630
Basic earnings per ordinary share (sen)	1.02	1.69	0.75	0.10

There were no dilutive equity instruments in issue during the above financial years that have a dilutive effect on the EPS.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

24. **DIVIDENDS**

	For the financial year ended 31 December			
	2022	**2021**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
ETSB				
- Interim single tier dividend of RM7.50 per share, in respect of the financial year ended 31 December 2022	1,500,000	-	-	-
- Interim single tier dividend of RM5.00 per share, in respect of the financial year ended 31 December 2021	-	500,000	-	-
- Interim single tier dividend of RM5.00 per share, in respect of the financial year ended 31 December 2020	-	-	500,000	-
- Final single tier dividend of RM19.37 per share, in respect of the financial year ended 31 December 2020	-	1,937,000	-	-
EVSB				
- Final single tier dividend of RM1.97 per share, in respect of the financial year ended 31 December 2020:				
Gross dividend	-	394,000	-	-
Less: Portion of dividend paid to EHSB	-	(200,940)	-	-
Net dividend	-	193,060	-	-
ETMSB				
- First interim single tier dividend of RM0.30 per share, in respect of the financial year ended 30 June 2021	-	-	300,000	-
- Second interim single tier dividend of RM1.00 per share, in respect of the financial year ended 30 June 2021	-	1,000,000	-	-
- Interim single tier dividend of RM0.20 per share, in respect of the financial year ended 30 June 2020	-	-	200,000	-
	1,500,000	3,630,060	1,000,000	-

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

25. OPERATING SEGMENT

Operating segments are based on the Group's management and internal reporting structure.

The Group is organised into business units based on their products and services, which comprise the following:

- Electronic Manufacturing Solutions
  - Design and assembly of IC burn-in boards and supply of PCB; and
  - Supply and refurbishment of IC assembly and test consumables.

- Automated Test Equipment ("ATE")
  - Design, development and assembly of ATE and factory automation.

- Others
  - Trading of operating supplies, spare parts and tools for IC assembly and testing; and
  - Investment holding activities.

Inter-segment transactions have been accounted for on a basis that is consistent with the Group's accounting policies.

No other operating segments have been aggregated to form the above reportable segments. Performance is reviewed by the Chief Operating Decision Maker ("CODM"), i.e. the Group's executive directors, up to profit before tax across all the operating segments as management believes that such information is the most appropriate and relevant in evaluating and comparing the results of each segment against other entities that operate within these operating segments.

Segment assets and liabilities information is neither included in the internal management reports nor provided regularly to the CODM as management does not distinguish assets and liabilities into these operating segments. Hence, no disclosure is made on segment assets and liabilities.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

25. **OPERATING SEGMENT (CONT'D)**

	Electronic Manufacturing Solutions RM	Automated Test Equipment RM	Others RM	Elimination RM	Note	Total RM
2022						
Revenue from external customers	17,457,108	6,019,313	884,018	-		24,360,439
Inter-segment revenue	3,592,241	2,281,650	107,334	(5,981,225)	A	-
Total revenue	21,049,349	8,300,963	991,352	(5,981,225)		24,360,439
Segment results	8,043,008	193,642	(1,949,406)	1,941		6,289,185
Interest expense						(161,522)
Interest income						64,780
Profit before tax						6,192,443
Taxation						(753,636)
Profit for the financial year						5,438,807
2021						
Revenue from external customers	17,733,373	5,242,926	973,713	-		23,950,012
Inter-segment revenue	5,904,913	3,060,519	230,380	(9,195,812)	A	-
Total revenue	23,638,286	8,303,445	1,204,093	(9,195,812)		23,950,012
Segment results	7,158,448	1,963,589	1,027,917	(198,997)		9,950,957
Interest expense						(184,514)
Interest income						11,248
Profit before tax						9,777,691
Taxation						(766,632)
Profit for the financial year						9,011,059

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

25. **OPERATING SEGMENT (CONT'D)**

	Electronic Manufacturing Solutions RM	Automated Test Equipment RM	Others RM	Elimination RM	Note	Total RM
2020						
Revenue from external customers	13,935,230	1,950,575	798,828	-		16,684,633
Inter-segment revenue	7,892,457	976,986	367,805	(9,237,248)	A	-
Total revenue	21,827,687	2,927,561	1,166,633	(9,237,248)		16,684,633
Segment results	3,839,980	329,287	462,646	2,224		4,634,137
Interest expense						(127,439)
Interest income						5,388
Profit before tax						4,512,086
Taxation						(526,671)
Profit for the financial year						3,985,415
2019						
Revenue from external customers	10,804,259	1,500,190	69,188	-		12,373,637
Inter-segment revenue	2,358,122	-	4,454	(2,362,576)	A	-
Total revenue	13,162,381	1,500,190	73,642	(2,362,576)		12,373,637
Segment results	781,344	190,790	21,071	(71,653)		921,552
Interest expense						(156,026)
Interest income						7,530
Profit before tax						773,056
Taxation						(221,197)
Profit for the financial year						551,859

Notes to segment information:

A Inter-segment revenues are eliminated on combining financial statements.

Geographical segments

Revenue of the Group based on geographical location of its customers are disclosed in Note 20 to the combined financial statements.

The Group's non-current assets are entirely located in Malaysia.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

25. **OPERATING SEGMENT (CONT'D)**

Major customers

The following are major customers with revenue equal to or more than 10% of the Group's revenue for the relevant reporting periods:

	For the financial year ended 31 December				
	2022 RM	2021 RM	2020 RM	2019 RM	Segment
Customer A	9,082,135	8,489,841	6,229,027	2,813,344	ATE & EMS#
Customer B	4,467,479	6,132,263	5,413,233	4,263,896	ATE & EMS#
Customer C	N/A	3,580,967	N/A	N/A	ATE & EMS#
Customer D	N/A	N/A	1,747,050	1,355,584	ATE & EMS#
Customer E	N/A	N/A	N/A	1,968,065	EMS #
Customer F	2,697,171	N/A	N/A	N/A	ATE*
	16,246,785	18,203,071	13,389,310	10,400,889	

* ATE represents automated test equipment segment.
\# EMS represents electronic manufacturing solutions segment.

N/A: Revenue from this customer during the respective year did not exceed 10% of the Group's revenue.

26. **RELATED PARTY DISCLOSURES**

(i) **Identity of related parties**

The Group has related party relationship with its key management personnel and the following related parties:

Related parties	Relationship
Aicode Labs Sdn. Bhd.	A company in which the directors of the Company, namely Chin Yong Keong and Khong Chee Seong have substantial financial interests.
Ms. Khay Lee Mooi	A person connected to a director of the Company.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

26. **RELATED PARTY DISCLOSURES (CONT'D)**

(ii) **Related party transactions**

Related party transactions have been entered into at terms agreed between the parties during the financial year.

	For the financial year ended 31 December			
	2022 RM	**2021 RM**	**2020 RM**	**2019 RM**
Rental charged by Ms. Khay Lee Mooi	(3,533)	(11,000)	(11,000)	(12,000)
Purchase of goods from Aicode Labs Sdn. Bhd.	-	-	(32,500)	-
	(3,533)	(11,000)	(43,500)	(12,000)

(iii) **Compensation of key management personnel**

Key management personnel are those persons including directors having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

The remuneration of the directors and members of key management during the financial years is as follows:

	For the financial year ended 31 December			
	2022 RM	**2021 RM**	**2020 RM**	**2019 RM**
Salaries, allowance and bonus and other emoluments	1,344,206	552,537	837,295	513,855
Directors' fee	100,000	376,800	-	900,000
EPF	170,676	68,706	112,945	74,608
SOCSO and EIS	5,000	4,348	3,537	2,416
	1,619,882	1,002,391	953,777	1,490,879
Analysed as:				
- Directors	1,329,978	817,006	860,861	1,490,879
- Other key management personnel	289,904	185,385	92,916	-
	1,619,882	1,002,391	953,777	1,490,879

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

27. **CAPITAL COMMITMENT**

	As at 31 December			
	2022	**2021**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Contracted but not provided for:				
- Property, plant and equipment (comprise of server room and the construction of a factory on the leasehold land of the Group)	11,840,996	11,929,000	-	-

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

28. **FINANCIAL INSTRUMENTS**

28.1 **Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as financial assets and financial liabilities at amortised costs ("AC").

	As at 31 December							
	2022		2021		2020		2019	
	Carrying amount RM	AC RM	Carrying amount RM	AC RM	Carrying amount RM	AC RM	Carrying amount RM	AC RM
Financial assets								
Trade receivables	7,202,021	7,202,021	7,202,081	7,202,081	5,282,273	5,282,273	4,012,345	4,012,345
Other receivables and refundable deposits	77,095	77,095	41,869	41,869	77,375	77,375	42,336	42,336
Cash and bank balances	6,238,009	6,238,009	5,598,937	5,598,937	5,449,010	5,449,010	3,116,528	3,116,528
	13,517,125	13,517,125	12,842,887	12,842,887	10,808,658	10,808,658	7,171,209	7,171,209
Financial liabilities								
Borrowings	3,194,399	3,194,399	4,045,688	4,045,688	2,635,614	2,635,614	2,961,635	2,961,635
Trade payables	1,530,355	1,530,355	1,718,606	1,718,606	2,799,213	2,799,213	3,382,190	3,382,190
Other payables and accruals	712,188	712,188	1,022,730	1,022,730	1,582,870	1,582,870	328,201	328,201
Amount due to directors	-	-	-	-	580,350	580,350	364,320	364,320
	5,436,942	5,436,942	6,787,024	6,787,024	7,598,047	7,598,047	7,036,346	7,036,346

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

28. **FINANCIAL INSTRUMENTS (CONT'D)**

28.2 **Financial risk management**

The Group is exposed to a variety of financial risks arising from their operations. 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 activities.

28.3 **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.

(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:

	As at 31 December			
	2022 **RM**	**2021** **RM**	**2020** **RM**	**2019** **RM**
Number of customers	3	3	1	3
Percentage of trade receivables	66%	84%	50%	83%

(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 15 to 90 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.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

28. **FINANCIAL INSTRUMENTS (CONT'D)**

28.3 **Credit risk (cont'd)**

(iii) **Assessment of impairment losses (cont'd)**

In addition, as set out in Note 3.6.1, 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 31 December 2021, 2020 and 2019 are as follows:

	I------------------------------- As at 31 December			--------------------------I
	2022	**2021**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Not past due	6,407,405	5,252,696	3,017,001	3,638,488
Past due 1 to 30 days	333,959	1,775,176	1,595,313	318,249
Past due 31 to 60 days	106,155	52,616	120,641	20,715
Past due 61 to 90 days	-	29,502	262,328	34,893
Past due 91 to 120 days	354,502	92,091	286,990	-
	794,616	1,949,385	2,265,272	373,857
	7,202,021	7,202,081	5,282,273	4,012,345

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment record with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated over the financial years.

The Group has trade receivables amounting to RM794,616 (2021: RM1,949,385; 2020: RM2,265,272; 2019: RM373,857) that are past due at the end of the reporting period but management is of the view that these past due amounts will be collected in due course and no impairment is necessary.

28.4 **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.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

28. **FINANCIAL INSTRUMENTS (CONT'D)**

28.4 **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
2022						
Non-derivative financial liabilities						
Borrowings	3,194,399	4,589,059	581,590	522,044	1,304,175	2,181,250
Lease liabilities	251,780	268,000	120,000	136,500	11,500	-
Trade payables	1,530,355	1,530,355	1,530,355	-	-	-
Other payables and accruals	712,188	712,188	712,188	-	-	-
	5,688,722	7,099,602	2,944,133	658,544	1,315,675	2,181,250
2021						
Non-derivative financial liabilities						
Borrowings	4,045,688	8,522,020	827,521	723,756	1,836,970	5,133,773
Trade payables	1,718,606	1,718,606	1,718,606	-	-	-
Other payables and accruals	1,022,730	1,022,730	1,022,730	-	-	-
	6,787,024	11,263,356	3,568,857	723,756	1,836,970	5,133,773
2020						
Non-derivative financial liabilities						
Borrowings	2,635,614	3,312,111	379,082	364,791	900,672	1,667,566
Trade payables	2,799,213	2,799,213	2,799,213	-	-	-
Other payables and accruals	1,582,870	1,582,870	1,582,870	-	-	-
Amount due to directors	580,350	580,350	580,350	-	-	-
	7,598,047	8,274,544	5,341,515	364,791	900,672	1,667,566

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

28. **FINANCIAL INSTRUMENTS (CONT'D)**

28.4 **Liquidity risk (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
2019						
Non-derivative financial liabilities						
Borrowings	2,961,635	4,151,188	309,842	309,842	732,206	2,799,298
Trade payables	3,382,190	3,382,190	3,382,190	-	-	-
Other payables and accruals	328,201	328,201	328,201	-	-	-
Amount due to directors	364,320	364,320	364,320	-	-	-
	7,036,346	8,225,899	4,384,553	309,842	732,206	2,799,298

28.5 **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:

	I------------------------- As at 31 December			-------------------------I
	2022 RM	2021 RM	2020 RM	2019 RM
Fixed rate instruments				
Financial liabilities	211,637	331,284	470,780	203,784
Floating rate instruments				
Financial liabilities	2,982,762	3,714,404	2,164,834	2,757,851

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.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

28. **FINANCIAL INSTRUMENTS (CONT'D)**

28.5 **Interest rate risk (Cont'd)**

Cash flow sensitivity analysis for variable rate instruments

An increase of 25 basis point at the end of the reporting period would have decreased the Group's profit before tax by RM5,153 (2021: RM8,328; 2020: RM6,892; 2019: RM8,425) and a corresponding decrease would have an equal but opposite effect. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

28.6 **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 Group also holds cash and bank balances denominated in foreign currencies for working capital purposes. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Singapore Dollar ("SGD"), New Taiwan Dollar ("TWD") and Chinese Renminbi ("RMB).

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 and equity. A 10% strengthening of the RM against the following currencies at the end of the reporting period would have decreased profit before tax and equity by the amount shown below and a corresponding weakening of the RM would have an equal but opposite effect.

	I--------------- For the financial year ended 31 December -----------I			
	2022	**2021**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
USD	135,423	24,217	79,222	9,039
SGD	(3,100)	510	1,208	2,523
TWD	(5,499)	(6,945)	-	-
RMB	-	-	(790)	-
Decrease in profit before tax	126,824	17,782	79,640	11,562
Decrease in equity	96,386	13,514	60,526	8,787

29. **FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

The carrying amounts of the financial assets and financial liabilities of the Group as at the end of the reporting period approximate their fair values 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 the hire purchase are reasonable approximation of fair value due to the insignificant impact of discounting.

EDELTEQ HOLDINGS BERHAD
Registration No.: 201901033362 (1342692-X)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

30. CAPITAL MANAGEMENT

The primary objective of the Group's capital management policy is to maintain a strong capital base to support its business and to maximise shareholder's 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 the capital structure by issuing new shares, returning capital to shareholders, adjusting the amount of dividends to be paid to shareholders or sell assets to reduce debts. No changes were made to the objective, policy and process during the financial years under review.

As at the end of the reporting period, the Group has not breached any of the debt covenants imposed by its lenders.

31. 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 Pre-IPO Restructuring Exercise as disclosed in Note 1.3 to the combined financial statements.

EDELTEQ HOLDINGS BERHAD
Registration No. 201901033362 (1342692-X)
(Incorporated in Malaysia)

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

GRANT THORNTON MALAYSIA PLT

CHARTERED ACCOUNTANTS

Member Firm of Grant Thornton International Ltd

GrantThornton

REPORTING ACCOUNTANTS' REPORT ON COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022
(Prepared for inclusion in the Prospectus)

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

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Date: 11 April 2023

The Board of Directors
Edelteq Holdings Berhad
No. 20, 1st Floor, Lorong Impian Ria 4
Taman Impian Ria
14000 Bukit Mertajam
Penang

Dear Sirs,

EDELTEQ HOLDINGS BERHAD
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statements of Financial Position of Edelteq Holdings Berhad ("Edelteq" or "Company") and its subsidiaries ("Edelteq Group" or "Group") as at 31 December 2022 ("Pro Forma Consolidated Statements 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 ("Directors") for inclusion in the prospectus of the Company ("Prospectus") in connection with the initial public offering ("IPO") and the listing of and quotation for the entire enlarged 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, 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 Statements of Financial Position has been extracted by the Directors from the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2022, on which their audit reports have been issued without modification.

Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Directors are responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis set out in Notes to the Pro Forma Consolidated Statements of Financial Position ("Applicable Criteria").

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Reporting Accountants' Independence and Quality Control

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 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 transactions have occurred and completed on 31 December 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.

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Reporting Accountants' Responsibility (Cont'd)

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.

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 the requirements of the Prospectus Guidelines issued by the Securities Commission Malaysia.

Other Matter

This report has been prepared solely for inclusion in the Prospectus in connection with the Listing. It is not intended to be used for any other purposes. 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

Terence Lau Han Wen
No. 03298/04/2025 J
Chartered Accountant

Penang

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

EDELTEQ HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

The Pro Forma Consolidated Statements of Financial Position of Edelteq Holdings Berhad ("Edelteq" or "Company") and its subsidiaries ("Edelteq Group" or "Group") as at 31 December 2022 ("Pro Forma Consolidated Statements of Financial Position") 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 31 December 2022, and should be read in conjunction with the notes accompanying to the Pro Forma Consolidated Statements of Financial Position.

	Note	Audited As at 31 December 2022 *	Proforma I After Share Split	Proforma II After Acquisitions	Proforma III After IPO	Proforma IV After Utilisation of IPO Proceeds
		RM	RM	RM	RM	RM
ASSETS						
Non-current assets						
Property, plant and equipment	3.1	3,772,976	3,772,976	5,591,875	5,591,875	17,423,355
Investment properties		-	-	3,235,440	3,235,440	3,235,440
Right-of-use assets		120,167	120,167	240,334	240,334	240,334
Total non-current assets		**3,893,143**	**3,893,143**	**9,067,649**	**9,067,649**	**20,899,129**
Current assets						
Inventories		3,068,666	3,068,666	4,061,086	4,061,086	4,061,086
Trade receivables		1,126,095	1,126,095	7,202,021	7,202,021	7,202,021
Other receivables, deposits and prepayments	3.2	677,142	677,142	1,038,046	1,038,046	710,046
Current tax recoverable		127,583	127,583	628,631	628,631	628,631
Cash and bank balances	3.3	280,762	280,762	6,238,009	30,238,009	14,626,529
Total current assets		**5,280,248**	**5,280,248**	**19,167,793**	**43,167,793**	**27,228,313**
TOTAL ASSETS		**9,173,391**	**9,173,391**	**28,235,442**	**52,235,442**	**48,127,442**

GRANT THORNTON MALAYSIA PLT
FOR IDENTIFICATION PURPOSES ONLY

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

EDELTEQ HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (CONT'D)

	Note	Audited As at 31 December 2022 * RM	Proforma I After Share Split RM	Proforma II After Acquisitions RM	Proforma III After IPO RM	Proforma IV After Utilisation of IPO Proceeds RM
EQUITY AND LIABILITIES						
Equity						
Share capital	3.4	1,020,000	1,020,000	15,138,747	39,138,747	38,044,547
Merger reserve		-	-	(12,671,747)	(12,671,747)	(12,671,747)
(Accumulated losses)/Retained profits	3.5	(2,336,863)	(2,336,863)	16,600,562	16,600,562	15,586,762
Total equity attributable to owners of the Company		(1,316,863)	(1,316,863)	19,067,562	43,067,562	40,959,562
Non-controlling interests		216,493	216,493	-	-	-
Total equity		**(1,100,370)**	**(1,100,370)**	**19,067,562**	**43,067,562**	**40,959,562**
LIABILITIES						
Non-current liabilities						
Lease liabilities		71,601	71,601	143,202	143,202	143,202
Borrowings	3.6	2,730,462	2,730,462	2,852,793	2,852,793	1,103,893
Deferred tax liabilities		24,100	24,100	58,457	58,457	58,457
Total non-current liabilities		**2,826,163**	**2,826,163**	**3,054,452**	**3,054,452**	**1,305,552**

GRANT THORNTON MALAYSIA PLT
FOR IDENTIFICATION PURPOSES ONLY

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

EDELTEQ HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (CONT'D)

	Note	Audited As at 31 December 2022 * RM	Proforma I After Share Split RM	Proforma II After Acquisitions RM	Proforma III After IPO RM	Proforma IV After Utilisation of IPO Proceeds RM
Current liabilities						
Trade payables		709,831	709,831	1,530,355	1,530,355	1,530,355
Other payables and accruals		3,321,649	3,321,649	712,188	712,188	712,188
Contract liabilities		3,109,529	3,109,529	3,323,098	3,323,098	3,323,098
Refund liabilities		-	-	97,603	97,603	97,603
Lease liabilities		54,289	54,289	108,578	108,578	108,578
Borrowings	3.6	252,300	252,300	341,606	341,606	90,506
Total current liabilities		**7,447,598**	**7,447,598**	**6,113,428**	**6,113,428**	**5,862,328**
TOTAL LIABILITIES		**10,273,761**	**10,273,761**	**9,167,880**	**9,167,880**	**7,167,880**
TOTAL EQUITY AND LIABILITIES		**9,173,391**	**9,173,391**	**28,235,442**	**52,235,442**	**48,127,442**
Number of shares in issue (Unit)	3.4	1,020,000	29,142,857	432,535,630	532,535,630	532,535,630
Net assets per share (RM)		(1.08)	(0.04)	0.04	0.08	0.08
Borrowings		2,982,762	2,982,762	3,194,399	3,194,399	1,194,399
Gearing ratio (times) #		(2.71)	(2.71)	0.17	0.07	0.03

* *Extracted from the audited consolidated statement of financial position for the financial year ended 31 December 2022 of the Company which comprise of the financial positions of the Company and Edelteq Ventures Sdn. Bhd.*

\# *Computed based on total borrowings of the Group over total equity attributable to owners of the Company.*

GRANT THORNTON MALAYSIA PLT
FOR IDENTIFICATION PURPOSES ONLY

EDELTEQ HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (CONT'D)

1. BASIS OF PREPARATION

The Pro Forma Consolidated Statements of Financial Position of Edelteq Group together with the notes and assumptions thereon (which we have stamp for the purpose of identification), have been compiled and prepared by the Directors 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 and quotation of the entire enlarged 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 have been prepared based on accounting policies and basis which are consistent with those adopted in the audited Combined Financial Statements of Edelteq for the financial year ended 31 December 2022 and in accordance with Malaysian Financial Reporting Standards ("MFRS"), 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") and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants, adjusted for the impact of the events and transactions as set out in Note 2 to the Pro Forma Consolidated Statements of Financial Position on the assumption that the events or the transactions have been undertaken on 31 December 2022.

2. LISTING SCHEME

In conjunction with, and as an integral part of the Listing, the Company undertook the following:

(i) **Pro Forma I: Share Split**

Share split

In conjunction with the Listing, the share split will entail the issuance of 28,122,857 new ordinary shares on the basis of 35 existing ordinary shares into 1,000 ordinary shares. Pursuant to this, the number of ordinary shares of will increase from 1,020,000 to 29,142,857.

(ii) **Pro Forma II: Acquisitions**

(a) **Acquisition of 49% in Edelteq Ventures Sdn. Bhd. ("EVSB")**

The Company acquired the remaining 49% equity interest of EVSB for a total purchase consideration of RM197,906, satisfied via the issuance of 5,654,457 new ordinary shares at an issue price of RM0.035 per share. Arising from the acquisition of the remaining equity interest, EVSB became a wholly-owned subsidiary of the Company.

(b) **Acquisition of Edelteq Technologies Sdn. Bhd. ("ETSB")**

The Company acquired the entire equity interest of ETSB for a total purchase consideration of RM7,570,172, satisfied via the issuance of 216,290,629 new ordinary shares at an issue price of RM0.035 per share.

(c) **Acquisition of Camyang Enterprise Sdn. Bhd. ("CESB")**

The Company acquired the entire equity interest of CESB for a total purchase consideration of RM919,173, satisfied via the issuance of 26,262,086 new ordinary shares at an issue price of RM0.035 per share.

(d) **Acquisition of Dysteq Technique Sdn. Bhd. ("DTSB")**

The Company acquired the entire equity interest of DTSB for a total purchase consideration of RM449,037, satisfied via the issuance of 12,829,629 new ordinary shares at an issue price of RM0.035 per share.

GRANT THORNTON MALAYSIA PLT
FOR IDENTIFICATION PURPOSES ONLY

EDELTEQ HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (CONT'D)

2. **LISTING SCHEME (CONT'D)**

(ii) **Pro Forma II: Acquisitions (cont'd)**

(e) **Acquisition of Edel Technology (M) Sdn. Bhd. ("ETMSB")**

The Company acquired the entire equity interest of ETMSB for a total purchase consideration of RM4,982,459, satisfied via the issuance of 142,355,972 new ordinary shares at an issue price of RM0.035 per share.

The aggregate purchase consideration of RM14,118,747, to be satisfied via the issuance of 403,392,773 new ordinary shares at RM0.035 per share was arrived at on a willing buyer willing seller basis and after taking into consideration the audited net assets of EVSB, ETSB, CESB, DTSB and ETMSB as at 31 December 2021. The Acquisitions were completed on 24 March 2023.

For the purpose of accounting for the Acquisitions, the Company has adopted the merger accounting principles as the consolidated entities are under common control by the same parties before and after the IPO. Under merger method of accounting, the difference between the cost of investment recorded by the Company (i.e., the consideration for the acquisition of its subsidiaries) and the share capital of its subsidiaries are accounted for as merger reserve, computed as follows:

		RM
Consideration for the acquisition of:		
- EVSB	197,906	
- ETSB	7,570,172	
- CESB	919,173	
- DTSB	449,037	
- ETMSB	4,982,459	
		14,118,747
Less: Issued share capital as at 31 December 2022:		
- EVSB	(98,000)	
- ETSB	(200,000)	
- CESB	(49,000)	
- DTSB	(100,000)	
- ETMSB	(1,000,000)	
		(1,447,000)
Merger reserve		12,671,747

GRANT THORNTON MALAYSIA PLT
FOR IDENTIFICATION PURPOSES ONLY

EDELTEQ HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (CONT'D)

2. LISTING SCHEME (CONT'D)

(iii) **Pro Forma III: IPO**

(a) **Public Issue**

A total of 100,000,000 new Edelteq ordinary shares ("Issued Shares") representing 18.78% of the enlarged share capital of Edelteq are offered at an issue price of RM0.24 per ordinary share and shall be allocated in the following manner:

- 26,630,000 Issue Shares, representing 5.00% of the enlarged share capital are made available for application by the Malaysian Public,
- 63,370,000 Issue Shares, representing 11.90% of the enlarged share capital are reserved for private placement to selected investors; and
- 10,000,000 Issue Shares, representing 1.88% of the enlarged share capital are reserved for eligible employees and persons who have contributed to the success of the Group.

(b) **Offer for Sale**

The major shareholders namely Mr. Chin Yong Keong, Mr. Khong Chee Seong and Mr. Chin Yuen Fong, will undertake an offer for sale of 43,200,000 existing ordinary shares in Edelteq ("Offer Shares"), representing approximately 8.11% of the enlarged issued share capital of Edelteq, at an offer price of RM0.24 per Offer Share.

(c) **Listing**

Subsequent to the above, the Company's entire enlarged issued share capital of RM39,138,747 comprising 532,535,630 ordinary shares shall be listed and quoted on the ACE Market of Bursa Securities.

(iv) **Pro Forma IV: After Utilisation of IPO Proceeds**

Gross proceeds from the IPO of RM24,000,000 will be utilised as follows:

Details of use	Estimated timeframe for use upon listing	RM	%
Construction of Batu Kawan Factory [(a)]	Within 12 months	3,679,000	15.33
Repayment of bank borrowings (Batu Kawan Factory) [(b)]	Within 24 months	10,250,000	42.71
Research and development [(c)]	Within 30 months	3,097,000	12.90
Working capital [(c)]	Within 24 months	3,374,000	14.06
Estimated listing expenses [(d)]	Within 3 months	3,600,000	15.00
Total		**24,000,000**	**100.00**

GRANT THORNTON MALAYSIA PLT
FOR IDENTIFICATION PURPOSES ONLY

EDELTEQ HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (CONT'D)

2. LISTING SCHEME (CONT'D)

(iv) **Pro Forma IV: After Utilisation of IPO Proceeds (cont'd)**

Notes:

(a) The construction of Batu Kawan Factory comprise of floor space for production and office to be erected on Plot P330(f), Batu Kawan Industrial Park, Mukim 13, District of Seberang Perai Selatan, Pulau Pinang ("Batu Kawan Land"). The construction cost covers building planning, professional fees, engineering, procurement and construction works (collectively known as "Structural works") and fit-out cost. The total construction cost is estimated at RM11,929,000 and it comprise of the following:-

Description	Total cost RM	Funded by borrowings RM	Funded by IPO proceeds RM	Funded by internal funds RM
Acquisition of Batu Kawan Land	3,315,000	2,980,000	-	335,000
Construction of Proposed Batu Kawan Facility	11,929,000	8,250,000	3,679,000	-
Total	**15,244,000**	**11,230,000**	**3,679,000**	**335,000**

Acquisition of Batu Kawan Land

On 24 August 2020, the Group entered into a sale and purchase agreement with Penang Development Corporation to purchase the Batu Kawan Land which has an approximate land area of 63,745.70 sq. ft. for a total purchase consideration of RM3.31 million. The consideration for the Batu Kawan Land has been fully settled and capitalised as property, plant and equipment as at 31 December 2022.

As at 10 April 2023, being the latest practicable date prior to the date of the Prospectus ("LPD"), the balance of the term loan obtained to finance the acquisition of the Batu Kawan Land was approximately RM2,599,212 and a portion of the IPO Proceeds earmarked to repay bank borrowings will be used to partially settle the term loan.

Construction of Proposed Batu Kawan Facility

As at LPD, the Group has secured a Flexi Term Islamic Financing Facility of RM8,250,000 to cover the construction cost. To present the impact on the Group's gearing ratio had the Flexi Term Islamic Financing Facility been drawn down and subsequently it is assumed that the construction of the factory building was completed on 31 December 2022.

(b) Comprise of early settlement of term loans which was drawn down to part finance the acquisition of the Batu Kawan Land and the construction of the building. The early settlement will not attract any fees as stipulated in the offer letters, while the actual interest savings amount may vary depending on the prevailing applicable interest rate and the outstanding balance at that point of time and will not be considered in presenting the pro forma.

GRANT THORNTON MALAYSIA PLT
FOR IDENTIFICATION PURPOSES ONLY

EDELTEQ HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (CONT'D)

2. LISTING SCHEME (CONT'D)

(iv) **Pro Forma IV: After Utilisation of IPO Proceeds (cont'd)**

The breakdown of the early settlement of term loans is as follows: -

Banking Facilities	Purpose	Facility amount RM	Proposed repayment RM
Term Loan 1	Part finance the acquisition of Batu Kawan Land	2,980,000	2,000,000
Term Loan 2	Part finance the construction of the Batu Kawan Factory	8,250,000	8,250,000
Total		**11,230,000**	**10,250,000**

(c) As at the LPD, the utilisation of proceeds for each of these purposes are not factually supported by purchase orders or contractual binding agreements. Hence, the Group has not illustrated the utilisation of proceeds for these purposes in the Pro Forma Consolidated Statements of Financial Position.

(d) The estimated listing expenses comprise the following:

Details	RM
Professional fees ^	2,300,000
Fees to authorities	74,000
Underwriting commission, placement fees and brokerage fees	530,000
Printing, advertising fees and contingencies	696,000
Total estimated listing expenses *	**3,600,000**

^ Include professional and advisory fees for amongst others, principal adviser, solicitors, reporting accountants, independent market researcher and internal control consultants.

* If the actual listing expenses are higher than the estimated, the deficit will be funded out from portion allocated for working capital requirements. Conversely, if the actual listing expenses are lower than the estimated, the excess will be utilised for working capital requirements.

The listing expenses are estimated at RM3,600,000 and will be set off against the share capital by RM1,094,200 and profit or loss by RM2,505,800 respectively.

Out of total estimated listing expenses of RM3,600,000, an amount of RM1,820,000 has been paid and recorded in the prepayment account (RM328,000) and profit or loss (RM1,492,000) respectively in the financial year ended 31 December 2022.

GRANT THORNTON MALAYSIA PLT
FOR IDENTIFICATION PURPOSES ONLY

EDELTEQ HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (CONT'D)

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 31 December 2022	3,772,976
Pursuant to Acquisitions (Note 2(ii))	1,818,899
As per Pro Forma II	5,591,875
Construction cost to complete Batu Kawan Factory (Note 2(iv)(a))	*11,831,480
As per Pro Forma IV	17,423,355

* As at 31 December 2022, a portion of the construction cost amounting to RM97,520 has been paid and classified as capital work-in-progress under property, plant and equipment.

3.2 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The movements of the other receivables, deposits and prepayments are as follows:

	RM
As at 31 December 2022	677,142
Pursuant to Acquisitions (Note 2(ii))	360,904
As per Pro Forma II	1,038,046
Pursuant to Utilisation of IPO Proceeds	
- Reversal of estimated listing expenses prepaid #	(328,000)
As per Pro Forma IV	710,046

The estimated listing expenses prepaid comprised of professional fees and miscellaneous expenses for the IPO.

3.3 CASH AND BANK BALANCES

The movements of the cash and bank balances are as follows:

	RM
As at 31 December 2022	280,762
Pursuant to Acquisitions (Note 2(ii))	5,957,247
As per Pro Forma II	6,238,009
Pursuant to Proceeds from IPO	24,000,000
As per Pro Forma III	30,238,009
Pursuant to Utilisation of IPO Proceeds	
- Construction of Batu Kawan Factory	(3,581,480)
- Repayment of bank borrowings	(10,250,000)
- Estimated listing expenses	(1,780,000)
As per Pro Forma IV	14,626,529

GRANT THORNTON MALAYSIA PLT
FOR IDENTIFICATION PURPOSES ONLY

EDELTEQ HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (CONT'D)

3. NOTES TO PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.4 SHARE CAPITAL

The movements of the share capital are as follows:

	No. of Shares	RM
As at 31 December 2022	1,020,000	1,020,000
Pursuant to Share Split (Note 2(i))	28,122,857	-
As per Pro Forma I	29,142,857	1,020,000
Pursuant to Acquisitions (Note 2(ii))	403,392,773	14,118,747
As per Pro Forma II	432,535,630	15,138,747
Pursuant to IPO (Note 2(iii))	100,000,000	24,000,000
As per Pro Forma III	532,535,630	39,138,747
Pursuant to Utilisation of IPO Proceeds		
- Portion of estimated listing expenses set-off against issued share capital	-	(1,094,200)
As per Pro Forma IV	532,535,630	38,044,547

3.5 RETAINED PROFITS

The movements of the retained profits are as follows:

	RM
As at 31 December 2022	(2,336,863)
Pursuant to Acquisitions (Note 2(ii))	18,937,425
As per Pro Forma II	16,600,562
Pursuant to Utilisation of IPO Proceeds	
- Estimated listing expenses set-off against profit or loss	(1,013,800)
As per Pro Forma IV	15,586,762

3.6 BORROWINGS

The movements of the borrowings are as follows:

	RM
Non-current liabilities	
As at 31 December 2022	2,730,462
Pursuant to Acquisitions	122,331
As per Pro Forma II	2,852,793
Drawdown of Flexi Term Islamic Financing for construction of Batu Kawan Factory (Note 2(iv)(a))	7,700,000
Pursuant to Utilisation of IPO Proceeds	(9,448,900)
As per Pro Forma IV	1,103,893

GRANT THORNTON MALAYSIA PLT
FOR IDENTIFICATION PURPOSES ONLY

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

EDELTEQ HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (CONT'D)

3. NOTES TO PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.6 BORROWINGS (CONT'D)

Current liabilities

	RM
As at 31 December 2022	252,300
Pursuant to Acquisitions	89,306
As per Pro Forma II	341,606
Drawdown of Flexi Term Islamic Financing for construction of Batu Kawan Factory (Note 2(iv)(a))	550,000
Pursuant to Utilisation of IPO Proceeds	(801,100)
As per Pro Forma IV	90,506

GRANT THORNTON MALAYSIA PLT
FOR IDENTIFICATION PURPOSES ONLY

15. ADDITIONAL INFORMATION

15.1 SHARE CAPITAL

(i) No Shares will be allotted, issued or offered on the basis of this Prospectus later than 6 months after the date of this Prospectus.

(ii) As at the date of this Prospectus, we only have 1 class of shares, namely ordinary shares, all of which rank equally with one another.

(iii) None of our Group's capital is under any option or agreed conditionally or unconditionally to be put under any option.

(iv) Save for the Pink Form Allocation, no person has been or is entitled to be given an option to subscribe for any share, stock, debenture or other security of our Group.

(v) Save for the Pink Form Allocation, there is no scheme involving our Directors and employees in the capital of our Group.

(vi) No shares, debentures, warrants, options, convertible securities or uncalled capital of our Group have been or are proposed to be issued as fully or partly paid-up, in cash or otherwise than in cash, within the 2 years preceding the date of this Prospectus.

(vii) As at the date of this Prospectus, our Group does not have any outstanding convertible debt securities, options, warrants or uncalled capital.

15.2 EXTRACT OF OUR CONSTITUTION

The following provisions relating to the selected matters are reproduced from our Constitution which complies with the Listing Requirements, the Act and the Rules.

The words, terms and expressions appearing in the following provisions shall bear the same meanings used in our Constitution unless they are otherwise defined herein or the context otherwise requires.

15.2.1 Remuneration, voting and borrowing powers of Directors

(i) Remuneration of Directors

Clause 20.1 - Subject to this Constitution, the Directors shall be paid by way of remuneration for their services, such fees and any other benefits payable to such directors (if any) shall be determined annually by ordinary resolution of the Company in general meeting PROVIDED ALWAYS that:

(a) fees payable to Non-Executive Directors shall be a fixed sum, and not by a commission on or percentage or profits or turnover;

(b) remuneration and other emoluments (including bonus, benefits or any other emoluments) payable to Executive Directors who hold an executive office in the Company pursuant to a contract of service need not be determined by the Company in general meeting but such remuneration and emoluments may not include a commission on or a percentage of turnover;

(c) fees and any benefits payable to Directors shall be subject to annual shareholders' approval at a General Meeting, where notice of the proposed increase has been given in the notice convening the meeting; and

(d) the fees and / or benefits payable to Non-Executive Directors who are also Director(s) of the subsidiaries include but are not limited to directors' fees, meeting allowances, travelling allowances and benefits, but do not include insurance premium or any issue of securities.

Clause 20.2 - The Directors shall be paid for all their travelling and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending Board of Directors' Meeting or any committee meeting of the Directors or General Meeting of the Company.

Clause 20.3 - If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company as a Member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Board in General Meeting and such remuneration may be either in addition to or in substitution for his or their Share in the remuneration from time to time provided for the Directors. Extra remuneration payable to Non-Executive Director(s) shall not include a commission or percentage of turnover or profits.

(ii) Voting of Directors

Clause 23.8 – Every Director shall comply with the provisions of Sections 219 and 221 of the Act in connection with the disclosure of his shareholding and interest in any contract or proposed contract with the Company and in connection with the disclosure of the fact and nature, character and extent of any office or possession of any property whereby whether directly or indirectly duties or interest might be created in conflict with his duty or interest as a Director of the Company.

Clause 23.10 - A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest. Without prejudice to the generality of the foregoing, a Director shall also not vote in regard to any contract or proposed contract or arrangement with any other company in which he is interested either as an officer of that other company or as a holder of shares or other securities in that other company.

Clause 23.11 - Subject to Clause 23.10, a Director may vote in respect of:

(a) any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; and

(b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by a deposit of security.

By Ordinary Resolution of the Company, the provisions of this Clause may at any time be suspended or relaxed to any extent and either generally or in respect of any particular contract, arrangement or transaction, and any particular contract, arrangement or transaction carried out in contravention of this Clause may be ratified.

(iii) Borrowing powers of Directors

Clause 22.4 - Subject to the Act, the Director may exercise all the powers of the Company to borrow and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures and other Securities whether outright or as security for any debt, liability or obligation of any person or persons or of any company, whether or not having objects or engaged or intending to engage in business similar to those of the Company, including (without limitation) any company which is for the time being associated or allied with the Company in business or which is the holding company or a subsidiary (as defined in Section 4 of the Act) or an associated company.

Clause 22.5 - The Directors shall not borrow any money or mortgage or charge any of the Company's or its subsidiaries' undertaking, property or uncalled capital, or issue debentures or other securities, whether outright or as security, for any debt, liability or obligation of an unrelated third party.

15.2.2 Changes to share capital and variation of rights

Clause 13.1 - The Company may from time to time by Ordinary Resolution increase the share capital by the creation and issue of new Shares, such new capital to be of such amount to be divided into Shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may direct in the resolution authorising such increase.

Clause 13.2 - Except so far as otherwise provided by the conditions of issue, any capital raised by the creation of new Shares shall be considered as part of the original share capital of the Company. All new Shares shall be subject to the provisions herein contained with reference to allotments, the payment of calls and instalments, transfer, transaction, transmission, forfeiture, lien or otherwise and shall also be subject to the Rules.

Clause 15.1 - The Company may alter its share capital in any one or more of the following ways by passing an Ordinary Resolution:

(a) to 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;

(b) to convert all or any of its paid-up Shares into stock and may reconvert that stock into paid-up Shares;

(c) to subdivide its share capital or any part thereof, whatever is in the subdivision, the proportions 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 Shares from which the subdivided Share is derived;

(d) to increase the share capital by such sum to be divided into shares of such amount as the resolution shall prescribe; or

(e) to cancel any Shares which at the date of the passing of the resolution which have been forfeited and diminish the amount of its Share capital by the amount of the Shares so cancelled.

Clause 15.2 - Notwithstanding any other authorisation and consent that may be required by the provisions of the Act, the Company may reduce its share capital by:

(a) Special Resolution and confirmation by the High Court in accordance with Section 116 of the Act; or

(b) Special Resolution supported by a solvency statement in accordance with Section 117 of the Act.

15.2.3 Transfer of securities

Clause 10.1 - The instrument of transfer of any listed Securities shall be in writing and in the form approved in the Rules and shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain the holder of the securities until the name of the transferee is entered in the Record of Depositors in respect thereof. The transfer of any listed Securities or class of listed Securities of the Company shall be by way of book entry by the Depository in accordance with the Rules and notwithstanding Sections 105, 106 and 110 of the Act, but subject to Subsection 148(2) of the Act and any exemption may be made from compliance with Subsection 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of listed Securities.

Clause 10.2 - Subject to the Rules and Listing Requirements, the transfer of any Securities may be suspended at such times and for such periods as the Directors may from time to time determine. 10 market days' notice, or such other period as may from time to time be specified by the Bursa Securities governing the Register concerned, of intention to close the Register shall be given to the Bursa Securities. At least 3 market days' or such other period as may from time to time be specified by the governing authority, prior notice shall be given to the Bursa Depository to prepare the appropriate Record of Depositors.

Clause 10.3 - The Bursa Depository may refuse to register any transfer of Deposited Security that does not comply with the Central Depositories Act and the Rules. No Securities shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

15.2.4 Rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

Clause 14.1 - If at any time, the share capital by reason of the issue of preference shares or otherwise is divided into different classes the repayment of such preferred capital or all or any of the rights and privileges attached to each class may subject to the provisions of the Act be varied modified commuted affected abrogated or dealt with by a written consent representing not less than 75.00% of the total voting rights of the preference shareholders or by Special Resolution passed by the holders at least 75.00% of the total voting rights at a separate general meeting of the holders of that class and all the provisions hereinafter contained as to general meetings shall equally apply to every such meeting except that the quorum hereof shall be members holding or representing by proxy at least 1/3 of the issued shares of the class. Provided however that in the event of the necessary majority for such a Special Resolution not having been obtained in the manner aforesaid consent in writing may be secured from members holding at least 75.00% of the total voting rights and such consent if obtained within 2 months from the date of the separate general meeting shall have the force and validity of a resolution duly carried by a vote in person or by proxy.

Clause 14.2 - The right conferred upon the holders of Shares of any class shall not, unless otherwise expressly provided by the terms of issue of further Shares ranking as regards participation in the profits or assets of the Company in some or in all respect pari passu therewith.

15.3 EXCHANGE CONTROLS

All corporations in Malaysia are required to adopt a single-tier system. As such, all dividends distributed by Malaysian corporations under this system are not taxable. Further, the Malaysian Government does not levy withholding tax on dividends payment. Therefore, there is no withholding tax imposed on dividends paid to non-residents by Malaysian corporations. There is no Malaysian capital gains tax arising from the disposal of listed shares. However, in the event the capital gain arising from the disposal of listed shares is revenue in nature, such gain can be subject to income tax.

As at the date of this Prospectus, we do not have any foreign subsidiary or associated company which requires repatriation of capital and remittance of profits by or to our Group.

15.4 LIMITATION ON THE RIGHT TO OWN SECURITIES

There is no limitation imposed by law or by the constituent documents of our Company 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.

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his Shares with Bursa Depository on or before the date is fixed, failing which our Share Registrar will be required to transfer his Shares to the Minister of Finance and such Shares may not be traded on Bursa Securities.

Dealing in our Shares deposited with Bursa Depository may only be effected by a Depositor by means of entries in the securities account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be a shareholder of our Company and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

15.5 MATERIAL LITIGATION

Our Group is not engaged in any material litigation and / or arbitration, either as plaintiff or defendant, which has a material effect on our financial position, and our Directors are not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect our financial position or business as at the LPD.

15.6 MATERIAL CONTRACTS

Save as disclosed below, our Company and our Subsidiaries have not entered into any material contract which is not in the ordinary course of our Group's business during the Financial Years Under Review and up to the date of this Prospectus:

(i) the Sale and Purchase Agreement dated 24 August 2020 between PDC and Edelteq for the acquisition of the Batu Kawan Land for a cash consideration of RM3,314,776.40. The transaction was completed on 8 April 2021 and the issue document of title has been registered in favour of our Company on 20 September 2022;

(ii) Service Agreement dated 17 December 2021 entered into between Chin Yong Keong and Edelteq, for the appointment of Chin Yong Keong as the Group CEO for 10 years commencing from 1 January 2022 at a monthly salary of RM44,900.00;

(iii) Service Agreement dated 17 December 2021 entered into between Khong Chee Seong and ETSB, for the appointment of Khong Chee Seong as the Executive Director cum Business Unit Director for 10 years commencing from 1 January 2022 at a monthly salary of RM18,670.00;

(iv) Service Agreement dated 17 December 2021 entered into between Chin Yuen Fong and ETSB, for the appointment of Chin Yuen Fong as the Electronics Manufacturing Solution Business Unit Director for 10 years commencing from 1 January 2022 at a monthly salary of RM18,670.00;

(v) the Conditional Share Sale Agreement dated 1 August 2022 between Edelteq, Chin Yong Keong and Khong Chee Seong for the Acquisition of ETSB. The Conditional Share Sale Agreement has been completed on 24 March 2023 and the consideration shares were allotted and issued on 30 March 2023. Further details of the Acquisition of ETSB are set out in Section 6.1.3(iii)(a) of this Prospectus;

(vi) the Conditional Share Sale Agreement dated 1 August 2022 between Edelteq, Chin Yong Keong, Khong Chee Seong and Tan Joo Hung for the Acquisition of EVSB. The Conditional Share Sale Agreement has been completed on 24 March 2023 and the consideration shares were allotted and issued on 30 March 2023. Further details of the Acquisition of EVSB are set out in Section 6.1.3(iii)(b) of this Prospectus;

(vii) the Conditional Share Sale Agreement dated 1 August 2022 between Edelteq, ETSB and Chin Yuen Fong for the Acquisition of CESB. The Conditional Share Sale Agreement has been completed on 24 March 2023 and the consideration shares were allotted and issued on 30 March 2023. Further details of the Acquisition of CESB are set out in Section 6.1.3(iii)(c) of this Prospectus;

(viii) the Conditional Share Sale Agreement dated 1 August 2022 between Edelteq, Chin Yong Keong, Khong Chee Seong and Chin Yuen Fong for the Acquisition of ETMSB. The Conditional Share Sale Agreement has been completed on 24 March 2023 and the consideration shares were allotted and issued on 30 March 2023. Further details of the Acquisition of ETMSB are set out in Section 6.1.3(iii)(d) of this Prospectus;

(ix) the Conditional Share Sale Agreement dated 1 August 2022 between Edelteq, Chin Yong Keong, Khong Chee Seong and Chin Yuen Fong for the Acquisition of DTSB. The Conditional Share Sale Agreement has been completed on 24 March 2023 and the consideration shares were allotted and issued on 30 March 2023. Further details of the Acquisition of DTSB are set out in Section 6.1.3(iii)(e) of this Prospectus; and

(x) Underwriting Agreement. Further details of the Underwriting Agreement are set out in Section 4.7 of this Prospectus.

15.7 CONSENTS

(i) The written consents of the Principal Adviser, Sponsor, Underwriter and Placement Agent, Solicitors for our IPO, Share Registrar, Issuing House and Company Secretaries for the inclusion in this Prospectus of their names in the form and context in which their names appear in this Prospectus have been given before the issuance of this Prospectus, and have not subsequently been withdrawn.

(ii) The written consent of the Auditors and Reporting Accountants for the inclusion in this Prospectus of their name, the Accountants' Reports and the Reporting Accountants' Report on the compilation of pro forma consolidated statements of financial position in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus, and has not subsequently been withdrawn; and

(iii) The written consent of the IMR for the inclusion in this Prospectus of its name and the IMR Report, and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus, and has not subsequently been withdrawn.

15.8 DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at our registered office during office hours for a period of 6 months from the date of this Prospectus:

(i) our Constitution;

(ii) the Accountants' Report as included in Section 13 of this Prospectus;

(iii) the Reporting Accountants' Report on the compilation of pro forma consolidated statements of financial position referred to in Section 14 of this Prospectus;

(iv) the material contracts referred to in Section 15.6 of this Prospectus;

(v) the service agreements referred to in Sections 5.7 and 15.6 of this Prospectus;

(vi) the letters of consent referred to in Section 15.7 of this Prospectus;

(vii) the audited combined financial statements of our Group for the FYE 31 December 2022, and the audited financial statements of our Subsidiaries for the Financial Years Under Review; and

(viii) IMR Report as set out in Section 8 of this Prospectus.

15.9 RESPONSIBILITY STATEMENTS

(i) Our Directors, Promoters and the Offeror have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

(ii) UOBKH, being our Principal Adviser, Sponsor, Underwriter and Placement Agent, 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 the IPO.

16. 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 COPY OF OUR 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.

16.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 09/05/2023

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 17/05/2023

Applications for the IPO Shares will open and close at the times and dates stated above.

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.

16.2 METHODS OF APPLICATIONS

16.2.1 Application for our IPO Shares by the Malaysian Public and Eligible Persons

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that your Application will succeed. You agree to be bound by our Constitution.

Types of application and category of investors	Application Method
(a) Applications by the Malaysian Public:	
(i) Individuals	• White Application form • Electronic Share Application • Internet Share Application
(ii) Corporation or institution	White Application form only
(b) Applications by Eligible Persons:	Pink Application forms only

16.2.2 Application by selected investors via private 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.

16.3 ELIGIBILITY

16.3.1 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.

In the case of an application by way of Application Form, you must state your CDS Account number in the space provided in the Application Form.

In the case of an application by way of Electronic Share Application, you shall furnish your CDS Account number to the Participating Financial Institution by way of keying in your CDS Account number if the instructions on the ATM screen at which you enter your Electronic Share Application require you to do so. Only an individual can make an Electronic Share Application. A corporation or institution cannot apply for our IPO Shares by way of Electronic Share Application.

In the case of an Application by way of Internet Share Application, you shall furnish your CDS Account number to the Internet Participating Financial Institution by keying your CDS Account number into the online application form. Only an individual who has an existing account to their internet financial services with the Internet Participating Financial Institution can make an Internet Share Application. A corporation or institution cannot apply for our IPO Shares by way of Internet Share Application.

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.

16.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

(i) You must have a CDS Account. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs listed in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities;

(ii) You must be one of the following:

  (a) A Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares with a Malaysian address; or

  (b) 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

(c) A superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(iii) 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

(iv) You must submit Applications by using only one of the following methods:

(a) White Application Form; or

(b) Electronic Share Application; or

(c) Internet Share Application.

16.3.3 Application by Eligible Persons

Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation. The applicants must follow the notes and instructions in those documents and where relevant, of our Prospectus.

Applicants provided with Pink Application Forms may also apply for our IPO Shares offered to the Malaysian Public.

You agree that any application which you make for our IPO Shares is irrevocable.

16.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

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 based on the Issue Price of RM0.24 for each IPO Share.

Payment must be made out in favour of **"MIH SHARE ISSUE ACCOUNT NO 626"** 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:

(i) despatched by **ORDINARY POST** in the official envelopes provided to the following address:

Malaysian Issuing House Sdn. Bhd.
(Registration No. 199301003608 (258345-X))
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim,
Seksyen 13
46200 Petaling Jaya,
Selangor, Malaysia

or

P.O. Box 00010
Pejabat Pos Jalan Sultan
46700 Petaling Jaya
Selangor Darul Ehsan

(ii) **DELIVERED BY HAND AND DEPOSITED**

In the drop-in boxes provided at the front portion of Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan.

So as to arrive not later than 5.00 p.m. on 17/05/2023 or by such other time and date specified in any change to the date or time for closing. We will not accept late applications.

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.

16.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

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 ATM screens of the relevant Participating Financial Institutions.

16.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

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 and Public 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.

16.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

Your application will be selected in a manner to be determined by our Board. Due consideration will be given to the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares. The Issuing House, on the authority of our Board reserves the right to:

(i) Reject Applications which:

- (a) Do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
- (b) Are illegible, incomplete or inaccurate; or
- (c) Are accompanied by an improperly drawn up, or improper form of, remittance; or

(ii) Reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(iii) 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 16.9 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.

16.8 OVER / UNDER-SUBSCRIPTION

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the Issuing House to the SC, Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website www.mih.com.my within 1 business day after the balloting event.

Pursuant to the Listing Requirements, we are required to have a minimum of 25.00% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and / or Eligible Persons, subject to the underwriting arrangement and reallocation as set out in Sections 4.1.3 and 4.1.4 of our Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

16.9 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.

16.9.1 For applications by way of Application Forms

(i) The Application monies or the balance of it, as the case may be, will be refunded 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.

(ii) 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 documents 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.

(iii) 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 (i) and (ii) above (as the case may be).

(iv) 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 post / 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 (ii) above (as the case may be).

16.9.2 For applications by way of Electronic Share Application and Internet Share Application

(i) 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 Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.

(ii) You may check your account on the 5th Market Day from the balloting date.

(iii) 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 Institutions will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

16.10 SUCCESSFUL APPLICANTS

If you are successful in your Application:

(i) Our IPO Shares allotted to you will be credited into your CDS account.

(ii) 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.

(iii) In accordance with Section 14(1) of the SICDA, 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 SICDA and Rules of Bursa Depository.

(iv) In accordance with Section 29 of the SICDA, 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.

16.11 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 Telephone at telephone no. 03-7890 4700
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 www.mih.com.my, one Market Day after the balloting date.

You may also check the status of your Application, **5 Market Days** after the balloting date 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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