12. FINANCIAL INFORMATION

12.1 REPORTING ACCOUNTANTS' REPORT ON THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

3REN BERHAD
(Registration No.: 202101012445 (1412744-K))
(Incorporated in Malaysia)

PRO FORMA CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2024

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

Grant Thornton

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Prepared for inclusion in the Prospectus)

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9 September 2024

The Board of Directors
3REN Berhad
170-09-01 Livingston Tower
Jalan Argyll
10050 Georgetown
Penang

Dear Sirs,

3REN BERHAD

REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statements of Financial Position of 3REN Berhad ("3REN" or "Company") and its subsidiaries ("3REN Group" or "Group") as at 30 June 2024, 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 applicable criteria on the basis of which the Directors have compiled the Pro Forma Consolidated Statements of Financial Position are in accordance with the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and described in Note 1 to the Pro Forma Consolidated Statements of Financial Position ("Applicable Criteria").

The Pro Forma Consolidated Statements of Financial Position as at 30 June 2024 have been compiled by the Directors, for illustrative purposes only, to show the effects of the Listing on the Consolidated Statement 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 Statement of Financial Position has been extracted by the Directors from the audited financial statement of the Group for the financial period ended 30 June 2024, on which the audit reports have been issued without modification.

Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Directors of the Company are responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis of the Applicable Criteria.

Reporting Accountants' Independence and Quality Management

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.

Our firm applies Malaysian Approved Standard on Quality Management, ISQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements and accordingly, the firm is required to design, implement and operate a system of quality management including 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, as required by the Prospectus Guidelines, 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 impact of significant events or transactions on unadjusted financial information of the Group as if the events have occurred or the transactions have been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at that date would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions enumerated in the notes thereto, and to obtain sufficient appropriate evidence about whether:-

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Statements of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

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Reporting Accountants' Responsibility (Cont'd)

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 IPO and 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

3REN BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2024

The Pro Forma Consolidated Statements of Financial Position of 3REN Berhad ("3REN" or "Company") and its subsidiaries ("3REN Group" or "Group") as at 30 June 2024 as set out below are provided for illustrative purposes only to show the effects of the events and transactions as set out in Note 2 to the Pro Forma Consolidated Statements of Financial Position, had the events and transactions took place on 30 June 2024, and should be read in conjunction with the accompanying notes.

	Note	Audited	Pro Forma I	Pro Forma II	Pro Forma III
		As at 30 June 2024	After Reedemable Convertible Preference Share ("RCPS") Conversion and Acquisitions	After Pro Forma I and Public Issue ("IPO")	After Pro Forma II and Utilisation of Proceeds from IPO
		RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment		7,473	17,152,365	17,152,365	17,152,365
Intangible assets		-	4,782,929	4,782,929	4,782,929
Right-of-use assets		-	1,137,395	1,137,395	1,137,395
Trade receivable		-	580,923	580,923	580,923
Contract assets		-	546,832	546,832	546,832
		7,473	**24,200,444**	**24,200,444**	**24,200,444**
Current assets					
Inventories		-	7,530,663	7,530,663	7,530,663
Trade receivables		-	29,710,731	29,710,731	29,710,731
Other receivables, deposits and prepayments	**3.1**	111,555	5,307,382	5,307,382	3,894,225
Contract assets		-	4,578,610	4,578,610	4,578,610
Contract costs		-	675,771	675,771	675,771
Current tax assets		-	203,245	203,245	203,245
Fixed deposits with licensed banks		-	9,977,608	9,977,608	9,977,608
Cash and bank balances	**3.2**	2	5,905,504	36,705,504	26,518,661
		111,557	**63,889,514**	**94,689,514**	**83,089,514**
TOTAL ASSETS		**119,030**	**88,089,958**	**118,889,958**	**107,289,958**
EQUITY AND LIABILITIES					
Equity					
Share capital	**3.3**	2	54,000,002	84,800,002	83,311,002
(Accumulated losses)/Retained profits	**3.4**	(142,273)	54,134,758	54,134,758	51,623,758
Merger reserve		-	(44,340,000)	(44,340,000)	(44,340,000)
Total equity		**(142,271)**	**63,794,760**	**94,594,760**	**90,594,760**

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2024

The Pro Forma Consolidated Statements of Financial Position of 3REN Berhad ("3REN" or "Company") and its subsidiaries ("3REN Group" or "Group") as at 30 June 2024 as set out below are provided for illustrative purposes only to show the effects of the events and transactions as set out in Note 2 to the Pro Forma Consolidated Statements of Financial Position, had the events and transactions took place on 30 June 2024, and should be read in conjunction with the accompanying notes. (Cont'd)

	Note	Audited As at 30 June 2024 RM	Pro Forma I After RCPS Conversion and Acquisitions RM	Pro Forma II After Pro Forma I and Public Issue ("IPO") RM	Pro Forma III After Pro Forma II and Utilisation of Proceeds from IPO RM
Non-current liabilities					
Deferred income		-	726	726	726
Borrowings	**3.5**	-	10,660,194	10,660,194	3,060,194
Lease liabilities		-	316,059	316,059	316,059
Deferred tax liabilities		-	1,449,000	1,449,000	1,449,000
		-	**12,425,979**	**12,425,979**	**4,825,979**
Current liabilities					
Deferred income		-	672	672	672
Trade payables		-	1,785,183	1,785,183	1,785,183
Other payables and accruals		261,301	2,124,107	2,124,107	2,124,107
Contract liabilities		-	6,092,052	6,092,052	6,092,052
Borrowings		-	710,075	710,075	710,075
Lease liabilities		-	306,125	306,125	306,125
Current tax liabilities		-	851,005	851,005	851,005
		261,301	**11,869,219**	**11,869,219**	**11,869,219**
TOTAL LIABILITIES		**261,301**	**24,295,198**	**24,295,198**	**16,695,198**
TOTAL EQUITY AND LIABILITIES		**119,030**	**88,089,958**	**118,889,958**	**107,289,958**
Issued ordinary share (unit)		2	540,000,000	650,000,000	650,000,000
Net assets per share (RM)		(71,136)	0.12	0.15	0.14
Borrowings (RM)		-	11,370,269	11,370,269	3,770,269
Gearing ratio (Times) [#]		-	0.18	0.12	0.04

[#] Computed based on total borrowings of the Group over total equity attributable to owners of the Company.

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3REN BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2024

1. BASIS OF PREPARATION

The Pro Forma Consolidated Statements of Financial Position of 3REN Group as at 30 June 2024 together with the notes thereon, for which the Directors is solely responsible, have been prepared for illustrative purpose only for the purpose of inclusion in the Prospectus of the Company in connection with the initial public offering ("IPO") and the listing and quotation of the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("the Proposed Listing").

The Pro Forma Consolidated Statements of Financial Position have been prepared based on accounting policies and basis which are consistent with those disclosed in the audited Combined Financial Statements of 3REN for the financial period ended 30 June 2024 and in accordance with Malaysian Financial Reporting Standards ("MFRS"), IFRS Accountings Standards and the requirements of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia ("SC") and adjusted for the impact of the events and transactions as set out in Note 2 to the Pro Forma Consolidated Statement of Financial Position had these events and transactions took place on 30 June 2024.

2. LISTING SCHEME

In conjunction with, and as an integral part of the Listing, the Company undertook the following:

(i) **Pro Forma I: RCPS Conversion and Acquisitions**

Pro Forma 1 incorporates the effects of the following RCPS Conversion and Acquisitions.

(a) **Conversion of RCPS of Sophic Automation Sdn. Bhd. ("RCPS Conversion")**

On 14 March 2024, Sophic Automation Sdn. Bhd. ('Sophic Automation") received a proposal for notice of conversion by Malaysian Technology Development Corporation Sdn. Bhd. ("MTDC"), the RCPS holder, to convert all of its 8,800,000 RCPSs held in Sophic Automation, which comprise of 2,700,000 RCPS Series A and 6,700,000 RCPS series B, into 71,700 new ordinary shares in Sophic Automation ('Sophic Automation Shares") based on a conversion rate of 2.1 multiple over the nominal value of the entire RCPS. The conversion was completed on 5 July 2024.

The new Sophic Automation Shares issued pursuant to the above shall rank *pari passu* in all respect with the existing ordinary shares Sophic Automation Shares except that the new Sophic Automation Shares will not be entitled to any dividends, rights, allotments or other distributions declared, made or paid prior to the date of allotment of the new Sophic Automation Shares.

(b) **Acquisition I: Acquisition of Sophic Automation**

On 20 March 2024, 3REN entered into a share sale agreement for the acquisition of 571,700 ordinary shares (after the RCPS Conversion) in Sophic Automation, representing the entire equity interest of Sophic Automation, for a total purchase consideration of RM49.0 million. The purchase consideration was satisfied by the issuance of 489,999,998 new ordinary shares in 3REN at an issue price of RM0.10 per share. The acquisition was completed on 23 July 2024.

The total purchase consideration of RM49.0 million was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the audited net assets ("NA") of Sophic Automation as at 30 September 2023 of RM54,085,615 after adjusted for the declaration of 2 dividends amounting to RM5,000,000 on 30 November 2023 and 26 December 2023 and RCPS Conversion as disclosed in Note 2(i)(a) to the Pro Forma Consolidated Statements of Financial Position.

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2024

2. LISTING SCHEME (CONT'D)

(i) **Pro Forma I: RCPS Conversion and Acquisitions (cont'd)**

(c) **Acquisition II: Acquisition of Sophic MSC Sdn. Bhd. ("Sophic MSC")**

On 20 March 2024, 3REN entered into a share sale agreement with Sophic Automation and Mr. Liew Chee Kin for the acquisition of 100,000 ordinary shares in Sophic MSC, representing the entire equity interest of Sophic MSC for a purchase consideration of RM4.0 million. The purchase consideration was satisfied by the issuance of 40,000,000 new ordinary shares in 3REN at an issue price of RM0.10 per share. The shares allotted to Sophic Automation will be novated proportionately to the shareholders of Sophic Automation in accordance with their respective shareholdings in Sophic Automation prior to their disposal to 3REN. The acquisition was completed on 30 July 2024.

The total purchase consideration of RM4.0 million was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of Sophic MSC as at 30 September 2023 of RM3,978,690.

(d) **Acquisition III: Acquisition of Pinkypye Sdn. Bhd. ("Pinkypye")**

On 20 March 2024, 3REN entered into a share sale agreement with Sophic Automation for the acquisition of 25 ordinary shares in Pinkypye, representing the entire equity interest in Pinkypye for a purchase consideration of RM1,000,000. The purchase consideration was satisfied by the issuance of 10,000,000 new ordinary shares in 3REN at an issue price of RM0.10 per share. The shares allotted to Sophic Automation will be novated proportionately to the shareholders of Sophic Automation in accordance with their respective shareholdings in Sophic Automation prior to their disposal to 3REN. The acquisition was completed on 30 July 2024.

The total purchase consideration of RM1.0 million was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of Pinkypye as at 30 September 2023 of RM1,024,044.

The acquisitions of Sophic Automation, Sophic MSC and Pinkypye are collectively referred herein as the "Acquisitions".

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:	
Sophic Automation	49,000,000
Sophic MSC	4,000,000
Pinkypye	1,000,000
	54,000,000
Less : Issued share capital as at 30 June 2024 of Sophic Automation	(9,625,000)
Acquisition of Minority interest of Sophic MSC	(35,000)
Merger reserve	44,340,000

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3REN BERHAD
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2. LISTING SCHEME (CONT'D)

(ii) Pro Forma II: Initial Public Offering ("IPO")

(a) Public Issue

A total of 110,000,000 new 3REN ordinary shares ("Issued Shares") representing 16.92% of the enlarged share capital of 3REN are offered at an issue price of RM0.28 per share and shall be allocated in the following manner:

(a) 32,500,000 Issue Shares, representing 5.00% of the enlarged share capital are made available for application by the Malaysian Public;

(b) 30,000,000 Issue Shares, representing 4.61% of the enlarged share capital for eligible Directors, employees and persons who have contributed to the Group's success;

(c) 3,800,000 Issue Shares, representing 0.59% of the enlarged share capital for private placement to Bumiputera investors approved by Ministry of Investment, Trade and Industry Malaysia ("MITI"); and

(d) 43,700,000 Issue Shares, representing 6.72% of the enlarged share capital for private placement to selected investors.

(b) Offer for Sale

The Offer for Sale comprises an offer for sale up to 45,000,000 shares by certain existing shareholders of the Company ("Selling Shareholders") at an offer price of RM0.28 per share.

The Company will not receive any proceeds from the Offer for Sale. The total gross proceeds from the Offer for Sale of approximately RM12,600,000 will accrue entirely to the Selling Shareholders.

(c) Listing

Subsequent to the above, the Company's entire enlarged share capital of RM84,800,002 comprising of 650,000,000 ordinary shares shall be listed on the ACE Market of Bursa Securities.

3REN BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2024

2. LISTING SCHEME (CONT'D)

(iii) **Pro Forma III: Utilisation of Proceeds from IPO**

The total gross proceeds from the Public Issue of RM30.8 million are intended to be utilised as follows:

Details of use of proceeds	Estimated timeframe for use from the date of the Proposed Listing	RM	% of total proceeds from the Public Issue
Setting up of new delivery centres [(a)]	Within 36 months	7,200,000	23.38
Research and development ("R&D") expenditure [(a)]	Within 24 months	5,100,000	16.56
Establishment of new Singapore office [(a)]	Within 36 months	3,000,000	9.74
Repayment of bank borrowings [(b)]	Within 6 months	7,600,000	24.67
Working capital requirements [(a)]	Within 24 months	3,900,000	12.66
Estimated listing expenses [(c)]	Immediate	4,000,000	12.99
Total estimated proceeds		30,800,000	100.00

Notes:

(a) As at 9 September 2024, being the latest practicable date prior to the date of the Prospectus ("LPD"), the Group has entered into a tenancy agreement to lease the first delivery centre, located at Bayan Lepas, Penang, with a total built-up area of 1,960 sq ft. The lease term is for 36 months, commencing on 1 July 2024, at a monthly rate of RM10,192. However, for the second delivery centre and the new marketing and sales office in Singapore, the Group has not yet entered into any legally binding lease agreement for these spaces. Additionally, no purchase order has been issued by the Group for the acquisition of capital expenditure, overhead cost or hiring of new staff related to the new delivery centres and the new Singapore office, R&D expenditure or the planned utilisation of working capital.

Accordingly, the utilisation of proceeds earmarked for the aforementioned are not reflected in the pro forma consolidated statements of financial position but will remain under cash and bank balances.

(b) Included in the repayment of bank borrowings is early settlement of term loans which were drawn down to part finance the purchase and renovation cost of the Group's existing properties. The early settlement will not attract any fees as stipulated in the respective 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 are not reflected in the pro forma consolidated statements of financial position.

3REN BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2024

2. LISTING SCHEME (CONT'D)

(iii) **Pro Forma III: Utilisation of Proceeds from IPO (cont'd)**

(c) The estimated listing expenses comprise the following:

Details	RM
Professional fees	2,500,000
Fees payable to authorities	100,000
Underwriting commission, brokerage fees and placement fees	900,000
Other fees and expenses relating to IPO and Listing	500,000
Total estimated listing expenses	**4,000,000**

The estimated listing expenses of RM1.49 million will be allocated to the share capital account as these are directly attributable expenses relating to issuance of the new shares and the remaining estimated listing expenses of RM2.51 million will be charged to profit or loss.

As at 30 June 2024, the Group has paid approximately RM1.41 million of the estimated listing expenses and it is recorded under the prepayment account.

If the actual listing expenses are higher than the estimate, the deficit will be funded out from the portion allocated for working capital requirements. Conversely, if the actual listing expenses are lower than the estimate, the excess will be utilised for working capital requirements.

3. NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

3.1 **OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

The movements of the other receivables, deposits and prepayments are as follows:

	RM
As at 30 June 2024	111,555
Pursuant to RCPS Conversion and Acquisitions	5,195,827
As per Pro Forma I and II	5,307,382
Pursuant to Utilisation of Proceeds from IPO	
- Reversal of estimated listing expenses prepaid *	(1,413,157)
As per Pro Forma III	3,894,225

* The estimated listing expenses prepaid comprised of professional fees and miscellaneous expenses relating to the IPO.

3REN BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2024

3. NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

3.2 **CASH AND BANK BALANCES**

The movements of the cash and bank balances are as follows:

	RM
As at 30 June 2024	2
Pursuant to RCPS Conversion and Acquisitions	5,905,502
As per Pro Forma I	5,905,504
Pursuant to Proceeds from IPO	30,800,000
As per Pro Forma II	36,705,504
Pursuant to Utilisation of Proceeds from IPO	
- Estimated listing expenses	(2,586,843)
- Repayment of bank borrowings	(7,600,000)
As per Pro Forma III	26,518,661

3.3 **SHARE CAPITAL**

The movements of the share capital are as follows:

	No. of Shares (units)	RM
As at 30 June 2024	2	2
Pursuant to Acquisition of Sophic Automation (Note 2(i)(b))	489,999,998	49,000,000
Pursuant to Acquisition of Sophic MSC (Note 2(i)(c))	40,000,000	4,000,000
Pursuant to Acquisition of Pinkypye (Note 2(i)(d))	10,000,000	1,000,000
As per Pro Forma I	540,000,000	54,000,002
Pursuant to IPO	110,000,000	30,800,000
As per Pro Forma II	650,000,000	84,800,002
Pursuant to Utilisation of Proceeds from IPO		
- Portion of estimated listing expenses set-off against share capital	-	(1,489,000)
As per Pro Forma III	650,000,000	83,311,002

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3. NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

3.4 (ACCUMULATED LOSSESS)/RETAINED PROFITS

The movements of the (accumulated losses)/retained profits are as follows:

	RM
As at 30 June 2024	(142,273)
Pursuant to RCPS Conversion and Acquisitions	54,277,031
As per Pro Forma I and II	54,134,758
Pursuant to Utilisation of Proceeds from IPO	
- Portion of estimated listing expenses set-off against profit or loss	(2,511,000)
As per Pro Forma III	51,623,758

3.5 NON-CURRENT - BORROWINGS

The movements of the non-current borrowings are as follows:

	RM
As at 30 June 2024	-
Pursuant to RCPS Conversion and Acquisitions	10,660,194
As per Pro Forma I and II	10,660,194
Pursuant to Utilisation of Proceeds from IPO	
- Repayment of bank borrowings	(7,600,000)
As per Pro Forma III	3,060,194

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12.2 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated under the Act on 5 April 2021 and our Group was formed upon completion of the Acquisitions on 30 July 2024.

Our historical combined financial statements for the Financial Periods Under Review have been prepared in accordance with the MFRS and IFRS without any audit qualification. Our Group's historical combined financial information is prepared based on the combined financial statements of our Group for the Financial Periods Under Review as extracted from the Accountants' Report as set out in Section 13 of this Prospectus.

Our Group's historical combined financial information have been prepared as if our Group has been operating as a single economic entity throughout the Financial Periods Under Review, since our Group is under the common control of our Promoters throughout the Financial Periods Under Review. The combined financial statements only included the financial information for Pinkypye effective from 1 March 2022 since it was not under the control of our Promoters prior to that date.

The financial results of Agensi Pekerjaan Sophic Sdn Bhd ("**APS**"), Alpha Core Sdn Bhd ("**ACSB**"), APM Metal Technologies (M) Sdn Bhd ("**APM**"), Easy Remote Solution Sdn Bhd ("**ERS**"), Inno OPX Sdn Bhd *(formerly known as Turcomp Sophic Sdn Bhd)* ("**IOSB**"), Joman Sdn Bhd ("**JSB**"), Mnosys Sdn Bhd ("**MSB**") and SVN Automation (collectively to be referred to as "**Carved-Out Entities**") do not form part of the combined financial statements as we have disposed of our entire equity interests in ACSB, APM, ERS, IOSB, JSB, MSB and SVN Automation on 26 April 2023, 18 December 2023, 11 May 2021, 17 March 2023, 11 May 2021, 11 May 2021 and 3 February 2023 respectively. Meanwhile, APS has been liquidated on 29 June 2022. For the purpose of preparing the combined financial statements, the investments in the Carved-Out Entities are presented under other investments in the Combined Statements of Financial Position and are measured at fair value through profit or loss.

12.2.1 Historical Combined Statements of Profit or Loss and Other Comprehensive Income

The summary of our audited combined statements of profit or loss and other comprehensive income for the Financial Periods Under Review is as follows:-

	Audited				Unaudited	Audited
	FYE 2020 (RM'000)	**FYE 2021 (RM'000)**	**FYE 2022 (RM'000)**	**FYE 2023 (RM'000)**	**FPE 2023 (RM'000)**	**FPE 2024 (RM'000)**
Revenue	63,020	74,164	103,598	94,891	43,749	45,518
Cost of sales	(44,111)	(52,366)	(79,405)	(67,388)	(32,926)	(33,624)
GP	**18,909**	**21,798**	**24,193**	**27,503**	**10,823**	**11,894**
Other income	49	2,231	258	111	47	321
Allowance for expected credit losses on receivables	-	(39)	-	(5)	-	(155)
Other operating expenses	(3,951)	(6,558)	(9,012)	(11,066)	(5,400)	(5,508)
R&D expenses	(502)	(98)	(1,184)	(1,604)	(703)	(666)
Operating profit	14,505	17,334	14,255	14,939	4,767	5,886
Finance costs	(200)	(141)	(412)	(563)	(284)	(268)
Finance income	209	153	183	362	115	253
PBT	**14,514**	**17,346**	**14,026**	**14,738**	**4,598**	**5,871**
Tax expense	(3,263)	(1,273)	(1,960)	(3,141)	(775)	(1,092)
Profit for the year/period	**11,251**	**16,073**	**12,066**	**11,597**	**3,823**	**4,779**

	Audited				Unaudited	Audited
	FYE 2020 (RM'000)	**FYE 2021 (RM'000)**	**FYE 2022 (RM'000)**	**FYE 2023 (RM'000)**	**FPE 2023 (RM'000)**	**FPE 2024 (RM'000)**
PAT attributable to:						
- Owners of the Company	11,251	16,073	12,037	11,597	3,823	4,779
- Non-controlling interests	-	-	29	-	-	-
	11,251	**16,073**	**12,066**	**11,597**	**3,823**	**4,779**
EBITDA (1)	14,901	17,768	15,207	17,249	5,818	7,160
GP margin (%) (2)	30.00	29.39	23.35	28.98	24.74	26.13
PBT margin (%) (3)	23.03	23.39	13.54	15.53	10.51	12.90
PAT margin (%) (4)	17.85	21.67	11.62	12.22	8.74	10.50
Basic EPS (sen) (5)	2.08	2.98	2.23	2.15	0.71	0.89
Diluted EPS (sen) (6)	1.73	2.47	1.85	1.78	0.59	0.74
Effective tax rate (%)	22.48	7.34	13.98	21.31	16.86	18.60
Dividend paid (RM'000)	-	750	3,000	10,000	5,000	-

Notes:-

(1) The table below sets forth a reconciliation of our PBT to EBITDA:-

	Audited				Unaudited	Audited
	FYE 2020 (RM'000)	**FYE 2021 (RM'000)**	**FYE 2022 (RM'000)**	**FYE 2023 (RM'000)**	**FPE 2023 (RM'000)**	**FPE 2024 (RM'000)**
PBT	14,514	17,346	14,026	14,738	4,598	5,871
Adjusted for:						
Finance costs	200	141	412	563	284	268
Amortisation of intangible assets	-	22	235	589	238	385
Depreciation of PPE and right-of-use assets	396	412	717	1,721	813	889
Finance income	(209)	(153)	(183)	(362)	(115)	(253)
EBITDA	14,901	17,768	15,207	17,249	5,818	7,160

(2) Computed based on GP divided by revenue.

(3) Computed based on PBT divided by revenue.

(4) Computed based on PAT attributable to owners of the Company divided by revenue.

(5) Basic EPS is computed based on PAT attributable to owners of the Company divided by the issued share capital of 540,000,000 Shares before the IPO.

(6) Diluted EPS is computed based on PAT attributable to owners of the Company divided by the issued share capital of 650,000,000 Shares after the IPO.

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12.2.2 Historical Combined Statements of Financial Position

The historical combined statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024 are as follows:-

	Audited As At				
	31.12.2020 (RM'000)	31.12.2021 (RM'000)	31.12.2022 (RM'000)	31.12.2023 (RM'000)	30.6.2024 (RM'000)
ASSETS					
Non-current assets					
Property, plant and equipment	2,753	8,462	17,716	17,751	17,152
Intangible assets	-	1,693	3,578	4,648	4,783
Right-of-use assets	614	643	1,224	938	1,137
Deferred tax assets	483	-	-	-	-
Other investments (1)	906	1,572	1,918	-	-
Trade receivable	-	-	-	1,383	581
Contract assets	-	-	-	844	547
Total non-current assets	4,756	12,370	24,436	25,564	24,200
Current assets					
Inventories	2,888	3,072	4,945	3,355	7,531
Trade receivables	16,698	18,308	26,250	26,350	29,711
Other receivables, deposits and prepayments	1,418	2,056	2,777	3,173	5,307
Contract assets (2)	253	1,396	4,387	4,276	4,579
Contract cost (3)	-	1,360	748	741	676
Current tax assets	73	900	1,864	178	203
Fixed deposits with licensed banks	7,665	9,283	7,872	9,976	9,978
Cash and bank balances	12,518	15,967	8,204	5,945	5,905
Total current assets	41,513	52,342	57,047	53,994	63,890
TOTAL ASSETS	**46,269**	**64,712**	**81,483**	**79,558**	**88,090**
EQUITY AND LIABILITIES					
Share capital	-	*	*	*	*
Invested equity (4)	9,660	9,660	9,660	9,660	9,660
Retained profits	24,970	40,293	47,759	49,356	54,135
TOTAL EQUITY	**34,630**	**49,953**	**57,419**	**59,016**	**63,795**
Non-current liabilities					
Deferred income	-	2	2	1	1
Borrowings	3,160	7,042	11,690	11,022	10,660
Lease liabilities	-	34	403	202	316
Deferred tax liabilities	2	536	1,217	1,609	1,449
Total non-current liabilities	3,162	7,614	13,312	12,834	12,426
Current liabilities					
Trade payables	3,426	2,001	723	888	1,785
Other payables and accruals	903	2,303	2,762	2,943	2,124
Contract liabilities (2)	795	1,953	4,530	2,662	6,092
Borrowings	658	546	908	803	710
Lease liabilities	33	39	262	193	306
Deferred income	-	1	1	1	1
Dividend payable	-	-	1,566	-	-
Current tax liabilities	2,662	302	-	218	851
Total current liabilities	8,477	7,145	10,752	7,708	11,869
TOTAL LIABILITIES	**11,639**	**14,759**	**24,064**	**20,542**	**24,295**
TOTAL EQUITY AND LIABILITIES	**46,269**	**64,712**	**81,483**	**79,558**	**88,090**

* Represents RM2.00.

Notes:-

(1) Other investments represent the Group's investments in the Carved-Out Entities which have been disposed of during the Financial Periods Under Review.

(2) Contract assets/liabilities comprise of the following:-

(a) Contract assets/liabilities which arose from revenue contracts where there is a timing difference between the point where revenue is recognised to the point where invoice/billing is raised to the customer. The timing difference occurs when the billing does not coincide to the actual work performed to date for the customer or vice versa and this occurs for sales contracts where recognition of revenue is over time; or

(b) Contract liabilities arising from deposits received from customer where work has not been carried out or not completed.

(3) Contract costs represent costs incurred in fulfilling contract with the Group's customers which has yet to be recognised as cost in the profit or loss.

(4) Deemed as invested equity based on number of shares on combined basis.

12.3 CAPITALISATION AND INDEBTEDNESS

The following table sets out our Group's capitalisation and indebtedness as at 31 August 2024 after taking into consideration the effects of our Listing Scheme and the utilisation of proceeds from the Public Issue:-

		(I)	**(II)**
	Unaudited as at 31.08.2024 (RM'000)	**After the IPO (RM'000)**	**After (I) and Utilisation of Proceeds (RM'000)**
Indebtedness			
Current			
Secured and Guaranteed			
Term loans	489	489	489
Hire purchases	227	227	227
Unsecured and Unguaranteed			
Lease liabilities	309	309	309
Non-Current			
Secured and Guaranteed			
Term loans	10,164	10,164	2,564
Hire purchases	375	375	375
Unsecured and Unguaranteed			
Lease liabilities	264	264	264
Total indebtedness	**11,828**	**11,828**	**4,228**
Capitalisation			
Equity	65,299	96,099	92,099
Total capitalisation	**65,299**	**96,099**	**92,099**
Total capitalisation and indebtedness	**77,127**	**107,927**	**96,327**
Gearing ratio (times) *	0.18	0.12	0.05

* Calculated based on total indebtedness divided by total capitalisation.

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

The management's discussion and analysis on our Group's financial condition and results of operations for the Financial Periods Under Review should be read in conjunction with the historical combined financial statements and the accompanying notes as set out in the Accountants' Report included in Section 13 of this Prospectus. There are no accounting policies which are peculiar to our Group in regards to the nature of the business or the industry which our Group is involved in.

The discussion contains data derived from our audited combined financial statements as well as forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the discussion on risk factors as set out in Section 9 of this Prospectus.

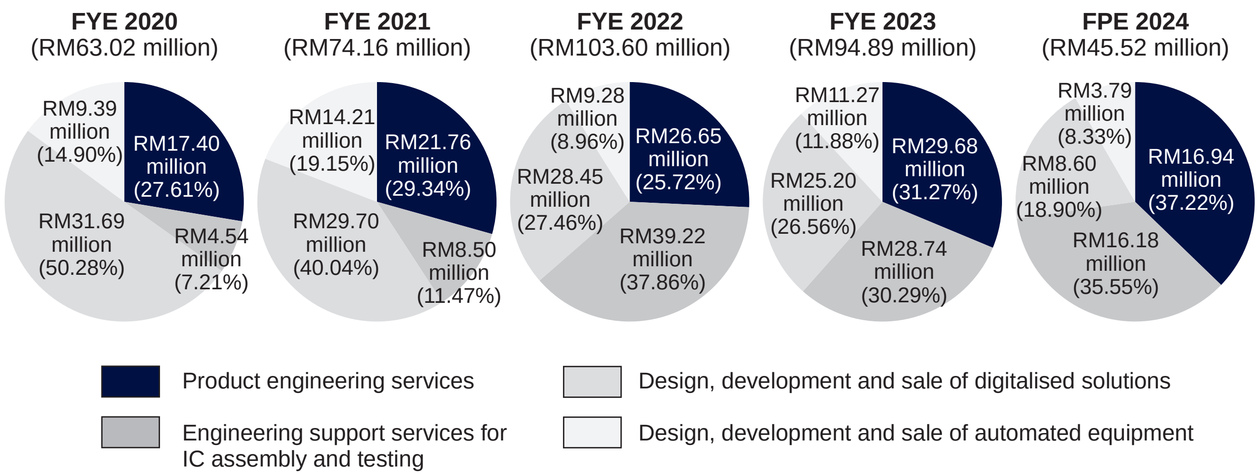
12.4.1 Overview of Our Group's Financial Performance During the Financial Periods Under Review

Our Company is an investment holding company whilst our Group, through our subsidiaries, is principally involved in the following business segments:-

(a) product engineering services;
(b) engineering support services for IC assembly and testing;
(c) design, development and sale of digitalised solutions; and
(d) design, development and sale of automated equipment.

Please refer to Section 7 of this Prospectus for further information about our business activities, products and services.

We recorded revenue of RM63.02 million, RM74.16 million, RM103.60 million, RM94.89 million and RM45.52 million during the Financial Periods Under Review respectively, representing an increase at a CAGR of 14.62%, from FYE 2020 to FYE 2023. The increase was mainly contributed by the higher sales from the engineering support services for IC assembly and testing as well as the product engineering services segments. For FPE 2024, our revenue increased to RM45.52 million from RM43.75 million generated for FPE 2023.



During the same periods, our Group's total GP has increased from RM18.91 million for FYE 2020 to RM21.80 million and RM24.19 million for FYE 2021 and FYE 2022 respectively in tandem with the increase in our Group's revenue over the same period whilst for FYE 2023, our GP has increased to RM27.50 million despite lower revenue registered during the financial year mainly due to lower cost of sales. As for FPE 2024, our Group's total GP has increased to RM11.89 million from RM10.82 million recorded for FPE 2023 in line with the increase in our Group's revenue during the same period.

Our Group's overall GP margin has decreased from 30.00% in FYE 2020 to 29.39% in FYE 2021 and 23.35% in FYE 2022, which was primarily due to the reduction in GP margin for the engineering support services for IC assembly and testing segment. It nevertheless improved to 28.98% in FYE 2023 as a result of lower cost of sales incurred by our Group. For FPE 2024, our Group's overall GP margin has improved to 26.13%, from 24.74% in FPE 2023.

Given the nature and demand of our engineering support services for IC assembly and testing and product engineering services, we typically employ a large pool of skilled workforce (especially contract-based employees) to support and manage our work assignments in meeting the demand and job scope required by our customer. As such, any increase in sales orders for these revenue segments would typically require us to increase our workforce to fulfil orders, which may lead to higher costs. This highlights our agility in scaling the operations and resources to meet demands, but also underscores the need for careful cost management.

In particular, for FYE 2022, the significant increase in revenue by RM29.43 million or 39.69% was mainly contributed by higher sales from the engineering support services for IC assembly and testing segment by RM30.72 million or 361.19% which was attributable to higher orders secured from Intel group of companies, including additional projects taken over from another supplier of Intel group of companies. Given the time constraints and increased scope of work faced in fulfilling the demand and job scope of these additional orders, we recruited additional headcounts in a short period of time, which resulted in higher labour costs by RM33.38 million or 132.67% during that financial year. Whilst our GP for engineering support services for IC assembly and testing increased by RM0.39 million or 41.59% as a result of higher revenue, its GP margin reduced from 10.97% in FYE 2021 to 3.37% in FYE 2022 due to the spike in labour costs. Nonetheless, both our GP and GP margin for this segment have improved in FYE 2023 and FPE 2024 as we have since implemented several cost-optimisation measures with the aim of improving our overall competency and operating efficiency.

GP margins for the design, development and sale of both digitalised solutions and automated equipment segments (where most of them involved certain level of customisations according to our customers' requirements and needs) have been on increasing trends for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023, however, for FPE 2024, the GP margins for both segments have decreased mainly due to lower revenue.

On the other hand, the GP margins for the product engineering services segment have been relatively stable, registering between 31.49% and 36.80% during the Financial Periods Under Review.

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On our Group's inventory, it mainly consists of raw materials, work-in-progress as well as finished goods, all of which are related to our digitalised solutions and automated equipment. Our engineering support services for IC assembly and testing, and product engineering services business segments primarily involve service-based activities and therefore do not hold substantial inventory. Our inventory turnover period for the FYE 2020 and FYE 2021 were consistent between 36 days to 37 days but increased to 75 days for FYE 2022 due to higher work-in-progress for the ongoing development of certain digitalised solutions and automated equipment. It decreased to 56 days in FYE 2023 mainly due to lower cost of sales and lower closing inventories. For FPE 2024, our inventory turnover period increased to 156 days mainly due to higher closing inventories of both raw materials and work-in-progress for certain automated equipment and digitalised solutions.

For further details on the management's discussion and analysis on our Group's financial condition and results of operations for the Financial Periods Under Review, please refer to the ensuing sections.

12.4.2 Review of Results of Operations

(a) Revenue

Revenue from the sale of goods and rendering of services are recognised at the point in time or over time when control of the goods is transferred and service is rendered to our customer. We apply judgement in identifying the performance obligations and estimating the point of revenue recognition under different contractual agreements.

Revenue from engineering support services for IC assembly and testing and product engineering services is recognised over time when control of the services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

Revenue from the design, development and sale of digitalised solutions and automated equipment is recognised when a contract exists and when, or as, it satisfies a performance obligation by transferring control of the goods to a customer. For point in time contracts, revenue is recognised when the transfer of controls of the goods have been passed to the customer. For over time contracts, revenue is recognised by reference to the stage of completion of the contract at the end of each reporting period.

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12. FINANCIAL INFORMATION *(cont'd)*

(i) Revenue by business segment

The breakdown of our Group's revenue by business segment is as follows:-

	Audited								Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
Business Segment	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Product engineering services	17,401	27.61	21,757	29.34	26,649	25.72	29,677	31.27	14,027	32.06	16,942	37.22
Engineering support services for IC assembly and testing	4,542	7.21	8,504	11.47	39,220	37.86	28,740	30.29	13,666	31.24	16,180	35.55
Design, development and sale of digitalised solutions	31,686	50.28	29,698	40.04	28,452	27.46	25,200	26.56	9,552	21.83	8,603	18.90
Design, development and sale of automated equipment	9,391	14.90	14,205	19.15	9,277	8.96	11,274	11.88	6,504	14.87	3,793	8.33
Total revenue	**63,020**	**100.00**	**74,164**	**100.00**	**103,598**	**100.00**	**94,891**	**100.00**	**43,749**	**100.00**	**45,518**	**100.00**

We recorded revenue of RM63.02 million, RM74.16 million, RM103.60 million, RM94.89 million and RM45.52 million during the Financial Periods Under Review respectively. Our Group's total revenue increased at a CAGR of 14.62%, from RM63.02 million in FYE 2020 to RM94.89 million in FYE 2023, mainly contributed by the increased sales from the engineering support services for IC assembly and testing as well as the product engineering services segments.

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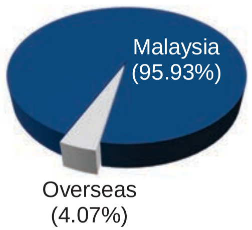
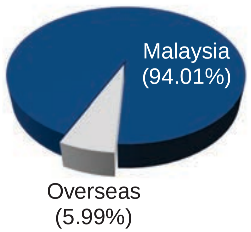
12. FINANCIAL INFORMATION *(cont'd)*

(ii) Revenue by geographical locations

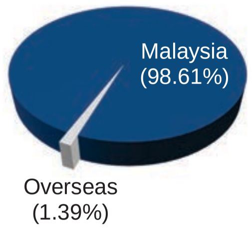
FYE 2020



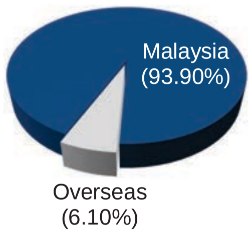
FYE 2021



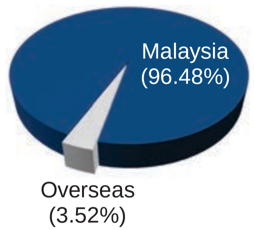
FYE 2022



FYE 2023



FPE 2024



The breakdown of our Group's revenue by geographical locations is as follows:-

	Audited								Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
Geographical Locations	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Local												
Malaysia	60,458	95.93	69,723	94.01	102,159	98.61	89,106	93.90	41,879	95.73	43,917	96.48
Overseas												
Singapore	76	0.12	439	0.59	259	0.25	2,280	2.40	788	1.80	1,184	2.60
USA	26	0.04	368	0.50	232	0.22	1,630	1.72	667	1.52	330	0.73
Vietnam	665	1.06	366	0.50	94	0.09	81	0.09	38	0.09	38	0.08
Mexico	-	-	-	-	-	-	-	-	-	-	35	0.08
China	125	0.20	315	0.42	318	0.31	395	0.42	352	0.80	14	0.03
Philippines	-	-	-	-	-	-	1,198	1.26	-	-	-	-
Thailand	1,355	2.15	2,655	3.58	420	0.41	173	0.18	-	-	-	-
Costa Rica	315	0.50	288	0.39	36	0.03	25	0.03	22	0.05	-	-
Taiwan	-	-	-	-	-	-	3	*	3	0.01	-	-
Canada	-	-	-	-	80	0.08	-	-	-	-	-	-
India	-	-	10	0.01	-	-	-	-	-	-	-	-
	2,562	4.07	4,441	5.99	1,439	1.39	5,785	6.10	1,870	4.27	1,601	3.52
Total revenue	**63,020**	**100.00**	**74,164**	**100.00**	**103,598**	**100.00**	**94,891**	**100.00**	**43,749**	**100.00**	**45,518**	**100.00**

* *Negligible.*

For the Financial Periods Under Review, our revenue was substantially contributed by sales to customers in Malaysia across all business segments. Revenue from the local sales represented 95.93% (RM60.46 million), 94.01% (RM69.72 million), 98.61% (RM102.16 million), 93.90% (RM89.11 million) and 96.48% (RM43.92 million) of our total revenue for the FYE 2020, FYE 2021, FYE 2022, FYE 2023 and FPE 2024 respectively with the balance 4.07% (RM2.56 million), 5.99% (RM4.44 million), 1.39% (RM1.44 million), 6.10% (RM5.79 million) and 3.52% (RM1.60 million) contributed from export sales to customers in the foreign countries.

The revenue contribution from overseas markets increased by RM1.88 million or 73.44% in FYE 2021, mainly attributable to our digitalised solutions provided to a Thailand-based subsidiary of Top Glove group of companies. However, in FYE 2022, overseas revenue recorded a decrease of RM3.00 million or 67.57% mainly due to the fulfilment of the said order as well as lower orders from the overseas customers. In the FYE 2023, overseas revenue recorded an increase of RM4.56 million or 316.68% mainly attributable to our digitalised solutions provided to Customer E in Singapore and sale of 6 units of automated equipment to a Philippines-based subsidiary of Customer F. During the same year, we also generated higher sales from the USA market, mostly to Intel group of companies, and the holding company of Customer C.

Commentaries on revenue

<u>Comparison between FYE 2020 and FYE 2021</u>

Our revenue increased by RM11.14 million or 17.68% to RM74.16 million in FYE 2021. This was primarily due to:

(aa) the higher revenue from the design, development and sale of automated equipment segment of RM4.81 million or 51.26% mainly driven by:

- higher sales of automated test and handler equipment by RM3.78 million where we sold a total of 20 units of equipment compared to 19 units in FYE 2020 during the year to both local and foreign customers. Notably, during the year, we sold 10 units of equipment to Customer A (FYE 2020: 7 units) and 7 units to Intel group of companies (FYE 2020: 3 units);

- higher sales of automated material management system equipment by RM0.91 million to several local customers. During the year, we sold a total of 55 units of equipment compared to 27 units in FYE 2020 including 45 units sold to Intel group of companies (FYE 2020: 23 units); and

- higher sales of automated visual inspection equipment by RM0.12 million where we sold a total of 10 units equipment during the year (FYE 2020: 12 units) to several local customers. In particular, we sold 5 units of equipment to Intel group of companies (FYE 2020: 2 units);

(bb) the higher revenue from the product engineering services segment by RM4.36 million or 25.03% mainly attributable to the increased orders from Intel group of companies and KellyOCG. During the FYE 2021, we recorded sales of:

- RM12.32 million from post-silicon validation services, an increase of RM1.51 million from RM10.81 million in FYE 2020;

- RM6.72 million from NPI services, an increase of RM1.30 million from RM5.42 million in FYE 2020; and

- RM2.72 million from software development services, an increase of RM1.55 million from RM1.17 million in FYE 2020.

Our total workforce that has been assigned to fulfil these orders has increased in tandem with the increased orders, from 388 personnel as at 31 December 2020 to 436 personnel as at 31 December 2021 including a total of 393 contractual workers (FYE 2020: 357); and

(cc) the higher revenue from the engineering support services for IC assembly and testing segment of RM3.96 million or 87.23% compared to previous year mainly due to higher orders received from Intel group of companies due to higher demand for its ICs or chips. Our total contract-based workforce that has been assigned to fulfil these orders has been increased in line with the higher orders, from 151 workers as at 31 December 2020 to 214 workers as at 31 December 2021,

which was partially offset by:

(dd) the decrease in the sales from the design, development and sale of digitalised solutions segment by RM1.99 million or 6.27%. The decrease was mainly attributable to the:

- reduction in sales of command and control centre solutions by RM5.27 million which was mainly due to the completion of an intelligent operation centre and video analytics project for Customer B in FYE 2020 where we recorded RM5.98 million in revenue during that year as compared to zero sales in FYE 2021 and lower sales orders from Customer A of RM1.32 million, a decrease of RM3.15 million from RM4.47 million in FYE 2020 mainly due to fulfilment of orders during that year. The decrease was partially offset by an increase in sales of command and control centre solutions provided to Top Glove group of companies, including its Thailand-based subsidiary amounting to RM6.95 million, an increase of RM1.16 million from RM5.79 million in FYE 2020,

which was partially offset by:

- increase in sales of workforce efficiency solutions by RM1.71 million mainly due to higher orders received from several local and foreign customers. During the year, we recorded sales of RM0.97 million from Intel group of companies, an increase of RM0.92 million from RM0.05 million in FYE 2020 and RM0.55 million from Customer A, a slight decrease of RM0.01 million from RM0.56 million in FYE 2020; and

- increase in sales of operational efficiency solutions by RM1.57 million mainly due to higher orders received from several local and foreign customers. In particular, we recorded sales of RM12.33 million from Intel group of companies, an increase of RM0.55 million from RM11.78 million in FYE 2020, RM0.15 million from Customer A, a decrease of RM0.37 million from RM0.52 million in FYE 2020 and RM0.08 million from Customer C where no sales was recorded from this customer in FYE 2020.

<u>Comparison between FYE 2021 and FYE 2022</u>

For the FYE 2022, our revenue increased by RM29.43 million or 39.69% to RM103.60 million. This increase was mainly contributed by higher sales from:

(aa) the engineering support services for IC assembly and testing segment by RM30.72 million or 361.19% compared to previous year mainly due to higher orders secured from Intel group of companies, including additional projects taken over from another supplier of the Intel group of companies. Due to the time constraints faced in fulfilling the demand and job scope of these additional orders, we increased our total contract-based workforce from 214 personnel as at 31 December 2021 to 873 personnel as at 31 December 2022; and

(bb) the higher revenue from the product engineering services segment by RM4.89 million or 22.48% mainly attributable to increased orders from Intel group of companies and KellyOCG. During the FYE 2022, we recorded sales of:

- RM12.30 million from post-silicon validation services, a slight decrease of RM0.02 million from RM12.32 million FYE 2021;

- RM10.11 million from NPI services, an increase of RM3.39 million from RM6.72 million in FYE 2021; and

- RM4.24 million from software development services, an increase of RM1.52 million from RM2.72 million FYE 2021.

Our total workforce that has been assigned to fulfil these orders has also increased from 436 personnel as at 31 December 2021 to 694 personnel as at 31 December 2022 including a total of 519 contract-based workers (FYE 2021: 393),

which was partially offset by:

(cc) the lower sales from the design, development and sale of automated equipment segment of RM4.93 million or 34.69% mainly due to lower sales of:

- automated test and handler equipment by RM4.26 million mainly due to lower sales volume of 16 units compared to 20 units in FYE 2021 to both local and foreign customers. Notably, during the year, we sold 2 units of equipment to Customer A (FYE 2021: 10 units), 1 unit to Customer C (FYE 2021: nil) and 4 units to Intel group of companies (FYE 2021: 7 units); and

- automated material management system equipment by RM0.82 million to several local customers. During the year, we sold a total of 29 units of equipment compared to 55 units in FYE 2021 including 24 units to Intel group of companies (FYE 2021: 45 units) and 1 unit to Customer C (FYE 2021: nil),

which was partially offset by higher sales from automated visual inspection equipment by RM0.16 million where we sold a total of 6 units of equipment compared to 10 units in FYE 2021 during the year to several local customers; and

(dd) the decrease in the sales from the design, development and sale of digitalised solutions segment by RM1.25 million or 4.20%. The decrease was mainly attributable to:

- reduction in overall sales of command and control centre solutions by RM4.85 million which was mainly due to lower orders from several customers. Notably, during the year, we recorded sales of RM0.80 million from Customer A, a decrease of RM0.52 million from RM1.32 million in FYE 2021, RM2.59 million from Top Glove group of companies (including its Thailand-based subsidiary), a decrease of RM4.36 million from RM6.95 million in FYE 2021 and RM0.83 million from Intel group of companies where there was no sales recorded in FYE 2021,

which was partially offset by:

- increase in sales of workforce efficiency solutions by RM0.65 million mainly due to higher orders received from several local and foreign customers. Notably, during the year, we recorded sales of RM0.53 million from Customer A, a slight decrease of RM0.02 million from RM0.55 million in FYE 2021, RM0.55 million from Customer C as compared to no orders received in FYE 2021 and RM0.43 million from Intel group of companies, a decrease of RM0.55 million from RM0.98 million in FYE 2021; and

- increase in sales of operational efficiency solutions by RM2.95 million mainly due to higher orders received from several local and foreign customers. In particular, we recorded sales of RM15.77 million from Intel group of companies, an increase of RM3.44 million from RM12.33 million in FYE 2021, RM0.11 million from Customer A, a marginal decrease of RM0.04 million from RM0.15 million in FYE 2021 and none from Customer C as compared to RM0.08 million FYE 2021.

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Comparison between FYE 2022 and FYE 2023

Our revenue decreased by RM8.71 million or 8.40% to RM94.89 million in FYE 2023. This was primarily due to:

(aa) the lower revenue from the engineering support services for IC assembly and testing segment by RM10.48 million or 26.72% compared to the FYE 2022 mainly due to lower orders received from Intel group of companies as a result of lower global demand for chips caused by excess inventory during the year. Our total contract-based workforce has decreased from 873 personnel as at 31 December 2022 to 809 personnel as at 31 December 2023;

(bb) the lower revenue from the design, development and sale of digitalised solutions segment by RM3.25 million or 11.43%. The decrease was mainly attributable to the:

- reduction in sales of operational efficiency solutions by RM3.03 million mainly due to lower orders received from several local and foreign customers. In particular, we recorded sales of RM9.26 million from Intel group of companies, a decrease of RM6.51 million from RM15.77 million in FYE 2022, RM1.20 million from Customer A, an increase of RM1.09 million from RM0.11 million in FYE 2022 and RM0.12 million from a new Singapore-based customer acquired during the year, namely, Customer E; and

- reduction in sales of workforce efficiency solutions by RM2.88 million mainly due to lower orders received from several local and foreign customers. Notably, during the year, we recorded sales of RM0.35 million from Customer A, a decrease of RM0.18 million from RM0.53 million in FYE 2022, none from Customer C as compared to RM0.55 million in FYE 2022 and none from Intel group of companies as compared to RM0.43 million in FYE 2022,

which was partially offset by:

- increase in sales of command and control centre solutions by RM2.39 million which was mainly due to higher orders from several local and foreign customers. In particular, we recorded sales of RM2.13 million from our new Singapore-based customer, namely, Customer E, RM0.44 million from Customer A, a decrease of RM0.36 million from RM0.80 million in FYE 2022, RM0.36 million from Top Glove group of companies (including its Thailand-based subsidiary), a decrease of RM2.23 million from RM2.59 million in FYE 2022 and RM0.17 million from Intel group of companies, a decrease of RM0.66 million from RM0.83 million in FYE 2022; and

- increase in sales of asset management system solutions by RM0.27 million which was mainly due to orders received from several customers including RM0.06 million from Intel group of companies as compared to none recorded in FYE 2022, which was partially offset by:

(cc) the higher revenue from the product engineering services segment by RM3.03 million or 11.36% mainly attributable to higher orders from Intel group of companies especially on NPI and software development services. The segment, which is part of the IC design and development segment of IDMs, was not adversely affected by the lower global demand for ICs or chips during the year.

During the FYE 2023, we recorded sales of:

- RM10.40 million from post-silicon validation services, a decrease of RM1.90 million from RM12.30 million in FYE 2022;
- RM14.39 million from NPI services, an increase of RM4.28 million from RM10.11 million in FYE 2022; and
- RM4.88 million from software development services, an increase of RM0.64 million from RM4.24 million in FYE 2022.

Notwithstanding the increase in revenue for this segment, our total workforce that has been assigned to fulfil these orders has been gradually reduced from 694 personnel as at 31 December 2022 to 517 personnel as at 31 December 2023 including a total of 343 contract-based workers (FYE 2022: 519) following the completion of certain orders particularly in the last quarter of the year; and

(dd) the higher revenue from the design, development and sale of automated equipment segment of RM2.00 million or 21.53% mainly driven by:

- higher sales of automated test and handler equipment by RM1.10 million where we sold a total of 74 units of equipment compared to 16 units in FYE 2022 during the year to both local and foreign customers. Notably, we sold 30 units of equipment to a new Malaysia-based customer, namely, Customer D (FYE 2022: nil), 2 units of equipment to Customer C (FYE 2022: 1 unit) and 2 units to Intel group of companies (FYE 2022: 4 units); and
- higher sales of automated material management system equipment by RM2.57 million to both local and foreign customers. During the year, we sold a total of 16 units of higher priced equipment compared to 29 units in FYE 2022, including 4 units to Customer C (FYE 2022: 1 unit) and 2 units to Intel group of companies (FYE 2022: 24 units),

which was partially offset by lower sales from automated visual inspection equipment by RM1.67 million where we sold a total of 1 unit compared to 6 units in FYE 2022 to several local customers.

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Comparison between FPE 2023 and FPE 2024

Our revenue increased by RM1.77 million or 4.04% to RM45.52 million in FPE 2024. This increase was mainly contributed by higher sales from:

(aa) the product engineering services segment by RM2.91 million or 20.78% mainly attributable to higher orders from Intel group of companies for software development, post-silicon validation and NPI services.

During the FPE 2024, we recorded sales of:

- RM6.44 million from post-silicon validation services, an increase of RM0.86 million from RM5.58 million in FPE 2023;

- RM7.06 million from NPI services, an increase of RM0.65 million from RM6.41 million in FPE 2023; and

- RM3.44 million from software development services, an increase of RM1.40 million from RM2.04 million in FPE 2023.

Our total workforce that has been assigned to fulfil these orders has increased in tandem with the increased orders, from 481 personnel as at 30 June 2023 to 500 personnel as at 30 June 2024 including a total of 310 contract-based workers (FPE 2023: 318); and

(bb) the engineering support services for IC assembly and testing segment by RM2.51 million or 18.40% compared to the FPE 2023 mainly due to higher orders secured from Intel group of companies. As a result, we increased our total contract-based workforce from 731 personnel as at 30 June 2023 to 843 personnel as at 30 June 2024 to fulfil the higher volume of orders,

which was partially offset by:

(cc) the lower revenue from the design, development and sale of automated equipment segment of RM2.71 million or 41.68% mainly due to lower sales of:

- automated test and handler equipment by RM2.42 million where we sold a total of 16 units of equipment compared to 45 units in FPE 2023 during the period to both local and foreign customers. Notably, we sold 7 units of equipment to Customer F (FPE 2023: nil), 4 units to Intel group of companies (FPE 2023: 1 unit), 3 units to Customer C (FPE 2023: 1 unit) and 1 unit to Customer A (FPE 2023: nil); and

- automated material management system equipment by RM1.16 million to both local and foreign customers. We sold a total of 5 units of equipment in FPE 2024 (FPE 2023: 5 units of higher priced equipment), including 3 units to Intel group of companies (FPE 2023: nil),

which was partially offset by higher sales from automated visual inspection equipment by RM0.87 million where we sold a total of 2 units of equipment during the period (FPE 2023: nil) to several local customers; and (dd) the lower revenue from the design, development and sale of digitalised solutions segment by RM0.95 million or 9.94%. The decrease was mainly attributable to the:

- reduction in sales of command and control centre solutions by RM1.92 million which was mainly due to lower orders from several local and foreign customers. In particular, we recorded sales of RM0.10 million from Intel group of companies, a decrease of RM0.05 million from RM0.15 million in FPE 2023, RM0.10 million from Customer C as compared to none in FPE 2023, RM0.08 million from Customer A, a decrease of RM0.33 million from RM0.41 million in FPE 2023, RM0.05 million from Top Glove group of companies, a decrease of RM0.17 million from RM0.22 million in FPE 2023, and RM0.007 million from Customer E, a decrease of RM0.67 million from RM0.68 million in FPE 2023,

which was partially offset by:

- the increase in sales of operational efficiency solutions by RM1.49 million mainly due to higher orders received from several local and foreign customers. In particular, we recorded sales of RM5.77 million from Intel group of companies, an increase of RM1.32 million from RM4.45 million in FPE 2023, RM0.43 million from Customer A, an increase of RM0.04 million from RM0.39 million in FPE 2023, RM0.04 million from Top Glove group of companies as compared to none in FPE 2023 and RM0.01 million from Customer C as compared to none in FPE 2023.

In addition, there were no sales recorded for workforce efficiency solutions (FPE 2023: RM0.30 million) and asset management system solutions (FPE 2023: RM0.22 million) during the period.

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12. FINANCIAL INFORMATION *(cont'd)*

(b) Cost of sales

(i) Cost of sales by business segment

The breakdown of our Group's cost of sales by business segment is as follows:-

	Audited								Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
Business Segments	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Product engineering services	11,142	25.26	13,751	26.26	17,172	21.63	20,332	30.17	10,129	30.76	11,026	32.79
Engineering support services for IC assembly and testing	3,584	8.12	7,571	14.46	37,899	47.73	25,262	37.49	12,402	37.67	13,800	41.04
Design, development and sale of digitalised solutions	22,602	51.24	20,807	39.73	17,939	22.59	15,058	22.34	6,068	18.43	5,842	17.38
Design, development and sale of automated equipment	6,783	15.38	10,237	19.55	6,395	8.05	6,736	10.00	4,327	13.14	2,956	8.79
Total	**44,111**	**100.00**	**52,366**	**100.00**	**79,405**	**100.00**	**67,388**	**100.00**	**32,926**	**100.00**	**33,624**	**100.00**

(ii) Cost of sales by category

The breakdown of our Group's cost of sales by category is as follows:-

	Audited								Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
Category	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Labour costs *	18,595	42.16	25,157	48.04	58,534	73.71	51,744	76.78	25,667	77.96	26,731	79.50
Material costs	11,771	26.68	12,573	24.01	10,217	12.87	11,022	16.36	4,492	13.64	4,745	14.11
Outsourcing costs	11,471	26.00	13,696	26.15	9,860	12.42	4,162	6.18	2,572	7.81	1,712	5.09
Other costs	2,274	5.16	940	1.80	794	1.00	460	0.68	195	0.59	436	1.30
Total	**44,111**	**100.00**	**52,366**	**100.00**	**79,405**	**100.00**	**67,388**	**100.00**	**32,926**	**100.00**	**33,624**	**100.00**

12. FINANCIAL INFORMATION *(cont'd)*

Note:-

* Breakdown of labour costs by business segment:-

	Audited								Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
Business Segments	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Product engineering services	10,501	56.47	13,613	54.11	16,225	27.72	19,920	38.50	9,768	38.06	10,781	40.33
Engineering support services for IC assembly and testing	3,275	17.61	7,376	29.33	37,455	63.99	25,143	48.59	12,338	48.07	13,772	51.52
Design, development and sale of digitalised solutions	3,899	20.97	3,098	12.31	3,573	6.10	4,538	8.77	2,142	8.34	1,256	4.70
Design, development and sale of automated equipment	920	4.95	1,070	4.25	1,281	2.19	2,143	4.14	1,419	5.53	922	3.45
Total	**18,595**	**100.00**	**25,157**	**100.00**	**58,534**	**100.00**	**51,744**	**100.00**	**25,667**	**100.00**	**26,731**	**100.00**

Our Group's total cost of sales increased from RM44.11 million for FYE 2020 to RM52.37 million for FYE 2021, which recorded an increase of RM8.26 million or 18.73%. For FYE 2022, our total cost of sales further increased to RM79.41 million, which was at an increase of RM27.04 million or 51.63%. For FYE 2023, our Group's total cost of sales decreased by RM12.02 million or 15.13% to RM67.39 million. For FPE 2024, our Group's total cost of sales was RM33.62 million, which was an increase of RM0.70 million or 2.12% from RM32.93 million in FPE 2023. Our cost of sales fluctuated in tandem with our revenue during the Financial Periods Under Review.

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Commentaries on cost of sales

(1) Labour costs

Labour costs represent the key component of our cost of sales accounting for 42.16%, 48.04%, 73.71%, 76.78% and 79.50% of our Group's total cost of sales for FYE 2020, FYE 2021, FYE 2022, FYE 2023 and FPE 2024. respectively. Labour costs consist of salaries, wages, bonuses, allowances, social security contributions, defined contribution plans and other related costs and benefits in relation to both permanent and contract-based workforce involved in the operations of the Group.

For engineering support services for IC assembly and testing, and product engineering services segments, labour costs form the largest component of the cost of sales, representing more than 90% of the cost of sales.

For FYE 2021, our labour costs increased by RM6.56 million or 35.27% mainly due to the increase in total headcount within our Group where our total workforce has increased from 642 personnel as at 31 December 2020 to 795 personnel as at 31 December 2021 including a total of 612 contract workers (FYE 2020: 512) to cater to the increase in business activities across most of our business segments in particular the engineering support services for IC assembly and testing, and product engineering services segments. The net increase in employees hired during the year included 144 technical or skilled personnel such as engineers and developers (45), technicians (63), and manufacturing specialists (36).

The increase in labour costs was mainly contributed by engineering support services for IC assembly and testing, and product engineering services segments, which were driven by higher number of workforce due to the increase in orders from our major customers, higher overtime for shift coverage arising from stringent resource planning (including quarantine requirements and adherence to standard operating procedures of customer) and higher turnover of employees especially during the COVID-19 pandemic and MCO imposed by our Government. Such increase was coupled by the overall effect of group-wide increment of salary package.

Notwithstanding the above, the increase in labour costs was partially offset by the decrease in labour costs of digitalised solutions segment following the transfer of a total of 16 technical personnel comprising software engineers and developers, programmers, data analyst and software architect to the R&D department following the setup of our in-house R&D team in FYE 2021 to carry out new software and system developments and solution enhancements. Further, our Group also received RM1.24 million in FYE 2021, an increase of RM0.55 million from RM0.69 million in FYE 2020 being the Government's wage subsidy program as part of the economic stimulus package during the COVID-19 pandemic.

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For FYE 2022, our labour costs increased by RM33.38 million or 132.67% mainly due to the increase in total headcount within our Group where our total workforce has increased from 795 personnel as at 31 December 2021 to 1,737 personnel as at 31 December 2022 including a total of 1,395 contract workers (FYE 2021: 612) in tandem with the increase in orders from the engineering support services for IC assembly and testing, and product engineering services segments. The net increase in employees hired during the year included 930 technical personnel such as engineers, developers, technicians and manufacturing specialists, most of which were assigned to the additional projects (under the engineering support services business segment) taken over from another supplier of Intel group of companies, which came with increased scope of work and timeline constraints. Our Group recruited additional headcounts within 3 to 4 months' time, through our typical sources of employment as well as hiring a significant number of the personnel from the said supplier, to fulfil the orders/projects within the stipulated timeline and as a result, our labour costs also increased significantly during the year. Besides, the increase in labour costs was also due to group-wide increment of salary package and other costs such as overtime for shift coverage arising from stringent resource planning as well as effects from the mandatory increase in the minimum wage in Malaysia to RM1,500 which took effect on 1 May 2022 involving a total of 367 of our employees.

The increase in our labour costs was partially offset by salary and training incentives and grant amounting to RM0.14 million received from MDEC in FYE 2022.

For FYE 2023, our labour costs decreased by RM6.79 million or 11.60% mainly due to the decrease in total headcount within our Group where our total workforce has reduced from 1,737 personnel as at 31 December 2022 to 1,480 personnel as at 31 December 2023 including a total of 1,155 contract workers (FYE 2022: 1,395) mainly as a result of lower sales from engineering support services segment due to lower orders from Intel group of companies. This was partially offset by the increase in labour costs for product engineering services, design, development and sale of digitalised solutions and automated equipment segments. Our Group also received grant of RM0.13 million from the Northern Corridor Implementation Authority (NCIA) through the NCER Talent Enhancement Programme (NTEP) and RM0.09 million from MDEC through its Global Technology Grant programme.

For FPE 2024, our labour costs increased by RM1.06 million or 4.15% mainly due to the increase in total headcount within our Group where our total workforce has increased from 1,373 personnel as at 30 June 2023 to 1,504 personnel as at 30 June 2024 including a total of 1,164 contract workers (FPE 2023: 1,053) in tandem with higher sales from product engineering services and engineering support services for IC assembly and testing where we hired additional employees to fulfil increased orders from Intel group of companies. This was partially offset by the decrease in labour costs for design, development and sale of digitalised solutions and automated equipment segments as our Group recorded lower sales for both segments. During the period, our Group also received grant of RM0.47 million from MDEC through its Global Technology Grant (GTG) programme.

(2) Material costs

The material costs accounted for 26.68%, 24.01%, 12.87%, 16.36% and 14.11% of our Group's total cost of sales for FYE 2020, FYE 2021, FYE 2022, FYE 2023 and FPE 2024 respectively.

The material costs are mainly incurred for our design, development and sale of digitalised solutions and automated equipment segments, and they include mechanical, electrical and pneumatic components as well as computer related devices (including smart wearable devices). The material costs incurred for our product engineering services segment, particularly for NPI and post-silicon validation services, include mainly personal protective equipment, however, such costs are not significant as they represent less than 6% of the total cost of sales for this business segment.

For FYE 2021, our material costs increased by RM0.80 million or 6.80% as a result of increase in purchase of materials, parts and components to meet the increased orders of automated equipment from both our local and foreign customers.

For FYE 2022, our material costs reduced by RM2.36 million or 18.77% mainly due to lower purchases of materials as a result of decrease in orders for our automated equipment.

For FYE 2023, our material costs increased by RM0.81 million or 7.88%, mainly due to higher purchases of materials for our automated equipment following higher orders for our automated equipment including automated test and handler equipment and automated material management system equipment.

For FPE 2024, our material costs increased by RM0.25 million or 5.63%, mainly attributable to higher purchases of materials for our design, development and sale of digitalised solutions, partially offset by the decrease in the purchases of materials for our automated equipment following lower revenue from this segment.

We sourced our materials from both local and overseas suppliers depending on cost competitiveness, lead time and availability of materials with the desired specifications and customer requirements.

(3) Outsourcing costs

Outsourcing costs accounted for 26.00%, 26.15%, 12.42%, 6.18% and 5.09% of our Group's total cost of sales for FYE 2020, FYE 2021, FYE 2022, FYE 2023 and FPE 2024 respectively. Our outsourcing costs include subcontracted fabrication work for mechanical parts, engineering work and electrical wiring services mainly for design, development and sale of digitalised solutions and automated equipment.

For FYE 2021, our outsourcing costs increased by RM2.23 million or 19.44% as our Group outsourced higher volume of fabrication and engineering work to fulfil the increased orders for certain digitalised solutions from Top Glove group of companies and fabrication of customised mechanical and machine parts and wiring work to fulfil higher orders of automated equipment during the year.

For FYE 2022, our outsourcing costs decreased by RM3.84 million or 28.03% mainly due to lower sales from digitalised solutions and automated equipment delivered to customers, and also as a result of internalisation of certain engineering works through our wholly-owned subsidiary, Pinkypye.

For FYE 2023, our outsourcing costs decreased by RM5.70 million or 57.79% as a result of internalisation of certain engineering works through our wholly-owned subsidiary, Pinkypye. The decrease was also partly contributed by lower sales from the design, development and sale of digitalised solutions.

For FPE 2024, our outsourcing costs decreased by RM0.86 million or 33.44% as a result of the decrease in sales from design, development and sale of both digitalised solutions and automated equipment where our Group outsourced lower volume of fabrication and wiring work, and also as a result of internalisation of certain engineering works through our wholly-owned subsidiary, Pinkypye.

(4) Other costs

Other costs accounted for 5.16%, 1.80%, 1.00%, 0.68% and 1.30% for FYE 2020, FYE 2021, FYE 2022, FYE 2023 and FPE 2024 respectively. Other costs comprise mainly software licenses and cloud subscription, personal protective equipment, packaging and logistics, purchase taxes, custom duties, and other consumables including bolts and nuts, screws, batteries, and cables.

For FYE 2021, other costs decreased by RM1.33 million or 58.59% mainly attributable to the software licenses and cloud subscription fee amounted to RM1.46 million incurred in FYE 2020 for the intelligent operation center and video analytics project for Customer B which was completed in that year. This cost was borne by our Group during project execution up to the completion of the project in FYE 2020. The decrease in other costs for FYE 2021 was partially offset by an increase in purchases of personal protective equipment and packaging and logistic costs.

For FYE 2022, other costs decreased slightly by RM0.15 million or 15.96% mainly due to lower purchase of software licenses and cloud subscription fee for certain digitalised solutions during the development stage.

For FYE 2023, other costs decreased by RM0.33 million or 42.07% mainly due to the decrease in purchases of personal protective equipment, packaging and logistic costs as well as other consumables.

For FPE 2024, other costs increased by RM0.24 million or 123.59% mainly due to the increase in purchases of personal protective equipment, packaging and logistic costs as well as other consumables.

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12. FINANCIAL INFORMATION *(cont'd)*

(c) GP and GP Margin

Our Group's GP and GP margin by business segment are as follows:-

	Audited												Unaudited			Audited		
	FYE 2020			FYE 2021			FYE 2022			FYE 2023			FPE 2023			FPE 2024		
Business Segment	**GP (RM'000)**	**%**	**% of GP Margin**	**GP (RM'000)**	**%**	**% of GP Margin**	**GP (RM'000)**	**%**	**% of GP Margin**	**GP (RM'000)**	**%**	**% of GP Margin**	**GP (RM'000)**	**%**	**% of GP Margin**	**GP (RM'000)**	**%**	**% of GP Margin**
Product engineering services	6,259	33.10	35.97	8,006	36.73	36.80	9,477	39.17	35.56	9,345	33.98	31.49	3,898	36.02	27.79	5,916	49.74	34.92
Engineering support services for IC assembly and testing	958	5.07	21.09	933	4.28	10.97	1,321	5.46	3.37	3,478	12.64	12.10	1,264	11.68	9.25	2,380	20.01	14.71
Design, development and sale of digitalised solutions	9,084	48.04	28.67	8,891	40.79	29.94	10,513	43.46	36.95	10,142	36.88	40.25	3,484	32.19	36.47	2,761	23.21	32.09
Design, development and sale of automated equipment	2,608	13.79	27.77	3,968	18.20	27.93	2,882	11.91	31.07	4,538	16.50	40.25	2,177	20.11	33.47	837	7.04	22.07
Total	**18,909**	**100.00**	**30.00**	**21,798**	**100.00**	**29.39**	**24,193**	**100.00**	**23.35**	**27,503**	**100.00**	**28.98**	**10,823**	**100.00**	**24.74**	**11,894**	**100.00**	**26.13**

Our Group does not maintain GP and GP margin by geographical location. Accordingly, such information is not provided.

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Commentaries on GP and GP margin

Our Group's total GP has increased from RM18.91 million for FYE 2020 to RM21.80 million and RM24.19 million for FYE 2021 and FYE 2022 respectively in tandem with the increase in our Group's revenue over the same period, from RM63.02 million to RM103.60 million. For FYE 2023, our GP has increased from RM24.19 million for FYE 2022 to RM27.50 million despite lower revenue registered during the financial year. This was mainly due to lower cost of sales incurred by the Group from RM79.41 million in FYE 2022 to RM67.39 million in FYE 2023, in particular, our labour cost which has been reduced by RM6.79 million during the FYE 2023 due to the decrease in total headcount within our Group where our total workforce has reduced from 1,737 personnel as at 31 December 2022 to 1,480 personnel as at 31 December 2023 mainly due to lower sales from the engineering support services segment. Our Group's total GP has increased from RM10.82 million for FPE 2023 to RM11.89 million for FPE 2024 in tandem with the increase in our Group's revenue, from RM43.75 million to RM45.52 million for FPE 2024.

Our Group's overall GP margin has decreased from 30.00% in FYE 2020 to 29.39% in FYE 2021 and 23.35% in FYE 2022. This was primarily due to the reduction in GP margin for the engineering support services for IC assembly and testing segment where it had registered GP margins of 21.09%, 10.97% and 3.37% for FYE 2020 to FYE 2022 respectively. The significant reduction in our overall GP margin especially in FYE 2022 was mainly due to higher labour cost incurred where during that year we recruited additional headcounts (mostly contract-based workers) in a short period of time to fulfil the additional engineering support services orders/projects that we took over from another supplier of Intel group of companies, which came with increased scope of work and timeline constraints. Nevertheless, our Group's overall GP margin has improved to 28.98% in FYE 2023 as a result of lower cost of sales incurred by our Group (especially for the engineering support services for IC assembly and testing segment). For FPE 2024, our Group's overall GP margin has also improved to 26.13%, from 24.74% in FPE 2023, mainly attributable to higher revenue and GP margins from both engineering support services for IC assembly and testing, and product engineering services segments.

Conversely, the GP margins for the design, development and sale of both digitalised solutions and automated equipment segments (where most of them involved certain level of customisations according to our customers' requirements and needs) have been on increasing trends, with the former registering GP margins of 28.67%, 29.94%, 36.95% and 40.25% and the latter recording GP margins of 27.77%, 27.93%, 31.07% and 40.25% for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023, respectively. However, for FPE 2024, the GP margins for both segments were lower, at 32.09% and 22.07% respectively, mainly due to lower priced orders fulfilled during the period.

On the other hand, the GP margins for the product engineering services segment have been relatively stable, registering between 31.49% and 36.80% from FYE 2020 to FYE 2023.

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Comparison between FYE 2020 and FYE 2021

Our Group's GP increased by RM2.89 million or 15.28% from RM18.91 million for FYE 2020 to RM21.80 million for FYE 2021 in line with the increase in our revenue. Notwithstanding the above, our Group's overall GP margin decreased marginally from 30.00% for FYE 2020 to 29.39% for FYE 2021. The decrease in GP margin was mainly attributable to the following:-

(1) Product engineering services

Our GP for product engineering services increased by RM1.75 million or 27.91% from RM6.26 million for FYE 2020 to RM8.01 million for FYE 2021, which was mainly attributable to the increase in revenue by RM4.36 million or 25.03%. Our GP margin also increased from 35.97% in FYE 2020 to 36.80% in FYE 2021 despite the increase in our cost of sales for product engineering services from RM11.14 million for FYE 2020 to RM13.75 million for FYE 2021, an increase of RM2.61 million or 23.42%, which was mainly contributed by higher labour costs of RM3.11 million or 29.64% where the total employees under this segment increased from 388 as at 31 December 2020 to 436 as at 31 December 2021.

(2) Engineering support services for IC assembly and testing

Our GP for engineering support services for IC assembly and testing decreased slightly by RM0.03 million or 2.61% from RM0.96 million for FYE 2020 to RM0.93 million for FYE 2021 in spite of an increase of RM3.96 million or 87.23% in revenue for FYE 2021. This was mainly due to higher cost of sales (in particular the labour costs) which had increased by RM3.99 million or 111.24% which had eroded our GP margin from 21.09% in FYE 2020 to 10.97% in FYE 2021. This was mainly caused by higher overtime for shift coverage arising from stringent resource planning (including quarantine requirements and adherence to standard operating procedures of customer) and higher turnover of employees especially during the COVID-19 pandemic and MCO imposed by the Government of Malaysia.

As a result, our Group incurred additional costs for re-hiring, providing on-the-job training and certification of new employees to meet the requirements imposed by Intel group of companies.

(3) Design, development and sale of digitalised solutions

Our GP for design, development and sale of digitalised solutions decreased slightly by RM0.19 million or 2.12% from RM9.08 million for FYE 2020 to RM8.89 million for FYE 2021. Nevertheless, our GP margin improved from 28.67% in FYE 2020 to 29.94% in FYE 2021 as our cost of sales reduced by RM1.80 million or 7.94% in line with the decrease in revenue by RM1.99 million or 6.27% in FYE 2021 which was mainly attributable to the reduction in sales of command and control centre solutions as a result of the completion of an intelligent operation centre and video analytics project for Customer B in 2020 and lower sales orders from Customer A mainly due to fulfilment of orders during that year.

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The improvement in GP margin was mainly attributable to the decrease in material costs of RM1.95 million, labour costs of RM0.80 million in FYE 2021 and other costs which only incurred in FYE 2020, particularly the expense for the one-off software licenses and cloud subscription fee for the intelligent operation center and video analytics project for Customer B which was borne by our Group during project execution up to the completion of the project in FYE 2020, and as such the said cost was no longer incurred in FYE 2021. The decrease was partially offset by the increase in outsourcing costs of RM2.08 million due to higher volume of outsourced fabrication and engineering work to fulfil the increased orders for Top Glove group of companies

(4) Design, development and sale of automated equipment

Our GP for design, development and sale of automated equipment increased by RM1.36 million or 52.15% from RM2.61 million for FYE 2020 to RM3.97 million for FYE 2021. This was attributable to the increase in revenue of RM4.81 million or 51.26% driven by the higher sales volume of automated equipment where our Group delivered a total of 85 units of automated equipment during FYE 2021 (FYE 2020: 58). Our GP margin also increased from 27.77% in FYE 2020 to 27.93% in FYE 2021 despite the increase in our cost of sales by RM3.45 million or 50.92% from RM6.78 million for FYE 2020 to RM10.24 million for FYE 2021, which was mainly due to higher material costs of RM2.78 million and outsourced fabrication and engineering work of RM0.63 million in FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our Group's GP increased by RM2.39 million or 10.99% from RM21.80 million for FYE 2021 to RM24.19 million for FYE 2022. Notwithstanding the above, our Group's overall GP margin decreased from 29.39% for FYE 2021 to 23.35% for FYE 2022. The decrease in GP margin was mainly attributable to the following:-

(1) Product engineering services

Our GP for product engineering services increased from RM8.01 million for FYE 2021 to RM9.48 million for FYE 2022, which recorded an upswing of RM1.47 million or 18.37%.

Our revenue for FYE 2022 increased by RM4.89 million or 22.48% mainly attributable to increased orders from Intel group of companies and KellyOCG whilst our cost of sales was higher by RM3.42 million or 24.88% in FYE 2022. The increase in cost of sales was mainly attributable to the increase of RM2.61 million in labour costs and RM0.81 million in purchase of materials and outsourcing costs for engineering work in FYE 2022. The increase in labour costs was mainly due to group-wide increment of salary package and other costs such as overtime costs.

The higher cost of sales had reduced our GP margin from 36.80% in FYE 2021 to 35.56% in FYE 2022.

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(2) Engineering support services for IC assembly and testing

Our GP for engineering support services for IC assembly and testing increased by RM0.39 million or 41.59% from RM0.93 million for FYE 2021 to RM1.32 million for FYE 2022. However, our GP margin reduced from 10.97% in FYE 2021 to 3.37% in FYE 2022 despite an increase in revenue of RM30.72 million or 361.19%. This was mainly due to higher cost of sales which surged by RM30.33 million or 400.58% in particular the labour costs.

The surge in both revenue and cost of sales mainly resulted from higher orders secured from Intel group of companies including additional projects taken over from another supplier of the Intel group of companies. The said additional orders came with increased scope of work and timeline constraints which required the recruitment of a larger number of contract-based personnel. We recruited additional headcounts in a short period of time to fulfil the orders/projects within the stipulated timeline and as a result, our labour costs also increased significantly during the year. Besides, the increase in labour costs was also due to group-wide increment of salary package and other costs such as overtime costs as well as effects from the mandatory increase in the minimum wage in Malaysia to RM1,500 which took effect on 1 May 2022 involving a total of 362 of our contract-based workforce.

(3) Design, development and sale of digitalised solutions

Our GP for design, development and sale of digitalised solutions increased from RM8.89 million for FYE 2021 to RM10.51 million for FYE 2022, representing an increase of RM1.62 million or 18.24%. The improvement in GP was mainly attributable to the reduction in cost of sales by RM2.87 million or 13.78% which outweighed the decrease in revenue of RM1.25 million or 4.20% mainly due to the reduction in overall sales of command and control centre solutions as a result of lower orders from several customers.

The decrease in cost of sales was mainly due to the reduction in outsourcing costs for engineering work by RM3.32 million, which was mainly attributable to certain orders for Top Glove group of companies, where majority of the engineering work such as the control and electrical panel were outsourced. With the lower global demand for gloves in 2022, our sale of digitalised solutions to this customer also reduced significantly in FYE 2022 which led to the corresponding decrease in outsourcing cost. Such decrease was partially offset by the increase in labour costs by RM0.48 million within this business segment for FYE 2022.

As a result, our GP margin improved from 29.94% in FYE 2021 to 36.95% in FYE 2022.

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(4) Design, development and sale of automated equipment

Our GP for design, development and sale of automated equipment decreased by RM1.09 million or 27.37% from RM3.97 million for FYE 2021 to RM2.88 million for FYE 2022, however our GP margin improved from 27.93% in FYE 2021 to 31.07% in FYE 2022.

The reduction in GP was mainly due to lower revenue by RM4.93 million or 34.69% where we recorded a lower sales volume of 51 units of automated equipment as compared to 85 units in the previous year. Our cost of sales decreased by RM3.84 million or 37.53% from RM10.24 million for FYE 2021 to RM6.40 million for FYE 2022 mainly on account of the decrease in purchases of materials of RM2.80 million such as computer related devices, mechanical, electrical and pneumatic parts and outsourcing costs of RM1.23 million. Our improvement in GP margin was also contributed by higher cost efficiency from the setup of in-house precision machining facilities following the acquisition of Pinkypye in 2022.

Comparison between FYE 2022 and FYE 2023

For FYE 2023, our Group's GP increased by RM3.31 million or 13.68% from RM24.19 million for FYE 2022 to RM27.50 million for FYE 2023, with an improvement in overall GP margin from 23.35% in FYE 2022 to 28.98% in FYE 2023. The increase in GP margin was mainly attributable to the following:-

(1) Product engineering services

Our GP for product engineering services decreased slightly by RM0.13 million or 1.39% from RM9.48 million for FYE 2022 to RM9.35 million for FYE 2023, in spite of an increase in revenue by RM3.03 million, which was mainly attributable to higher orders from Intel group of companies especially on NPI and software development services.

Our cost of sales for product engineering services increased from RM17.17 million for FYE 2022 to RM20.33 million for FYE 2023, which reflected an increase of RM3.16 million mainly contributed by a hike in labour costs of RM3.69 million during the year notwithstanding the decrease in our total workforce from 694 personnel as at 31 December 2022 to 517 personnel as at 31 December 2023. In particular, our total workforce that had been assigned to fulfil higher orders increased during the first 9 months of the year, but gradually reduced in the last quarter of the year following the completion of certain orders. The said increase in labour costs was partially offset by the reduction in material costs of RM0.53 million in FYE 2023.

The higher cost of sales had reduced our GP margin from 35.56% in FYE 2022 to 31.49% in FYE 2023.

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(2) Engineering support services for IC assembly and testing

Our GP for engineering support services for IC assembly and testing increased by RM2.16 million from RM1.32 million for FYE 2022 to RM3.48 million for FYE 2023 despite the decrease in revenue for this business segment by 26.72% from RM39.22 million to RM28.74 million. Our GP margin also improved from 3.37% in FYE 2022 to 12.10% in FYE 2023 despite registering lower revenue by RM10.48 million. This was mainly due to lower cost of sales in particular the labour costs which reduced by RM12.31 million in FYE 2023. Due to the lower orders from Intel group of companies, we have implemented several cost-optimisation measures (which include non-renewal and transfer of contract-based personnel to another department such as the Product Engineering Services team) with the aim of improving our overall competency and operating efficiency in the delivery of engineering support services.

Accordingly, we have reduced our total contract-based headcounts under this segment from 873 personnel as at 31 December 2022 to 809 personnel as at 31 December 2023.

(3) Design, development and sale of digitalised solutions

Our GP for design, development and sale of digitalised solutions stood at RM10.14 million for FYE 2023, which was lower by RM0.37 million or 3.53% from RM10.51 million in FYE 2022. The decrease in GP was mainly attributable to the reduction in cost of sales by RM2.88 million which outweighed the decrease in revenue of RM3.25 million mainly caused by the reduction in sales of operational efficiency solutions and workforce efficiency solutions due to lower orders received from several local and foreign customers.

In particular, the decrease in cost of sales was mainly driven by the reduction in outsourcing costs by RM4.67 million as a result of internalisation of certain engineering works, through our wholly-owned subsidiary, Pinkypye (which was previously undertaken by external suppliers) and decrease in other costs, which were partially offset by higher purchase of materials of RM1.00 million and higher labour cost by RM0.96 million due to group-wide increment of salary package. The lower cost of sales had driven up our GP margin from 36.95% in FYE 2022 to 40.25% in FYE 2023.

(4) Design, development and sale of automated equipment

Our GP for design, development and sale of automated equipment increased by RM1.66 million or 57.46% from RM2.88 million for FYE 2022 to RM4.54 million for FYE 2023. This was mainly attributable to the increase in revenue by RM2.00 million driven by the higher sales volume of automated equipment where our Group delivered a total of 91 units of automated equipment during FYE 2023 (FYE 2022: 51 units). Our cost of sales increased by RM0.34 million from RM6.40 million for FYE 2022 to RM6.74 million for FYE 2023 in tandem with the increase in revenue in this business segment. As a result, our GP margin improved from 31.07% in FYE 2022 to 40.25% in FYE 2023.

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Comparison between FPE 2023 and FPE 2024

For FPE 2024, our Group's GP increased by RM1.07 million or 9.90% from RM10.82 million for FPE 2023 to RM11.89 million for FPE 2024, with an improvement in overall GP margin from 24.74% in FPE 2023 to 26.13% in FPE 2024. The increase in GP margin was mainly attributable to the following:-

(1) Product engineering services

Our GP for product engineering services increased by RM2.02 million or 51.79% from RM3.90 million for FPE 2023 to RM5.92 million for FPE 2024 in line with an increase in revenue by RM2.91 million or 20.78% mainly attributable to higher orders from Intel group of companies for software development, post-silicon validation and NPI services.

Our cost of sales for product engineering services increased from RM10.13 million for FPE 2023 to RM11.03 million for FPE 2024, which reflected an increase of RM0.90 million mainly contributed by a hike in labour costs during the period, as our Group has increased the total workforce assigned to fulfil the increased orders from 481 personnel as at 30 June 2023 to 500 personnel as at 30 June 2024 including a total of 310 contract-based workers (FPE 2023: 318).

As the increase in revenue outweighed the increase in cost of sales (mainly labour costs), our GP margin improved from 27.79% in FPE 2023 to 34.92% in FPE 2024.

(2) Engineering support services for IC assembly and testing

Our GP for engineering support services for IC assembly and testing increased by RM1.12 million or 88.29% from RM1.26 million for FPE 2023 to RM2.38 million for FPE 2024 in tandem with the increase in revenue for this business segment by 18.40% from RM13.67 million to RM16.18 million mainly due to higher orders secured from Intel group of companies.

Our GP margin also improved from 9.25% in FPE 2023 to 14.71% in FPE 2024. This was mainly attributable to the improvement in our overall operational efficiency in the delivery of engineering support services through several cost-optimisation measures implemented since FYE 2023 notwithstanding the increase in our total contract-based workforce from 731 personnel as at 30 June 2023 to 843 personnel as at 30 June 2024 to fulfil the higher volume of orders from Intel group of companies.

(3) Design, development and sale of digitalised solutions

Our GP for design, development and sale of digitalised solutions stood at RM2.76 million for FPE 2024, which was lower by RM0.72 million or 20.75% compared to RM3.48 million in FPE 2023. The reduction in GP was mainly attributable to the reduction in revenue by RM0.95 million or 9.94% especially from the reduction in sales of command and control centre solutions, which outweighed the decrease in cost of sales by RM0.23 million or 3.72%.

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In particular, the decrease in cost of sales was mainly driven by a reduction in labour costs by RM0.89 million and outsourcing costs by RM0.38 million as revenue decreased, and partially offset by higher material costs by RM0.83 million and other costs by RM0.21 million.

As a result, our GP margin reduced from 36.47% in FPE 2023 to 32.09% in FPE 2024.

(4) Design, development and sale of automated equipment

Our GP for design, development and sale of automated equipment decreased by RM1.34 million or 61.55% from RM2.18 million for FPE 2023 to RM0.84 million for FPE 2024, followed with a decrease in our GP margin from 33.47% in FPE 2023 to 22.07% in FPE 2024 as the decrease in revenue outweighed the decrease in cost of sales.

The reduction in GP was mainly due to lower revenue by RM2.71 million or 41.68% as a result of lower sales for automated test and handler equipment and automated material management system equipment. Our cost of sales decreased by RM1.37 million or 31.68% from RM4.33 million for FPE 2023 to RM2.96 million for FPE 2024 in tandem with the decrease in revenue in this business segment, mainly on account of the decrease in purchases of materials of RM0.58 million such as computer related devices, mechanical, electrical and pneumatic parts, labour costs of RM0.50 million and outsourcing costs of RM0.34 million.

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12. FINANCIAL INFORMATION *(cont'd)*

(d) Other/Finance income

The detailed breakdown of our other/finance income for the Financial Periods Under Review is as follows:-

	Audited								Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Dividend income	-	-	1,040	43.62	-	-	-	-	-	-	-	-
Fair value gain on other investments			1,047	43.92	17	3.85	-	-	-	-	-	-
Gain on disposal of PPE	-	-	-	-	16	3.63	*	-	*	-	-	-
Realised gain in foreign exchange	6	2.32	8	0.34	4	0.90	74	15.65	2	1.23	5	0.87
Unrealised gain in foreign exchange	-	-	-	-	26	5.90	-	-	20	12.35	108	18.81
Miscellaneous income ^	43	16.67	136	5.70	195	44.22	37	7.82	25	15.43	208	36.24
Other income	49	18.99	2,231	93.58	258	58.50	111	23.47	47	29.01	321	55.92
Finance income	209	81.01	153	6.42	183	41.50	362	76.53	115	70.99	253	44.08
Total	**258**	**100.00**	**2,384**	**100.00**	**441**	**100.00**	**473**	**100.00**	**162**	**100.00**	**574**	**100.00**

Notes:-

* Less than RM1,000.

^ Miscellaneous income comprises market development fund or sponsorship for co-marketing related activities received from Intel group of companies, scrap sales, hiring incentives from PENJANA, sundry income and rental rebate.

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Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our Group's other/finance income increased by RM2.13 million or 824.03% to RM2.38 million. This was mainly attributable to:-

(i) the dividend income declared by certain former subsidiaries (classified under other investments) amounting to RM1.04 million; and

(ii) the gain on the fair value of other investments of RM1.05 million resulted from the recognition of one of our Carved-Out Entities under MFRS 9 at fair value,

which was partially offset by the lower interest income amounting to RM0.15 million.

Comparison between FYE 2021 and FYE 2022

For the FYE 2022, the Group's other/finance income decreased by RM1.94 million or 81.50%, mainly due to the following:-

(i) the absence of any dividend income as compared to RM1.04 million in FYE 2021; and

(ii) the lower gain on the fair value of other investments of RM0.02 million, a decrease of RM1.03 million from RM1.05 million in FYE 2021 resulted from the recognition of one of our Carved-Out Entities under MFRS 9 at fair value,

which was partially offset by the following:-

(i) the gain on disposal of a motor vehicle of RM0.02 million;

(ii) the increase in miscellaneous income by RM0.06 million mainly from sales of scrap materials (comprising mostly obsolete or damaged equipment and parts, and scrapped packing materials); and

(iii) the increase in finance income by RM0.03 million.

Comparison between FYE 2022 and FYE 2023

For the FYE 2023, our Group's other/finance income increased by RM0.03 million or 7.26% to RM0.47 million. This was mainly attributable to the increase in realised gain in foreign exchange by RM0.07 million and interest income by RM0.18 million which was partially offset by the following:-

(i) the absence of unrealised gain in foreign exchange as compared to RM0.03 million in FYE 2022;

(ii) the decrease in miscellaneous income by RM0.16 million mainly due to the absence of scrap sales and hiring incentives from PENJANA;

(iii) the absence of any fair value gain on other investments as compared to RM0.02 million in FYE 2022; and

(iv) the absence of any gain on disposal of motor vehicle as compared to RM0.02 million in FYE 2022.

Comparison between FPE 2023 and FPE 2024

For the FPE 2024, our Group's other income increased by RM0.41 million or 254.32% to RM0.57 million. This was mainly attributable to the following:-

(i) the increase in miscellaneous income by RM0.18 million mainly due to market development fund received from a customer during the period;

(ii) the increase in unrealised gain in foreign exchange by RM0.09 million mainly from trade and other receivables as well as bank balances denominated in USD; and

(iii) the increase in interest income by RM0.14 million.

(e) Allowance for expected credit losses on receivables

The allowance for expected credit losses on our trade receivables during the Financial Periods Under Review is as follows:-

	Audited				Unaudited	Audited
	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FYE 2023 (RM'000)	FPE 2023 (RM'000)	FPE 2024 (RM'000)
Allowance for expected credit losses on receivables	-	(39)	-	(5)	-	(155)

For the FYE 2021, our Group provided an allowance for expected credit losses on trade receivables of RM0.04 million as compared to none in FYE 2020 in accordance with MFRS 9 for several local customers.

For the FYE 2022, our Group did not provide any additional allowance for expected credit losses on trade receivables as compared to RM0.04 million in FYE 2021.

For the FYE 2023, our Group provided an allowance for expected credit losses on trade receivables of RM0.005 million as compared to RM nil in FYE 2022.

For the FPE 2024, our Group provided an allowance for expected credit losses of RM0.11 million on trade receivables and RM0.05 million on other receivables as compared to RM nil in FPE 2023.

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12. FINANCIAL INFORMATION *(cont'd)*

(f) Other operating expenses

The breakdown of our other operating expenses for the Financial Periods Under Review is as follows:-

	Audited								Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff costs and welfare	1,480	37.46	2,028	30.93	3,628	40.26	4,534	40.98	2,231	41.31	2,070	37.58
Directors' remuneration	861	21.79	1,019	15.54	1,253	13.90	788	7.12	548	10.15	706	12.82
Depreciation of PPE and right-of-use assets	396	10.02	412	6.28	717	7.96	1,721	15.55	813	15.05	889	16.14
COVID-19 related expenses [(1)]	11	0.28	471	7.18	431	4.78	3	0.03	-	-	-	-
Marketing expenses	231	5.85	353	5.38	532	5.90	923	8.34	393	7.28	432	7.84
Staff recruitment and training expenses	100	2.53	536	8.17	404	4.48	623	5.63	391	7.24	195	3.54
Road tax and insurance	196	4.96	292	4.45	371	4.12	501	4.53	222	4.11	219	3.98
License, subscription and related fees to authorities	161	4.07	353	5.38	365	4.05	238	2.15	99	1.83	178	3.23
Office supplies, upkeep and maintenance	84	2.13	121	1.85	246	2.73	233	2.11	130	2.41	68	1.23
Professional fees [(2)]	73	1.85	178	2.71	189	2.10	252	2.28	111	2.05	239	4.34
Medical expenses	47	1.19	83	1.27	182	2.02	276	2.49	174	3.22	197	3.58
Rental expenses [(3)]	56	1.42	149	2.27	186	2.06	81	0.73	55	1.02	38	0.69
Utilities	98	2.48	118	1.80	148	1.64	293	2.65	134	2.48	131	2.38
Loss on disposal of PPE	-	-	19	0.29	-	-	-	-	-	-	-	-
PPE written off	-	-	167	2.55	-	-	-	-	-	-	-	-
Fair value changes in other investments [(4)]	-	-	10	0.15	100	1.11	27	0.24	-	-	-	-
Impairment loss on goodwill	-	-	-	-	52	0.58	-	-	-	-	-	-
Realised and unrealised loss on foreign exchange	29	0.73	7	0.11	-	-	72	0.65	-	-	21	0.38
Scholarship and sponsorship fee	9	0.23	36	0.55	7	0.08	8	0.07	-	-	3	0.05
Unwinding of discount on contract asset	-	-	-	-	-	-	106	0.96	-	-	(31)	(0.56)
Unwinding of discount on trade receivable	-	-	-	-	-	-	177	1.60	-	-	(38)	(0.69)
Others [(5)]	119	3.01	206	3.14	201	2.23	209	1.89	99	1.84	191	3.47
Total	**3,951**	**100.00**	**6,558**	**100.00**	**9,012**	**100.00**	**11,066**	**100.00**	**5,400**	**100.00**	**5,508**	**100.00**

Notes:-

(1) Comprise expenses for COVID-19 tests, purchase of COVID-19 related test kits, personal protective equipment and sanitisation expenses.

(2) Comprise audit fees, ISO certification and audit fee, legal and consultancy fee, secretarial, tax and other professional fees.

(3) Comprise short-term leases of premises, equipment, motor vehicle and storage with contract term of less than 12 months.

(4) Relates to loss on the fair value of other investments resulted from the recognition of our Carved-Out Entities under MFRS 9 at fair value.

(5) Comprise out-of-pocket expenses and disbursements, filing fee, donations, quit rent and assessment, search fee, storage charges, tender fee, bank charges and other administrative expenses.

Comparison between FYE 2020 and FYE 2021

Our other operating expenses increased by RM2.61 million or 65.98% in FYE 2021 mainly due to the following:-

(i) increase in staff costs and welfare by RM0.55 million, attributable to annual salary increment and bonus, and the increase in overall headcount in our business development and human resource departments;

(ii) increase in COVID-19 related expenses by RM0.46 million incurred during the year;

(iii) increase in staff recruitment and training expenses by RM0.44 million in line with the surge in number of headcounts of the Group to cater to the increase in business activities across most of our business segments in particular the engineering support services for IC assembly and testing, and product engineering services segments. This includes higher costs for background screening on potential candidates as part of our recruitment process and higher training costs to equip our employees with the necessary skillsets and technical knowledge to meet our customers' expectations;

(iv) PPE written off of RM0.17 million in relation to renovation cost;

(v) increase in directors' remuneration by RM0.16 million due to higher salary and bonus; and

(vi) increase in professional fees of RM0.11 million mainly due to legal fee, consultancy fee, filing of patent and increase in audit and secretarial fees of the Group.

Comparison between FYE 2021 and FYE 2022

Our other operating expenses increased by RM2.45 million or 37.42% in FYE 2022 mainly due to the following:-

(i) increase in staff costs and welfare by RM1.57 million, mainly attributable to higher sales commission in line with the increase in revenue during the year, higher payroll-related costs with the addition of 5 headcounts in finance, human resources and administration departments, additional staff costs resulting from the acquisition of Pinkypye and group-wide salary increment and bonus;

(ii) increase in depreciation of PPE and right-of-use assets by RM0.31 million mainly contributed by the purchase of buildings and renovation, purchase of machinery, office equipment, computers, furniture and fittings and motor vehicles;

(iii) increase in directors' remuneration by RM0.23 million due to higher salary and bonus; and

(iv) increase in marketing expenses by RM0.18 million for marketing and business development activities following the upliftment of COVID-19 travel restrictions imposed by the Malaysian Government.

This was partially offset by the decrease in staff recruitment and training expenses by RM0.13 million as there was less reliance on recruitment agencies to carry out recruitment activities for the Group to meet the increased demand in headcount in tandem with our business growth. The recruitment processes had been performed internally since the expansion of our human resources team.

Comparison between FYE 2022 and FYE 2023

Our other operating expenses increased by RM2.05 million or 22.79% in FYE 2023 mainly due to the following:-

(i) increase in depreciation of PPE and right-of-use assets by RM1.00 million, mainly arising from the depreciation of buildings, machinery and renovation as well as right-of-use assets for FYE 2023;

(ii) increase in staff costs and welfare by RM0.58 million, mainly attributable to annual salary increment and higher expense on staff welfare;

(iii) increase in marketing expenses by RM0.39 million mainly due to higher travelling expenses for marketing and business development activities overseas;

(iv) increase in staff recruitment and training expenses by RM0.22 million mainly due to higher training and development expenses to upskill our employees.

(v) incurrence of unwinding of discount on contract asset amounting to RM0.11 million due to the long-term payment arrangement over 36 months for the design and development of command and control centre solutions for a flood monitoring system and pump house project for a local city council in Malaysia;

(vi) incurrence of unwinding of discount on trade receivable amounting to RM0.18 million due to an indulgence granted to Customer D to settle the outstanding sum over a period of 24 months beginning from December 2023;

(vii) increase in medical expenses by RM0.09 million specifically on outpatient medical fees for both permanent and contract-based employees of our Group;

(viii) increase in utilities by RM0.14 million incurred at our new facilities at Tangkas 9 Plant and Setia Spice Office;

(ix) increase in road tax and insurance of RM0.13 million mainly due to the increase in life and medical insurance expense for both permanent and contract-based employees of our Group; and

(x) increase in professional fee by RM0.06 million mainly due to legal fee for preparation of agreements, consultancy fee and filing of patent.

This was partially offset by the decrease in COVID-19 related expenses by RM0.43 million, directors' remuneration by RM0.14 million following the resignation of a director and license, subscription and related fees to authorities by RM0.13 million.

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Comparison between FPE 2023 and FPE 2024

Our other operating expenses increased by RM0.11 million or 2.00% in FPE 2024 mainly due to the following:-

(i) increase in directors' remuneration by RM0.16 million due to higher salary;

(ii) increase in depreciation of PPE and right-of-use assets by RM0.08 million, mainly arising from the renovation of Stellar Suites Office and purchase of office equipment in FPE 2024;

(iii) increase in professional fee by RM0.13 million mainly relating to the disposal of other investments; and

(iv) increase in license, subscription and related fees to authorities by RM0.08 million mainly attributable to the purchase of software license as well as service and withholding taxes.

This was partially offset by the decrease in staff recruitment and training expenses by RM0.20 million and staff cost and welfare by RM0.16 million.

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12. FINANCIAL INFORMATION *(cont'd)*

(g) R&D expenses

R&D expenses comprise both amortisation of intangible assets (purchases of materials and staff costs relating to R&D that were incurred and capitalised prior to the respective financial years/periods) and expenses relating to R&D that were incurred in the respective financial years/periods and charged out to profit or loss especially expenses incurred in the research phase in relation to the proof of concept undertaken where our R&D team formulates, designs, evaluates and performs final selection of materials, processes or systems for our digitalised solutions and automated equipment.

The breakdown of our R&D expenditures for the Financial Periods Under Review are as follows:-

	Audited								Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Amortisation of intangible assets [1]	-	-	22	22.45	235	19.85	589	36.72	238	33.85	385	57.81
Research expenses [2]	502	100.00	76	77.55	949	80.15	1,015	63.28	465	66.15	281	42.19
Total	**502**	**100.00**	**98**	**100.00**	**1,184**	**100.00**	**1,604**	**100.00**	**703**	**100.00**	**666**	**100.00**

Notes:-

(1) Refers to amortisation of R&D expenditures that were capitalised in previous years (intangible assets) on a straight-line basis over the estimated commercial lives of 5 to 10 years from the commencement of the commercialisation of the products/solutions.

(2) Refers to staff costs for R&D personnel and materials purchased during research phase of internal projects that were incurred and expensed off during the Financial Periods Under Review.

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Comparison between FYE 2020 and FYE 2021

Our R&D expenses decreased by RM0.40 million or 80.48% mainly due to the capitalisation of development costs associated with development of new software and applications deployed in digitalised solutions, as well as development of automated equipment, with the feasibility for commercialisation. Our Group established an in-house R&D team with the transfer of 16 personnel comprising software engineers and developers, programmers, data analyst and software architect in 2021 to carry out new software and system developments and solution enhancements, which gave rise to the capitalisation of internally generated intangible assets for FYE 2021. In the previous financial years, our Group did not capitalise any R&D expenditure prior to the setup of the R&D department.

For FYE 2021, a total of RM1.71 million of intangible assets related to development expenditure were amortised due to the commercialisation of certain development projects such as the material assembly module with robotics automation and inspection system during the financial year.

Comparison between FYE 2021 and FYE 2022

Our R&D expenses increased by RM1.09 million or 1,108.16% for FYE 2022 due to the following:-

(i) Increase in amortisation of intangible assets of RM0.21 million mainly due to full-year amortisation expenses for FYE 2022 along with additional development costs commencing amortisation following their commercialisation during the financial year.

(ii) Increase in research expenses of RM0.87 million comprising RM0.74 million being the R&D staff costs and RM0.21 million for purchase of materials used for proof-of-concept activities.

Comparison between FYE 2022 and FYE 2023

Our R&D expenses increased by RM0.42 million or 35.47% for FYE 2023 mainly due to an increase in amortisation of intangible assets by RM0.35 million following the commercialisation of development projects undertaken for the design and development of digitalised solutions and automated equipment.

Comparison between FPE 2023 and FPE 2024

Our R&D expenses reduced by RM0.04 million or 5.26% for FPE 2024 mainly due to lower research expenses by RM0.18 million incurred during the period, which was partially offset by an increase in amortisation of intangible assets by RM0.15 million following the commercialisation of development projects undertaken for the design and development of digitalised solutions and automated equipment.

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(h) Finance costs

Our finance costs for the Financial Periods Under Review are as follows:-

	Audited								Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest expenses on:												
- Bankers' acceptance	4	2.00	-	-	-	-	-	-	-	-	-	-
- Bank overdraft	*	-	1	0.71	1	0.24	-	-	-	-	-	-
- Flexitab ^	39	19.50	-	-	-	-	-	-	-	-	-	-
- Hire purchase	5	2.50	11	7.80	33	8.01	34	6.04	17	5.99	15	5.60
- Lease liabilities	5	2.50	6	4.26	6	1.46	26	4.62	14	4.93	11	4.10
- Term loans	144	72.00	123	87.23	372	90.29	503	89.34	253	89.08	242	90.30
- Others	3	1.50	-	-	-	-	-	-	-	-	-	-
Total	**200**	**100.00**	**141**	**100.00**	**412**	**100.00**	**563**	**100.00**	**284**	**100.00**	**268**	**100.00**

Notes:-

* Represents amount of less than RM1,000.

^ Flexitab is a trade financing facility to finance the sales and purchase of services (intangible goods), and charges/payments incurred to enable delivery of goods/services.

Comparison between FYE 2020 and FYE 2021

Our finance costs decreased by RM0.06 million or 29.50% from RM0.20 million for FYE 2020 to RM0.14 million for FYE 2021. The decrease was mainly due to the following:-

(i) Our Group did not utilise the trade financing facilities (including bankers' acceptance and Flexitab) for working capital purposes in FYE 2021.

(ii) Our Group incurred lower interest expense on term loans by RM0.02 million as the term loan in relation to a project financing had been fully settled in FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our finance costs increased by RM0.27 million or 192.20% from RM0.14 million for FYE 2021 to RM0.41 million for FYE 2022. This was mainly attributable to the following:-

(i) Our Group incurred higher interest expense on hire purchases by RM0.02 million due to additions in motor vehicles in FYE 2022.

(ii) Our Group incurred higher interest expense on term loans by RM0.25 million which was mainly attributable to drawdown of term loans of RM4.86 million.

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Comparison between FYE 2022 and FYE 2023

Our finance costs increased by RM0.15 million or 36.65% from RM0.41 million for FYE 2022 to RM0.56 million for FYE 2023. This was mainly attributable to the following:-

(i) Our Group incurred higher interest expense on lease liabilities by RM0.02 million due to the lease payments on rental of properties during FYE 2023.

(ii) Our Group incurred higher interest expense on term loans by RM0.13 million, mainly attributable to the drawdown of a term loan amounting to RM0.80 million to part finance renovation work of Tangkas 9 Plant.

Comparison between FPE 2023 and FPE 2024

Our finance costs decreased by RM0.02 million or 5.63% from RM0.28 million for FPE 2023 to RM0.27 million for FPE 2024 mainly due to the lower outstanding loan balances.

(i) PBT, PAT and effective tax rate

The PBT, PAT and effective tax rate for the Financial Periods Under Review is set out below:-

	Audited				Unaudited	Audited
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**	**FPE 2023**	**FPE 2024**
PBT (RM'000)	14,514	17,346	14,026	14,738	4,598	5,871
PBT margin (%)	23.03	23.39	13.54	15.53	10.51	12.90
Tax expense (RM'000)	3,263	1,273	1,960	3,141	775	1,092
Effective tax rate (%)	22.48	7.34	13.98	21.31	16.86	18.60
Statutory tax rate (%)	24.00	24.00	24.00	24.00	24.00	24.00
PAT (RM'000)	11,251	16,073	12,037	11,597	3,823	4,779
PAT margin (%)	17.85	21.67	11.62	12.22	8.74	10.50

Comparison between FYE 2020 and FYE 2021

Our Group's PBT increased by RM2.83 million or 19.51%. The increase was mainly attributable to the increase in GP and other income of RM2.89 million and RM2.13 million (comprised mostly dividend income from other investments and fair value gain on other investments) respectively as compared to FYE 2020. The decrease in R&D expenses and finance costs of RM0.40 million and RM0.06 million respectively had also contributed to the increase in PBT. Nevertheless, the increase in PBT was partially moderated by higher other operating expenses of RM2.61 million (mainly due to higher salary related costs, staff recruitment, training related costs and COVID-19 related expenses).

Despite the slight decrease in GP margin, our Group's PBT margin increased marginally from 23.03% for FYE 2020 to 23.39% for FYE 2021, mainly due to higher other income.

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For FYE 2021, our Group's effective tax rate of 7.34% was lower than the 22.48% recorded for FYE 2020 as well as the statutory tax rate of 24.0%. This was primarily due to:-

(i) Sales of certain automated equipment and digitalised solutions amounting to RM8.60 million which were not subject to income tax as our Group has been granted with new pioneer status incentives in 2021;

(ii) Over provision of income tax expense of RM0.99 million in prior year; and

(iii) Certain income not subject to tax amounting to RM1.70 million mainly due to dividend income from other investments and fair value gain on other investments,

which was partially offset by:

(iv) Certain expenses that were not tax deductible amounting to RM0.35 million such as depreciation and amortisation expenses and professional fee; and

(v) Under provision of deferred tax expense of RM0.49 million in prior year mainly due to under-estimation of capital allowance on our qualifying fixed assets.

In line with the higher PBT and lower tax expenses by RM1.99 million, our Group's PAT for FYE 2021 increased by RM4.82 million or 42.86% from RM11.25 million for FYE 2020 to RM16.07 million. Similarly, our PAT margin also improved from 17.85% for FYE 2020 to 21.67% for FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our Group's PBT decreased by RM3.32 million or 19.14% despite registering higher GP by RM2.40 million for FYE 2022. The decrease was mainly attributable to higher other operating expenses incurred by RM2.45 million (mainly due to higher salary related costs and depreciation charges) and lower other income earned by RM1.96 million (mostly due to absence of dividend income from other investments and lower fair value gain on other investments) as compared to FYE 2021. There was also an increase in R&D expenses and finance costs by RM1.09 million and RM0.27 million respectively which further contributed to the decrease in our PBT for FYE 2022.

Correspondingly, our Group's PBT margin decreased from 23.39% for FYE 2021 to 13.54% for FYE 2022 mainly due to the decrease in our Group's GP margin as a result of higher labour cost incurred where during that year we recruited additional headcounts (mostly contract-based workers) in a short period of time to fulfil the additional engineering support services orders/projects that we took over from another supplier of Intel group of companies as well as higher other operating expenses and lower other income as explained above.

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For FYE 2022, our Group's effective tax rate of 13.98% was higher than the 7.34% recorded for FYE 2021 but lower than the statutory tax rate of 24.0%. This was mainly due to:-

(i) Sales of certain automated equipment and digitalised solutions amounting to RM5.55 million which were not subject to income tax due to the pioneer status tax incentives;

(ii) Over provision of deferred tax expense of RM0.02 million in prior year mainly due to over-estimation of capital allowance on our qualifying fixed assets; and

(iii) Certain expenses that were not tax deductible amounting to RM0.59 million such as depreciation and amortisation expenses and professional fee,

which was partially offset by:

(iv) Certain income not subject to tax amounting to RM0.07 million mainly comprising fair value gain on other investments, gain on disposal of PPE and gain in foreign exchange; and

(v) Over provision of income tax expense of RM0.15 million in prior year.

In line with the lower PBT and higher tax expenses by RM0.69 million, our Group's PAT for FYE 2022 decreased by RM4.04 million or 25.11% from RM16.07 million for FYE 2021 to RM12.04 million for FYE 2022. Similarly, our PAT margin also decreased from 21.67% for FYE 2021 to 11.62% for FYE 2022.

Comparison between FYE 2022 and FYE 2023

Our Group's PBT for FYE 2023 increased by RM0.71 million or 5.08%. The increase was mainly attributable to the increase in GP of RM3.31 million due to lower cost of sales incurred by our Group (especially for the engineering support services for IC assembly and testing segment) as well as due to increase in finance income of RM0.18 million. Nevertheless, the increase in PBT was partially moderated by higher other operating expenses (mainly due to higher salary related costs and depreciation charges), R&D expenses and finance costs of RM2.05 million, RM0.42 million and RM0.15 million respectively.

Correspondingly, our Group's PBT margin increased from 13.54% for FYE 2022 to 15.53% for FYE 2023 mainly due to the increase in our Group's GP margin as a result of lower cost of sales incurred by our Group (especially for the engineering support services for IC assembly and testing segment).

For FYE 2023, our Group's effective tax rate of 21.31% was higher than the 13.98% recorded for FYE 2022 but lower than the statutory tax rate of 24.00%. This was primarily due to:-

(i) Sales of certain automated equipment and digitalised solutions amounting to RM2.78 million which were not subject to income tax due to the pioneer status tax incentives;

(ii) Over provision of deferred tax expense of RM0.01 million in prior year mainly due to over-estimation of capital allowance on our qualifying fixed assets;

which was partially offset by:

(iii) Certain expenses that were not tax deductible amounting to RM0.60 million such as depreciation and amortisation expenses, professional fee and unwinding of discount on both contract asset and trade receivable;

(iv) Deferred tax assets on unabsorbed tax losses and unabsorbed capital allowances amounting to RM0.60 million not recognised; and

(v) Under provision of income tax expense of RM0.07 million in prior year.

In spite of the higher PBT during the financial year, our Group's PAT for FYE 2023 decreased by RM0.44 million or 3.65% from RM12.04 million for FYE 2022 to RM11.60 million for FYE 2023 mainly due to higher tax expense for the year. Notwithstanding the above, our PAT margin improved slightly from 11.62% for FYE 2022 to 12.22% for FYE 2023.

Comparison between FPE 2023 and FPE 2024

Our Group's PBT for FPE 2024 increased by RM1.27 million or 27.69%. The increase was mainly attributable to the increase in GP, other income and finance income of RM1.07 million, RM0.27 million and RM0.14 million respectively as compared to FPE 2023. Nevertheless, the increase in PBT was partially moderated by higher other operating expenses (mainly due to higher directors' remuneration, professional fee, depreciation charges, and license, subscription and related fee to authorities) for FPE 2024.

Correspondingly, our Group's PBT margin increased from 10.51% for FPE 2023 to 12.90% for FPE 2024 mainly due to the increase in our Group's GP margin as a result of improved operational efficiency especially for the engineering support services for IC assembly and testing segment.

For FPE 2024, our Group's effective tax rate of 18.60% was higher than the 16.86% recorded for FPE 2023 but lower than the statutory tax rate of 24.00%. This was primarily due to:-

(i) Sales of certain automated equipment and digitalised solutions amounting to RM2.03 million which were not subject to income tax due to the pioneer status tax incentives;

(ii) Over provision of income tax expense of RM0.01 million in prior year;

which was partially offset by:

(iii) Certain expenses that were not tax deductible amounting to RM0.26 million such as depreciation and amortisation expenses, and professional fee;

(iv) Deferred tax assets on unabsorbed tax losses and unabsorbed capital allowances amounting to RM0.35 million not recognised; and

(v) Under provision of deferred tax expense of RM0.04 million in prior year mainly due to under-estimation of capital allowance on our qualifying fixed assets.

In line with the higher PBT, our Group's PAT for FPE 2024 increased by RM0.96 million or 25.01% to RM4.78 million from RM3.82 million for FPE 2023. Correspondingly, our PAT margin also improved from 8.74% for FPE 2023 to 10.50% for FPE 2024.

12.4.3 Significant Factors Affecting Our Financial Condition and Results of Operations

Our financial condition and results of operations have been, and are expected to be affected by, amongst others, the following factors:-

(a) Dependency on certain major customers

We are dependent on certain major customers, namely Intel group of companies and KellyOCG that collectively contributed between 55.38% and 85.37% to our revenue during the Financial Periods Under Review. Please refer to Section 7.17 of this Prospectus for further details on our major customers.

We do not enter into long term contracts with our customers. Our sales are based on purchase orders that we receive from our customers from time to time. As a result, our Group's future financial performance, to a certain extent, depends on our ability to retain and secure repeat orders from these major customers and/or new orders from prospective customers, on a consistent basis. Additionally, the loss of any customers or significant delays, deferment, reduction or cancellation in orders, if not replaced in a timely manner with new customers or orders of similar quantum, may adversely affect the Group's business operations and financial performance.

(b) Availability of skilled personnel

Our success depends, to a certain extent, on our ability to attract and retain skilled personnel with the right technical expertise and skillset that is aligned with our business core values. Hence, our ability to operate and compete may be adversely affected if we are unable to attract, train, motivate and retain them. We may offer competitive remuneration, attractive incentives and the LTIP to attract, reward and retain our skilled personnel. Such increased costs may in turn adversely affect our business and financial performance.

(c) Rapid technological changes

The industry in which we operate, namely, semiconductor and electronics industry, is characterised by rapid technological evolution, evolving industry standards and changes in customer requirements, which could render our existing technologies and solutions obsolete going forward. Our ability to keep abreast with the latest technology and continue to develop or market new/enhanced solutions in a timely manner is vital to us in keeping up with the change in technology and market demands. While we have not faced any major technological disruptions in the past, we cannot assure that such disruptions will not occur in the future which may adversely affect the Group's business and financial performance.

(d) Impact of interest rates fluctuation

Our Group's business and financial performance for the Financial Periods Under Review have not been materially affected by fluctuations in interest rates as our Group is not heavily reliant on borrowings as we maintained net cash position throughout the Financial Periods Under Review. However, a significant hike in interest rates would raise the cost of borrowings and our finance costs, which may have an adverse impact on our Group's future financial performance if in the event we take up additional borrowings to finance our operations and capital expenditure in the future.

(e) Impact of inflation

Our Group's business and financial performance for the Financial Periods Under Review were not materially affected by the impact of inflation. Nevertheless, there can be no assurance that future inflation would not have an impact on our business and financial performance.

(f) Changes in government, economic, fiscal, monetary policies, regulatory risk and occurrence of force majeure events

Our business is subject to risks relating to government, political, economic, fiscal or monetary policies and regulatory risks, geopolitical events, as well as occurrence of force majeure events in Malaysia or countries where our customers are based. Any unfavourable changes in such government policies, economic conditions, or fiscal or monetary policies may materially affect our business operations and financial performance.

12.4.4 Significant Changes on the Financial Position and Results

Saved as disclosed in this Prospectus, there is no significant change that has occurred, which may have a material effect on our financial position and results during the period subsequent to the FPE 2024 and up to the LPD.

12.5 LIQUIDITY AND CAPITAL RESOURCES

12.5.1 Working Capital

Our operations have been financed by a combination of internal and external sources of funds. Our internal sources of funds comprise cash generated from our business operations, while our external sources of funds mainly consist of financing facilities from financial institutions. These funds are mainly used to finance our business operations and growth.

Based on the statements of our financial position as at 30 June 2024, we had cash and cash equivalents and total borrowings of RM13.21 million and RM11.37 million respectively. As at 31 December 2020, 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, our current ratios were 4.90 times, 7.33 times, 5.30 times, 7.00 times and 5.31 times respectively. As at the LPD, our Group had available banking facilities amounting to RM21.16 million of which RM8.51 million are yet to be utilised.

Based on the above and taking into consideration of our sources of funds and the expected cash flow to be generated from our business operations as well as the estimated net proceeds to be raised from the Public Issue, our Board is of the opinion that our Group will have adequate working capital to meet our present and foreseeable future working capital requirements for a period of 12 months from the date of this Prospectus.

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12.5.2 Cash and Cash Equivalents

The table below sets out the summary of our combined cash and cash equivalents for the Financial Periods Under Review and should be read in conjunction with the Accountants' Report as set out in Section 13 of this Prospectus:-

	Audited				
	FYE 2020 (RM'000)	**FYE 2021 (RM'000)**	**FYE 2022 (RM'000)**	**FYE 2023 (RM'000)**	**FPE 2024 (RM'000)**
Net cash from operating activities	7,766	8,655	1,173	13,756	1,110
Net cash used in investing activities	(886)	(6,583)	(11,406)	(3,333)	(1,640)
Net cash from/(used in) financing activities	6,177	3,127	1,011	(11,165)	(558)
Net increase/(decrease) in cash and cash equivalents	**13,057**	**5,199**	**(9,222)**	**(742)**	**(1,088)**
Effect of foreign exchange rate changes	-	(1)	26	(38)	101
Cash and cash equivalents at beginning of the financial years/period	5,915	18,972	24,170	14,974	14,194
Cash and cash equivalents at end of the financial years/period	**18,972**	**24,170**	**14,974**	**14,194**	**13,207**
Cash and cash equivalents at end of the financial years/period comprises:-					
Fixed deposits with licensed banks	7,665	9,283	7,872	9,976	9,978
Cash and bank balances	12,518	15,967	8,204	5,945	5,905
Bank overdraft	(150)	-	-	-	-
	20,033	25,250	16,076	15,921	15,883
Less: Fixed deposits pledged to licensed banks as securities and with maturity more than 3 months	(1,061)	(1,080)	(1,102)	(1,727)	(2,676)
Cash and cash equivalents at the end of the financial years/period	**18,972**	**24,170**	**14,974**	**14,194**	**13,207**

Our cash and cash equivalents are held in RM and/or USD. There are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer/receive funds to/from our Company, subject to availability of distributable reserves and compliance with financial covenants, in the form of cash dividends, loans or advances.

(a) Net cash from operating activities

<u>FYE 2020</u>

For FYE 2020, our net cash from operating activities was RM7.77 million. Our operating profit before working capital changes of RM14.90 million was adjusted for the following key items:-

(i) Increase in inventories by RM0.83 million due to higher work-in-progress for automated equipment (mainly comprised automated test and handler equipment) and digitalised solutions (mainly comprised command and control centre) which were subsequently delivered in the following financial year.

(ii) Increase in trade receivables by RM7.59 million mainly due to the higher sales generated towards the last quarter of FYE 2020.

(iii) Increase in other receivables, deposits and prepayments by RM0.61 million mainly due to higher downpayments made to certain suppliers.

(iv) Increase in trade payables by RM1.02 million mainly due to higher purchases attributable to the design, development and sale of digitalised solutions and automated equipment segments towards the last quarter of FYE 2020.

(v) Increase in other payables and accruals by RM0.31 million mainly due to the receipt of a grant from MTDC of RM0.20 million and higher accruals for payroll related costs.

(vi) Decrease in contract assets by RM3.88 million mainly attributable to the completion of an intelligent operation centre and video analytics project for Customer B in FYE 2020 where we recorded RM5.98 million in revenue during that year.

(vii) Decrease in contract liabilities by RM1.37 million following the completion of certain digitalised solutions (comprising command and control centre and operational efficiency solutions) as well as delivery, commissioning and upgrading of automated equipment, namely the automated visual inspection equipment, for certain customers.

(viii) Net interest income of RM0.01 million.

(ix) Income tax paid of RM1.95 million.

FYE 2021

For FYE 2021, our Group's operating profit before changes in working capital was RM15.92 million. After adjusting for the following key items, our net cash generated from operating activities stood at RM8.66 million:-

(i) Increase in inventories by RM0.18 million mainly due to higher purchase of raw materials for the design, development and sale of digitalised solutions and automated equipment segments.

(ii) Increase in trade receivables by RM1.61 million mainly due to higher billings to customers in the last quarter of FYE 2021 compared to the corresponding period in FYE 2020.

(iii) Increase in other receivables, deposits and prepayments by RM0.64 million mainly due to additional deposit for utilities, performance bond for a project with the local council, downpayment for acquisition of PPE and prepayment for IPO expenses.

(iv) Increase in contract assets by RM1.14 million mainly pertaining to unbilled revenue from product engineering services rendered for the last quarter of FYE 2021.

(v) Increase in contract costs by RM1.36 million mainly attributable to the costs incurred to fulfil contracts with certain customers in accordance with MFRS 15 which has yet to be charged out to profit or loss as at year end.

(vi) Decrease in trade payables by RM1.42 million mainly due to prompt payments made to our suppliers in order to maintain good business relationships with our suppliers and secure the continuity of our supplies.

(vii) Increase in other payables and accruals by RM1.40 million mainly due to the acquisition of a motor vehicle and higher accruals for payroll related costs.

(viii) Increase in contract liabilities by RM1.16 million mainly attributable to the advance billings for certain automated equipment for certain customers which were subsequently delivered and commissioned in FYE 2022.

(ix) Net interest income of RM0.02 million.

(x) Income tax paid of RM3.44 million.

FYE 2022

For FYE 2022, our Group's operating profit before changes in working capital was RM15.30 million. After adjusting for the following key items, our net cash generated from operating activities stood at RM1.17 million:-

(i) Increase in inventories by RM1.87 million mainly due to higher closing inventories for digitalised solutions (mainly command and control centre for a project with a local city council in Malaysia) and automated equipment (mainly automated test and handler equipment and automated material management system).

(ii) Increase in trade receivables by RM7.94 million mainly due to higher billings to customers in the last quarter of FYE 2022 compared to the corresponding period in FYE 2021.

(iii) Increase in other receivables, deposits and prepayments by RM0.72 million mainly due to prepayment for IPO expenses, insurances and levy.

(iv) Decrease in trade payables by RM1.28 million mainly due to prompt payments made to our suppliers in order to maintain good business relationships with our suppliers and secure the continuity of our supplies.

(v) Increase in other payables and accruals by RM0.46 million mainly due to higher accruals for payroll related costs.

(vi) Increase in contract assets by RM2.99 million mainly attributable to the increase in unbilled revenue from engineering support services and product engineering services segments rendered for the last quarter of FYE 2022.

(vii) Decrease in contract costs by RM0.61 million mainly due to certain costs that has been charged out to profit or loss during the financial year whilst less cost was incurred but has yet to be charged out as at year end.

(viii) Increase in contract liabilities by RM2.58 million mainly due to higher deposits received from customers for our digitalised solutions and automated equipment.

(ix) Net interest expense of RM0.22 million mainly arising from higher finance costs.

(x) Income tax paid of RM2.54 million.

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FYE 2023

For FYE 2023, our Group's operating profit before changes in working capital was RM17.64 million. After adjusting for the following key items, our net cash from operating activities stood at RM13.76 million:-

(i) Decrease in inventories by RM1.59 million mainly due to lower closing inventories consisting of automated equipment (mainly automated test and handler equipment and automated material management system) and digitalised solutions (mainly the command and control centre solution).

(ii) Increase in trade receivables by RM1.48 million mainly due to an indulgence granted to Customer D to settle the outstanding sum over a period of 24 months beginning from December 2023.

(iii) Increase in other receivables, deposits and prepayments by RM0.40 million mainly due to higher prepayment for IPO expenses and downpayments made to certain suppliers.

(iv) Increase in trade payables by RM0.16 million due to higher purchases towards the end of FYE 2023.

(v) Increase in other payables and accruals by RM0.18 million mainly due to higher accruals for payroll-related costs.

(vi) Increase in contract assets by RM0.84 million mainly attributable to the unbilled revenue for the digitalised solutions provided to one of our customers.

(vii) Decrease in contract liabilities by RM1.87 million mainly due to higher conversion of deposits received from customers into revenue for FYE 2023 and lower deposits received from customers.

(viii) Net interest expense of RM0.18 million mainly arising from higher finance costs.

(ix) Net income tax paid of RM0.85 million.

FPE 2024

For FPE 2024, our Group's operating profit before changes in working capital was RM7.14 million. After adjusting for the following key items, our net cash from operating activities stood at RM1.11 million:-

(i) Increase in inventories by RM4.18 million mainly due to higher closing inventories for automated equipment (mainly automated test and handler equipment) and digitalised solutions (mainly command and control centre solutions).

(ii) Increase in trade receivables by RM2.63 million mainly due to higher billings to customers especially for product engineering services and engineering support services for IC assembly and testing segments towards the end of FPE 2024 in tandem with the increase in revenue for these segments.

(iii) Increase in other receivables, deposits and prepayments by RM2.18 million mainly due to higher prepayment for IPO expenses and downpayments made to certain suppliers.

(iv) Increase in trade payables by RM0.90 million due to higher purchases towards the end of FPE 2024.

(v) Decrease in other payables and accruals by RM0.82 million mainly due to lower accruals for payroll-related costs.

(vi) Increase in contract liabilities by RM3.43 million mainly due to higher deposits received from customers mainly for our automated equipment.

(vii) Net income tax paid of RM0.65 million.

(b) Net cash used in investing activities

FYE 2020

For FYE 2020, our Group recorded net cash used in investing activities of RM0.89 million due to additional placement of fixed deposits of RM0.25 million with a licensed bank and cash outflow on the purchase of PPE of RM0.63 million comprising office equipment, computers, furniture and fittings, renovation and motor vehicles.

FYE 2021

For FYE 2021, our net cash used in investing activities was RM6.58 million mainly attributable to the following:-

(i) RM1.71 million being development expenditure incurred for FYE 2021, which was related to the development of digitalised solutions and automated equipment.

(ii) Cash inflow of RM1.04 million being dividend income declared by 2 of our former subsidiaries (classified under other investments);

(iii) Net cash inflow of RM0.37 million on other investments, where there was cash inflow of RM0.83 million from the disposal of other investments and partially offset by the cash outflow from addition in other investments of RM0.46 million (which were subsequently divested).

(iv) Cash outflow from the purchase of PPE which amounted to RM6.27 million, which were related to the purchase of Tangkas 9 Plant, office equipment, computers, furniture and fittings, renovation, and motor vehicle.

FYE 2022

For FYE 2022, our net cash used in investing activities was RM11.41 million mainly attributable to the following:-

(i) RM2.12 million being development expenditure incurred for FYE 2022, which were related to the development of certain digitalised solutions and automated equipment.

(ii) Cash inflow of RM0.11 million from the effects of acquisition by Sophic Automation of Pinkypye which was completed during the year.

(iii) Cash outflow on acquisition of other investments of RM0.43 million, which were subsequently disposed of.

(iv) Cash outflow from the purchase of PPE amounted to RM9.03 million mainly attributable to the purchase of Tangkas 3 Plant, Stellar Suites Office, computer numerical control precision machinery, office equipment, computers, furniture and fittings, renovation and motor vehicles.

FYE 2023

For FYE 2023, our net cash used in investing activities was RM3.33 million mainly attributable to the following:-

(i) RM1.66 million being development expenditure incurred for FYE 2023, which were related to the development of certain digitalised solutions.

(ii) Cash inflow of RM0.32 million from the disposals of other investments.

(iii) Cash outflow of RM0.62 million for the placement of fixed deposits with licensed banks.

(iv) Cash outflow from the purchase of PPE amounted to RM1.37 million mainly attributable to the purchase of office equipment, computers, furniture and fittings, renovation and additional cost incurred in capital work-in-progress.

FPE 2024

For FPE 2024, our net cash used in investing activities was RM1.64 million mainly attributable to the following:-

(i) RM0.52 million being development expenditure incurred for FPE 2024, which were related to the development of certain digitalised solutions.

(ii) Cash outflow of RM0.95 million for the placement of fixed deposits with licensed banks.

(iii) Cash outflow from the purchase of PPE amounted to RM0.17 million mainly attributable to the renovation of Stellar Suites Office and purchase of office equipment, computers, furniture and fittings.

(c) Net cash generated from financing activities

FYE 2020

For the FYE 2020, our Group recorded net cash from financing activities of RM6.18 million which was mainly attributable to:-

(i) Proceeds from the issuance of the second tranche RCPS to MTDC of RM6.10 million.

(ii) Drawdown of a new term loan of RM1.0 million to finance working capital of our Group.

This was, however, partially offset by the following:-

(i) Repayment of term loans of RM0.86 million.

(ii) Repayment of hire purchase loans of RM0.02 million for motor vehicles.

(iii) Cash outflow of RM0.04 million for payments of lease liabilities.

FYE 2021

For FYE 2021, our Group recorded net cash from financing activities of RM3.13 million, which was mainly attributable to the drawdown of a new term loan of RM4.50 million to part finance the purchase of Tangkas 9 Plant. This was partially offset by the following:-

(i) Repayment of term loans of RM0.43 million.

(ii) Repayment of hire purchase loans of RM0.15 million for motor vehicles.

(iii) Payment of lease liabilities of RM0.04 million.

(iv) Payment of dividend of RM0.75 million.

FYE 2022

For FYE 2022, our Group recorded net cash from financing activities of RM1.01 million mainly attributable to the following:-

(i) Payment of dividend of RM3.00 million.

(ii) Repayment for hire purchase loans of RM0.21 million for motor vehicles.

(iii) Payment of lease liabilities of RM0.08 million.

This was partially offset by the net drawdown of term loans of RM4.30 million. The details of drawdown of term loans are as follows:-

(i) RM3.33 million to part finance the purchase of Tangkas 3 Plant.

(ii) RM1.03 million to part finance the purchase of Stellar Suites Office.

(iii) RM0.50 million for working capital purposes.

FYE 2023

For FYE 2023, our net cash used in financing activities was RM11.16 million mainly attributable to the following:-

(i) Payment of dividend of RM10.0 million.

(ii) Drawdown of promissory notes of RM0.11 million for working capital purpose.

(iii) Repayment for hire purchase loans of RM0.20 million for motor vehicles.

(iv) Net payment for term loans of RM0.79 million.

(v) Payment of lease liabilities of RM0.28 million.

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FPE 2024

For FPE 2024, our net cash used in financing activities was RM0.56 million mainly attributable to the following:-

(i) Repayment for promissory notes of RM0.11 million for working capital purpose.

(ii) Repayment for hire purchase loans of RM0.11 million for motor vehicles.

(iii) Net payment for term loans of RM0.24 million.

(iv) Payment of lease liabilities of RM0.10 million.

12.5.3 Borrowings

Our Group's total outstanding interest-bearing borrowings as at 30 June 2024 amounted to RM11.37 million, details of which are set out below:-

Type	Purpose	Tenure	Effective interest rate per annum (%)	As at 30 June 2024		
				Payable within 12 months (RM'000)	Payable after 12 months (RM'000)	Total (RM'000)
Term loans	Finance the purchase of properties, renovation cost and working capital	Between 84 and 180 months	3.50 – 8.15	485	10,247	10,732
Hire purchase	Finance the purchase of motor vehicles	Not more than 5 years	3.78 – 6.40	225	413	638
Total				**710**	**10,660**	**11,370**
Gearing ratio as at 30 June 2024 (times) *						0.18

Note:-

* Based on total interest-bearing borrowings divided by total equity as at 30 June 2024 of RM63.80 million.

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

There has been no default or any known events that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of our Group throughout the Financial Periods Under Review and up to the LPD.

As at the LPD, our Group was not in breach of any terms and conditions or covenants associated with the credit arrangements of our bank borrowings which can materially affect our financial position and results or business operations or the investments by holders of our Shares.

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12.5.4 Financial Instruments, Treasury Policies and Objectives

For the Financial Periods Under Review, save for our banking facilities offered by licensed financial institutions as set out in Section 12.5.3 of this Prospectus, we have not utilised any other financial instruments. We maintain foreign currency bank accounts to receive proceeds of our sales and to make payments for our purchases which are denominated in USD.

We finance our operations through a combination of cash generated from operations, share capital and external sources of funds. Our external sources of funds mainly comprise credit extended by our suppliers/principals and banking facilities extended by licensed financial institutions.

Our main capital management policy is to maintain sufficient working capital to finance our business and operations, coupled with adequate banking facilities to meet our commitments for operating and capital expenditure. Our combination of internal and external sources of funds include cash generated from operations, bank borrowings and lease liabilities. The primary objective is to have sustainable shareholders' equity and working capital to ensure we have the ability to continue as a going concern and grow our business in order to maximise shareholder's value. We review and manage our capital structure to maintain the debt-to-equity ratio at an optimum level based on the business requirements and prevailing economic conditions.

12.5.5 Material Capital Commitment

As at the LPD, save as disclosed in Section 7.19 of this Prospectus, we do not have any material capital commitments for capital expenditure contracted or known to be contracted, which may have a material adverse effect on the financial position of our Group.

12.5.6 Material Litigation, Claims or Arbitration

Neither our Company nor our subsidiaries are engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, a material or significant effects on our financial position or profitability, in the 12 months immediately preceding the date of this Prospectus.

12.5.7 Contingent Liabilities

As at the LPD, we do not have any contingent liabilities which, upon becoming enforceable, may have a material adverse impact on our results of operations or financial position of our Group.

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12.6 KEY FINANCIAL RATIOS

The key financial ratios of our Group for the Financial Periods Under Review are as follows:-

	Audited				
	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FPE 2024
Trade receivables turnover period (days)	97	91	93	107	121
Trade payables turnover period (days)	29	14	4	5	10
Inventory turnover period (days)	36	37	75	56	156
Current ratio (times)	4.90	7.33	5.30	7.00	5.38
Gearing ratio (times)	0.11	0.15	0.22	0.20	0.18

12.6.1 Trade Receivables Turnover Period

A summary of our trade receivables for the Financial Periods Under Review is set out as follows:-

	Audited				
	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FYE 2023 (RM'000)	FPE 2024 (RM'000)
Trade receivables	16,698	18,308	26,250	27,733	30,292
Revenue	63,020	74,164	103,598	94,891	45,518
Trade receivables turnover period (days) *	**97**	**91**	**93**	**107**	**121**

Note:-

* Computed based on the closing balance of trade receivables divided by the revenue for the respective financial years / period, multiplied by 365 days / 182 days respectively.

The normal credit period granted to our customers ranges from 30 to 120 days from the date of our invoice, which are mainly assessed and approved on a case-to-case basis, taking into consideration various factors such as business relationship with the customers, creditworthiness (including payment history) of the customers, transaction volume, market reputation as well as customers' ability to pay.

Our trade receivables turnover period stood at 97 days, 91 days, 93 days and 107 days for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively, which fell within the normal credit term granted to our customers. For FPE 2024, our trade receivables turnover period slightly exceeded the normal credit term at 121 days.

For the FYE 2021, our trade receivables turnover period improved to 91 days from 97 days in FYE 2020 mainly due to improvement in collections from our customers. For the FYE 2022, our trade receivables turnover period increased by 2 days to 93 days mainly due to higher billings from our major customers in the fourth quarter of FYE 2022. In addition, 72.57% of our trade receivables in FYE 2022 were not past due. For the FYE 2023, our trade receivables turnover period increased by 14 days to 107 days (FYE 2022: 93 days) mainly due to slower collection from our customers as the semiconductor industry experienced a slowdown in FYE 2023. In addition, 86.35% of our trade receivables in FYE 2023 were not past due.

For FPE 2024, our trade receivables turnover period further increased by 14 days to 121 days mainly due to higher billings to our customers towards the end of the FPE 2024 and slower collection from our customers as the semiconductor industry experienced a slow recovery. In addition, 83.35% of our trade receivables in FPE 2024 were not past due.

The ageing analysis of our Group's trade receivables as at 30 June 2024:-

	Within Credit Period (RM'000)	Exceeded Credit Period 1-30 days (RM'000)	31-60 days (RM'000)	61-90 days (RM'000)	> 90 days (RM'000)	Total (RM'000)
<u>As at 30 June 2024</u>						
Trade receivables	25,247	1,816	637	133	2,612	30,445
Less: Allowances for doubtful debts	-	-	-	-	(153)	(153)
Net trade receivables	25,247	1,816	637	133	2,459	30,292
% of net trade receivables (%)	83.35	5.99	2.10	0.44	8.12	100.00
<u>As at the LPD</u>						
Less: Trade receivables collected	(20,168)	(1,242)	(40)	(96)	(342)	(21,888)
% of net trade receivables (%)	(66.58)	(4.10)	(0.13)	(0.32)	(1.13)	(72.26)
Net trade receivables outstanding as at LPD	**5,079**	**574**	**597**	**37**	**2,117**	**8,404**
% of net trade receivables (%)	16.77	1.89	1.97	0.12	6.99	27.74

Our net trade receivables stood at RM30.29 million as at 30 June 2024, out of which RM5.05 million or 16.65% exceeded the credit terms granted.

As at LPD, we have collected RM21.89 million, representing 72.26% of our net trade receivables as at 30 June 2024.

Included in the net trade receivables is a balance owing by Customer D amounting to RM2.01 million as at the LPD. We have granted an indulgence (through an instalment payment agreement) to Customer D to settle the outstanding sum over a period of 24 months beginning from December 2023.

Our Board is of the opinion that the remaining outstanding trade receivables are recoverable after taking into consideration the customers' historical payments trend and the fact that our customers have not defaulted on payments throughout the Financial Periods Under Review.

12.6.2 Trade Payables Turnover Period

A summary of our trade payables for the Financial Periods Under Review is set out as follows:-

	Audited FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FYE 2023 (RM'000)	FPE 2024 (RM'000)
Trade payables	3,426	2,001	723	888	1,785
Cost of sales	44,111	52,366	79,405	67,388	33,624
Trade payables turnover period (days) *	**29**	**14**	**4**	**5**	**10**

Note:-

* Computed based on the closing balance of trade payables divided by the cost of sales for the respective financial years / period, multiplied by 365 days / 182 days.

The normal credit period granted to our Group by our suppliers/principals generally ranges from 30 days to 90 days. Our trade payables turnover period stood at 29 days, 14 days, 4 days, 5 days and 10 days for the FYE 2020, FYE 2021, FYE 2022, FYE 2023 and FPE 2024 respectively, which is below the normal credit periods granted by our suppliers/principals. It is our practice to make prompt payments to our suppliers/principals in order to foster good business relationships with them to secure the adequacy/continuity of our supplies.

Our trade payables turnover periods improved throughout the Financial Periods Under Review as we have paid our suppliers/principals within shorter timeframe than our normal credit terms granted to our Group. We also made upfront payment and/or cash on delivery to certain suppliers/principals depending on cost competitiveness, lead time and availability of materials with the desired specifications and customers' requirements.

Our trade payables turnover periods had been decreasing over the FYE 2020, FYE 2021 and FYE 2022 as the composition of cost of sales made up of material costs, outsourcing costs and other costs had been declining while labour costs had been increasing over the financial years. For FYE 2023 and FPE 2024, our trade payables turnover period increased slightly to 5 days and 10 days respectively as we continue to maintain prompt payments to our suppliers. This was consistent with the growth of revenue by business activities over the FYE 2020, FYE 2021, FYE 2022, FYE 2023 and FPE 2024 which increased at a CAGR of 14.62%, from RM63.02 million in FYE 2020 to RM94.89 million in FYE 2023, mainly contributed by the increased sales from the engineering support services for IC assembly and testing as well as the product engineering services segments.

The ageing analysis of our trade payables as at 30 June 2024 is as follows:-

	Within Credit Period (RM'000)	Exceeded Credit Period				Total (RM'000)
		1-30 days (RM'000)	31-60 days (RM'000)	61-90 days (RM'000)	> 90 days (RM'000)	
As at 30 June 2024						
Trade payables	1,785	-	-	-	-	1,785
% of trade payables (%)	**100.00**	**-**	**-**	-	**-**	**100.00**
As at the LPD						
Less: Trade payables settled	1,419	-	-	-	-	1,419
% of trade payables (%)	79.50	-	-	-	-	79.50
Trade payables outstanding as at LPD	**366**	**-**	**-**	**-**	**-**	**366**
% of trade payables (%)	20.50	-	-	-	-	20.50

As at LPD, we have settled 79.50% of our trade payables which were outstanding as at 30 June 2024.

12.6.3 Inventory Turnover Period

The breakdown of our inventories for the Financial Periods Under Review are as follows:-

	Audited				
	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FYE 2023 (RM'000)	FPE 2024 (RM'000)
Inventories:					
Raw materials	127	600	524	549	1,352
Work-in-progress	2,761	409	4,421	2,806	6,179
Finished goods	-	2,063	-	-	-
	2,888	3,072	4,945	3,355	7,531
Cost of sales [(1)]	29,385	31,044	24,334	21,794	8,798
Inventory turnover period (days) [(2)]	**36**	**37**	**75**	**56**	**156**

Notes:-

(1) Excluding the engineering support services for IC assembly and testing, and product engineering services as these business activities are service-based.

(2) Computed based on the closing inventories of the respective financial years/periods divided by the cost of sales (excluding the engineering support services for IC assembly and testing, and product engineering services) of the respective financial years/period multiplied by 365 days/ 182 days.

Our inventory mainly consists of the following:-

(a) Raw materials such as mechanical, electrical and pneumatic components, computer related devices, metal parts, consumables and tools.

(b) Work-in-progress and finished goods comprising mainly digitalised solutions and automated equipment.

We do not analyse the inventory turnover period for our Group's engineering support services for IC assembly and testing, and product engineering services as the business activities involved are service-based.

Our inventory turnover period for the FYE 2020 and FYE 2021 were consistent between 36 days to 37 days.

Our inventory turnover period increased from 37 days for FYE 2021 to 75 days for FYE 2022 mainly attributable to higher work-in-progress for the ongoing development of certain automated test and handler equipment, automated material management system, and the command and control centre solution for a flood monitoring system and pump house project for a local city council.

For FYE 2023, our inventory turnover period decreased to 56 days mainly due to lower cost of sales and lower closing inventories consisting of automated equipment (mainly automated test and handler equipment and automated material management system) and digitalised solutions (mainly the command and control centre solution).

For FPE 2024, our inventory turnover period increased to 156 days mainly due to the following:-

(a) higher closing inventories for raw materials as at 30 June 2024 of RM1.35 million compared to RM0.55 million as at 31 December 2023. These raw materials include mechanical, electrical and pneumatic components, computer devices, and other parts and tools mainly for certain automated equipment intended for both ongoing as well as new orders secured towards the end of second quarter 2024.

(b) higher closing inventories for work-in-progress as at 30 June 2024 of RM6.18 million compared to RM2.81 million as at 31 December 2023. Out of the total balance:

- RM4.20 million is in respect of costs incurred for ongoing development of automated equipment comprising mostly automated test and handler equipment. As at the LPD, a total of RM2.09 million has been successfully delivered to our customers. The remaining RM2.11 million, which consists of equipment orders from Intel group of companies (RM0.13 million), Customer A (RM1.88 million) and Customer F group of companies (RM0.10 million), is expected to be progressively fulfilled by the end of 2024. The higher work-in-progress for FPE 2024 is mainly due to timing of orders (towards the end of second quarter 2024) and fulfilment of certain buy-off criteria.

- RM1.98 million is mainly related to costs incurred for ongoing development of digitalised solution comprising mainly command and control centre solutions. As at the LPD, a total of RM0.02 million has been successfully completed and delivered to our customers. The remaining RM1.96 million, which consists of solutions intended for Customer A (RM0.05 million), Customer B (RM0.11 million) and other customers (RM1.80 million), is expected to be progressively fulfilled by the end of 2024.

12.6.4 Current Ratio

The summary of our Group's current ratio for the Financial Periods Under Review is as follows:-

	Audited As At				
	31.12.2020 (RM'000)	**31.12.2021 (RM'000)**	**31.12.2022 (RM'000)**	**31.12.2023 (RM'000)**	**30.6.2024 (RM'000)**
Current assets	41,513	52,342	57,047	53,994	63,890
Current liabilities	8,477	7,145	10,752	7,708	11,869
Current ratio (times) *	**4.90**	**7.33**	**5.30**	**7.00**	**5.38**

Note:-

* Computed based on total current assets divided by total current liabilities as at the end of the respective financial years/period.

Our current ratios for the Financial Periods Under Review was maintained between 4.90 times and 7.33 times, indicating that our Group is capable of meeting 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 and fixed deposits are sufficient to meet our short terms current liabilities.

Comparison between FYE 2020 and FYE 2021

As at 31 December 2021, our current ratio stood at 7.33 times compared to 4.90 times as at 31 December 2020. The increase in current ratio was mainly due to the following:-

(i) increase in trade receivables as a result of higher billings to customers in the last quarter of FYE 2021 compared to the corresponding period in FYE 2020;

(ii) increase in cash and cash equivalents as a result of higher collections from our customers during the financial year;

(iii) decrease in trade payables mainly due to prompt payments made to our suppliers in order to maintain good business relationships and secure the adequacy/continuity of our supplies; and

(iv) reduction in current tax liabilities for the year of assessment 2021.

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Comparison between FYE 2021 and FYE 2022

As at 31 December 2022, our current ratio stood at 5.30 times compared to 7.33 times as at 31 December 2021. The decrease in current ratio was mainly due to the following:-

(i) decrease in cash and cash equivalents as a result of higher purchase of PPE including our Tangkas 3 Plant and Stellar Suites Office;

(ii) higher contract liabilities mainly due to deposits received from customers for our digitalised solutions and automated equipment; and

(iii) dividend payable in the form of dividend-in-specie which was declared pursuant to the disposal of 64% equity interest held by Sophic Automation in SVN Automation to its shareholders as disclosed in Section 10.1 of this Prospectus.

Comparison between FYE 2022 and FYE 2023

As at 31 December 2023, our current ratio stood at 7.00 times compared to 5.30 times as at 31 December 2022. The increase in current ratio was mainly due to the following:-

(i) decrease in contract liabilities mainly due to higher conversion of deposits received from customers into revenue for FYE 2023 and lower deposits received from customers; and

(ii) absence of dividend payable in FYE 2023.

Comparison between FYE 2023 and FPE 2024

As at 30 June 2024, our current ratio stood at 5.38 times compared to 7.00 times as at 31 December 2023. The decrease in current ratio was mainly due to the following:-

(i) higher contract liabilities mainly due to higher deposits received from customers for our automated equipment; and

(ii) higher current tax liabilities for FPE 2024.

12.6.5 Gearing Ratio

The summary of our Group's gearing ratio for the Financial Periods Under Review is as follows:-

	Audited As At				
	31.12.2020 (RM'000)	**31.12.2021 (RM'000)**	**31.12.2022 (RM'000)**	**31.12.2023 (RM'000)**	**30.6.2024 (RM'000)**
Total interest-bearing borrowings [(1)]	3,818	7,588	12,598	11,825	11,370
Total equity	34,630	49,953	57,419	59,016	63,795
Gearing ratio (times) [(2)]	**0.11**	**0.15**	**0.22**	**0.20**	**0.18**

Notes:-

(1) Including term loans, hire purchase loans and bank overdraft.

(2) Computed based on the total interest-bearing borrowings divided by the total equity of the Group as at the respective financial years/period ended.

Our Group's gearing ratio increased from 0.11 times as at 31 December 2020 to 0.15 times as at 31 December 2021 mainly due to the increase in our borrowings of RM3.77 million or 98.72%. This was mainly attributable to a drawdown of term loan of RM4.50 million to part finance the purchase of Tangkas 9 Plant and partially moderated by the repayments of term loans and hire purchase.

Our Group's gearing ratio further increased from 0.15 times as at 31 December 2021 to 0.22 times as at 31 December 2022 due to the increase in our bank borrowings by RM5.01 million or 66.05%. The increase was mainly attributable to the following:-

(a) net increase in terms loans of RM4.30 million mainly contributed by the following drawdowns:-

- (i) RM3.33 million to part finance the purchase of Tangkas 3 Plant;
- (ii) RM1.03 million to part finance the purchase of Stellar Suites Office; and
- (iii) RM0.50 million for working capital purposes; and

(b) net increase in hire purchase of RM0.71 million for the purchase of motor vehicles.

For FYE 2023, our Group's gearing ratio decreased slightly from 0.22 times as at 31 December 2022 to 0.20 times as at 31 December 2023 mainly due to repayments of bank borrowings, partially offset by drawdowns of a term loan of RM0.80 million which part financed the renovation works of our Tangkas 9 Plant and a hire purchase of RM0.11 million for the acquisition of a motor vehicle.

For FPE 2024, our Group's gearing ratio further decreased to 0.18 times as at 30 June 2024 mainly due to repayment of bank borrowings.

12.7 TREND INFORMATION

As at the LPD, our Board confirms that there are no:-

(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, other than those discussed in Sections 7, 9 and 12 of this Prospectus;

(b) material commitments for capital expenditure;

(c) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group operations, other than those discussed in Sections 7, 9 and 12 of this Prospectus;

(d) known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue and/or profits, other than those disclosed in this Section 12, the information on our Group as set out in Sections 6 and 7 of this Prospectus and our future plans and strategies as set out in Section 7.19 of this Prospectus;

(e) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position; and

(f) known trends, demand, 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.

12.8 ORDER BOOK

We do not maintain an order book as we do not have any long-term contracts with our customers as our sales are made based on confirmed purchased orders. As at the LPD, we have outstanding secured purchase orders amounting up to RM30.43 million, all of which are expected to be fulfilled and recognised as revenue for the FYE 2024.

12.9 DIVIDEND POLICY

It is our Company's policy to recommend dividends to allow our shareholders to participate in the profits of our Group. Nonetheless, our Company does not have any formal dividend policy. Our ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as actual profits registered for the year and the availability of funds in excess of working capital requirements for our businesses.

The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividends for the year are subject to shareholders' approval. Actual dividends proposed and declared may vary depending on the financial performance and cash flows of our Group, and may be waived if the payment of the dividends would adversely affect the cash flows and operations of our Group.

The dividends declared and paid by Sophic Automation during the Financial Periods Under Review are set out below:-

	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FYE 2023 (RM'000)	FPE 2024 (RM'000)
Dividend declared	-	(1) 750	(2) 4,566	(3) 10,000	-
Dividend paid	-	(1) 750	(2) 3,000	(3) 10,000	-
Dividend payout ratio (%) (4)	-	4.7%	37.9%	86.2%	-

Notes:-

(1) Dividends declared in FYE 2021 comprised the following:-

(a) interim dividend amounting to RM0.25 million in respect of FYE 2020 which was paid out in FYE 2021; and

(b) interim dividend amounting to RM0.50 million in respect of FYE 2021 which was paid out in FYE 2021.

(2) Dividends declared in FYE 2022 comprised the following:-

(a) interim dividend amounting to RM3.00 million in respect of FYE 2022 which was paid out in FYE 2022; and

(b) dividend-in-specie of amounting to RM1.57 million pursuant to the disposal of 64% equity interest held by Sophic Automation in SVN Automation to its shareholders, namely Lee Chee Hoo, Koh Dim Kuan and Low Chee Oon, via the Capital Transfer Agreement entered into between Sophic Automation and the parties above on 9 November 2022.

(3) Dividends declared in FYE 2023 amounting to RM10.0 million in respect of FYE 2023 which was paid out in FYE 2023.

(4) Computed based on dividends declared divided by the PAT of the Company.

The dividends paid were funded entirely via our Group's internally generated funds.

Save as disclosed above, the Group has not and will not declare or pay any dividend or any pre-IPO dividend prior to the completion of the Listing. Our Board do not foresee that dividends paid subsequent to the FPE 2024 would affect the execution and implementation of our future plans or strategies moving forward.

Investors should note that the intention to recommend dividends should not be treated as a legal obligation on our Directors or the Company to do so. The level of dividends previously declared or paid should not be treated as an indication of our Company's future dividend policy. There can be no assurance that the Company will be in the position to declare and pay consistent dividends in the future nor can there be any certainty on timing of any dividend payments in the future.

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3REN BERHAD
(Registration No.: 202101012445 (1412744-K))
(Incorporated in Malaysia)

ACCOUNTANTS' REPORT ON THE COMBINED FINANCIAL STATEMENTS

GRANT THORNTON MALAYSIA PLT

CHARTERED ACCOUNTANT'S

Member Firm of Grant Thornton International Ltd.

GrantThornton

9 September 2024

The Board of Directors
3REN Berhad
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Jalan Argyll
10050 Georgetown
Penang

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51 Jalan Sultan Ahmad Shah
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Dear Sirs,

Reporting Accountants' Opinion On The Combined Financial Statements Contained In The Accountants' Report of 3REN Berhad. ("the Company" or "3REN")

Opinion

We have audited the accompanying combined financial statements of the Company and its combining entities (collectively known as "the Group"), which comprises the combined statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, and the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years/period then ended and material accounting policies and other explanatory notes, as set out on pages 4 to 77.

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 the Company in connection with the listing of and quotation of the entire enlarged share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad 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 2020, 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, and of their combined financial performance and combined cash flows for the financial years/period then ended in accordance with Malaysian Financial Reporting Standards and IFRS Accounting 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.

Responsibilities of the Directors for the Combined Financial Statements

The Directors of the Company are responsible for the preparation of the combined financial statements of the Group that give a true and fair view in accordance with the Malaysian Financial Reporting Standards and IFRS Accounting Standards. The Directors are also responsible for such internal control as the Directors determine are 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 the combined financial statements.

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

- Identify and assess the risks of material misstatement of the combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountants' report to the related disclosures in the Financial Information of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Grant Thornton

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

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

Terence Lau Han Wen
No. 03298/04/2025 J
Chartered Accountant

3REN BERHAD
Registration No.: 202101012445 (1412744-K)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION

		Audited				
	Note	**30.6.2024 RM**	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
ASSETS						
Non-current assets						
Property, plant and equipment	4	17,152,365	17,750,459	17,716,138	8,462,091	2,753,434
Intangible assets	5	4,782,929	4,648,395	3,578,303	1,693,148	-
Right-of-use assets	6	1,137,395	937,762	1,224,028	642,602	613,757
Deferred tax assets	7	-	-	-	-	483,000
Other investments	8	-	-	1,917,500	1,572,500	905,923
Trade receivable	9	580,923	1,383,170	-	-	-
Contract assets	10	546,832	844,444	-	-	-
		24,200,444	25,564,230	24,435,969	12,370,341	4,756,114
Current assets						
Inventories	11	7,530,663	3,355,232	4,944,621	3,072,455	2,888,297
Trade receivables	9	29,710,731	26,350,015	26,250,336	18,308,411	16,698,477
Other receivables, deposits and prepayments	12	5,307,382	3,172,677	2,777,353	2,055,599	1,417,519
Contract assets	10	4,578,610	4,276,238	4,386,575	1,395,660	252,517
Contract costs	13	675,771	740,421	748,016	1,359,840	-
Current tax assets		203,245	178,245	1,863,553	900,000	73,375
Fixed deposits with licensed banks	14	9,977,608	9,976,257	7,872,196	9,282,617	7,664,682
Cash and bank balances	15	5,905,504	5,944,800	8,204,100	15,967,542	12,518,228
		63,889,514	53,993,885	57,046,750	52,342,124	41,513,095
TOTAL ASSETS		88,089,958	79,558,115	81,482,719	64,712,465	46,269,209
EQUITY AND LIABILITIES						
Equity attributable to owners of the Company						
Share capital	16.1	2	2	2	2	-
Invested equity	16.2	9,660,000	9,660,000	9,660,000	9,660,000	9,660,000
Retained profits	17	54,134,758	49,355,761	47,759,108	40,293,159	24,970,120
Total equity		63,794,760	59,015,763	57,419,110	49,953,161	34,630,120

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COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

		Audited				
	Note	**30.6.2024 RM**	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Non-current liabilities						
Deferred income	18	726	1,062	1,734	2,406	-
Borrowings	19	10,660,194	11,021,584	11,689,764	7,041,632	3,159,877
Lease liabilities	6	316,059	202,468	403,113	33,788	-
Deferred tax liabilities	7	1,449,000	1,609,000	1,216,876	536,000	2,000
		12,425,979	12,834,114	13,311,487	7,613,826	3,161,877
Current liabilities						
Trade payables	20	1,785,183	888,219	723,728	2,001,383	3,425,614
Other payables and accruals	21	2,124,107	2,943,455	2,762,167	2,303,266	903,371
Contract liabilities	10	6,092,052	2,661,519	4,529,729	1,953,045	795,232
Borrowings	19	710,075	802,860	907,870	545,810	657,755
Lease liabilities	6	306,125	193,109	261,956	39,099	33,240
Deferred income	18	672	672	672	672	-
Dividend payable		-	-	1,566,000	-	-
Current tax liabilities		851,005	218,404	-	302,203	2,662,000
		11,869,219	7,708,238	10,752,122	7,145,478	8,477,212
TOTAL LIABILITIES		24,295,198	20,542,352	24,063,609	14,759,304	11,639,089
TOTAL EQUITY AND LIABILITIES		88,089,958	79,558,115	81,482,719	64,712,465	46,269,209

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COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Audited	Unaudited	Audited			
	Note	**1.1.2024 to 30.6.2024 RM**	**1.1.2023 to 30.6.2023 RM**	**1.1.2023 to 31.12.2023 RM**	**1.1.2022 to 31.12.2022 RM**	**1.1.2021 to 31.12.2021 RM**	**1.1.2020 to 31.12.2020 RM**
Revenue	22	45,518,046	43,749,454	94,891,368	103,598,022	74,163,750	63,019,927
Cost of sales		(33,624,271)	(32,926,385)	(67,388,078)	(79,404,827)	(52,366,482)	(44,111,363)
Gross profit		11,893,775	10,823,069	27,503,290	24,193,195	21,797,268	18,908,564
Other income		321,108	47,550	110,611	257,791	2,231,211	49,971
Allowance for expected credit losses on receivables		(154,656)	-	(4,541)	-	(39,107)	-
Other operating expenses		(5,508,373)	(5,400,296)	(11,066,015)	(9,011,793)	(6,557,904)	(3,951,095)
Research and development expenses		(665,619)	(703,038)	(1,604,332)	(1,184,420)	(98,038)	(502,263)
Operating profit		5,886,235	4,767,285	14,939,013	14,254,773	17,333,430	14,505,177
Finance costs		(268,095)	(283,797)	(563,180)	(411,528)	(140,542)	(200,111)
Finance income		253,457	115,401	361,884	183,057	153,012	208,766
Profit before tax	23	5,871,597	4,598,889	14,737,717	14,026,302	17,345,900	14,513,832
Tax expense	24	(1,092,600)	(775,349)	(3,141,064)	(1,959,979)	(1,272,861)	(3,263,251)
Profit for the financial period/year, representing total comprehensive income for the financial period/year		4,778,997	3,823,540	11,596,653	12,066,323	16,073,039	11,250,581

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COMBINED STATEMENTS OF COMPREHENSIVE INCOME (CONT'D)

	Note	Audited 1.1.2024 to 30.6.2024 RM	Unaudited 1.1.2023 to 30.6.2023 RM	Audited 1.1.2023 to 31.12.2023 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2020 to 31.12.2020 RM
Total comprehensive income attributable to:							
Owner of the Company		4,778,997	3,823,540	11,596,653	12,036,666	16,073,039	11,250,581
Non-controlling interests		-	-	-	29,657	-	-
		4,778,997	3,823,540	11,596,653	12,066,323	16,073,039	11,250,581
Basic earnings per ordinary shares (sen)	25	0.74	0.59	1.78	1.85	2.47	1.73

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COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	Audited					
		Share Capital * RM	Invested Equity RM	Retained Profits RM	Total RM	Non-controlling Interests RM	Total Equity RM
Balance as at 1 January 2020		-	3,560,000	13,719,539	17,279,539	-	17,279,539
Total comprehensive income for the financial year		-	-	11,250,581	11,250,581	-	11,250,581
Transaction with owners:							
Allotment of redeemable convertible preference shares ("RCPS")	16	-	6,100,000	-	6,100,000	-	6,100,000
Balance as at 31 December 2020/1 January 2021		-	9,660,000	24,970,120	34,630,120	-	34,630,120
Total comprehensive income for the financial year		-	-	16,073,039	16,073,039	-	16,073,039
Transaction with owners:							
Dividends	26	-	-	(750,000)	(750,000)	-	(750,000)
Issuance of shares	16	2	-	-	2	-	2
Balance as at 31 December 2021/1 January 2022		2	9,660,000	40,293,159	49,953,161	-	49,953,161
Total comprehensive income for the financial year		-	-	12,036,666	12,036,666	29,657	12,066,323
Balance carried forward		2	9,660,000	52,329,825	61,989,827	29,657	62,019,484

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COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	Audited					
		Share Capital * RM	Invested Equity RM	Retained Profits RM	Total RM	Non-controlling Interests RM	Total Equity RM
Balance brought forward		2	9,660,000	52,329,825	61,989,827	29,657	62,019,484
Transaction with owners:							
Dividends	26	-	-	(4,566,000)	(4,566,000)	-	(4,566,000)
Non-controlling interest arising from acquisition of Pinkypye Sdn. Bhd. ("Pinkypye")		-	-	-	-	(34,364)	(34,364)
Acquisition of Pinkypye's non-controlling interest		-	-	(4,717)	(4,717)	4,707	(10)
Balance as at 31 December 2022/1 January 2023		2	9,660,000	47,759,108	57,419,110	-	57,419,110
Total comprehensive income for the financial year		-	-	11,596,653	11,596,653	-	11,596,653
Transaction with owners:							
Dividends	26	-	-	(10,000,000)	(10,000,000)	-	(10,000,000)
Balance as at 31 December 2023/1 January 2024		2	9,660,000	49,355,761	59,015,763	-	59,015,763
Total comprehensive income for the financial period		-	-	4,778,997	4,778,997	-	4,778,997
Balance as at 30 June 2024		2	9,660,000	54,134,758	63,794,760	-	63,794,760

* *Issuance of shares pursuant to the incorporation of 3REN.*

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COMBINED STATEMENTS OF CASH FLOWS

	Audited				
	1.1.2024 to 30.6.2024 RM	**1.1.2023 to 31.12.2023 RM**	**1.1.2022 to 31.12.2022 RM**	**1.1.2021 to 31.12.2021 RM**	**1.1.2020 to 31.12.2020 RM**
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	5,871,597	14,737,717	14,026,302	17,345,900	14,513,832
Adjustments for:					
Accretion of interest on lease liabilities	11,160	26,484	6,064	5,485	4,414
Allowance for expected credit loss	154,656	4,541	-	39,107	-
Amortisation of intangible assets	384,897	589,520	235,275	21,705	-
Bargain purchase	-	-	51,560	-	-
Deferred income	(336)	(672)	(672)	-	-
Depreciation of property, plant and equipment	769,271	1,445,959	631,864	364,206	348,982
Depreciation of right-of-use assets	119,667	275,438	84,952	47,677	47,440
Dividend income	-	-	-	(1,040,000)	-
Fair value loss/(gain) on other investments, net	-	27,000	83,000	(1,036,873)	-
Interest expense	256,935	537,148	405,464	135,057	195,697
Interest income	(253,457)	(361,884)	(183,057)	(153,012)	(208,766)
(Gain)/Loss on disposal of property, plant and equipment	-	(199)	(15,841)	19,160	-
Gain on lease modification	-	(452)	-	-	-
Property, plant and equipment written off	-	-	-	167,277	-
Rent concession	-	-	-	-	(3,177)
Unrealised (gain)/ loss on foreign exchange	(107,793)	72,197	(25,880)	1,429	-
Unwinding discounts on contract assets	(30,737)	105,749	-	-	-
Balance carried forward	7,175,860	17,458,546	15,299,031	15,917,118	14,898,422

3REN BERHAD
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COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

	Note	Audited				
		1.1.2024 to 30.6.2024 RM	**1.1.2023 to 31.12.2023 RM**	**1.1.2022 to 31.12.2022 RM**	**1.1.2021 to 31.12.2021 RM**	**1.1.2020 to 31.12.2020 RM**
Balance brought forward		7,175,860	17,458,546	15,299,031	15,917,118	14,898,422
Unwinding discounts on trade receivables		(37,629)	176,968	-	-	-
Operating profit before working capital changes		7,138,231	17,635,514	15,299,031	15,917,118	14,898,422
Changes in:						
Inventories		(4,175,431)	1,589,389	(1,872,166)	(184,158)	(832,226)
Receivables		(4,807,042)	(2,090,070)	(8,421,141)	(2,287,121)	(8,205,542)
Payables		81,448	342,079	(1,262,490)	(24,336)	1,330,182
Contract assets		25,977	(839,856)	(2,990,915)	(1,143,143)	3,883,860
Contract costs		64,650	7,595	611,824	(1,359,840)	-
Contract liabilities		3,430,533	(1,868,210)	2,576,684	1,157,813	(1,372,372)
Deferred income		-	-	-	3,078	-
Cash generated from operations		1,758,366	14,776,441	3,940,827	12,079,411	9,702,324
Interest paid		(256,935)	(537,148)	(405,464)	(135,057)	(195,697)
Interest received		253,457	361,884	183,057	153,012	208,766
Income tax paid		(645,000)	(1,495,717)	(2,544,861)	(3,442,284)	(1,949,058)
Income tax refunded		-	650,490	-	-	-
Net cash from operating activities carried forward		1,109,888	13,755,950	1,173,559	8,655,082	7,766,335
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisition of interest of non-controlling interests		-	-	(10)	-	-
Addition to intangible assets		(519,431)	(1,659,612)	(2,120,430)	(1,714,853)	-
Cash flow effects of acquiring Pinkypye	A	-	-	113,654	-	-
Dividend income		-	-	-	1,040,000	-
Net changes in other investments		-	324,500	(428,000)	370,297	-
Placement of fixed deposits with licensed banks		(949,280)	(624,679)	(21,196)	(19,592)	(254,171)
Balance carried forward		(1,468,711)	(1,959,791)	(2,455,982)	(324,148)	(254,171)

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COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

	Note	Audited 1.1.2024 to 30.6.2024 RM	1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM	1.1.2021 to 31.12.2021 RM	1.1.2020 to 31.12.2020 RM
Net cash from operating activities brought forward		1,109,888	13,755,950	1,173,559	8,655,082	7,766,335
CASH FLOWS FROM INVESTING ACTIVITIES (CONT'D)						
Balance brought forward		(1,468,711)	(1,959,791)	(2,455,982)	(324,148)	(254,171)
Proceed from disposal of property, plant and equipment		-	200	85,000	7,189	-
Purchase of property, plant and equipment	B	(171,177)	(1,373,281)	(9,034,548)	(6,266,489)	(632,335)
Net cash used in investing activities		(1,639,888)	(3,332,872)	(11,405,530)	(6,583,448)	(886,506)
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid		-	(10,000,000)	(3,000,000)	(750,000)	-
(Repayment)/ Drawdown of promissory notes		(109,896)	109,896	-	-	-
Net change in hire purchase loans	C	(108,920)	(203,227)	(205,902)	(149,120)	(25,314)
Net drawdown of term loans	C	(235,359)	(786,859)	4,297,194	4,068,727	141,533
Payment of lease liabilities	C	(103,853)	(284,696)	(80,260)	(42,360)	(39,183)
Proceed from issuance of ordinary shares		-	-	-	2	-
Proceeds from issuance of RCPS		-	-	-	-	6,100,000
Net cash (used in) /from financing activities		(558,028)	(11,164,886)	1,011,032	3,127,249	6,177,036
NET (DECREASE) /INCREASE IN CASH AND CASH EQUIVALENTS CARRIED FORWARD		(1,088,028)	(741,808)	(9,220,939)	5,198,883	13,056,865

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COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

	Audited				
	1.1.2024 to 30.6.2024 RM	**1.1.2023 to 31.12.2023 RM**	**1.1.2022 to 31.12.2022 RM**	**1.1.2021 to 31.12.2021 RM**	**1.1.2020 to 31.12.2020 RM**
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS BROUGHT FORWARD	(1,088,028)	(741,808)	(9,220,939)	5,198,883	13,056,865
Effect of foreign exchange rate changes	100,803	(38,110)	25,880	(1,429)	-
CASH AND CASH EQUIVALENTS AT BEGINNING	14,194,635	14,974,553	24,169,612	18,972,158	5,915,293
CASH AND CASH EQUIVALENTS AT END	13,207,410	14,194,635	14,974,553	24,169,612	18,972,158
The cash and cash equivalents are represented by:					
Fixed deposits with licensed banks	9,977,608	9,976,257	7,872,196	9,282,617	7,664,682
Cash and bank balances	5,905,504	5,944,800	8,204,100	15,967,542	12,518,228
Bank overdraft	-	-	-	-	(149,797)
	15,883,112	15,921,057	16,076,296	25,250,159	20,033,113
Less: Fixed deposit pledged to licensed banks and with maturity more than 3 months	(2,675,702)	(1,726,422)	(1,101,743)	(1,080,547)	(1,060,955)
	13,207,410	14,194,635	14,974,553	24,169,612	18,972,158

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COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

A. Cash flow effects of acquiring Pinkypye Sdn. Bhd. ("Pinkypye")

	1.1.2022 to 31.12.2022 RM
Cost of investment in Pinkypye	(15)
Cash and cash equivalents of Pinkypye	113,669
	113,654

B. Purchase of property, plant and equipment

	Note	Audited				
		1.1.2024 to 30.6.2024 RM	1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM	1.1.2021 to 31.12.2021 RM	1.1.2020 to 31.12.2020 RM
Total acquisition cost		171,177	1,480,281	9,953,448	6,266,489	722,335
Acquired under hire purchase	C	-	(107,000)	(918,900)	-	(90,000)
		171,177	1,373,281	9,034,548	6,266,489	632,335

C. Liabilities arising from financing activities

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

	Audited			
	Balance at beginning RM	Net cash flows RM	Others [1] RM	Balance at end RM
30.6.2024				
Hire purchase loans	747,362	(108,918)	-	638,444
Lease liabilities	395,577	(103,853)	330,460	622,184
Promissory notes	109,896	(109,896)	-	-
Term loans	10,967,186	(235,361)	-	10,731,825
	12,220,021	(558,028)	330,460	11,992,453

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COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

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

	Audited			
	Balance at beginning RM	**Net cash flows RM**	**Others [1] RM**	**Balance at end RM**
31.12.2023				
Hire purchase loans	843,591	(203,229)	107,000	747,362
Lease liabilities	665,069	(284,696)	15,204	395,577
Promissory notes	-	109,896	-	109,896
Term loans	11,754,043	(786,857)	-	10,967,186
	13,262,703	(1,164,886)	122,204	12,220,021
31.12.2022				
Hire purchase loans	130,593	(205,902)	918,900	843,591
Lease liabilities	72,887	(80,260)	672,442	665,069
Term loans	7,456,849	4,297,194	-	11,754,043
	7,660,329	4,011,032	1,591,342	13,262,703
31.12.2021				
Hire purchase loans	279,713	(149,120)	-	130,593
Lease liabilities	33,240	(42,360)	82,007	72,887
Term loans	3,388,122	4,068,727	-	7,456,849
	3,701,075	3,877,247	82,007	7,660,329
31.12.2020				
Hire purchase loans	215,027	(25,314)	90,000	279,713
Lease liabilities	71,186	(39,183)	1,237	33,240
Term loans	3,246,589	141,533	-	3,388,122
	3,532,802	77,036	91,237	3,701,075

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COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

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

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

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Accretion of interest	11,160	26,484	6,064	5,485	4,414
Addition of lease liabilities	319,300	-	666,378	76,522	-
Acquisition of property, plant and equipment through hire purchase loans	-	107,000	918,900	-	90,000
Lease modification	-	(11,280)	-	-	-
Rent concession	-	-	-	-	(3,177)
	330,460	122,204	1,591,342	82,007	91,237

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1 Introduction

This report has been prepared solely to comply with the Prospectus Guidelines issued by the Securities Commission Malaysia and for inclusion in the prospectus of 3REN Berhad ("the Company" or "3REN") 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") by the Company.

1.2 Background

The Company was incorporated on 5th April 2021 under the Companies Act 2016 in Malaysia as a private limited company and subsequently converted into a public limited company on 19 February 2024. The Company was incorporated as a special purpose vehicle for the purpose of acquiring Sophic Automation Sdn. Bhd. ("Sophic Automation"), Sophic MSC Sdn. Bhd. ("Sophic MSC") and Pinkypye as disclosed in Note 1.5 below, pursuant to the Listing.

The registered office of the Company is located at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Penang.

The principal place of business of the Company is located at No. 9 Jalan Industri Tangkas 1, Taman Industri Tangkas, 14000 Bukit Mertajam, Pulau Pinang.

1.3 Principal activities

The Company's principal activity is that of investment holding. The details of the subsidiaries as at the date of report are as follows:

Name of companies	Country of incorporation/Principal place of business	Date of incorporation	Effective equity interest	Principal activities
Sophic Automation	Malaysia	07.11.2007	100%	Provision of automation solutions and engineering services.
Sophic MSC	Malaysia	29.11.2011	100%	Provision of automation solutions.
Pinkypye	Malaysia	13.09.2021	100%	Provision of precision machining and related services.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

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

1.4 **Movement of Share Capital of 3REN**

The share capital of 3REN as at the latest practicable date – 9 September 2024 ("LPD") is RM54,000,002 comprising 540,000,000 ordinary shares. The movement of 3REN share capital since its incorporation are set out below:

Date of Allotment	No. of Shares allotted	Consideration/Type of issue	Cumulative share capital
		RM	RM
5 April 2021	2	2 / Subscribers shares	2
23 July 2024	489,999,998	49,000,000 / Consideration for the Acquisition of Sophic Automation	49,000,002
30 July 2024	40,000,000	4,000,000 / Consideration for the Acquisition of Sophic MSC	53,000,002
30 July 2024	10,000,000	1,000,000 / Consideration for the Acquisition of Pinkpye	54,000,002

As at the LPD, 3REN does not have 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 3REN will increase from RM54,000,002 comprising 54,000,000 ordinary shares to RM84,800,002 comprising 650,000,000 ordinary shares.

1.5 **Internal restructuring**

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

(a) Acquisition of Sophic Automation

On 20 March 2024, 3REN entered into a share sale agreement with Lee Chee Hoo, Koh Dim Kuan, Malaysian Technology Development Corporation Sdn. Bhd. ("MTDC") and Low Chee Onn to acquire the entire equity interest in Sophic Automation comprising 571,700 ordinary shares for a purchase consideration of RM49,000,000. The purchase consideration was satisfied by the issuance of 489,999,998 new ordinary shares in the Company at an issue price of RM0.10 per ordinary share as follows:

	No. of Shares	**RM**
Lee Chee Hoo	244,264,998	24,426,500
Koh Dim Kuan	149,989,000	14,998,900
Low Chee Onn	34,300,000	3,430,000
MTDC	61,446,000	6,144,600
	489,999,998	49,000,000

The acquisition was completed on 23 July 2024. Thereafter, Sophic Automation became a wholly-owned subsidiary of 3REN. The total purchase consideration of RM49,000,000 was arrived on a "willing-buyer willing-seller" basis after taking into consideration the audited net assets ("NA") of Sophic Automation as at 30 September 2023 of RM54,085,615 after adjusting for the interim dividends declared and paid of RM5.0 millionin respect of the financial year ended 31 December 2023.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

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

1.5 **Internal restructuring (cont'd)**

(b) Acquisition of Sophic MSC

On 20 March 2024, 3REN entered into a share sale agreement with Sophic Automation and Liew Chee Kin to acquire the entire equity interest in Sophic MSC comprising 100,000 ordinary shares for a purchase consideration of RM4,000,000. The purchase consideration was satisfied by the issuance of 40,000,000 new ordinary shares in the Company at an issue price of RM0.10 per share as follows:

	No. of Shares	RM
Sophic Automation	26,000,000	2,600,000
Liew Chee Kin	14,000,000	1,400,000
	40,000,000	4,000,000

Pursuant to the share sale agreement dated 20 March 2024, the entire 26,000,000 ordinary shares issued to Sophic Automation pursuant to the acquisition of Sophic MSC was subsequently novated as follows:

	No. of Shares	RM
Lee Chee Hoo	12,961,000	1,296,100
Koh Dim Kuan	7,959,000	795,900
Low Chee Onn	1,820,000	182,000
MTDC	3,260,000	326,000
	26,000,000	2,600,000

The acquisition was completed on 30 July 2024. Thereafter, Sophic MSC became a wholly-owned subsidiary of 3REN. The total purchase consideration of RM4,000,000 was arrived on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of Sophic MSC as at 30 September 2023 of RM3,978,690.

(c) Acquisition of Pinkypye

On 20 March 2024, 3REN entered into a share sale agreement with Sophic Automation to acquire the entire equity interest in Pinkypye comprising 25 ordinary shares for a purchase consideration of RM1,000,000. The purchase consideration was satisfied by the issuance of 10,000,000 new ordinary shares in the Company at an issue price of RM0.10 per share.

Pursuant to the share sale agreement dated 20 March 2024, the entire 10,000,000 ordinary shares issued to Sophic Automation pursuant to the acquisition of Pinkypye was subsequently novated as follows:

	No. of Shares	RM
Lee Chee Hoo	4,985,000	498,500
Koh Dim Kuan	3,061,000	306,100
Low Chee Onn	700,000	70,000
MTDC	1,254,000	125,400
	10,000,000	1,000,000

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

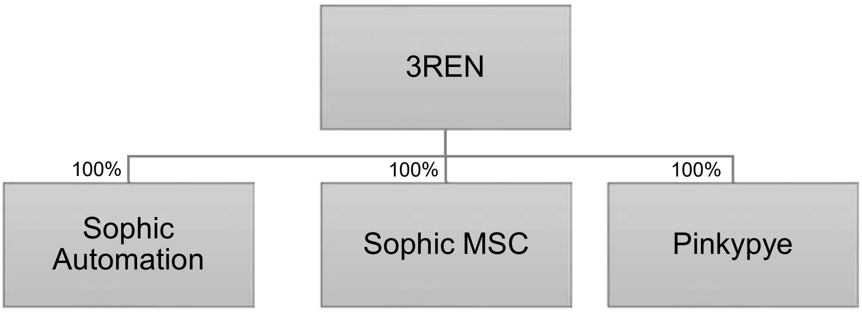
1. **GENERAL INFORMATION (CONT'D)**

1.5 **Internal restructuring (cont'd)**

(c) Acquisition of Pinkypye (cont'd)

The acquisition was completed on 30 July 2024. Thereafter, Pinkypye became a wholly-owned subsidiary of 3REN. The total purchase consideration of RM1,000,000 was arrived on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of Pinkypye as at 30 September 2023 of RM1,024,044.

Following the completion of the abovementioned acquisitions, the group structure of 3REN Group is as follows:



1.6 **IPO Listing Scheme**

(i) **Public Issue**

A total of 110,000,000 new 3REN ordinary shares ("Issued Shares") representing 16.92% of the enlarged share capital of 3REN are offered at an issue price of RM0.28 per share and shall be allocated in the following manner:

(a) 32,500,000 Issue Shares, representing 5.00% of the enlarged share capital are made available for application by the Malaysian Public;

(b) 30,000,000 Issue Shares, representing 4.62% of the enlarged share capital are reserved for our eligible Directors and employees;

(c) 9,800,000 Issue Shares, representing 1.51% of the enlarged share capital are reserved for private placement to Bumiputera investors approved by Ministry of Investment, Trade and Industry Malaysia ("MITI"); and

(d) 37,700,000 Issue Shares, representing 5.80% of the enlarged share capital are reserved for private placement to selected investors.

(ii) **Offer for Sale**

The Offer for Sales comprises an offer for sale of 45,000,000 shares representing 6.92% of the enlarged share capital of 3REN by the existing shareholders of the Company at a price of RM0.28 per share.

(iii) **Listing**

Subsequent to the above, the Company's entire enlarged share capital of RM84,800,002 comprising of 650,000,000 ordinary shares shall be listed on the ACE Market of Bursa Securities.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS

The combined entities are 3REN, Sophic Automation, Sophic MSC and Pinkypye* (collectively known as the "Group"). The combined financial statements of the Group have been prepared as if the Group has been operating as a single economic entity throughout the financial years ended 31 December 2020, December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, since the combined entities are under common control throughout the financial years under review.

**The combined financial statements only included the financial information for Pinkypye effective from 1 March 2022 since it was not under the control of the Promoters prior to that date.*

Carved Out Entities
Throughout the financial years under review, Sophic Automation held equity interest in the following subsidiaries/associates (collectively referred herein as "Carved Out Entities"):

	Audited				
Entities	**30.6.2024**	**31.12.2023**	**31.12.2022**	**31.12.2021**	**31.12.2020**
	%	%	%	%	%
SAV	-	-	64	64	64
APSB	-	-	-	-	100
MSB	-	-	-	-	100
JSB	-	-	-	-	100
ERS	-	-	-	-	75
IOSB	-	-	49	49	49
Alpha	-	-	42.5	-	-
APM Metal	-	-	30	-	-

Abbreviations:
SVN Automation Co. Ltd ("SAV") (formerly known as Sophic Automation Co. Ltd.)
Agensi Pekerjaan Sophic Sdn. Bhd.("APSB")
Mnosys Sdn. Bhd. ("MSB")
Joman Sdn. Bhd. ("JSB")
Easy Remote Solution Sdn. Bhd. ("ERS") (formerly known as Tofi Solution Sdn. Bhd.)
Inno OPX Sdn. Bhd. ("IOSB") (formerly known as Turcomp Sophic Sdn. Bhd.)
Alpha Core Sdn. Bhd. ("Alpha")
APM Metal Technologies (M) Sdn. Bhd. ("APM Metal")

The financial position, financial performance and cash flows of the Carved Out Entities do not form part of the combined financial statements as they will not be part of the Group post IPO. MSB, JSB and ERS had been disposed in the financial year ended 31 December 2021 while APSB had been liquidated in the financial year ended 31 December 2021. The entire equity interest of SAV, IOSB, Alpha and APM Metal were disposed on 3 February 2023, 17 March 2023, 26 April 2023 and 18 December 2023 respectively.

For the purpose of preparing the combined financial statements, the investment in the Carved Out Entities are presented under other investments in the Combined Statements of Financial Position and are measured at fair value through profit or loss.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

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

2.1 Statement of Compliance

For the purpose of preparing this Accountants' Report, the combined financial statements of the Group for the financial years/period ended 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and IFRS Accounting Standards and in compliance with the Guidance Note on "Combined Financial Statements" issued by the Malaysian Institute of Accountant and 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 notes to the combined financial statements.

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

Fair value measurement

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

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

A fair value measurement of a non-financial assets 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 combined 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.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

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

2.3 Functional and Presentation Currency

The combined financial statements are presented in Ringgit Malaysia ("RM") which is also the Company's functional currency and its combining entities' functional currency.

2.4 Standards Issued But Not Yet Effective

The Group has not applied the following standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective:

Effective for annual period beginning on or after 1 January 2025
Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability

Effective for annual period beginning on or after 1 January 2026
Amendments to MFRS 9 Financial Instruments and MFRS 7 Financial Instruments: Disclosures - Amendments to the Classification and Measurement of Financial Instruments

Effective for annual period beginning on or after 1 January 2027
MFRS 18 Presentation and Disclosure in Financial Statements
MFRS 19 Subsidiaries without Public Accountability: Disclosure

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 periods. Preliminary assessment indicates that these accounting pronouncements are not expected to have any material impact to the combined financial statements of the Group upon adoption.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)**

3.1 **Judgements made in applying accounting policies**

There are no significant areas of critical judgement in applying accounting policies that have any significant effect on the amount recognised in the combined financial statements other than the following:

(i) **Revenue recognition**

Revenue from the sale of goods and rendering of services are recognised at the point in time or over time when control of the goods is transferred and service is rendered to the customer. The management applies judgement in identifying the performance obligations and estimating the point of revenue recognition under different contractual agreements. The details of the different types of revenue are disclosed in Note 22 to the combined financial statements.

(ii) **Internally generated development costs**

Management monitors progress of internally generated research and development projects by using a project management system. Significant judgment is required in distinguishing the research phase from the development phase. Development costs are recognised as an asset when all the criteria are met, whereas research costs are expensed as incurred.

To distinguish any research-type project phase from the development phase, it is the Group's accounting policy to also require a detailed forecast of sales or cost savings expected to be generated by the intangible asset. The forecast is incorporated into the Group's overall budget forecast as the capitalisation of development costs commences. This ensures that managerial accounting, impairment testing procedures and accounting for internally-generated intangible assets is based on the same data.

The management also monitors whether the recognition requirements for development costs continue to be met. This is necessary as the economic success of any product under development is uncertain and may be subject to future technical problems after the time of recognition.

(iii) **Determining the lease term of contracts with extension options – Group 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.

The Group has lease contracts that include extension option. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to extend the leases. That is, it considers all relevant factors that create an economic incentive for it to exercise the extensions. After the commencement date, the Group reassesses the lease terms if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to extend.

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3. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)**

3.2 **Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date 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) **Inventories**

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the time the estimate is made. Possible changes in these estimates could result in revisions to the valuations of inventories.

(ii) **Provision for expected credit loss ("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 ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may be different from customer's actual default in the future.

The information about the ECL on the Group's trade receivables is disclosed on Note 30.3 to the combined financial statements.

(iii) **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 assets 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 stand-alone credit rating).

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4. **PROPERTY, PLANT AND EQUIPMENT**

	Freehold land RM	Buildings RM	Machinery RM	Office equipment, computers, furniture and fittings RM	Renovation RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Audited								
Cost								
At 1 January 2020	73,800	1,582,140	13,320	559,519	294,916	625,644	-	3,149,339
Additions	-	-	-	451,871	170,868	99,596	-	722,335
At 31 December 2020/ 1 January 2021	73,800	1,582,140	13,320	1,011,390	465,784	725,240	-	3,871,674
Additions	2,900,000	2,317,422	-	443,132	59,375	502,810	43,750	6,266,489
Disposals	-	-	-	(42,516)	-	-	-	(42,516)
Written off	-	-	-	-	(240,738)	-	-	(240,738)
At 31 December 2021/ 1 January 2022/Balance carried forward	2,973,800	3,899,562	13,320	1,412,006	284,421	1,228,050	43,750	9,854,909

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4. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	Freehold land RM	Buildings RM	Machinery RM	Office equipment, computers, furniture and fittings RM	Renovation RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Balance brought forward	2,973,800	3,899,562	13,320	1,412,006	284,421	1,228,050	43,750	9,854,909
Additions	1,600,736	-	1,975,046	604,867	261,970	495,815	5,015,014	9,953,448
Disposals	-	-	-	-	-	(148,198)	-	(148,198)
Reclassification	-	2,314,841	-	250,725	1,002,263	-	(3,567,829)	-
Acquisition of a subsidiary	-	-	-	1,650	-	-	-	1,650
At 31 December 2022/ 1 January 2023	4,574,536	6,214,403	1,988,366	2,269,248	1,548,654	1,575,667	1,490,935	19,661,809
Additions	-	27,674	31,470	673,112	411,096	115,300	221,629	1,480,281
Disposals	-	-	-	(3,380)	-	-	-	(3,380)
Reclassification	-	845,888	-	27,163	632,188	-	(1,505,239)	-
At 31 December 2023/ 1 January 2024	4,574,536	7,087,965	2,019,836	2,966,143	2,591,938	1,690,967	207,325	21,138,710
Additions	-	-	-	34,489	128,375	8,313	-	171,177
Reclassification	-	-	-	-	207,325	-	(207,325)	-
At 30 June 2024	4,574,536	7,087,965	2,019,836	3,000,632	2,927,638	1,699,280	-	21,309,887

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4. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	Freehold land RM	Buildings RM	Machinery RM	Office equipment, computers, furniture and fittings RM	Renovation RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Audited								
Accumulated depreciation								
At 1 January 2020	-	67,540	12,836	285,756	80,007	323,119	-	769,258
Current charge	-	29,656	240	178,741	67,821	72,524	-	348,982
At 31 December 2020/ 1 January 2021	-	97,196	13,076	464,497	147,828	395,643	-	1,118,240
Current charge	-	29,656	239	207,951	53,838	72,522	-	364,206
Disposals	-	-	-	(16,167)	-	-	-	(16,167)
Written off	-	-	-	-	(73,461)	-	-	(73,461)
At 31 December 2021/ 1 January 2022	-	126,852	13,315	656,281	128,205	468,165	-	1,392,818
Current charge	-	47,891	78,409	311,450	65,075	129,039	-	631,864
Disposals	-	-	-	-	-	(79,038)	-	(79,038)
Acquisition of a subsidiary	-	-	-	27	-	-	-	27
At 31 December 2022/ 1 January 2023/ Balance carried forward	-	174,743	91,724	967,758	193,280	518,166	-	1,945,671

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

4. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	Freehold land RM	Buildings RM	Machinery RM	Office equipment, computers, furniture and fittings RM	Renovation RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Balance brought forward	-	174,743	91,724	967,758	193,280	518,166	-	1,945,671
Current charge	-	137,942	270,339	470,247	434,179	133,252	-	1,445,959
Disposals	-	-	-	(3,379)	-	-	-	(3,379)
At 31 December 2023	-	312,685	362,063	1,434,626	627,459	651,418	-	3,388,251
Current charge	-	69,156	136,565	236,113	258,751	68,686	-	769,271
At 30 June 2024	-	381,841	498,628	1,670,739	886,210	720,104	-	4,157,522
Net carrying amount								
As at 31 December 2020	73,800	1,484,944	244	546,893	317,956	329,597	-	2,753,434
As at 31 December 2021	2,973,800	3,772,710	5	755,725	156,216	759,885	43,750	8,462,091
As at 31 December 2022	4,574,536	6,039,660	1,896,642	1,301,490	1,355,374	1,057,501	1,490,935	17,716,138
As at 31 December 2023	4,574,536	6,775,280	1,657,773	1,531,517	1,964,479	1,039,549	207,325	17,750,459
As at 30 June 2024	4,574,536	6,706,124	1,521,208	1,329,893	2,041,428	979,176	-	17,152,365

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

4. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

(i) **Material accounting policy information**

Property, plant and equipment are initially stated at cost and measured subsequently using the cost model less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated as it has an infinite life.

Depreciation on other property, plant and equipment is calculated on the straight-line method to write off the cost of each asset to their residual value over their estimated useful lives at the following annual rates:

Buildings	1.75% - 2%
Machinery	20%
Office equipment, computers, furniture and fittings	10% - 20%
Renovation	20%
Motor vehicles	10%

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.

(ii) The property, plant and equipment pledged to a licensed bank for banking facilities granted are as follows:

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Freehold land	4,574,536	4,575,536	4,574,536	2,973,800	73,800
Buildings	6,706,124	6,775,280	6,039,660	3,772,710	1,484,944
Capital work-in-progress	-	-	973,276	-	-
	11,280,660	11,350,816	11,587,472	6,746,510	1,558,744

(iii) The carrying amount of property, plant and equipment acquired under hire purchase are as follows:

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Motor vehicles	921,897	982,573	1,053,500	153,776	304,433

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5. **INTANGIBLE ASSETS**

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
At cost					
Balance at beginning	5,494,895	3,835,283	1,714,853	-	-
Additions	519,431	1,659,612	2,120,430	1,714,853	-
Balance at end	6,014,326	5,494,895	3,835,283	1,714,853	-
Accumulated amortisation					
Balance at beginning	(846,500)	(256,980)	(21,705)	-	-
Current charge	(384,897)	(589,520)	(235,275)	(21,705)	-
Balance at end	(1,231,397)	(846,500)	(256,980)	(21,705)	-
Carrying amount	4,782,929	4,648,395	3,578,303	1,693,148	-

The intangible assets represent development cost incurred for digitalised solutions such as command and control centre, operational efficiency solutions, workforce efficiency solutions, asset management system, manufacturing operating system framework etc.

Material accounting policy information

Expenditure incurred on projects to develop new products is capitalised as development costs and deferred only when the Group can demonstrate the technical feasibility of completing the asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are recognised in profit or loss as incurred.

Capitalised development costs comprise direct attributable costs incurred for development. Capitalised development costs, considered to have finite useful lives, are stated at cost less accumulated amortisation. Development costs are amortised using the straight-line basis over 5 to 10 years.

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6. **RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

The Group has lease contracts for the rental of office premises and land used in its operations. The lease term of the land is 57 years while the lease term of the office premises is ranging from 2 to 3 years with an option to renew the leases for another 1 year. The Group expects that it is reasonably certain that it will exercise the options to extend the leases and has factored the extension options as part of the lease term for leases of office premise. The lease contracts restrict the Group from assigning and subleasing the leased assets.

Set out below are the carrying amount of the Group's right-of-use assets and lease liabilities recognised and the movements during the financial year:

	Audited		
	Leasehold land RM	Office premises RM	Total RM
Right-of-use assets			
At 1 January 2020	593,659	67,538	661,197
Depreciation	(10,601)	(36,839)	(47,440)
At 31 December 2020/1 January 2021	583,058	30,699	613,757
Additions	-	76,522	76,522
Depreciation	(10,601)	(37,076)	(47,677)
At 31 December 2021/ 1 January 2022	572,457	70,145	642,602
Additions	-	666,378	666,378
Depreciation	(10,601)	(74,351)	(84,952)
At 31 December 2022/ 1 January 2023	561,856	662,172	1,224,028
Depreciation	(10,601)	(264,837)	(275,438)
Lease modification	-	(10,828)	(10,828)
At 31 December 2023/ 1 January 2024	551,255	386,507	937,762
Addition	-	319,300	319,300
Depreciation	(5,301)	(114,366)	(119,667)
As at 30 June 2024	545,954	591,441	1,137,395

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6. **RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)**

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Lease liabilities					
Balance at beginning	395,577	665,069	72,887	33,240	71,186
Additions	319,300	-	666,378	76,522	-
Accretion of interest	11,160	26,484	6,064	5,485	4,414
Payments	(103,853)	(284,696)	(80,260)	(42,360)	(39,183)
Lease modification	-	(11,280)	-	-	-
Rent concession	-	-	-	-	(3,177)
Balance at end	622,184	395,577	665,069	72,887	33,240
Represented by:					
Non-current liabilities	316,059	202,468	403,113	33,788	-
Current liabilities	306,125	193,109	261,956	39,099	33,240
	622,184	395,577	665,069	72,887	33,240

(i) **Material accounting policy information**

Right-of-use assets are initially stated at cost and measured subsequently using the cost model less accumulated depreciation and accumulated impairment losses.

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.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the leases and the estimated useful lives of the assets as follows:

Leasehold land	57 years
Office premise	2 to 3 years

The Group applies the short-term lease recognition exemption to its short-term leases of office premise, other premises and equipment (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 equipment 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.

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6. **RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)**

(ii) The following are the amounts recognised in profit or loss:

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Depreciation expense of right-of-use assets	(119,667)	(275,438)	(84,952)	(47,677)	(47,440)
Interest expense on lease liabilities	(11,160)	(26,484)	(6,064)	(5,485)	(4,414)
Rent concession [(a)]	-	-	-	-	3,177
Expenses relating to short-term leases [(b)]	(38,179)	(81,351)	(186,240)	(149,089)	(56,165)
Gain on lease modification	-	452	-	-	-
	(169,006)	(382,821)	(277,256)	(202,251)	(104,842)

[(a)] Rent concession is in relation to the rental expenses waived by the landlord during the financial year.

[(b)] The Group leases premise and equipment with contract term of less than 1 year. These leases are short-term in nature and the Group has elected not to recognise right-of-use asset and lease liabilities for these leases.

The Group's total cash outflows for leases during the financial period/year is RM142,032 (31.12.2023: RM366,047, 31.12.2022: RM266,500, 31.12.2021: RM191,449, 31.12.2020: RM95,348).

(iii) The right-of-use asset pledged to licensed banks for banking facilities granted is as follows:

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Leasehold land	545,954	551,255	561,856	572,457	583,058

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7. **DEFERRED TAX ASSETS/(LIABILITIES)**

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Balance at beginning	1,609,000	(1,216,876)	(536,000)	481,000	(222,434)
Recognised in profit or loss	(147,000)	(407,124)	(704,876)	(528,000)	702,000
	1,462,000	(1,624,000)	(1,240,876)	(47,000)	479,566
Over/(Under) provision in prior year	(13,000)	15,000	24,000	(489,000)	1,434
Balance at end	(1,449,000)	(1,609,000)	(1,216,876)	(536,000)	481,000

The recognised deferred tax assets/(liabilities), after appropriate offsetting, are as follows:

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Deferred tax assets	-	-	-	-	483,000
Deferred tax liabilities	(1,449,000)	(1,609,000)	(1,216,876)	(536,000)	(2,000)
	(1,449,000)	(1,609,000)	(1,216,876)	(536,000)	481,000

The deferred tax assets/(liabilities) are represented by temporary differences arising from:

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Property, plant and equipment	(271,800)	(431,000)	(389,000)	(131,000)	(46,000)
Intangible assets	(1,148,000)	(1,116,000)	(859,000)	(406,000)	-
Contract assets	(64,000)	(71,000)	7,000	1,000	28,000
Others	34,800	9,000	24,124	-	499,000
Balance at end	(1,449,000)	(1,609,000)	(1,216,876)	(536,000)	481,000

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8. **OTHER INVESTMENTS**

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Fair value through profit or loss:					
Unquoted shares					
Balance at beginning	-	1,917,500	1,572,500	905,923	905,923
Additions	-	27,000	428,000	458,204	-
Disposals	-	(1,917,500)	-	(828,500)	-
Fair value (loss)/gain on investment	-	(27,000)	(83,000)	1,036,873	-
Balance at end	-	-	1,917,500	1,572,500	905,923
Unquoted shares in Malaysia	-	-	351,500	6,500	835,000
Unquoted shares outside Malaysia	-	-	1,566,000	1,566,000	70,923
	-	-	1,917,500	1,572,500	905,923

Investment in unquoted shares represents investments in the Carved Out Entities owned by Sophic Automation and are recognised at fair value. For the purpose of preparing the combined financial statements, the fair value of these investments is derived from the selling price agreed between Sophic Automation and the buyers under the respective share sales agreements or other equivalent sales contract and fair value gain/(loss) are recorded in the combined statements of comprehensive income in the year the investment is classified as other investment.

Below summarises the transaction between the Group and the Carved Out Entities for the financial period/year under review:

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Advances to SAV	-	-	487,765	-	-
Loan interest charged to:					
SAV	-	-	7,194	855	18,233
ERS	-	-	-	-	5,638
Rental of vehicle from MSB	-	-	-	9,000	-

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8. **OTHER INVESTMENTS (CONT'D)**

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Dividend income received:					
- MSB	-	-	-	380,000	-
- JSB	-	-	-	660,000	-

Material accounting policy information

Other investments are carried in the combined statements of financial position at fair value with net changes in fair value recognised in profit or loss.

9. **TRADE RECEIVABLES**

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Non-current asset					
Trade receivable	580,923	1,383,170	-	-	-
Current asset					
Trade receivables	29,864,035	26,393,663	26,289,443	18,347,518	16,873,296
Less: Allowance for expected credit losses					
Balance at beginning	(43,648)	(39,107)	(39,107)	(174,819)	(174,819)
Current period/year	(109,656)	(4,541)	-	(39,107)	-
Written off	-	-	-	174,819	-
Balance at end	(153,304)	(43,648)	(39,107)	(39,107)	(174,819)
	29,710,731	26,350,015	26,250,336	18,308,411	16,698,477
Total trade receivables	30,291,654	27,733,185	26,250,336	18,308,411	16,698,477

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9. **TRADE RECEIVABLES (CONT'D)**

The currency profile of the trade receivables is as follows:

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Ringgit Malaysia	28,045,015	25,727,181	25,748,784	17,798,321	16,186,438
US Dollar	2,246,639	2,006,004	322,304	510,090	512,039
Singapore Dollar	-	-	179,248	-	-
	30,291,654	27,733,185	26,250,336	18,308,411	16,698,477

The trade receivables are non-interest bearing and generally on 30 to 120 days (31.12.2023: 30 to 120 days, 31.12.2022: 30 to 120 days, 31.12.2021: 30 to 120 days, 31.12.2020: 30 to 120 days) credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivables is an amount of RM2,112,428 (31.12.2023: 2,293,582, 31.12.2022: Nil, 31.12.2021: Nil, 31.12.2020: Nil) arising from sales during the financial year ended 31 December 2023 which have been arranged to be repaid over 24 months commencing December 2023.

10. **CONTRACT ASSETS/(LIABILITIES)**

		Audited				
	Note	**30.6.2024 RM**	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Non-current asset						
Contract assets - Revenue contracts	10.1	546,832	844,444	-	-	-
Current asset						
Contract assets - Revenue contracts	10.1	4,578,610	4,276,238	4,386,575	1,395,660	252,517
Total contract assets		5,125,442	5,120,682	4,386,575	1,395,660	252,517

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

10. **CONTRACT ASSETS/(LIABILITIES) (CONT'D)**

		Audited				
	Note	**30.6.2024 RM**	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Current liability						
Contract liabilities						
- Revenue contracts	10.2	(100,010)	(30,930)	(140,593)	(46,200)	(261,062)
- Deposits received from customers	10.3	(5,992,042)	(2,630,589)	(4,389,136)	(1,906,845)	(534,170)
Total contract liabilities		(6,092,052)	(2,661,519)	(4,529,729)	(1,953,045)	(795,232)
Net contract (liabilities)/ asset		(966,610)	2,459,163	(143,154)	(557,385)	(542,715)

10.1 **Contract assets - revenue contract ***

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Balance at beginning	5,120,682	4,386,575	1,395,660	252,517	4,136,377
Revenue recognised during the period/year	58,143,951	59,729,951	65,869,497	38,211,297	27,603,950
Progress billings during the period/year	(58,139,191)	(58,995,844)	(62,878,582)	(37,068,154)	(31,487,810)
Balance at end	5,125,442	5,120,682	4,386,575	1,395,660	252,517

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

10. **CONTRACT ASSETS/(LIABILITIES) (CONT'D)**

10.2 **Contract liabilities - revenue contract ***

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Balance at beginning	30,930	140,593	46,200	261,062	-
Revenue recognised during the period/year	-	(329,770)	(2,442,379)	(478,862)	(68,938)
Progress billings during the period/year	69,080	220,107	2,536,772	264,000	330,000
Balance at end	100,010	30,930	140,593	46,200	261,062

* Contract assets/liabilities arising from revenue contracts are timing differences between the point where revenue is recognised to the point where invoice/billing is raised to the customer. The timing difference occurs when the billing does not coincide to the actual work performed to date for the customer and this occurs for sales contracts where recognition of revenue is over time.

10.3 **Contract liabilities - deposits received from customers**

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Balance at beginning	2,630,589	4,389,136	1,906,845	534,170	2,167,604
Revenue recognised during the period/year	(2,456,665)	(3,562,590)	(1,906,845)	(534,170)	(2,167,604)
Deposit received during the period/year	5,818,118	1,804,043	4,389,136	1,906,845	534,170
Balance at end	5,992,042	2,630,589	4,389,136	1,906,845	534,170

Deposits received in advance are from customers within the manufacturing operating solutions and services segment.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

10. **CONTRACT ASSETS/(LIABILITIES) (CONT'D)**

10.4 **Unsatisfied performance obligations**

The aggregate amount of unsatisfied performance obligations at the end of the reporting period and the expected timing of recognition of revenue are as follows:

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Within one year	4,706,265	3,020,933	11,920,809	5,033,235	3,470,764
Within two years	5,816,401	2,366,989	-	99,000	99,000
Balance at end	10,522,666	5,387,922	11,920,809	5,132,235	3,569,764

11. **INVENTORIES**

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Raw materials	1,351,840	549,076	523,826	600,448	126,822
Work-in-progress	6,178,823	2,806,156	4,420,795	409,032	2,761,475
Finished goods	-	-	-	2,062,975	-
	7,530,663	3,355,232	4,944,621	3,072,455	2,888,297
Inventories recognised as cost of sales in profit or loss	8,798,579	21,795,163	24,334,034	31,044,164	29,386,071

Material accounting policy information

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

Costs of all inventories are determined on the first-in, first-out basis

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

12. **OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Other receivables	215,201	47,900	387,656	345,083	626,522
Less: Allowance for expected credit losses					
Balance at beginning	-	-	-	-	-
Current period/ year	(45,000)	-	-	-	-
Balance at end	(45,000)	-	-	-	-
Other receivables, net	170,201	47,900	387,656	345,083	626,522
Refundable deposits	266,236	298,712	291,134	318,779	39,897
Prepayments	4,870,945	2,826,065	2,098,563	1,391,737	751,100
	5,307,382	3,172,677	2,777,353	2,055,599	1,417,519

The currency profile of other receivables, deposits and prepayments is as follows:

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Ringgit Malaysia	4,835,861	3,062,493	2,627,800	1,809,825	984,441
US Dollar	400,188	110,184	149,553	245,774	433,078
CNY	71,333	-	-	-	-
	5,307,382	3,172,677	2,777,353	2,055,599	1,417,519

13. **CONTRACT COSTS**

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Cost to fulfill contracts	675,771	740,421	748,016	1,359,840	-

Cost to fulfil contracts relates to project related costs incurred that are attributable to on-going projects where revenue have not been recognised. These costs will be charged to profit or loss when the related revenue is recognised.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

14. **FIXED DEPOSITS WITH LICENSED BANKS**

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Unencumbered:					
Fixed deposits with licensed banks	9,053,280	9,064,594	6,770,453	8,202,070	6,603,727
Encumbered:					
Fixed deposits with licensed banks	924,328	911,663	1,101,743	1,080,547	1,060,955
	9,977,608	9,976,257	7,872,196	9,282,617	7,664,682

15. **CASH AND BANK BALANCES**

The encumbered fixed deposits are pledged to licensed banks for banking facilities granted to combining entities as disclosed in Note 19 to the financial statements.

The maturities and effective interest rates per annum of the fixed deposits with licensed banks at the end of the reporting period are as follows:

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Maturities (months)	1-12	1-12	1-12	1-12	1-12
Interest rates (%)	2.40 to 3.80	2.60 to 3.95	1.85 to 3.15	1.50 to 1.85	1.50 to 3.15

The currency profile of cash and bank balances is as follows:

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Ringgit Malaysia	2,436,646	3,741,054	8,193,410	15,844,226	12,264,893
US Dollar	3,468,858	2,203,746	10,690	123,316	253,335
	5,905,504	5,944,800	8,204,100	15,967,542	12,518,228

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16. SHARE CAPITAL AND INVESTED EQUITY

16.1 Share capital

	Audited									
	Amount 30.6.2024 RM	Number of shares 30.6.2024 Units	Amount 31.12.2023 RM	Number of shares 31.12.2023 Units	Amount 31.12.2022 RM	Number of shares 31.12.2022 Units	Amount 31.12.2021 RM	Number of shares 31.12.2021 Units	Amount 31.12.2020 RM	Number of shares 31.12.2020 Units
Issued and fully paid shares with no par value	2	2	2	2	2	2	2	2	2	2

16.2 Invested equity

		Audited									
	Note	Amount 30.6.2024 RM	Number of shares 30.6.2024 Units	Amount 31.12.2023 RM	Number of shares 31.12.2023 Units	Amount 31.12.2022 RM	Number of shares 31.12.2022 Units	Amount 31.12.2021 RM	Number of shares 31.12.2021 Units	Amount 31.12.2020 RM	Number of shares 31.12.2020 Units
Issued and fully paid shares with no par value		860,000	600,000	860,000	600,000	860,000	600,000	860,000	600,000	860,000	600,000
RCPS	16.2.1	8,800,000	8,800,000	8,800,000	8,800,000	8,800,000	8,800,000	8,800,000	8,800,000	8,800,000	2,700,000
		9,660,000	9,400,000	9,660,000	9,400,000	9,660,000	9,400,000	9,660,000	9,400,000	9,660,000	3,300,000

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

16. SHARE CAPITAL AND INVESTED EQUITY (CONT'D)

16.2.1 RCPS

	Audited									
	Amount 31.12.2023 RM	Number of RCPS 31.12.2023 Units	Amount 31.12.2023 RM	Number of RCPS 31.12.2023 Units	Amount 31.12.2022 RM	Number of RCPS 31.12.2022 Units	Amount 31.12.2021 RM	Number of RCPS 31.12.2021 Units	Amount 31.12.2020 RM	Number of RCPS 31.12.2020 Units
Issued and fully paid:										
Balance at beginning	8,800,000	8,800,000	8,800,000	8,800,000	8,800,000	8,800,000	8,800,000	2,700,000	2,700,000	2,700,000
Issued against share application money *	-	-	-	-	-	-	-	6,100,000	6,100,000	-
Balance at end	8,800,000	8,800,000	8,800,000	8,800,000	8,800,000	8,800,000	8,800,000	8,800,000	8,800,000	2,700,000
Represented by:										
RCPS Series A	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000
RCPS Series B	6,100,000	6,100,000	6,100,000	6,100,000	6,100,000	6,100,000	6,100,000	6,100,000	6,100,000	-
	8,800,000	8,800,000	8,800,000	8,800,000	8,800,000	8,800,000	8,800,000	8,800,000	8,800,000	2,700,000

* In 2020, Sophic Automation received an amount of RM6,100,000 representing share application money from its existing RCPS holder to subscribe to 6,100,000 new RCPS series B at an issue price of RM1 per share. The allotment was completed on 30 June 2021.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

16. **SHARE CAPITAL AND INVESTED EQUITY (CONT'D)**

The salient features of the RCPS Series A and RCPS series B are as follows:-

(i) Voting rights similar to ordinary shares on as-converted basis.

(ii) The RCPS series B shall rank pari passu with the RCPS Series A and rank senior to all other issued securities;

At any time upon holder's discretion, the RCPS shall be convertible into ordinary shares in the Group, in full or partially, based on the following formula:

Z = X/Y; where

Z = Holder's Shareholding Percentage in the Group
X = Investment amount
Y = Sophic Automation's Value

For RCPS series A, Sophic Automation's Value shall be determined based on the weighted average Profit after Tax of Sophic Automation over a 36-months period post-disbursement of Investment Amount, multiplied by a Price/Earnings Multiple of 6.05 times.*

For RCPS Series B, Sophic Automation's Value shall be determined by application of intrinsic valuation model, i.e. residual income, and using the relative valuation model, i.e., price-to-earnings ratio or enterprise value to sales (EV/S) as indicator. In the case of merger and acquisition ("M&A") where all existing shares are being surrendered and new shares are issued arising from the merging activity of Sophic Automation with another entity, i.e., acquiree or acquirer, the number of ordinary shares issued to RCPS holder or shares value shall be at equal percentage of the initial or recent shareholding, i.e., assuming the M&A occurs subsequent to several rounds or series of fundraising, calculated on a fully diluted basis. In the case of investment being executed at a pre-IPO level where immediate execution of conversion is required by the financial regulatory authority or the exchanges or requested by the RCPS holder, the 2nd Tranche RCPS being converted prior to IPO shall require a minimum of discount to the IPO's price or valuation, to be completed prior to the final submission of IPO information memorandum or prospectus. Any investment via RCPS made at the subsidiary level of a pre-listing entity shall allow the RCPS holder to convert the RCPS at the subsidiary level and immediately swap the ordinary shares to the listed company, wherever RCPS holder is breakeven or gain position. The ordinary shares to be issued to RCPS holder at the listed company level shall be adjusted accordingly to reflect the RCPS holder's current share value based on the company's current market capitalisation, in which, the shareholding percentage that was held by the RCPS holder at the subsidiary level post conversion shall be used as the basis of computation.*

Notwithstanding the above, the holder reserves the right to adjust the conversion multiples arising from the new equity fund arising by the Group.

** Kindly refer below for the latest conversion proposal.*

(iii) The ordinary shares arising from the conversion of the RCPS shall be upon allotment and issue, rank *pari passu* in all respects, with the then existing issued ordinary shares save and except that they shall not be entitled to any rights, allotments and/or other distributions issued to existing holders of ordinary shares of the Group where the entitlement date (that is the date when such rights, allotments and/or other distributions and declared by the Group) is prior to the date of conversion. Further the amount of the RCPS that will be converted are subject to the initial agreeable conversion rate and/or equity valuation or current paid up capital upon conversion.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

16. **SHARE CAPITAL AND INVESTED EQUITY (CONT'D)**

(iv) The RCPS is redeemable at an amount equal to the Subscription Monies plus 10% Internal Rate of Return ("IRR") or minimum of 6.5% IRR and minimum annual coupon charges of 4.5% from the investment amount at any time upon occurrence of any events which may adversely affect the investment and/or the Group, at the sole determination of the holder.

In the event of the Group is unable to redeem the RCPS upon the issuance date of the Redemption Notice, the holder reserves the right to cause the existing shareholders to acquire the RCPS from the holder at Subscription Monies plus 10% IRR.

(v) As the holders of the RCPS shall have the right of first offer to purchase up to their pro-rata share (on an as-converted basis) of any equity securities that may be issued by the Group in future on the same price terms and conditions as the Group offers such securities to other potential investors or existing ordinary shareholders.

The holder as the holders of ordinary shares and RCPS shall also have a right of over-subscription if any shareholder elects not to purchase their pro-rata share.

(vi) In the event of new shares being approved by the RCPS shareholders, the conversion ratio of RCPS shall be adjusted on a broad-based, weighted-average basis in the event of an issuance below the conversion price of RCPS.

Conversion ratio of RCPS shall be subject to proportional adjustments for stock splits and share dividends, recapitalisation and similar events.

(vii) The holder as the holders of RCPS shall have the right to participate up to theirs share (on an as converted basis) in a sale of shares by any of the Group's shareholders on similar terms.

(viii) In the event of any liquidation, dissolution or winding-up of the Group, the holder shall be entitled to receive in preference to ordinary shareholders, an amount per share equal to 1.50 time of the original issue price (subject to splits, combinations and similar events including but not limited to capital reduction exercise), plus declared and unpaid dividends, if any or the amount holder would have received had holder converted the RCPS to ordinary shares prior to such liquidation or winding ("Initial Payment").

After Initial Payment has been made, the investors and ordinary shareholders will participate rateably.

A sales, lease, conveyance, license or other disposition of all or substantially all of the property or business of the Group with or into any other corporation will be deemed to be a liquidation or purposes of the liquidation preference.

(ix) The holder's equity terms and conditions shall rank higher in priority than the existing institutional investor (if any) wherever relevant which includes but not limited to dividend payment and liquidation preference.

Conversion Notice

On 14 March 2024, Sophic Automation received a proposal for notice of conversion by MTDC, the RCPS holder, to convert all of its 8,800,000 RCPSs held in Sophic Automation, which comprise of 2,700,000 RCPS Series A and 6,700,000 RCPS series B, into 71,700 new ordinary shares in Sophic Automation based on a conversion rate of 2.1 multiple over the nominal value of the entire RCPS. The proposal put forth by MTDC will supersede the conversion formula as stipulated in (ii) above and is subject to the approval obtain from Bursa Securities and any such other relevant regulatory authorities on the Company's IPO. The conversion of the RCPS has been completed on 5 July 2024.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

17. **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.

18. **DEFERRED INCOME**

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Balance at beginning	1,734	2,406	3,078	-	-
Grant received during the financial year	-	-	-	3,358	-
Recognised in profit or loss	(336)	(672)	(672)	(280)	-
Balance at end	1,398	1,734	2,406	3,078	-
Analysed as:					
Non-current	726	1,062	1,734	2,406	-
Current	672	672	672	672	-
	1,398	1,734	2,406	3,078	-

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

19. **BORROWINGS**

	Audited				
	30.6.2024	**31.12.2023**	**31.12.2022**	**31.12.2021**	**31.12.2020**
	RM	**RM**	**RM**	**RM**	**RM**
Non-current liabilities					
Term loans					
Total amount payable	10,731,825	10,967,186	11,754,043	7,456,849	3,388,122
Amount due within one year included under current liabilities	(484,921)	(472,689)	(715,277)	(509,419)	(451,922)
	10,246,904	10,494,497	11,038,766	6,947,430	2,936,200
Hire purchase loans					
Total amount payable	679,484	803,480	915,730	140,610	314,895
Future finance charges	(41,040)	(56,118)	(72,139)	(10,017)	(35,182)
	638,444	747,362	843,591	130,593	279,713
Amount due within one year included under current liabilities	(225,154)	(220,275)	(192,593)	(36,391)	(56,036)
	413,290	527,087	650,998	94,202	223,677
	10,660,194	11,021,584	11,689,764	7,041,632	3,159,877
Current liabilities					
Promissory note	-	109,896	-	-	-
Bank overdraft	-	-	-	-	149,797
Hire purchase loans	225,154	220,275	192,593	36,391	56,036
Term loans	484,921	472,689	715,277	509,419	451,922
	710,075	802,860	907,870	545,810	657,755
Total borrowings	11,370,269	11,824,444	12,597,634	7,587,442	3,817,632

The borrowings (except for hire purchase loans) are secured by way of:

(i) first legal charge over the properties, plant and equipment as disclosed in Note 4 to the combined financial statements;
(ii) first legal charge over the leasehold land as disclosed in Note 6 to the combined financial statements;
(iii) jointly and several guarantee by directors of Sophic Automation; and
(iv) pledged against fixed deposits as disclosed in Note 14 to the combined financial statements.

The hire purchase loans are secured over the corresponding assets acquired in Note 4 to the combined financial statements.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

19. **BORROWINGS (CONT'D)**

A summary of the effective interest rates and the maturities of the borrowings are as follows:

	Effective interest rates 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
30.6.2024						
Hire purchase loans	3.78 to 6.40	638,444	225,154	224,797	188,493	-
Term loans	3.50 to 8.15	10,731,825	484,921	510,235	1,431,342	8,305,327
31.12.2023						
Hire purchase loans	3.78 to 6.40	747,362	220,275	230,017	297,070	-
Promissory notes	3.62	109,896	109,896	-	-	-
Term loans	3.00 to 8.15	10,967,186	472,689	497,313	1,460,633	8,536,551
31.12.2022						
Hire purchase loans	3.78 to 4.17	843,591	192,593	220,490	430,508	-
Term loans	3.00 to 7.90	11,754,043	715,277	758,723	1,931,895	8,348,148
31.12.2021						
Hire purchase loans	4.62 to 5.01	130,593	36,391	38,093	56,109	-
Term loans	3.15 to 6.90	7,456,849	509,419	557,296	1,626,636	4,763,498
31.12.2020						
Banker overdraft	7.40	149,797	149,797	-	-	-
Hire purchase loans	3.85 to 5.01	279,713	56,036	49,661	138,259	35,757
Term loans	3.20 to 6.90	3,388,122	451,922	373,684	1,264,329	1,298,187

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20. TRADE PAYABLES

The currency profile of trade payables is as follows:

	Audited				
	30.6.2024 **RM**	**31.12.2023** **RM**	**31.12.2022** **RM**	**31.12.2021** **RM**	**31.12.2020** **RM**
Ringgit Malaysia	1,717,458	887,400	679,741	1,902,904	3,280,087
US Dollar	32,682	650	43,818	26,922	48,219
Singapore Dollar	35,043	-	-	15,735	12,786
Euro	-	169	169	55,822	84,522
	1,785,183	888,219	723,728	2,001,383	3,425,614

The normal credit terms granted by trade payables range from 30 to 90 days (31.12.2023: 30 to 90 days; 31.12.2022: 30 to 90 days; 31.12.2021: 30 to 90 days; 31.12.2020: 30 to 90 days).

21. OTHER PAYABLES AND ACCRUALS

	Audited				
	30.6.2024 **RM**	**31.12.2023** **RM**	**31.12.2022** **RM**	**31.12.2021** **RM**	**31.12.2020** **RM**
Other payables	304,458	303,910	503,536	677,453	227,485
Accruals	1,819,649	2,639,545	2,258,631	1,625,813	675,886
	2,124,107	2,943,455	2,762,167	2,303,266	903,371

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

22. REVENUE

22.1 Disaggregation of revenue from contracts with customers

	Audited	Unaudited	|-------	Audited	-------	-------|
	1.1.2024 to 30.6.2024 RM	**1.1.2023 to 30.6.2023 RM**	**1.1.2023 to 31.12.2023 RM**	**1.1.2022 to 31.12.2022 RM**	**1.1.2021 to 31.12.2021 RM**	**1.1.2020 to 31.12.2020 RM**
Type of revenue						
Product engineering solutions	16,942,053	14,027,088	29,669,856	26,649,337	21,756,697	17,400,821
Manufacturing operating solutions and services	28,575,993	29,722,366	65,221,512	76,948,685	52,407,053	45,619,106
Total revenue from contracts with customers	45,518,046	43,749,454	94,891,368	103,598,022	74,163,750	63,019,927
Timing of revenue recognition						
At a point in time	12,395,697	16,056,571	36,463,847	35,286,146	35,473,591	35,347,039
Overtime	33,122,349	27,692,883	58,427,521	68,311,876	38,690,159	27,672,888
Total revenue from contracts with customers	45,518,046	43,749,454	94,891,368	103,598,022	74,163,750	63,019,927

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

22. **REVENUE (CONT'D)**

22.1 **Disaggregation of revenue from contracts with customers (cont'd)**

	Audited 1.1.2024 to 30.6.2024 RM	Unaudited 1.1.2023 to 30.6.2023 RM	Audited 1.1.2022 to 31.12.2023 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2020 to 31.12.2020 RM
By geographical markets						
Malaysia	43,916,693	41,879,417	89,106,513	102,157,285	69,722,108	60,458,038
Thailand	-	-	172,700	420,370	2,655,278	1,355,034
Vietnam	37,647	38,422	80,946	94,255	365,864	665,371
United States of America	329,906	667,123	1,630,225	232,462	368,049	25,521
China	14,236	352,290	395,362	318,405	315,442	125,130
Singapore	1,183,825	787,674	2,279,885	259,158	439,189	75,676
Costa Rica	-	21,912	24,925	36,382	287,848	315,157
Others	35,739	2,615	1,200,812	79,705	9,972	-
Total revenue from contract with customers	45,518,046	43,749,453	94,891,368	103,598,022	74,163,750	63,019,927

22.2 **Contract balances**

The Group's contract balances are disclosed in Note 9 and Note 10 of the combined financial statements.

22.3 **Performance obligations**

The performance obligations of the Group are set out below:

Product engineering services

The Group is also involved in the provision of product engineering services, which entails mainly post design validation services during the design stage of its customers' production flow. Revenue from contracts with customers is recognised over time when control of the services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

Manufacturing operating solutions and services

Manufacturing operating solutions and services comprise revenue from design, development and sales digitalised solutions and of automated equipment and provision of engineering support services for integrated circuit ("IC") assembly and testing.

The Group designs, assembles, integrates, configures, tests and commission production/operational modernisation digital management solutions systems and automated equipment based on customers orders received. The Group recognises revenue when a contract exists and when, or as, it satisfies a performance obligation by transferring control of a product or service to a customer. Contracts are accounted for when they have approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at point in time.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

22. **REVENUE (CONT'D)**

22.3 **Performance obligations (cont'd)**

The performance obligations of the Group are set out below: (cont'd)

Manufacturing operating solutions and services (cont'd)

For point in time contracts, revenue is recognised when the transfer of controls of the goods have been passed to the customer, which typically occurs upon shipment or delivery depending on the terms of the underlying contract. 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 production flow. Under such circumstance, revenue is only recognised once customer acceptance has been received at customer's site.

For over time contracts, revenue is recognised by reference to the stage of completion of the contract at the end of each reporting period. The Group uses both the input and output method to measure progress and the choice of method is dependent on what best depicts the transfer of the asset to the customer.

The Group also 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. In determining the transaction price, 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.

For certain sales transactions, the Group provides a standard part warranty of one year after delivery. These warranties are assurance type and accounted for under MFRS 137 Provisions, Contingent Liabilities and Contingent Assets. Such warranties provision are not recognised by the Group as it is able to claim any defects from its suppliers over the same period.

The Group is also providing engineering support services during the assembly and testing stage of its customers' production flow. Revenue from contracts with customers is recognised over time when control of the services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

23. PROFIT BEFORE TAX

This is arrived at:

	Audited 1.1.2024 to 30.6.2024 RM	Unaudited 1.1.2023 to 30.6.2023 RM	Audited 1.1.2023 to 31.12.2023 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2020 to 31.12.2020 RM
After charging:						
Amortisation of intangible assets	384,897	237,766	589,520	235,275	21,705	-
Depreciation of property, plant and equipment	769,271	670,599	1,445,959	631,864	364,206	348,982
Depreciation of right-of-use assets	119,667	142,712	275,438	84,952	47,677	47,440
Fair value loss on other investments, net	-	-	27,000	83,000	-	-
Impairment loss on goodwill	-	-	-	51,560	-	-
Interest expense on:						
- Bankers' acceptance	-	-	-	-	-	4,391
- Bank overdraft	-	-	-	451	1,378	339
- Flexitab	-	-	-	-	-	38,987
- Hire purchase	15,077	16,805	34,319	32,845	10,436	4,773
- Lease liabilities	11,160	14,337	26,484	6,064	5,485	4,414
- Term loans	241,858	252,656	502,829	372,168	123,243	144,207
Loss on disposal of property, plant and equipment	-	-	-	-	19,160	-
Property, plant and equipment written off	-	-	-	-	167,277	-
Realised loss on foreign exchange	16,099	-	-	186	5,677	29,458
Expenses relating to short-term leases						
- Equipment	3,024	15,576	36,570	34,435	39,130	31,940
- Premises	5,155	26,148	26,969	151,805	100,959	24,225
- Car rental	-	-	-	-	9,000	-
- Storage	30,000	12,808	17,812	-	-	-
Staff costs (i)	29,688,969	27,288,119	55,790,225	62,548,078	27,834,754	20,740,479
Unrealised loss on foreign exchange, net	-	-	72,197	-	1,429	-
Unwinding discount on						
- Contract assets	(30,737)	-	105,749	-	-	-
- Trade receivables	(37,629)	-	176,968	-	-	-
And Crediting:						
Deferred income released	336	336	672	672	280	-
Dividend income	-	-	-	-	1,040,000	-
Interest income	221,916	115,401	361,884	183,057	153,012	208,766
Fair value gain on other investments, net	-	-	-	-	1,036,873	-

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

23. PROFIT BEFORE TAX (CONT'D)

	Audited	Unaudited	Audited			
	1.1.2024 to 30.6.2024 RM	1.1.2023 to 30.6.2023 RM	1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM	1.1.2021 to 31.12.2021 RM	1.1.2020 to 31.12.2020 RM
And crediting: (cont'd)						
Gain on disposal of property, plant and equipment	-	-	199	15,841	-	-
Gain on lease modification	-	-	452	-	-	-
Realised gain on foreign exchange	-	2,277	74,153	4,339	8,375	5,624
Unrealised gain on foreign exchange, net	107,497	20,350	-	25,880	-	-
(i) Staff costs:						
Salaries, allowances, commission and bonus	26,042,880	23,826,814	48,848,700	55,033,860	24,370,882	18,386,187
Defined contribution plans ("EPF")	3,163,101	3,019,112	6,043,389	6,458,776	3,029,417	2,055,874
Social security contributions ("SOCSO")and Employment insurance scheme ("EIS")	482,988	442,193	898,136	1,055,442	434,455	298,418
	29,688,969	27,288,119	55,790,225	62,548,078	27,834,754	20,740,479

Directors' emoluments are as shown below:

	Audited	Unaudited	Audited			
	1.1.2024 to 30.6.2024 RM	1.1.2023 to 30.6.2023 RM	1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM	1.1.2021 to 31.12.2021 RM	1.1.2020 to 31.12.2020 RM
Fees	227,968	-	60,000	84,107	59,115	86,000
Salaries, allowances and bonus	426,464	489,915	651,540	1,040,968	858,191	692,105
EPF	51,120	58,080	76,800	128,014	102,024	82,584
Expenses included in staff costs	705,552	547,995	788,340	1,253,089	1,019,330	860,689
Benefit-in-kind	-	-	-	23,500	15,800	22,300
Total	705,552	547,995	788,340	1,276,589	1,035,130	882,989

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

24. TAX EXPENSE

	Audited 1.1.2024 to 30.6.2024 RM	Unaudited 1.1.2023 to 30.6.2023 RM	Audited 1.1.2023 to 31.12.2023 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2020 to 31.12.2020 RM
Malaysia income tax:						
Based on results for the financial year						
- Current tax	(1,217,000)	(540,909)	(2,683,000)	(1,430,000)	(1,247,000)	(4,112,336)
- Deferred tax relating to the origination and reversal of temporary differences	147,000	(183,500)	(407,124)	(704,876)	(528,000)	702,000
	(1,070,000)	(724,409)	(3,090,124)	(2,134,876)	(1,775,000)	(3,410,336)
(Under)/Over provision in prior years						
- Current tax	(35,600)	(65,940)	(65,940)	150,897	991,139	145,651
- Deferred tax	13,000	15,000	15,000	24,000	(489,000)	1,434
	(22,600)	(50,940)	(50,940)	174,897	502,139	147,085
	(1,092,600)	(775,349)	(3,141,064)	(1,959,979)	(1,272,861)	(3,263,251)

The reconciliation of tax expense of the Group is as follows:

	Audited 1.1.2024 to 30.6.2024 RM	Unaudited 1.1.2023 to 30.6.2023 RM	Audited 1.1.2023 to 31.12.2023 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2020 to 31.12.2020 RM
Profit before tax	5,871,597	4,598,889	14,737,717	14,026,302	17,345,900	14,514,832
Income tax at Malaysia statutory tax rate of 24%	(1,409,184)	(1,103,733)	(3,537,053)	(3,366,312)	(4,163,016)	(3,483,320)
Expenses not deductible for tax purposes	(63,049)	(37,800)	(75,436)	(141,082)	(83,756)	(8,143)
Income not subject to tax	-	-	-	17,667	407,548	-
Pioneer income not subject to tax	486,626	489,613	667,342	1,332,823	2,064,224	81,127
Deferred tax assets not recognised	(84,393)	(72,489)	(144,977)	-	-	-
Utilisation of deferred tax assets not recognised	-	-	-	22,028	-	-
Balance carried forward	(1,070,000)	(724,409)	(3,090,124)	(2,134,876)	(1,775,000)	(3,410,336)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

24. **TAX EXPENSE (CONT'D)**

	Audited	Unaudited	|------------	Audited	------------	------------|
	1.1.2024 to 30.6.2024 RM	1.1.2023 to 30.6.2023 RM	1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM	1.1.2021 to 31.12.2021 RM	1.1.2020 to 31.12.2020 RM
Balance brought forward	(1,070,000)	(724,409)	(3,090,124)	(2,134,876)	(1,775,000)	(3,410,336)
(Under)/over provision of current tax in prior years	(35,600)	(65,940)	(65,940)	150,897	991,139	145,651
Over/(under) provision of deferred tax in prior years	13,000	15,000	15,000	24,000	(489,000)	1,434
	(1,092,600)	(775,349)	(3,141,064)	(1,959,979)	(1,272,861)	(3,263,251)

The Group has been granted the following tax incentives under the Promotion of Investments Act, 1986:

(i) Sophic Automation has been granted full income tax exemption for 10 years with effect from 21 January 2021 to undertake the activity of manufacturing automated guided vehicle or automated mobile robot, automated intelligent vision inspection system, automated intelligent material management system, intelligent command center system and automated intelligent handling and testing system and 70% income tax exemption for 5 years with effect from 21 January 2021 to undertake the activity of manufacturing augmented reality smart glass; and

(ii) Sophic MSC has been granted 100% income tax exemption for 10 years effective from 17 May 2012 in relation to research, development and commercialisation of machine monitoring system and visitor management system, and provision of implementation, maintenance and technical services related to the abovementioned solutions. However, due to the changes of guidelines on MSC Malaysia financial incentives, the incentive had expired on 30 June 2021.

25. **EARNINGS PER SHARE**

Basic earnings per share

The calculation of basic earnings per share for the financial years ended was based on the profit attributable to owners of the Company and dividend against the number of ordinary shares expected to be in issue upon completion of the IPO exercise as follows:

	|------------	------------	Audited	------------	------------|
	1.1.2024 to 30.6.2024 RM	1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM	1.1.2021 to 31.12.2021 RM	1.1.2020 to 31.12.2020 RM
Profit attributable to owners of the Company	4,778,997	11,596,653	12,036,666	16,073,039	11,250,581

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25. **EARNINGS PER SHARE (CONT'D)**

Basic earnings per share (cont'd)

	Audited				
	1.1.2024 to 30.6.2024	**1.1.2023 to 31.12.2023**	**1.1.2022 to 31.12.2022**	**1.1.2021 to 31.12.2021**	**1.1.2020 to 31.12.2020**
Weighted average number of shares (units)	650,000,000	650,000,000	650,000,000	650,000,000	650,000,000
Basic earnings per share (sen)	0.74	1.78	1.85	2.47	1.73

26. **DIVIDENDS**

	Audited				
	1.1.2024 to 30.6.2024 RM	**1.1.2023 to 31.12.2023 RM**	**1.1.2022 to 31.12.2022 RM**	**1.1.2021 to 31.12.2021 RM**	**1.1.2020 to 31.12.2020 RM**
In respect of financial year ended 31 December 2020: A single tier interim dividend of RM0.50 per share	-	-	-	250,000	-
In respect of financial year ended 31 December 2021: A single tier interim dividend of RM1.00 per share	-	-	-	500,000	-
Balance carried forward	-	-	-	750,000	-

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

26. **DIVIDENDS (CONT'D)**

	Audited				
	1.1.2024 to 30.6.2024 RM	**1.1.2023 to 31.12.2023 RM**	**1.1.2022 to 31.12.2022 RM**	**1.1.2021 to 31.12.2021 RM**	**1.1.2020 to 31.12.2020 RM**
Balance brought forward	-	-	-	750,000	-
In respect of financial year ended 31 December 2022:					
A single tier first interim dividend of RM6.00 per share	-	-	3,000,000	-	-
Dividend-in specie *	-	-	1,566,000	-	-
In respect of financial year ended 31 December 2023:					
First single tier interim dividend of RM5.00 per share	-	2,500,000	-	-	-
Second single tier interim dividend of RM5.00 per share	-	2,500,000	-	-	-
Third single tier interim dividend of RM9.75 per share	-	4,875,000	-	-	-
First single tier interim dividend of RM0.01 per preference share	-	125,000	-	-	-
	-	10,000,000	4,566,000	750,000	-

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

26. **DIVIDENDS (CONT'D)**

* The dividend-in-specie is in relation to the disposal of Sophic Automation's entire equity interests in SAV to its present shareholders pursuant to the Capital Transfer Agreement ("Agreement") dated 9 November 2022 entered between Sophic Automation and its present shareholders. According to the Agreement, the disposal price of SAV will be set off against the dividend-in-specie declared by Sophic Automation ("Set off"). The Set off has been completed on 9 November 2022, while the disposal of SAV has been completed on 3 February 2023 upon successful registration of the change in members of SAV with the Business Registration Office under the Department of Planning and Investment of Ho Chi Minh City, Vietnam.

27. **OPERATING SEGMENT**

The Group has two reportable segments which comprise its major business segments. These business segments are involved in different activities and managed by segment managers who report directly to the Group's executive directors. The reportable segments are as follows:-

Reportable segments		**Activities**
Product engineering services	-	Product engineering services
Manufacturing operating solutions and services	-	Engineering support services for IC assembly and testing
	-	Design, development and sale of digitalised solutions
	-	Design, development and sale of automated equipment

Management monitors its business units separately up to segment results for the purpose of making decisions about performance assessment. Segment assets and liabilities information are not presented to the decision makers by management as management does not distinguish assets and liabilities into the two operating segments. Hence, no disclosure is made on segment assets and liabilities.

	Product engineering services RM	**Manufacturing operating solutions and services RM**	**Elimination RM**	**Total RM**
Audited 1.1.2024 to 30.6.2024				
Revenue	16,942,053	28,593,283	(17,290)	45,518,046
Segment results	3,957,215	2,045,887	(2,410)	6,000,692
Finance costs				(268,095)
Finance income				253,457
Loss arising from non-reportable segment**				(114,457)
Profit before tax				5,871,597
Tax expense				(1,092,600)
Profit for the financial period				4,778,997

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

27. **OPERATING SEGMENT (CONT'D)**

	Product engineering services RM	Manufacturing operating solutions and services RM	Elimination RM	Total RM
Unaudited 1.1.2023 to 30.6.2023				
Revenue	14,027,088	29,722,366	-	43,749,454
Segment results	2,482,381	2,289,592	-	4,771,973
Finance costs				(283,797)
Finance income				115,401
Loss arising from non-reportable segment**				(4,688)
Profit before tax				4,598,889
Tax expense				(775,349)
Profit for the financial year				3,823,540
Audited 1.1.2023 to 31.12.2023				
Revenue	29,675,904	65,215,464	-	94,891,368
Segment results	6,124,318	8,850,992	-	14,975,310
Finance costs				(563,180)
Finance income				361,884
Investing results*				(27,000)
Loss arising from non-reportable segment**				(9,297)
Profit before tax				14,737,717
Tax expense				(3,141,064)
Profit for the financial year				11,596,653

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

27. **OPERATING SEGMENT (CONT'D)**

	Product engineering services RM	Manufacturing operating solutions and services RM	Elimination RM	Total RM
Audited 1.1.2022 to 31.12.2022				
Revenue	26,649,337	76,948,685	-	103,598,022
Segment results	7,330,837	7,061,334	(45,331)	14,346,840
Finance costs				(411,528)
Finance income				183,057
Investing results*				(83,000)
Loss arising from non-reportable segment**				(9,067)
Profit before tax				14,026,302
Tax expense				(1,959,979)
Profit for the financial year				12,066,323
Audited 1.1.2021 to 31.12.2021				
Revenue	21,756,697	52,407,053	-	74,163,750
Segment results	6,001,995	9,264,014	-	15,266,009
Finance costs				(140,542)
Finance income				153,012
Investing results*				2,076,873
Loss arising from non-reportable segment**				(9,452)
Profit before tax				17,345,900
Tax expense				(1,272,861)
Profit for the financial year				16,073,039

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

27. **OPERATING SEGMENT (CONT'D)**

	Product engineering services RM	Manufacturing operating solutions and services RM	Elimination RM	Total RM
Audited **1.1.2020 to 31.12.2020**				
Revenue	17,400,821	45,619,106	-	63,019,927
Segment results	5,184,615	9,320,562	-	14,505,177
Finance costs				(200,111)
Finance income				208,766
Profit before tax				14,513,832
Tax expense				(3,263,251)
Profit for the financial year				11,250,581

* Investing results include dividend income and fair value gain/(loss) on other investments.
** Non-reportable segment comprises the results of the Company, being an investment holding company.

Geographical segments

Revenue of the Group based on geographical location of its customers are disclosed in Note 22 of the combined financial statements.

The Group's non-current assets are entirely located in Malaysia.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

27. **OPERATING SEGMENT (CONT'D)**

Major customers

The following are major customers with revenue equal or more than 10% of the Group's revenue for the relevant reporting periods:

	Audited				
	1.1.2024 to 30.6.2024 RM	**1.1.2023 to 31.12.2023 RM**	**1.1.2022 to 31.12.2022 RM**	**1.1.2021 to 31.12.2021 RM**	**1.1.2020 to 31.12.2020 RM**
Customer A	31,534,188	53,775,870	69,227,149	33,577,779	24,312,214
Customer B	-	-	-	11,612,058	11,569,915
Customer C	7,190,157	14,312,667	14,547,739	12,200,012	10,588,082
	38,724,345	68,088,537	83,774,888	57,389,849	46,470,211

A customer is defined as an entity or group of entities under the same ultimate holding company.

28. **RELATED PARTY DISCLOSURES**

(i) **Transactions with Carved Out Entities:**

	Audited				
	1.1.2024 to 30.6.2024 RM	**1.1.2023 to 31.12.2023 RM**	**1.1.2022 to 31.12.2022 RM**	**1.1.2021 to 31.12.2021 RM**	**1.1.2020 to 31.12.2020 RM**
Disposal of SAV to certain directors	-	1,566,000	-	-	-

(ii) **Compensation of key management personnel**

The Group has no other members of key management personnel apart from the Board of Directors which compensation has been shown in Note 23 to the combined financial statements.

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.

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29. CAPITAL COMMITMENT

	Audited				
	30.6.2024	**31.12.2023**	**31.12.2022**	**31.12.2021**	**31.12.2020**
	RM	**RM**	**RM**	**RM**	**RM**
Contracted but not provided for:					
Property, plant and equipment	-	3,025	242,230	1,360,406	-
Approved but not provided for:					
Property, plant and equipment	1,346,843	-	-	3,700,000	-

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

30. FINANCIAL INSTRUMENTS

30.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as financial assets and financial liabilities at amortised cost ("AC").

	Audited									
	30.6.2024		31.12.2023		31.12.2022		31.12.2021		31.12.2020	
	Carrying amount RM	AC RM	Carrying amount RM	AC RM	Carrying amount RM	AC RM	Carrying amount RM	AC RM	Carrying amount RM	AC RM
Financial assets										
Trade receivables	30,291,654	30,291,654	27,733,185	27,733,185	26,250,336	26,250,336	18,308,411	18,308,411	16,698,477	16,698,477
Other receivables and refundable deposits	436,437	436,437	346,612	346,612	678,790	678,790	663,862	663,862	666,419	666,419
Fixed deposits with licensed banks	9,977,608	9,977,608	9,976,257	9,976,257	7,872,196	7,872,196	9,282,617	9,282,617	7,664,682	7,664,682
Cash and bank balances	5,905,504	5,905,504	5,944,800	5,944,800	8,204,100	8,204,100	15,967,542	15,967,542	12,518,228	12,518,228
	46,611,203	46,611,203	44,000,854	44,000,854	43,005,422	43,005,422	44,222,432	44,222,432	37,547,806	37,547,806

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

30. **FINANCIAL INSTRUMENTS (CONT'D)**

30.1 **Categories of financial instruments (cont'd)**

The table below provides an analysis of financial instruments categorised as financial assets and financial liabilities at amortised cost ("AC"). (cont'd)

	Audited									
	30.6.2024		31.12.2023		31.12.2022		31.12.2021		31.12.2020	
	Carrying amount RM	AC RM	Carrying amount RM	AC RM	Carrying amount RM	AC RM	Carrying amount RM	AC RM	Carrying amount RM	AC RM
Financial liabilities										
Trade payables	1,785,183	1,785,183	888,219	888,219	723,728	723,728	2,001,383	2,001,383	3,425,614	3,425,614
Other payables and accruals	2,124,107	2,124,107	2,943,454	2,943,454	2,762,167	2,762,167	2,303,266	2,303,266	903,371	903,371
Borrowings	11,370,269	11,370,269	11,824,444	11,824,444	12,597,634	12,597,634	7,587,442	7,587,442	3,817,632	3,817,632
	15,279,559	15,279,559	15,656,117	15,656,117	16,083,529	16,083,529	11,892,091	11,892,091	8,146,617	8,146,617

The table below provides an analysis of financial instruments categorised as financial asset at fair value through profit or loss ("FVTPL").

	Audited									
	30.6.2024		31.12.2023		31.12.2022		31.12.2021		31.12.2020	
	Carrying amount RM	FVTPL RM	Carrying amount RM	FVTPL RM	Carrying amount RM	FVTPL RM	Carrying amount RM	FVTPL RM	Carrying amount RM	FVTPL RM
Other investments	-	-	-	-	1,917,500	1,917,500	1,572,500	1,572,500	905,923	905,923

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30. **FINANCIAL INSTRUMENTS (CONT'D)**

30.2 **Financial risk management**

The Group is exposed to a variety of financial risks arising from its operation and use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency exchange risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

30.3 **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk arises principally from its trade receivables.

30.3.1 **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:

	Audited				
	30.6.2024	**31.12.2023**	**31.12.2022**	**31.12.2021**	**31.12.2020**
Number of customers	2	1	2	2	5
Percentage of trade receivables	66%	44%	69%	66%	87%

(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**

The Group extends credit terms to customers that range between 30 to 120 days. Credit period extended to its customers is based on careful evaluation of the customers' financial condition and credit history. Receivables are monitored on an on-going basis via the Group's management reporting procedures and action will be taken for long outstanding debts. In order to further minimise its exposure to credit risk, the Group may request deposits from its customers or request for progressive payments as the work is performed.

The Group assesses ECL 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.

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30. **FINANCIAL INSTRUMENTS (CONT'D)**

30.3 **Credit risk (cont'd)**

30.3.1 **Trade receivables (cont'd)**

(iii) **Assessment of impairment losses (cont'd)**

The ageing of trade receivables of the Group are as follows:

	I------ Audited ------		------I
	Gross RM	**Allowance for expected credit losses RM**	**Net RM**
30.6.2024			
Not past due	25,246,616	-	25,246,616
Past due 1 to 30 days	1,816,220	-	1,816,220
Past due 31 to 60 days	636,366	-	636,366
Past due 61 to 91 days	133,374	-	133,374
Past due more than 90 days	2,459,078	-	2,459,078
	5,045,038	-	5,045,038
Individually impaired	153,304	(153,304)	-
	30,444,958	(153,304)	30,291,654
31.12.2023			
Not past due	23,946,707	-	23,946,707
Past due 1 to 30 days	733,180	-	733,180
Past due 31 to 60 days	138,051	-	138,051
Past due 61 to 91 days	35,439	-	35,439
Past due more than 90 days	2,879,808	-	2,879,808
	3,786,478	-	3,786,478
Individually impaired	43,648	(43,648)	-
	27,776,833	(43,648)	27,733,185

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30. **FINANCIAL INSTRUMENTS (CONT'D)**

30.3 **Credit risk (cont'd)**

30.3.1 **Trade receivables (cont'd)**

(iii) **Assessment of impairment losses (cont'd)**

The ageing of trade receivables of the Group are as follows: (cont'd)

	I---------- Audited ----------		I
	Gross RM	**Allowance for expected credit losses RM**	**Net RM**
31.12.2022			
Not past due	19,049,091	-	19,049,091
Past due 1 to 30 days	3,221,120	-	3,221,120
Past due 31 to 60 days	985,032	-	985,032
Past due 61 to 91 days	436,004	-	436,004
Past due more than 90 days	2,559,089	-	2,559,089
	7,201,245	-	7,201,245
Individually impaired	39,107	(39,107)	-
	26,289,443	(39,107)	26,250,336
31.12.2021			
Not past due	8,559,129	-	8,559,129
Past due 1 to 30 days	3,270,672	-	3,270,672
Past due 31 to 60 days	1,265,224	-	1,265,224
Past due 61 to 91 days	616,962	-	616,962
Past due more than 90 days	4,596,424	-	4,596,424
	9,749,282	-	9,749,282
Individually impaired	39,107	(39,107)	-
	18,347,518	(39,107)	18,308,411

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30. **FINANCIAL INSTRUMENTS (CONT'D)**

30.3 **Credit risk (cont'd)**

30.3.1 **Trade receivables (cont'd)**

(iii) **Assessment of impairment losses (cont'd)**

The ageing of trade receivables of the Group are as follows: (cont'd)

	Audited		
	Gross RM	**Allowance for expected credit losses RM**	**Net RM**
31.12.2020			
Not past due	8,763,424	-	8,763,424
Past due 1 to 30 days	4,916,800	-	4,916,800
Past due 31 to 60 days	731,201	-	731,201
Past due 61 to 91 days	1,358,310	-	1,358,310
Past due more than 90 days	928,742	-	928,742
	7,935,053	-	7,935,053
Individually impaired	174,819	(174,819)	-
	16,873,296	(174,819)	16,698,477

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment record. None of the trade receivables that are neither past due nor impaired has been renegotiated during the financial period/year.

The Group has trade receivables amounting to RM5,045,038 (31.12.2023: RM3,786,478; 31.12.2022: RM7,201,245 31.12.2021: RM9,749,282, 31.12.2020: RM7,935,053) that are past due at the end of the reporting period but not impaired as the management is of the view that these past due amounts will be collected in due course.

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amounts is possible, the amount considered irrecoverable is written off against the receivable directly.

30.3.2 **Other Receivables**

The maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

30.3.3 **Fixed Deposits with Licensed Banks, Cash and Bank Balances**

The Group considers the licensed banks have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

30. **FINANCIAL INSTRUMENTS (CONT'D)**

30.4 **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 their overall prudent liquidity management, the Group maintains sufficient levels of cash and cash equivalents to meet its working capital requirements.

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:

	Audited					
	Carrying amount RM	**Contractual cash flows RM**	**Within one year RM**	**More than one year and less than two years RM**	**More than two years and less than five years RM**	**More than five years RM**
30.6.2024						
Non-derivative financial liabilities						
Trade payables	1,785,183	1,785,183	1,785,183	-	-	-
Other payables and accruals	2,124,107	2,124,107	2,124,107	-	-	-
Borrowings	11,370,269	16,292,711	1,195,541	1,188,687	2,807,883	11,100,600
Lease liabilities	622,184	658,087	330,010	226,157	101,920	-
	15,901,743	20,860,088	5,434,841	1,414,844	2,909,803	11,100,600
31.12.2023						
Non-derivative financial liabilities						
Trade payables	888,219	888,219	888,219	-	-	-
Other payables and accruals	2,943,454	2,943,454	2,943,454	-	-	-
Borrowings	11,824,444	16,926,978	1,303,807	1,197,155	2,984,393	11,441,623
Lease liabilities	395,577	415,412	207,706	207,706	-	-
	16,051,694	21,174,063	5,343,186	1,404,861	2,984,393	11,441,623

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30. **FINANCIAL INSTRUMENTS (CONT'D)**

30.4 **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: (cont'd)

	Audited					
	Carrying amount RM	**Contractual cash flows RM**	**Within one year RM**	**More than one year and less than two years RM**	**More than two years and less than five years RM**	**More than five years RM**
31.12.2022						
Non-derivative financial liabilities						
Trade payables	723,728	723,728	723,728	-	-	-
Other payables and accruals	2,762,167	2,762,167	2,762,167	-	-	-
Borrowings	12,597,634	17,456,540	1,414,168	1,434,181	3,567,756	11,040,435
Lease liabilities	665,069	711,478	288,486	215,286	207,706	-
	16,748,598	21,653,913	5,188,549	1,649,467	3,775,462	11,040,435
31.12.2021						
Non-derivative financial liabilities						
Trade payables	2,001,387	2,001,387	2,001,387	-	-	-
Other payables and accruals	2,303,266	2,303,266	2,303,266	-	-	-
Borrowings	7,587,442	9,710,155	776,183	826,775	2,236,087	5,871,110
Lease liabilities	72,887	77,660	42,360	35,300	-	-
	11,964,982	14,092,468	5,123,196	862,075	2,236,087	5,871,110

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30. **FINANCIAL INSTRUMENTS (CONT'D)**

30.4 **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: (cont'd)

	Audited					
	Carrying amount RM	**Contractual cash flows RM**	**Within one year RM**	**More than one year and less than two years RM**	**More than two years and less than five years RM**	**More than five years RM**
31.12.2020						
Non-derivative financial liabilities						
Trade payables	3,425,614	3,425,614	3,425,614	-	-	-
Other payables and accruals	903,371	903,371	903,371	-	-	-
Borrowings	3,817,632	4,428,625	799,897	545,432	1,620,827	1,462,469
Lease liabilities	33,240	35,300	35,300	-	-	-
	8,179,857	8,792,910	5,164,182	545,432	1,620,827	1,462,469

30.5 **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 the carrying amount as at the end of the reporting period are as follows:

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Fixed rate instruments					
Financial assets	9,977,608	9,976,257	7,872,196	9,282,617	7,664,682
Financial liabilities	638,444	857,258	843,591	130,593	279,713
Floating rate instrument					
Financial liabilities	10,731,825	10,967,186	11,754,043	7,456,849	3,537,919

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

30. **FINANCIAL INSTRUMENTS (CONT'D)**

30.5 **Interest rate risk (cont'd.)**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss nor designates derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

An increase of 25 basis points would have decreased the profit before tax and equity of the Group by the amount shown below and a corresponding decrease would have an equal but opposite effect:

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
Decrease in profit before tax	(26,830)	(27,418)	(29,385)	(18,642)	(8,845)
Decrease in equity	(20,391)	(20,838)	(22,333)	(14,168)	(6,722)

30.6 **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 currency giving rise to this risk is primarily US Dollar ("USD").

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30. **FINANCIAL INSTRUMENTS (CONT'D)**

30.6 **Foreign currency risk (cont'd)**

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rates against Ringgit Malaysia, with all other variables held constant, of the Group's profit before tax. A 10% strengthening of the RM against the following currencies at the end of the reporting period would have 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.

	Audited				
	30.6.2024 RM	**31.12.2023 RM**	**31.12.2022 RM**	**31.12.2021 RM**	**31.12.2020 RM**
USD	(614,837)	(431,928)	(43,873)	(85,226)	(71,716)
Others	(3,504)	17	(17,908)	4,008	2,558
Decrease in profit before tax/equity	(618,341)	(431,911)	(61,781)	(81,218)	(69,158)

31. **FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

The carrying amounts of the financial assets (other than other investments) 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 hire purchase loans and lease liabilities are reasonable approximation of fair value due to the insignificant impact of discounting.

32. **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 convents imposed by its lenders.

33. **SUBSEQUENT EVENT**

There is no other subsequent event since the end of the reporting period to the date of the report save for the implementation of the IPO as disclosed in the Note 1 to the combined financial statements.

14. ADDITIONAL INFORMATION

14.1 EXTRACTS OF OUR CONSTITUTION

The following provisions are extracted from our Constitution and are qualified in their entirety by the remainder of the provisions of our Constitution and the applicable law. The terms defined in our Constitution shall have the same meanings when used here unless otherwise stated or the context otherwise required.

14.1.1 Remuneration of Our Directors

Clause 198

The fees and benefits payable to the directors shall annually be determined by an ordinary resolution of the Company in General Meeting and shall (unless such resolution otherwise provides) be divisible among the directors as they may agree provided always that:-

(a) salaries payable to executive directors may not include a commission on or percentage or turnover;

(b) fees payable to non-executive directors shall be a fixed sum and not by a commission on or percentage of profits or turnover;

(c) any fee paid to an alternate director shall be agreed between himself and the appointing director and shall be paid out of the remuneration of the appointing director; and

(d) fees and benefits payable to directors shall not be increased except pursuant to an ordinary resolution passed at a General Meeting, where notice of the proposed increase has been given in the notice convening the meeting.

Clause 199

The Board can also repay to a director all expenses properly incurred in:-

(a) attending and returning from shareholders' meetings, Board meetings or Board committee meetings; or

(b) any other way in connection with the Company's business.

Clause 200

The Board can award extra fees to a director who:-

(a) holds an executive position;

(b) acts as chairman or deputy chairman; or

(c) serves on a Board committee or board at the request of the Board.

Clause 201

If by arrangement with the directors, any director shall perform or render any special duties or services outside his ordinary duties as a director in particular without limiting to the generality of the foregoing if any director being wiling shall be called upon to perform extra services or to make any special efforts in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of directors, the Company may remunerate the director so doing a special remuneration in addition to his directors' fees and such special remuneration may be by way of a fixed sum or otherwise as may be arranged.

Clause 202

Subject to the CA and the LR, the Board can decide whether to provide:-

(a) pensions;

(b) annual payments; or

(c) other allowances or benefits,

to any people including people who are or who were directors of the Company. The Board can decide to extend these arrangements to relations or dependants of, or people connected to, these people. The Board can also decide to contribute to a scheme or fund or to pay premiums to a third party for these purposes.

Clause 203

The Company can only provide pensions and other similar benefits to:-

(a) people who are or were directors; and

(b) relations or dependants of, or people connected to, those directors or former directors,

The receipt of a benefit of any kind given in accordance with this clause does not prevent a person from being or becoming a director of the Company.

Clause 204

Shareholders must approve the matters in Clauses 198 to 203 as far as the Laws require in relation to directors' fees and benefits. There must be annual shareholders' approvals by ordinary resolution at a General Meeting for the fees of the directors and any benefits payable to the directors. Compensation for loss of employment of a director or former director must have shareholders' approvals by ordinary resolution passed a General Meeting, where required by the CA and the LR.

14.1.2 Voting and Borrowing Powers of Our Directors

Clause 213

Matters for decision which arise at a Board meeting will be decided by a majority vote. If the votes are equal, the chairman of the meeting has a second casting vote. However, the chairman will not have a second casting vote where only 2 directors form the quorum or at which only 2 directors are competent to vote on the question at issue.

Clause 220

A director cannot vote (and if the director does vote, such vote will not be counted) on a resolution about a contract, proposed contract or arrangement in which the director (or a person connected with the director) is directly or indirectly interested.

Clause 221

A director is counted in the quorum for a Board meeting in relation to a resolution although the director is not entitled to vote.

<u>Clause 222</u>

A director is not interested in a contract where Sections 221(2) or (3) of the CA state so. This clause does not affect any equitable principle or rule of law relating to directors not being treated as interested. This clause is subject to the LR.

<u>Clause 223</u>

This clause applies if the Board is considering proposals to appoint 2 or more directors to positions with the Company or any company in which the Company has an interest. It also applies if the Board is considering fixing or varying the terms of the appointment. These proposals can be split up to deal with each proposed director separately. If this is done, each proposed director can vote (unless the proposed director is prevented from voting under Clause 220) and be counted in the quorum for each resolution.

<u>Clause 224</u>

If a question comes up at a meeting about whether a director (other than the chairman of the meeting) has all interest or whether the director can vote or be counted in the quorum, and the director does not agree to abstain from voting on the question or not be counted in the quorum, the question must be referred to the chairman of the meeting. The chairman's ruling about the director is conclusive, unless the nature or extent of the director's interests has not been fairly disclosed to the Board. If the question comes up about the chairman of the meeting, the question will be decided by a resolution of the Board. The chairman cannot vote on the question but can be counted in the quorum. The Board's resolution about the chairman is conclusive, unless the nature or extent of the chairman's interests has not been disclosed to the Board.

<u>Clause 246</u>

To the extent that the CA, the LR and this Constitution allow, the Board can exercise all the powers of the Company to:-

(a) borrow money of any sum or sums from any person, bank, firm or company;

(b) mortgage or charge all or any part of the Company's business, property and assets (present and future);

(c) issue debentures and other securities; and

(d) give security (including (without limitation), guarantees, indemnities and mortgages and charges) either outright or as collateral security, for a debt, liability or obligation of the Company or another person.

<u>Clause 247</u>

The director shall not borrow any money or mortgage or charge any of the Company's or its subsidiaries' undertaking, property or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

<u>Clause 248</u>

The director shall cause proper register to be kept in accordance with the provisions of the CA of all charges specifically affecting the property of the Company and all floating charges on the undertaking or any property of the Company and shall duly comply with the requirements of the CA in regard to the registration of charges therein specified and otherwise.

14.1.3 Changes to Share Capital

<u>Clause 34</u>

Subject to the CA and this Constitution, the Board is authorised to allot shares, grant rights to subscribe for shares and to convert any securities into shares. This covers allotting shares under an agreement, option or offer.

<u>Clause 35</u>

Subject to the LR, the Board is authorised, without a resolution of the Company, to:-

(a) allot shares or grant any rights to subscribe for shares, under an offer made to shareholders in proportion to the shareholders' shareholdings;

(b) allot shares or grant any rights to subscribe for shares, on a bonus issue to shareholders in proportion to the shareholders' shareholdings;

(c) allot shares to a promoter of the Company which the promoter has agreed to take;

(d) allot shares or grant any rights where shares are to be issued as consideration or part consideration for the Company to acquire shares or assets. Shareholders must be notified of the intention to issue such shares at least 14 days before their issue.

<u>Clause 36</u>

A resolution of the Company must:-

(a) authorise the Board to do any of the things in Clause 34 not authorised by Clause 35 or where the CA or the LR require;

(b) not authorise the Board to allot or issue shares or convertible securities beyond any applicable limit required by the LR;

(c) approve the specific allotment to a director under a Share Scheme.

<u>Clause 37</u>

Subject to any direction to the contrary that may be given by the Company in General Meeting:-

(a) all new shares or other convertible securities must, before issue, be offered to shareholders who are entitled to receive notices from the Company of General Meetings as at the date of the offer;

(b) the offer must, as far as circumstances allow, be in proportion to the amount of existing shares or securities to which such shareholders are entitled to;

(c) the offer must be by a notice which specifies the number of shares or securities offered and which limits the time within which, the offer must be accepted or be treated as declined;

(d) if the offer is not accepted within such time or if such shareholders decline to accept the offer, the Board may dispose of those shares or securities in a way which they decide as most beneficial to the Company; and

(e) *the **Board** may also dispose of any new share or **security** which (on grounds of the ratio which the new shares or **securities** bear to shares or **securities** held by **shareholders** entitled to such an offer) cannot, in the opinion of the **Board,** be conveniently offered under this clause.*

Clause 43

The shareholders can pass a special resolution to reduce in any way the Company's share capital in accordance with Subdivision 4 of Division 1 of Part III of CA, whether with the confirmation of the Court or a solvency statement.

Clause 44

The shareholders can alter the Company's share capital in accordance with the CA.

Clause 45

If any shares are consolidated or divided, the Board may deal with any fractions of shares which result or any other problem that arises. If the Board decide to sell any shares which represent fractions, they must sell for the best price they can reasonably obtain and distribute the net proceeds of sale among shareholders in proportion to their fractional entitlements or shall be disregarded and will be dealt with by the Board in such a manner as they deem fit at their absolute discretion and in the best interest of the Company. The Board can sell to a person (including the Company, if CA and LR allow) and can authorise a person to transfer those shares to the buyer or in accordance with the buyer's instructions. The buyer does not need to take any action to check how any money paid is used. The buyer's ownership will not be affected if the sale was irregular or invalid in any way.

Clause 46

The shareholders can convert any paid-up shares into stock and reconvert any stock into paid-up shares in accordance with the CA.

Clause 47

Company may from time to time by an ordinary resolution passed at a General Meeting purchase in good faith and in the best interests of the company, any of its own shares through Bursa Securities on which the shares are quoted in accordance with the provisions of the CA, the LR and the Laws. The Company must be solvent at the date of purchase of the Company's shares and will not become insolvent by incurring the debt arising from the obligation to pay for the shares so purchased.

Clause 48

The Board may resolve and have the necessary powers to deal with such purchased shares in accordance with the Laws.

Clause 49

Subject to and in accordance with the Laws, the Company has the right to:-

(a) *distribute treasury shares as dividends to shareholders;*

(b) *resell treasury shares in accordance with CA and LR;*

(c) *transfer treasury shares for purposes under a Share Scheme;*

(d) transfer treasury shares as purchase consideration;

(e) cancel treasury shares;

(f) sell, transfer or use treasury shares for purposes which the Minister prescribes by order;

(g) receive an allotment of shares as fully paid bonus shares in respect of treasury shares;

(h) subdivide treasury shares into more treasury shares or consolidate them into less treasury shares.

Clause 50

The Company cannot exercise any right in respect of treasury shares which it holds:-

(a) to attend or vote at meetings;

(b) to receive dividends or other distributions. These may be cash or the Company's assets (which includes, on a winding up of the Company).

14.1.4 Transfer of Securities

Clause 57

The transfers of any listed security or class of listed security shall be made by way of book entry by the Depository in accordance with the DR and, notwithstanding Sections 105, 106 and 110 of the CA, but subject to Section 148(2) of the CA and any exemption that may be made from compliance with Section 148(1) of the CA, the Company shall be precluded from registering and effecting any transfer of the listed security.

Clause 58

Where:-

(a) the securities of the Company are listed on another stock exchange; and

(b) the Company is exempt from complying with Section 14 of SICDA or Section 29 of the Securities Industry (Central Depositories) (Amendment) (No. 2) Act 1998, as applicable, under DR in respect of such securities,

the Company shall, on request of a securities holder, allow securities held by that holder to be transmitted from the register of holders kept by the Registrar in the jurisdiction of the other stock exchange, to the register of holders kept by the Registrar in Malaysia and vice versa. However, there must be no change in the ownership of such securities.

Clause 59

Transfers of Non-Depository Shares must be in such prescribed form under the CA. If the CA does not prescribe a specific form, the transfer must be in the usual standard form, or such form as approved by the Board. A transfer must be signed, or made effective in some other way, by or on behalf of the persons making and receiving the transfer.

Clause 60

The Depository may refuse to transfer any Deposited Shares which does not comply with SICDA and DR. A shareholder can transfer some or all of their Non-Depository Shares unless this Constitution states otherwise.

Clause 61

The transfer for Non-Depository Shares must be delivered to the Registered Office or some other place which the Board decides. The transfer must have with it:-

(a) the share certificate of the shares to be transferred;

(b) any other evidence which the Board asks for to prove that the person making or receiving the transfer is entitled to do so; and

(c) if the transfer is executed by another person on behalf of the person making or receiving the transfer, evidence of the authority of that person to do so.

Clause 62

A transfer delivered under Clause 61:-

(a) cannot be in favour of more than 4 joint holders, unless approved by the Board; and

(b) must be properly stamped to show payment of any applicable stamp duty.

Clause 63

The Board can refuse to register such a transfer delivered:-

(a) where the transfer breaches any law or regulation or licensing or requirement (of any jurisdiction) which applies to the Company or any of its subsidiaries or any entity in which any of them have an interest;

(b) where the transfer is unlawful under Malaysian law; or

(c) the transfer relates to partly paid shares where a call has been made and is unpaid.

Clause 64

If the Board decides not to register a transfer of a share delivered under Clause 61, it must comply with Section 106 of the CA.

Clause 65

If the Company registers a transfer delivered under Clause 61, it can keep the transfer. A transfer cannot be used to transfer more than 1 class of shares. Each class needs a separate transfer. No fee is payable to the Company for transferring Non-Depository Shares or registering changes relating to the ownership of any such shares.

Clause 66

The person making a transfer of Non-Depository Shares will be treated as continuing to be the shareholder until the name of the person to whom a share is being transferred is entered in the ROM for that share.

Clause 67

If a shareholder who is a joint shareholder dies, the remaining joint shareholder or shareholders will be the only people which the Company will recognise as being entitled to their shares.

Clause 68

When a sole shareholder (or a shareholder who is the last survivor of joint shareholders) dies, their legal personal representatives will be the only people which the Company will recognise as being entitled to their shares.

Clause 69

Clauses 67 and 68 are subject to the SICDA and the DR, where the shares are Deposited Shares.

Clause 70

A person who becomes automatically entitled to a share by law can either be registered as the shareholder or may nominate some other person to have the share transferred to. The automatically entitled person must provide evidence of their entitlement as the Board reasonably requires. Where the shares are Deposited Shares, any registration as the shareholder or transfer to some other person must also comply with the Laws.

Clause 71

If a person who is automatically entitled to a share by law wants to be registered as a shareholder, they must deliver a written notice to the Company stating that they have made this decision. The notice must be in the form which the Board may prescribe. If the share is a Deposited Share, the notice must also be given to the Depository. That person must also comply with the Laws in relation to the registration of a Deposited Share. If the share is a Non-Depository Share, that person must comply with the requirements of this Constitution in relation to the transfers of Non-Depository Shares and their registration. The Board has the same power to refuse to register (in relation to Non-Depository Shares) the automatically entitled person as they would have had in deciding whether to register a transfer by the person who was previously entitled to the Non-Depository Shares.

Clause 72

If a person who is automatically entitled to a share by law wants the share to be transferred to another person, they must do this for:-

(a) a Deposited Share, in accordance with the requirements of this Constitution and the Laws; and

(b) a Non-Depository Share, by signing a transfer to the person they have nominated and comply with the other requirements of this Constitution in relation to the transfers of Non-Depository Shares and their registration.

Clause 73

The Board has the same power to refuse to register (in relation to Non-Depository Shares) the person selected as they would have had in deciding whether to register a transfer by the person who was previously entitled to the shares.

Clause 74

A person who is automatically entitled to a share by law is entitled to any dividends or other money or distributions or entitlements relating to the share, even though they are not registered as the holder of that share, upon providing to the Company evidence the Board reasonably requires to show their title to the share. However, the Board can send a written notice to the person stating that the person must either be registered as the holder of the share or transfer the share to some other person. If the automatically entitled person does not do this within 90 days from the date of such notice, the Board can withhold all dividends or other money or distributions or entitlements relating to the share until they do so. The Board may treat these dividends or other money or distributions or entitlements in the same way as unclaimed dividends and other money are treated in this Constitution.

Clause 75

Unless registered as the holder of the share, the person automatically entitled to a share by law cannot:-

(a) receive notices of shareholders' meetings, or attend or vote at these meetings; or

(b) exercise any other right of a shareholder in relation to any of these meetings, unless the Board decides otherwise.

14.1.5 Rights, Preferences and Restrictions Attached to Each Class of Securities Relating to Voting, Dividend, Liquidation and Any Special Rights

Clause 23

Where the Company has different classes of shares, this Constitution must state prominently:-

(a) that the Company's share capital is divided into different classes of shares;

(b) the voting rights attached to shares in each class;

(c) any other rights attached to those shares;

(d) any other things which Section 90 of the CA requires.

Section 89(2) of the CA applies.

Clause 24

This Constitution must set out the rights of shareholders attached to preference shares or shares convertible into preference shares. The rights which must be set out include shareholders' rights on:-

(a) a repayment of capital;

(b) participation in surplus assets and profits;

(c) cumulative or non-cumulative dividends;

(d) voting;

(e) priority of payment of capital and dividend when compared to other shares or classes of preference shares.

Preference shares must give their holders the right to vote:-

(a) when any dividends remain unpaid for more than 6 months;

(b) on a proposal to reduce the Company's share capital;

(c) on a proposal to dispose of all of the Company's property, business and undertaking;

(d) on a proposal that affects rights attached to the share;

(e) on a proposal to wind up the Company; and

(f) during the winding up of the Company.

Holders of preference shares must also be entitled to the same rights as a holder of an ordinary share in relation to receiving notices, reports and audited financial statements, and attending meetings. The Company may issue preference shares on terms that further preference shares may be issued which rank equally with or in priority to existing preference shares.

Clause 25

The liability of each shareholder is limited to the amount (if any) unpaid on the share held by that shareholder.

Clause 26

The provisions of this Constitution about allotment, transfer or person who is automatically entitled to a share by law and all other matters which relate to shares apply to new shares in the same way as if they were existing shares.

Clause 27

The Company can issue new shares and attach any rights and restrictions to them, as long as this is not restricted by special rights previously given to holders of any existing shares. Subject to this, the rights of new shares can take priority over the rights of existing shares, or existing shares can take priority over them, or the new shares and the existing shares can rank equally. These rights and restrictions can apply to sharing in the Company's profits or assets. Other rights and restrictions can also apply, for example, those relating to the right to vote.

Clause 28

The shareholders can decide on the rights and restrictions to be attached to new shares by passing an ordinary resolution. The Board can also make these decisions if the shareholders have not passed a resolution which covers the point. However, where different classes of shares result, Clause 23 also applies.

Clause 29

The Company may allot preference shares or convert any existing shares into preference shares. However, Clause 24 then applies.

Clause 30

If the Company's share capital is divided into different classes of share, the special rights attached to any of these classes may (subject to Section 90 of the CA and whether or not the Company is being wound up) be varied or withdrawn if the shareholders approve this by passing a special resolution. This must be passed at a separate meeting of the holders of that class of shares. This is called a class meeting. Alternatively, the holders of at least 75% of the existing shares of that class (by voting rights) can give their written consent.

Clause 31

The provisions of the CA and this Constitution which relate to General Meeting shall apply mutatis mutandis, with any necessary changes, to a class meeting, but with the following adjustments:-

(a) a shareholder who is present in person or by proxy can demand a poll;

(b) on a poll, the holders of shares will have one (1) vote for every share of the class which they hold;

(c) the vote will, anyhow, be by poll if the LR requires this.

This is subject to any special rights or restrictions which are attached to a class of shares by this Constitution, or any rights attached to shares in some other way under this Constitution.

A special resolution of shareholders of the preference capital affected is required where preference capital is to be repaid (other than redeemable preference capital or any other alteration to preference shareholders' rights). However, where the majority for the special resolution is not obtained at a meeting, written consent given by holders of at least 75% of that preference capital within 2 months of that meeting shall be as valid and effective as a special resolution passed at a meeting.

Clause 32

Clauses 30 and 31 also apply if:-

(a) special rights of shares forming part of a class are varied or withdrawn. Each part of the class which is being treated differently is viewed as a separate class in applying this clause;

(b) preference shares are issued shares which rank equally with existing preference shares. However, these clauses do not apply if the terms of issue of existing preference shares or this Constitution allows those preference shares to be issued.

Clause 33

Unless the terms of the existing shares state otherwise, the special rights of existing shares are not regarded as varied or withdrawn if:-

(a) new shares are created, or issued, which rank equally with or after any existing shares in payment of dividends or sharing in profits or assets of the Company; or

(b) the Company purchases its own shares (this includes, purchases of any of these existing shares); or

(c) the Company redeems redeemable preference shares (this includes, redeeming any of these existing shares); or

(d) preference shares are issued which rank equally with or in priority to existing preference shares.

Clause 277

The Company may subject to Sections 131 to 133 of the CA by ordinary resolution make a distribution of dividends to the shareholders out of the profits of the Company available if the Company is solvent, but no dividend can exceed the amount recommended by the Board.

Clause 278

If the Board considers that the profits of the Company justify such payments, they can pay:-

(a) interim dividends on any class of shares of any amounts, on any dates and for any periods which they decide; and

(b) fixed or other dividends on any class of shares on the dates stated for the payment of those dividends.

Clause 279

If the Board acts in good faith, they are not liable to any shareholders for any loss they suffer because a lawful dividend has been paid under Clause 278 on other shares which rank equally with or behind their shares.

Clause 280

Unless otherwise provided by the rights attached to shares or the terms of their issue, all dividends shall be declared and paid proportionately to the capital paid up on the shares on which the dividend is paid, but if any shares are issued on terms providing that they shall rank for dividend as from a specified date or to a specified extent, they shall rank for dividend accordingly. Any dividend may be expressed to be payable on a specified date to persons registered on some earlier date as the holders of the shares in respect of which the dividend is declared.

Clause 281

If the Board recommend this, shareholders can pass an ordinary resolution to direct all or any part of a dividend to be paid by distributing specific assets (and in particular paid-up shares or debentures of any other company). The Board must give effect to that resolution. Where a difficulty arises in the distribution, the Board can settle it as they decide. In particular, they can:-

(a) issue fractional certificates;

(b) value the assets for distribution purposes;

(c) pay cash of a similar value to adjust the rights of shareholders; and/or

(d) transfer any assets to trustees.

Clause 282

No dividend can be paid except out of profits available for distribution and where the Company is solvent as the CA requires.

Clause 283

Subject to the LR, a cash distribution or other dividends or other money payable in cash relating to a share or other securities can be paid:-

(a) by cheque or warrant payable to the shareholder or person automatically entitled to the shares by law who is entitled to it or to another person named in a written instruction from the shareholder (or all joint shareholders or people jointly and automatically entitled to the shares by law);

(b) in the case of Deposited Shares, by using the eDividend service or any other means for directly crediting the payments into the bank accounts of the shareholders or holder of such other securities of the Company as provided to the Depository from time to time, where allowed or required. The Company must notify such shareholders or holders of such other securities of the Company once the Company has paid the cash distribution or other money payable in cash out of the Company's account where the shareholders or holders of such other securities of the Company have provided to the Depository the relevant contact details for purposes of electronic notifications;

(c) by bank transfer, electronic means or by means of a website directly to an account named in a written instruction from the shareholder (or all joint shareholders or people jointly and automatically entitled to the shares by law); and/or

in any other way agreed between the shareholder (or all joint shareholders or people jointly and automatically entitled to the shares by law) and the Company.

Clause 284

For joint shareholders, or people jointly and automatically entitled to shares by law, the Company can rely on a receipt for a dividend or other money paid on shares from anyone of them.

Clause 285

Cheques and warrants are sent, and payment in any other way is made, at the risk of the people who are entitled to the money. The Company is treated as having paid a dividend if a cheque or warrant is cleared or if a payment is made using the eDividend service, bank transfer, electronic means or by means of a website. The Company will not be responsible for a payment which is lost or delayed.

Clause 286

Where Malaysian law requires that a dividend and any other money payable in respect of a share can be paid in whatever currency the Board decide or as the law requires using an appropriate exchange rate selected by the Board for any currency conversions required. The Board can also decide how any costs relating to the choice of currency will be met.

Clause 287

No dividend or other money payable by the Company in respect of its shares carries a right to interest from the Company, unless the rights of the shares say something different.

Clause 305

(1) If the Company is wound up, whether voluntarily or in some other way, with the approval of a special resolution, the liquidators may divide among the shareholders any part of the assets of the Company. This applies whether the assets consist of property of one kind or different kinds. For the purpose, the liquidator can place whatever value the liquidator considers fair on any property and decide how the division is carried out between shareholders and different shareholders.

(2) The liquidator may, with the like sanction, vest the whole or any part of any such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, think fit, but so that no shareholder shall be compelled to accept any shares or other securities whereon there is any liability.

(3) Save that this clause shall be without prejudice to the rights of holders of shares issued upon special terms and conditions, the following provisions shall apply:-

(a) If the Company shall be wound up and the assets available for distribution among the shareholders as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the shareholders in proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up, on the shares held by them respectively; and

(b) If in the winding up the assets available for distribution among the shareholders shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed among the shareholders in proportion to the capital paid up, at the commencement of the winding up, on the shares held by them respectively.

14.2 SHARE CAPITAL

(a) 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.

(b) Save for the new Shares to be issued pursuant to the Public Issue as disclosed in Section 4.3.1 of this Prospectus, there is no intention on the part of our Directors to further issue any Shares on the basis of this Prospectus.

(c) Save for the new Shares that have been issued as disclosed in Section 6.5 of this Prospectus, no other Shares have been issued by our Company which are paid with assets other than cash within the past 3 years preceding the LPD.

(d) Save for the Pink Form Allocation and the LTIP as disclosed in Sections 4.3.1(b) and 4.4 of this Prospectus:-

(i) no Director or employee of our Group has been or is entitled to be given or has exercised any option to subscribe for any Share of our Company or any of our subsidiaries; and

(ii) there is no other share option scheme involving our Directors or employees of our Group.

(e) Save for the SOP Awards as disclosed in Section 4.4 of this Prospectus, none of our Group's capital is under option, or agreed conditionally or unconditionally to be put under option.

(f) Save as disclosed in this Prospectus, there has been no acquisitions or subscription of any of our Shares by our substantial shareholders, Directors, key senior management or persons connected with them, or any transaction entered into by them which grants them the right to acquire any of our existing Shares, in the past 3 years up to the LPD.

(g) There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

14.3 CHANGES IN SHARE CAPITAL

Details on the changes in the share capital of our Company are disclosed in Section 6.2 of this Prospectus. Save as disclosed below, there have been no changes in the share capital of our subsidiaries during the Financial Periods Under Review up to the LPD:-

(a) Sophic Automation

As at the LPD, the issued share capital of Sophic Automation comprises 571,700 ordinary shares. The changes in the share capital of Sophic Automation during the Financial Periods Under Review and up to the LPD are as follows:-

Ordinary Shares

Date of Conversion From RCPS	No. of Shares Converted From RCPS	Type of Issue	Consideration	Cumulative No. of Shares
05.07.2024	71,700	RCPS Conversion	Other than cash	571,700

Preference Shares

Date of Allotment/ Conversion	No. of RCPS Allotted/ (Converted)	Type of Issue	Consideration	Cumulative No. of RCPS
06.09.2017	2,700,000	Allotment of RCPS	Cash	2,700,000
30.06.2021	6,100,000	Allotment of RCPS	Cash	8,800,000
05.07.2024	(8,800,000)	RCPS Conversion	Other than cash	-

(b) Pinkypye

As at the LPD, the issued share capital of Pinkypye comprises 25 ordinary shares. The changes in the share capital of Pinkypye from 13 September 2021 (date of incorporation) and up to the LPD are as follows:-

Date of Allotment	No. of Shares Allotted	Type of Issue	Consideration	Cumulative Share Capital
13.09.2021	1	Allotment of shares	Cash	1
28.02.2022	24	Allotment of shares	Cash	25

None of the shares in our Company or our subsidiaries were issued at a discount, on special terms or based on instalment payment terms.

As at the LPD, neither our Company nor our subsidiaries has any outstanding warrant, option, convertible security or uncalled capital in respect of their shares.

14.4 CONSENTS

(a) Our Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent has given and has not subsequently withdrawn its written consents to the inclusion of its names and all references thereto in the form and context in which they are included in this Prospectus.

(b) Our Company Secretary, Solicitors, Issuing House and Share Registrar have given and have not subsequently withdrawn their respective written consents to the inclusion of their names and all references thereto in the form and context in which they are included in this Prospectus.

(c) Our Auditors and Reporting Accountants have given and have not subsequently withdrawn their written consent to the inclusion of its name, report on the Compilation of the Proforma Consolidated Financial Statements, Accountants' Report and all references thereto in the form and context in which they are included in this Prospectus.

(d) Our Independent Market Researcher has given and has not subsequently withdrawn its written consent to the inclusion of its name, the IMR Report and all references thereto in the form and context in which they are included in this Prospectus.

14.5 DOCUMENTS AVAILABLE FOR INSPECTION

A copy each of the following documents may be inspected at the registered office of our Company during normal business hours for a period of 6 months from the date of this Prospectus:-

(a) our Constitution;

(b) the material contract referred to in Section 7.12 of this Prospectus;

(c) the IMR Report as included in Section 8 of this Prospectus;

(d) the Reporting Accountants' report on the Proforma Consolidated Statement of Financial Position as included in Section 12.1 of this Prospectus;

(e) the Accountants' Report as included in Section 13 of this Prospectus;

(f) the letters of consent referred to in Section 14.4 of this Prospectus;

(g) the audited financial statements of 3REN for the financial period from 5 April 2021 (date of incorporation) to 31 December 2021, FYE 2022, FYE 2023 and FPE 2024;

(h) the audited financial statements of Sophic Automation and Sophic MSC for the Financial Periods Under Review; and

(i) the audited financial statements of Pinkypye for the financial period from 13 September 2021 (date of incorporation) to 31 December 2022, FYE 2023 and FPE 2024.

14.6 RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Offerors have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

KAF IB, being our Principal Adviser, Sponsor, Sole Underwriter and Sole 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 offering.

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15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC 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.

15.1 OPENING AND CLOSING OF APPLICATION PERIOD

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 9 OCTOBER 2024.

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 23 OCTOBER 2024.

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 newspapers in Malaysia and make an announcement on Bursa Securities' website.

Late Applications will not be accepted.

15.2 METHODS OF APPLICATIONS

15.2.1 Application by the Malaysian Public and the Eligible Parties

Applications must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application	Application Method
Applications by Eligible Parties	Pink Application Form only
Applications by the Malaysian Public:-	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

15.2.2 Application by selected investors via private placement

Types of Application	Application Method
Applications by Bumiputera investors approved by MITI	MITI will directly contact the Bumiputera investors. The Bumiputera investors should follow MITI's instructions.
Applications by selected investors	The Sole Placement Agent will contact the selected investors directly. The selected investors should follow the Sole Placement Agent's instructions

15.3 ELIGIBILITY

15.3.1 General

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs set out in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS Account must be in your own name. Invalid, nominee or third party CDS Accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

15.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfil all of the following:-

(a) You must be one of the following:-

- (i) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or
- (ii) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
- (iii) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(b) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

(c) You must submit Applications by using only one of the following methods:-

- (i) White Application Form;
- (ii) Electronic Share Application; or
- (iii) Internet Share Application.

15.3.3 Application by Eligible Parties

The Eligible Parties will be provided with Pink Application Forms and letters from us detailing their respective allocations as well as detailed procedures on how to subscribe to the allocated Public Issue Shares. The Eligible Parties must follow the notes and instructions in those documents and where relevant, in this Prospectus.

15.4 APPLICATION BY WAY OF APPLICATION FORM

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.28 for each IPO Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NO. 778"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:-

(a) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:-

Tricor Investor & Issuing House Services Sdn Bhd
(Registration No. 197101000970 (11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

(b) **DELIVER BY HAND AND DEPOSIT** in the Drop-in Boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur,

so as to arrive not later than 5.00 p.m. on 23 October 2024 or by such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your White Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

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15.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATION

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Electronic Participating Financial Institutions.

15.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATION

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions or Participating Securities Firms, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, Malayan Banking Berhad, Public Bank Berhad, CGS International Securities Sdn Bhd *(formerly known as CGS-CIMB Securities Sdn Bhd)*, Malacca Securities Malaysia Sdn Bhd and Moomoo Securities Malaysia Sdn Bhd. A processing fee will be charged by the respective Internet Participating Financial Institutions or Participating Securities Firms (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 or Participating Securities Firms.

15.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:-

(a) reject Applications which:-

   (i) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

   (ii) are illegible, incomplete or inaccurate; or

   (iii) are accompanied by an improperly drawn up, or improper form of, remittance; or

(b) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(c) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 15.9 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.

15.8 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 IPO Shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at https://tiih.online **within 1 Market Day** after the balloting date.

Pursuant to the Listing Requirements we are required to have a minimum of 25% 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 Public Issue Shares by the Malaysian Public and/or Eligible Parties, subject to the reallocation provisions as set out in Section 4.3.4 of this Prospectus, any of the abovementioned Public Issue Shares not subscribed for will then be subscribed by the Sole Underwriter based on the terms of the Underwriting Agreement.

15.9 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:-

15.9.1 For applications by way of Application Forms

(a) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

(b) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (a) and (b) above (as the case may be).

(d) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (b) above (as the case may be).

15.9.2 For applications by way of Electronic Share Application and Internet Share Application

(a) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions or Participating Securities Firms of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) or Participating Securities Firms within 2 Market Days after the receipt of confirmation from the Issuing House.

(b) You may check your account on the 5th Market Day from the balloting date.

(c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) or Participating Securities Firms not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

15.10 SUCCESSFUL APPLICANTS

If you are successful in your application:-

(a) Our IPO Shares allotted to you will be credited into your CDS Account.

(b) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(c) In accordance with Section 14(1) of the 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 the Rules.

(d) 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.

15.11 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 at telephone number +603 - 2783 9299
Electronic Share Application	Electronic Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution or Participating Securities Firms and Authorised Financial Institution

The results of the allocation of the IPO Shares derived from successful balloting will be made available to the public at the Issuing House's website at https://tiih.online, within 1 Market Day after the balloting date.

You may also check the status of your Application at the above website, 5 Market Days after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs as set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

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3REN BERHAD ("3REN" OR "COMPANY")
BY-LAWS OF THE LONG TERM INCENTIVE PLAN

1. DEFINITIONS AND INTERPRETATIONS

1.1 Except where the context otherwise requires, the following expression in these By-Laws shall have the following meanings:

3REN or **the Company**	:	3REN Berhad (Registration No. 202101012445 (1412744-K))
3REN Group or **the Group**	:	The Company and its subsidiary companies as defined in Section 4 of the Act, and in the context of the LTIP, shall exclude subsidiary companies which are dormant. Subject to the foregoing, subsidiary companies include subsidiary companies which are existing as at the Effective Date and subsidiary companies which are incorporated or acquired at any time during the duration of the Scheme but exclude subsidiaries which have been divested in the manner provided in By-Law 11
3REN Share(s) or **Share(s)**	:	Ordinary share(s) in 3REN
Act	:	Companies Act 2016, as amended from time to time including any re-enactment thereof
Adviser	:	A person registered on the Register of Sponsors who has been appointed by the Company to undertake a corporate proposal prescribed by Bursa Securities to require the services of an Adviser under the ACE Market Listing Requirements of Bursa Securities or a recognised principal adviser under the Main Market Listing Requirements of Bursa Securities (as the case may be)
Board	:	The Board of Directors of the Company
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Registration No.: 198701006854 (165570-W))
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W))
By-Laws	:	The rules, terms and conditions of the Scheme (as may be modified, varied and/or amended from time to time)
CDS	:	Central Depository System
CDS Account	:	An account established by Bursa Depository for a depositor for the recording of deposits and withdrawal of securities and for dealings in such securities by a depositor
Central Depositories Act	:	The Securities Industry (Central Depositories) Act 1991, as amended from time to time including all subsidiary legislations made thereunder and any re-enactment thereof

Constitution	:	The constitution of the Company, including any amendments thereto that may be made from time to time
Date of Expiry	:	Last day of the duration of the Scheme or last day of any extended period pursuant to By-Law 13.2 (as the case may be)
Director	:	A natural person who holds a directorship in the Company or any company within 3REN Group, whether in an executive or non-executive capacity, and shall have the meaning of Section 2(1) of the Capital Markets and Services Act 2007
Effective Date	:	The date on which the Scheme comes into force as provided in By-Law 13.1
Eligible Person	:	Executive Director or Employee of the Company or any company within 3REN Group who meets the criteria of eligibility for participation in the Scheme as set out in By-Law 4 hereof and Non-Executive Director within 3REN Group who meets the criteria of eligibility for participation in SOP as set out in By-Law 4 hereof
Employee	:	A natural person who is employed by and on the payroll of the Company or any company within 3REN Group
Entitlement Date	:	The date as at the close of business on which shareholders' names must appear in the record of depositors of the Company maintained at Bursa Depository in order to be entitled to any dividends, rights, allotments and/or other distributions
Listing Requirements	:	Main or ACE Market Listing Requirements of Bursa Securities (as the case may be) including all amendments thereto and any Practice Notes or Guidance Notes issued in relation thereto
LTIP	:	Long Term Incentive Plan as stipulated in these By-Laws
LTIP Award(s)	:	Means the SGP Award(s) and/or the SOP Award(s), as the case may be
LTIP Award Date(s)	:	Means the SGP Award Date(s) and/or the SOP Award Date(s), as the case may be
LTIP Award Vesting Date(s)	:	Means the SGP Vesting Date(s) and/or the SOP Vesting Date(s), as the case may be
LTIP Committee	:	The committee comprising such persons as may be appointed and duly authorised by the Board pursuant to By-Law 14 to implement and administer the Scheme
LTIP Participant(s)	:	Means the SGP Participant(s) and/or the SOP Participant(s), as the case may be
LTIP Scheme or **Scheme**	:	The long term incentive plan for the award of SGP Award(s) and/or SOP Award(s) to any Eligible Person in accordance with the provisions of these By-Laws and such scheme shall be known as the "**3REN's Long Term Incentive Plan**"
Market day	:	A day on which Bursa-Securities is open for trading in securities

Maximum Allowable Allotment	:	The maximum number of Shares in respect of the LTIP Awards that can be made available to an Eligible Person as set out in By-Law 5 hereof
Option Price	:	The price at which SOP Participant(s) shall be entitled to subscribe for the Share(s) upon the exercise of the SOP Option(s), as initially determined and as may be adjusted, pursuant to the provisions of By-Law 38
RM and sen	:	Ringgit Malaysia and sen respectively
Rules of Bursa Depository	:	The rules of Bursa Depository, as issued pursuant to the Central Depositories Act
SGP	:	Share Grant Plan as stipulated in Section 1 of these By-Laws
SGP Award(s)	:	The award of such number of Shares to an Eligible Person in the manner and subject to the terms and conditions provided in these By-Laws
SGP Award Date(s)	:	The date of which an SGP Award(s) is awarded to an Eligible Person pursuant to a LTIP Award letter
SGP Participant(s)	:	Eligible Person(s) who has accepted SGP Award(s) in the manner provided in By-Law 30
SGP Vesting Date(s)	:	The date upon which all or any parts of the Shares awarded to SGP Participant(s) are eligible to be vested upon fulfilment of all terms and vesting conditions, if any, as determined by the LTIP Committee
SOP	:	Share Option Plan as stipulated in Section 2 of these By-Laws
SOP Award(s)	:	The award of such number of SOP Option(s) to an Eligible Person to subscribe for the Shares at the Option Price in the manner and subject to the terms and conditions provided in these By-Laws
SOP Award Date(s)	:	The date of which an SOP Award(s) is awarded to an Eligible Person pursuant to a LTIP Award letter
SOP Option(s)	:	The right of SOP Participant(s) to subscribe for the Share(s) at the Option Price in the manner provided in By-Law 36
SOP Participant(s)	:	Eligible Person(s) who has accepted the SOP Award(s) in the manner provided in By-Law 35
SOP Vesting Date(s)	:	The date upon which all or any part of the SOP Options awarded to SOP Participant(s) are eligible to be vested and are entitled to exercise the SOP Options upon fulfilment of all terms and vesting conditions, if any, as determined by the LTIP Committee

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1.2 In these By-Laws:

(i) any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision and Listing Requirements and any policies and/or guidelines of the relevant authorities (in each case, whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies and/or guidelines are addressed to by Bursa Securities and/or the relevant authorities);

(ii) any reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of these By-Laws so far as such modification or re-enactment applies or is capable of applying to any LTIP Award(s) awarded and accepted during the duration of the Scheme and shall also include any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced;

(iii) words denoting the singular shall include the plural and vice versa and references to gender shall include both genders and the neuter;

(iv) any liberty or power which may be exercised or any determination which may be made hereunder by the LTIP Committee may be exercised in the LTIP Committee's absolute discretion and the LTIP Committee shall not be under any obligation to give any reasons thereof, except as may be required by the relevant authorities;

(v) the headings in these By-Laws are for convenience only and shall not be taken into account in the interpretation of these By-Laws;

(vi) if an event is to occur on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day;

(vii) any reference to the Company and/or other person shall include a reference to its successors-in-title and permitted assigns; and

(viii) "**person connected**" shall have the meaning as defined in Rule 1.01 of the Listing Requirements.

2. NAME OF SCHEME

2.1 This Scheme shall be called the "**3REN's Long Term Incentive Plan**".

2A. OBJECTIVES OF THE SCHEME

2A.1 The objectives of the Scheme are as follows:

(i) to serve as a long-term incentive plan to reward the Eligible Persons and to align their interest with the corporate goals and objectives of 3REN Group;

(ii) to recognise the contributions of Eligible Persons whose services are valued and considered vital to the operations and continued growth of 3REN Group;

(iii) to motivate Eligible Persons to work towards better performance through greater productivity and loyalty;

(iv) to stimulate a greater sense of belonging and dedication since Eligible Persons are given the opportunity to participate directly in the equity of the Company;

(v) to encourage Eligible Person to remain with 3REN Group thus ensuring that any loss of key personnel is kept to a minimum;

(vi) to reward Eligible Persons by allowing them to participate in 3REN Group's growth and profitability and eventually realise potential capital gains arising from any appreciation in the value of the Shares;

(vii) to make 3REN Group's remuneration scheme more competitive to attract more skilled and experienced individuals to join 3REN Group and contribute to its continued growth;

(viii) to provide 3REN with the flexibility to determine the most appropriate LTIP Awards to reward and retain Eligible Persons who have contributed to the success of the Group;

(ix) to incentivise the Directors of 3REN Group for their contribution towards development, growth and success and strategic direction to drive long-term shareholder value enhancement of 3REN Group; and

(x) to incentivise the senior management and employees of 3REN Group for their commitment, dedication and loyalty towards attainment of higher performance.

3. MAXIMUM NUMBER OF NEW SHARES AVAILABLE UNDER THE SCHEME

3.1 The maximum number of the Shares which may be made available under the Scheme shall not in aggregate exceed fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time during the duration of the Scheme as provided in By-Law 13.2.

3.2 Notwithstanding the provision of By-Law 3.1 above and any other provisions contained herein, in the event the total number of the Shares that may be made available under the Scheme exceeds fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares, if any) as a result of the Company purchasing, cancelling and/or reducing the Shares in accordance with the provisions of the Act or the Company undertaking any corporate proposal and thereby diminishing the total number of issued shares of the Company, then such LTIP Award(s) awarded prior to the adjustment of the issued shares of the Company (excluding treasury shares, if any) shall remain valid and exercisable in accordance with the provisions of this Scheme. However, in such a situation, the LTIP Committee shall not make further LTIP Award(s) until the total number of the Shares under the subsisting LTIP Award(s) falls below fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares, if any).

4. ELIGIBILITY

4.1 Subject to the sole discretion of the LTIP Committee, only Eligible Persons who fulfil the following conditions as at the LTIP Award Date shall be eligible to participate in the Scheme:

(i) in respect of an Employee, the Employee must fulfil the following criteria as at the LTIP Award Date:

(a) is at least eighteen (18) years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

(b) is employed by 3REN Group on a full-time basis or serving in a specific designation under an employment contract with 3REN Group for a fixed duration (or any other contract as may be determined by the LTIP Committee) and is on the payroll of any company within 3REN Group and has not served a notice of resignation or received notice of termination;

(c) must have been in employment of the 3REN Group for a period of at least six (6) months prior to the LTIP Award Date;

(d) is confirmed in writing as a full-time Employee of 3REN Group prior to and up to the LTIP Award Date; and

(e) fulfils any other criteria and/or falls within such category as may be determined by the LTIP Committee from time to time.

(ii) in respect of an executive Director, the executive Director must fulfil the following criteria as at the LTIP Award Date:

(a) is at least eighteen (18) years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

(b) is appointed as an executive Director of the Company or any company within 3REN Group for such periods as may be determined by the LTIP Committee prior to and up to the LTIP Award Date; and

(c) fulfils any other criteria and/or falls within such category as may be determined by the LTIP Committee from time to time.

(iii) in respect of a non-executive Director, the non-executive Director must fulfil the following criteria as at the SOP Award Date:

(a) is at least eighteen (18) years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

(b) is appointed as a non-executive Director of the Company or any company within 3REN Group for such periods as may be determined by the LTIP Committee prior to and up to the SOP Award Date; and

(c) fulfils any other criteria and/or falls within such category as may be determined by the LTIP Committee from time to time.

4.2 Notwithstanding the above, the LTIP Committee may, at its absolute discretion, waive any of the eligibility conditions as set out in By-Law 4.1 above. The eligibility and number of LTIP Award(s) to be awarded to an Eligible Person under the Scheme shall be at the sole and absolute discretion of the LTIP Committee and the decision of the LTIP Committee shall be final and binding.

4.3 Subject to By-Law 4.1, the LTIP Committee may from time to time at its own discretion decide on the performance targets to be achieved by the LTIP Participants before the LTIP Awards can be vested.

4.4 Notwithstanding By-Law 4.1, the LTIP Award(s) to be awarded to any Eligible Person, who is a Director, major shareholder or chief executive of the Company or persons connected with such Director, major shareholder or chief executive (as defined in the Listing Requirements), shall also be approved by the shareholders of the Company in general meeting to be convened unless such approval is no longer required under the Constitution, the Listing Requirements and any other prevailing guidelines issued by the authorities.

4.5 Any Eligible Person who holds more than one (1) position within 3REN Group and by holding such positions, the Eligible Person is in more than one category, shall only be entitled to the Maximum Allowable Allotment of any one of those category/designation of employment. The LTIP Committee shall be entitled at its sole discretion to determine the applicable category/designation of employment.

4.6 An Employee or Director of a dormant company within 3REN Group is not eligible to participate in the Scheme.

4.7 An Employee or Director may, at the sole discretion of the LTIP Committee, be eligible to participate in the Scheme, subject to the Maximum Allowable Allotment.

4.8 Eligibility under the Scheme does not confer on an Eligible Person any claim or right to participate in or any right whatsoever under the Scheme and an Eligible Person does not acquire or has any right over or in connection with the LTIP Award(s) unless the LTIP Award(s) has been made by the LTIP Committee to the Eligible Person and the Eligible Person has accepted the LTIP Award(s) in accordance with these By-Laws.

5. BASIS OF ALLOCATION AND MAXIMUM ALLOWABLE ALLOCATION

5.1 The allocation of the Shares to be made available for the LTIP Award(s) under the Scheme shall be determined by the LTIP Committee.

5.2 Subject to By-Law 3 and any adjustment which may be made under By-Law 9, the maximum number of Shares to be awarded to an Eligible Person under the Scheme at any point of time in each LTIP Award shall be at the sole and absolute discretion of the LTIP Committee after taking into consideration, inter alia, the Eligible Person's designation, length of service, work performance and/or such other factors as the LTIP Committee deems fit, and subject to the following conditions:

(i) the total number of Shares made available under the Scheme shall not exceed the amount in By-Law 3.1 above;

(ii) not more than ten percent (10%) (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) of the total number of issued shares of the Company made available under the Scheme shall be allocated to any Eligible Person who, either singly or collectively through persons connected (as defined in the Listing Requirements) with the Eligible Person, holds twenty percent (20%) (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) or more of the total number of issued shares of the Company (excluding treasury shares, if any);

(iii) up to fifty percent (50%) of the total number of Shares which may be made available under the Scheme could be allocated, in aggregate, to the Directors and senior management of 3REN Group who are Eligible Persons (where "**senior management**" shall be subject to any criteria as may be determined at the sole discretion of the LTIP Committee from time to time); and

(iv) the Directors and senior management of 3REN Group shall not participate in the deliberation or discussion of their respective allocations as well as to persons connected with them, if any;

PROVIDED ALWAYS THAT it is in accordance with the Listing Requirements or any prevailing guidelines issued by Bursa Securities or any other relevant authorities, as amended from time to time.

5.3 The LTIP Committee shall determine the maximum number of Shares for the LTIP Award(s) that will be made available to an Eligible Person under the Scheme, in the manner provided in these By-Laws in relation to each class or grade of Directors and Employees and the aggregate maximum number of LTIP Award(s) that can be awarded to the Directors and Employees under the Scheme from time to time, and the decision of the LTIP Committee shall be final and binding.

5.4 In the event that an Eligible Person is promoted, the Maximum Allowable Allotment applicable to such Eligible Person shall be the Maximum Allowable Allotment that may be awarded corresponding to the category of employee of which he/she then is a party, subject always to the maximum number of Shares available under the Scheme as stipulated under By-Law 3.1.

5.5 In the event that an Eligible Person who is demoted/re-designated to a lower grade for whatsoever reason shall only be entitled to the allocation of that lower grade unless an award has been made and accepted by him before such demotion/re-designated and where he has accepted an award which exceeds his Maximum Allowable Allotment under that lower grade, he shall not be entitled to any further allocation for that lower grade.

5.6 The Company shall ensure that the LTIP Award(s) awarded pursuant to the Scheme is verified by the Audit Committee of 3REN Group at the end of each financial year as being in compliance with the award criteria of the LTIP Award(s) which have been disclosed to the Eligible Person.

5.7 The LTIP Committee may at its sole and absolute discretion determine whether the LTIP Award(s) to the Eligible Person(s) will be made on a staggered basis over the duration of the Scheme or in a single award and/or whether the LTIP Award(s) are subject to any vesting period and if so, to determine the vesting conditions.

5.8 If any Eligible Person is a member of the LTIP Committee, such Eligible Person shall not participate in the deliberation or discussion of his/her LTIP Award(s).

5.9 The selection of any Eligible Person to participate in the Scheme will be at the sole discretion of the LTIP Committee and the decision of the LTIP Committee shall be final and binding.

5.10 At the time the LTIP Award(s) is awarded in accordance with these By-Laws, the LTIP Committee shall set out the basis of award, identifying the category or grade of the Eligible Person and the Maximum Allowable Allotment that may be awarded to such Eligible Person under the LTIP Award(s).

5.11 Subject to By-Law 5.2, nothing herein shall prevent the LTIP Committee from awarding more than one (1) LTIP Award(s) to an Eligible Person **PROVIDED THAT** the total aggregate number of Shares comprised in the LTIP Award(s) awarded to such Eligible Person during the duration of the Scheme shall not exceed the Maximum Allowable Allotment that an Eligible Person is entitled under the LTIP Award(s).

6. RIGHTS OF LTIP PARTICIPANT(S)

6.1 The LTIP Award(s) shall not carry any right to vote at any general meeting of the Company.

6.2 The Shares which are credited into the LTIP Participants' CDS Account upon vesting of the SGP Awards and/or exercising of the SOP Options, would carry rights to vote at the general meeting of the Company, if the LTIP Participant(s) is registered in the Record of Depositors on the Entitlement Date to be entitled to attend and vote at the general meeting.

6.3 A LTIP Participant(s) shall not be entitled to any dividends, rights and/or other distributions on his/her unvested SGP Awards and/or unexercised SOP Options.

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7. RIGHTS ATTACHING TO THE SHARES

7.1 The Shares arising upon vesting of SGP Awards and/or exercising of the SOP Options shall, upon allotment and issuance, rank equally in all respects with the existing Shares and together with the Shares procured by the Company, via the Trustee, for transfer shall:

(i) be subject to the provisions of the Constitution; and

(ii) rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the date on which the Shares are credited into the CDS Account of the LTIP Participant(s) and shall in all other respects rank equally with other existing Shares then in issue.

7.2 Notwithstanding any provision in these By-Laws, the LTIP Participant(s) shall not be entitled to any rights, dividends or other distributions attached to the Shares prior to the date on which such Shares are credited into their respective CDS Accounts.

8. RETENTION PERIOD

8.1 The Shares arising upon vesting of SGP Awards and/or exercising of the SOP Options will not be subjected to any retention period or restriction on transfer unless otherwise as stated in the LTIP Award(s) as determined by the LTIP Committee from time to time. However, LTIP Participant(s) are encouraged to hold the Shares as a long-term investment and not for any speculative and/or realisation of any immediate gain. The expression "**retention period**" shall mean the period in which the Shares awarded and issued pursuant to the Scheme must not be sold, transferred, assigned or otherwise disposed of by the LTIP Participant(s).

8.2 Notwithstanding to the above By-Law 8.1, the LTIP Committee shall be entitled at its discretion to prescribe or impose, in relation to any LTIP Award(s), any condition relating to any retention period or restriction on transfer (if applicable) as the LTIP Committee sees fit.

8.3 An eligible Director who is a non-executive Director in the Group shall not sell, transfer or assign the Shares obtained through the exercise of the SOP Options granted to him within one (1) year from the SOP Award Date.

9. ALTERATION OF SHARE CAPITAL AND ADJUSTMENT

9.1 Subject to By-Law 9.5 hereof, in the event of any alteration in the capital structure of the Company during the duration of the Scheme, whether by way of capitalisation of profits or reserves, rights issue, bonus issue, consolidation or subdivision of the Shares or reduction in share capital (save for set-off against accumulated losses) or any other variation of capital shall take place during the duration of the Scheme, the Company shall cause such adjustment to be made:

(i) in relation to SGP:

(a) the number of Shares comprised in the SGP Award(s) to the extent not yet vested; and/or

(b) the method and/or manner in the vesting of the Shares comprised in the SGP Award(s).

(ii) in relation to SOP:

(a) the Option Price and/or number of SOP Options comprised in the SOP Award(s) to the extent not yet vested or exercised; and/or

(b) the method and/or manner in the vesting of the SOP Options comprised in the SOP Awards.

9.2 The following provisions shall apply in relation to an adjustment which is made pursuant to By-Law 9.1:

(i) any adjustment to the Option Price shall be rounded down to the nearest one (1) sen; and

(ii) in determining a LTIP Participant's entitlement to have the Shares vested and/or to exercise the SOP Options, any fractional entitlements will be disregarded.

9.3 Subject to By-Law 9.2, the Option Price for the SOP Award(s) and/or the number of new Shares unvested/SOP Options relating to the LTIP Award(s) awarded to each LTIP Participant(s) shall from time to time be adjusted, calculated and determined by the LTIP Committee in accordance with the following relevant provisions in consultation with the Adviser and/or the external auditor of the Company:

(i) **<u>Consolidation and subdivision</u>**
Whenever a Share by reason of any consolidation or subdivision, the total number of issued shares shall be different. Then, the Option Price for the SOP Award(s) and/or the number of additional 3REN Shares/SOP Options relating to the LTIP Award(s) to be issued shall be adjusted, calculated or determined in the following formula:

(a) New Option Price

$$\text{New Option Price} = EP \times \frac{\text{Former total number of issued shares before the consolidation or subdivision}}{\text{Revised total number of issued shares after the consolidation or subdivision}}$$

(b) Number of additional Shares/SOP Options

$$\text{Number of additional Shares/SOP Options} = T \times \frac{\text{Former total number of issued shares after the consolidation or subdivision}}{\text{Former total number of issued shares before the consolidation or subdivision}} - T$$

Where:

EP = Existing Option Price; and

T = Existing number of Shares/SOP Options relating to the LTIP Award(s) awarded.

Such adjustment will be effective from the close of business on the Market Day immediately following the Entitlement Date on which the consolidation or subdivision becomes effective (being the date when the Shares are traded on Bursa Securities), or such other period as may be prescribed by Bursa Securities.

(ii) **Capitalisation of profits/reserves**

If and whenever the Company shall make any issue of new Shares to ordinary shareholders credited as fully paid-up, by way of bonus issue or capitalisation issue from profits or reserves (whether of a capital or income nature and including any capital redemption reserve fund), the Option Price for the SOP Award(s) shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{A + B}$$

and the number of additional Shares/SOP Options relating to the LTIP Award(s) to be issued shall be calculated as follows:

Number of additional Shares/SOP Options =

$$T \times \left[\frac{A + B}{A} - T \right]$$

Where:

A = the aggregate number of issued and fully paid-up Shares immediately before such bonus issue or capitalisation issue;

B = the aggregate number of Shares to be issued pursuant to any allotment to ordinary shareholders of the Company credited as fully paid-up by way of bonus issue or capitalisation of profits or reserves (whether of a capital or income nature and including any capital redemption reserve fund); and

T = as T above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the Entitlement Date for such issue.

(iii) If and whenever the Company shall make:

(a) **Capital Distribution**

a Capital Distribution (as defined below) to ordinary shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); or

(b) **Rights issue of the Shares**

any offer or invitation to its ordinary shareholders whereunder they may acquire or subscribe for new Shares by way of rights; or

(c) **Rights issue of convertible securities**

any offer or invitation to ordinary shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares attached thereto,

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then and in respect of each such case, the Option Price for the SOP Award(s) shall be adjusted by multiplying it by the following fraction:

$$\frac{C - D}{C}$$

and in respect of the case referred to in By-Law 9.3(iii)(b) hereof, the number of additional Shares/SOP Options comprised in the LTIP Award(s) to be issued shall be calculated as follows:

Number of additional Shares/SOP Options =

$$T \times \left[\frac{C}{C - D^*} - T \right]$$

Where:

T = as T above;

C = the current market price of each Share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation; and

D = (aa) in the case of an offer or invitation to acquire or subscribe for new Shares under By-Law 9.3(iii)(b) above or for securities convertible into Shares or securities with rights to acquire or subscribe for new Shares under By-Law 9.3(iii)(c) above, the value of rights attributable to one (1) existing Share (as defined below); or

(bb) in the case of any other transaction falling within By-Law 9.3(iii) hereof, the fair market value as determined by the Adviser and/or the external auditor of the Company of that portion of the Capital Distribution attributable to one (1) existing Share.

D*= the value of rights attributable to one (1) existing Shares (as defined below).

For the purpose of definition "(aa)" of D above, the "**value of rights attributable to one (1) existing Share**" shall be calculated in accordance with the formula:

$$\frac{C - E}{F + 1}$$

Where:

C = as C above;

E = the subscription price for one (1) additional Share under the terms of such offer or invitation to acquire or subscribe for the Share or subscription price of one (1) additional security convertible into Shares or one (1) additional security with rights to acquire or subscribe for the Shares; and

F = the number of existing Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or subscribe for security convertible into one (1) additional Shares or rights to acquire or subscribe for one (1) additional Shares.

For the purpose of definition "D*" above, the "**value of rights attributable to one (1) existing Shares**" shall be calculated in accordance with the formula:

$$\frac{C - E^*}{F^* + 1}$$

Where:

C = as C above;

E*= the subscription price for one (1) additional Share under the terms of such offer or invitation to acquire or subscribe for Shares; and

F*= the number of existing Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share.

For the purpose of By-Law 9.3(iii) hereof, "**Capital Distribution**" shall (without prejudice to the generality of that expression) include distributions in cash or specie (other than dividends) or by way of issue of new Shares (not falling under By-Law 9.3(ii) hereof) or other securities issued by way of capitalisation of profits or reserves of the Company (whether of a capital or income nature and including any capital redemption reserve fund).

Any distribution out of profits or reserves (including any capital redemption reserve fund) made (whenever paid and howsoever described) shall be deemed to be a Capital Distribution unless the distribution is paid out of the aggregate of the net profits attributable to the ordinary shareholders as shown in the audited consolidated statements of profit or loss and other comprehensive income of the Company.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the Entitlement Date for such issue.

(iv) **Capitalisation of profits/reserves and rights issue of Shares/convertible securities**

If and whenever the Company makes any allotment to its ordinary shareholders as provided in By-Law 9.3(ii) above and also makes any offer or invitation to its ordinary shareholders as provided in By-Law 9.3(iii)(b) or (c) above and Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the Option Price for the SOP Award(s) shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I)}{(G+H+B) \times C}$$

and where the Company makes any allotment to its ordinary shareholders as provided in By-Law 9.3(ii) above and also makes any offer or invitation to its ordinary shareholders as provided in By-Law 9.3(iii)(b) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the number of additional Shares comprised in the LTIP Award(s) to be issued shall be calculated as follow:

Number of additional Shares/SOP Options =

$$T \times \left[\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} - T \right]$$

Where:

B = as B above;

C = as C above;

G = the aggregate number of issued and fully paid-up Shares on the Entitlement Date;

H = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for the Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into the Shares or rights to acquire or subscribe for the Shares, as the case may be;

H* = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for the Shares by way of rights;

I = the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for the Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share, as the case may be;

I* = the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for the Shares; and

T = as T above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the Entitlement Date for such issue.

(v) <u>Rights issue of the Shares and rights issue of convertible securities</u>

If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for new Shares as provided in By-Law 9.3(iii)(b) above together with an offer or invitation to acquire or subscribe for securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares as provided in By-Law 9.3(iii)(c) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the Option Price for the SOP Award(s) shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J) \times C}$$

and the number of additional Shares/SOP Options comprised in the LTIP Award(s) shall be calculated as follows:

Number of additional Shares/SOP Options =

$$T \times \left[\frac{(G+H^*) \times C}{(G \times C) + (H^* \times I^*)} - T \right]$$

Where:

C = as C above;

G = as G above;

H = as H above;

H* = as H* above;

I = as I above;

I* = as I* above;

J = the aggregate number of the Shares to be issued to its ordinary shareholders upon conversion of such securities or exercise of such rights to subscribe for the Shares by the ordinary shareholders;

K = the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share; and

T = as T above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the Entitlement Date for such issue.

(vi) <u>Capitalisation of profits/reserve, rights issue of the Shares and rights issue of convertible securities</u>

If and whenever the Company makes an allotment to its ordinary shareholders as provided in By-Law 9.3(ii) above and also makes an offer or invitation to its ordinary shareholders to acquire or subscribe for the Shares as provided in By-Law 9.3(iii)(b) above, together with rights to acquire or subscribe for securities convertible into new Shares or with rights to acquire or subscribe for the Share as provided in By-Law 9.3(iii)(c) above, and the Entitlement Date for the purpose of allotment is also the Entitlement Date for the purpose of the offer or invitation, the Option Price for the SOP Award(s) shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C)+(H \times I)+(J \times K)}{(G+H+J+B) \times C}$$

and the number of additional Shares/SOP Options comprised in the LTIP Award(s) shall be calculated as follows:

Number of additional Shares/SOP Options =

$$T \times \left[\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} - T \right]$$

Where:

B = as B above;

C = as C above;

G = as G above;

H = as H above;

H* = as H* above;

I = as I above;

I* = as I* above;

J = as J above;

K = as K above; and

T = as T above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the Entitlement Date for such issue.

(vii) <u>Others</u>

If and whenever (otherwise than pursuant to a rights issue available to all ordinary shareholders of the Company and requiring an adjustment under By-Laws 9.3(iii)(b), (iii)(c), (iv), (v) or (vi) above), the Company shall issue either new Shares or any securities convertible into new Shares or any rights to acquire or subscribe for the Shares, and in any such case, the Total Effective Consideration per Share (as defined below) is less than ninety percent (90%) of the Average Price (as defined below) for one (1) Share or, as the case may be, the price at which the Shares will be issued upon conversion of such securities or exercise of such rights is determined, the Option Price for the SOP Award(s) shall be adjusted by multiplying it by the following fraction:

$$\frac{L + M}{L + N}$$

Where:

L = the number of the Shares in issue at the close of business on Bursa Securities on the Market Day immediately preceding the date on which the relevant adjustment becomes effective;

M = the number of the Shares which the Total Effective Consideration (as defined below) would have purchased at the Average Price (as defined below) (exclusive of expenses); and

N = the aggregate number of the Shares so issued or, in the case of securities convertible into the Shares or securities with rights to acquire or subscribe for the Shares, the maximum number (assuming no adjustment of such rights) of the Shares issuable upon full conversion of such securities or the exercise in full of such rights.

For the purpose of By-Law 9.3(vii), the "**Total Effective Consideration**" shall be determined by the LTIP Committee with the concurrence of the external auditor shall be:

(i) in the case of the issue of new Shares, the aggregate consideration receivable by the Company on payment in full for such Shares;

(ii) in the case of the issue by the Company of securities wholly or partly convertible into new Shares, the aggregate consideration receivable by the Company on payment in full for such securities or such part of the securities as is convertible together with the total amount receivable by the Company upon full conversion of such securities (if any); or

(iii) in the case of the issue by the Company of securities with rights to acquire or subscribe for new Shares, the aggregate consideration attributable to the issue of such rights together with the total amount receivable by the Company upon full exercise of such rights;

in each case without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the "**Total Effective Consideration per Share**" shall be the Total Effective Consideration divided by the number of new Shares issued as aforesaid or, in the case of securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares, by the maximum number of new Shares issuable on full conversion of such securities or on exercise in full of such rights.

For the purpose of By-Law 9.3(vii), "**Average Price**" of a Share shall be the average market price of one (1) Share as derived from the last traded prices for one or more board lots of Shares as quoted on Bursa Securities on the Market Days comprised in the period used as a basis upon which the issue price of such Shares is determined.

Such adjustment will be calculated (if appropriate, retroactively) from the close of business on Bursa Securities on the Market Day immediately following the date on which the issue is announced, or (failing any such announcement) on the Market Day immediately following the date on which the Company determines the subscription price of such Shares. Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the Market Day immediately following the completion of the above transaction.

For the purpose of By-Laws 9.3(iii), (iv), (v) and (vi), the current market price in relation to one (1) existing Shares for any relevant day shall be the based on the volume weighted average market price of the Shares for the five (5) Market Days before such date or during such other period as may be determined in accordance with any guidelines issued, from time to time, by the relevant authorities.

Such adjustment must be confirmed in writing by the external auditors of the Company for the time being (acting as experts and not as arbitrators), upon reference to them by the LTIP Committee, to be in their opinion, fair and reasonable, PROVIDED ALWAYS THAT:

(a) any adjustment to the Option Price shall be rounded up to the nearest one (1) sen;

(b) in the event that a fraction of a new Share arising from the adjustment referred to in these By-Laws would otherwise be required to be issued upon vesting of the SGP Awards and/or exercising of an SOP Option by the LTIP Participant(s), the LTIP Participant(s)' entitlement shall be round down to the nearest whole number;

(c) upon any adjustment being made pursuant to these By-Laws, the LTIP Committee shall, within thirty (30) days of the effective date of the alteration in the capital structure of the Company, notify the LTIP Participant(s) (or his legal representatives where applicable) in writing informing him of the adjusted Option Price for the SOP Award(s) thereafter in effect and/or the number of the Shares/SOP Options comprised in the LTIP Award(s); and

(d) any adjustments made must be in compliance with the provisions for adjustments provided in these By-Laws.

For avoidance of doubt, any adjustments to the Option Price for the SOP Award(s) and/or the number of the Shares/SOP Options comprised in the LTIP Award(s) so far as unvested and/or unexercised arising from bonus issue, subdivision or consolidation of the Shares need not be confirmed in writing by the external auditors or the Adviser of the Company.

9.4 Save as expressly provided for herein, the external auditors or the Adviser must confirm in writing that the adjustments are in their opinion fair and reasonable. The opinion of the external auditors or the Adviser shall be final, binding and conclusive.

9.5 The provisions of By-Law 9 shall not apply where the alteration in the capital structure of the Company arises from any of the following:

(i) an issue of Shares pursuant to the vesting of LTIP Award(s) under the Scheme;

(ii) an issue of securities as consideration or part consideration for an acquisition of any other securities, assets or business;

(iii) private placement or restricted issue or special issue of new Shares by the Company;

(iv) a special issue of securities to Bumiputera parties or investors nominated by the Ministry of International Trade and Industry and/or other government authority to comply with the government's policy on Bumiputera capital participation;

(v) a purchase by the Company of its own Shares and cancellation of all or a portion of such Shares purchased pursuant to Section 127 of the Act; or

(vi) an issue of new Shares arising from the exercise of any conversion rights attached to securities convertible to new Shares or upon exercise of any other rights including warrants and convertible loan stocks or other instruments (if any) issued by the Company.

9.6 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Part III (Division 7, Subdivision 2) of the Act, By-Law 9.1 shall be applicable in respect of such part(s) of the scheme which involves any alteration(s) in the capital structure of the Company to which By-Law 9.1 is applicable, but By-Law 9.1 shall not be applicable in respect of such part(s) of the scheme which involves any alteration(s) in the capital structure of the Company to which By-Law 9.1 is not applicable as described in By-Law 9.5.

An adjustment pursuant to By-Law 9.1 shall be made according to the following terms:

(a) in the case of a right issue, bonus issue or other capitalisation issue, on the next Market Day following the Entitlement Date in respect of such issue; or

(b) in the case of a consolidation or subdivision of the Shares or reduction of capital, on the Market Day immediately following the date on which the consolidation or subdivision or capital reduction becomes effective, or such period as may be prescribed by Bursa Securities.

Upon any adjustment being made, the LTIP Committee shall give notice in writing within thirty (30) days from the date of adjustment to the LTIP Participant(s), or his/her legal representative, where applicable, to inform him/her of the adjustment and the event giving rise thereto.

Notwithstanding the provisions referred to in these By-Laws, the LTIP Committee may exercise its sole discretion to determine whether any adjustments to the Option Price for SOP Award(s) and/or the number of the Shares/SOP Options comprised in the LTIP Award(s) be calculated on a different basis or date or should take effect on a different date or that such adjustments be made to the Option Price for the SOP Award(s) and/or the number of the Shares/SOP Options comprised in the LTIP Award(s) notwithstanding that no such adjustment formula has been explicitly set out in these By-Laws.

10. TAKE-OVERS AND MERGERS, SCHEMES OF ARRANGEMENT, AMALGAMATIONS, RECONSTRUCTIONS AND DISPOSAL OF ASSETS

10.1 In the event of:

(i) a take-over offer being made for, under the Malaysian Code on Take-Overs and Mergers 2016 and Rules on Take-Overs, Mergers and Compulsory Acquisitions (or any replacement thereof), to acquire the whole of the issued ordinary share capital of the Company (or such part thereof not at the time held by the person making the take-over ("**Offeror**") or any persons acting in concert with the Offeror);

(ii) the Offeror becoming entitled or bound to exercise the right of compulsory acquisition of the Shares under the provisions of any applicable statutes, rules and/or regulations and gives notice to the LTIP Participant(s) that it intends to exercise such rights on a specific date ("**Specified Date**"); or

(iii) the Company disposes of all or substantially all of its assets and the disposal becomes unconditional;

the LTIP Committee may at its discretion to the extent permitted by law permit the vesting of the LTIP Awards and the LTIP Participant(s) will be entitled to within such period to be determined by the LTIP Committee, to subscribe and/or exercise all or any of his/her LTIP Awards and the Directors of the Company shall use their best endeavours to procure that such a general offer be extended to the new Shares that may be issued pursuant to the LTIP Award(s) under these By-Law.

In the foregoing circumstances, all LTIP Award(s) which the LTIP Committee permits to be vested and/or exercisable, shall automatically lapse and become null and void to the extent remain unvested and/or unexercised by the date prescribed by the LTIP Committee notwithstanding that the LTIP Award Vesting Date has not commenced or has not expired.

10.2 Notwithstanding to the provisions of these By-Laws and subject to the sole discretion of the LTIP Committee, in the event of the court sanctioning a compromise or arrangement between the Company and its members proposed for the purpose of, or in connection with, a scheme of arrangement and reconstruction of the Company under Section 366 of the Act or its amalgamation with any other company or companies under Section 370 or any other provisions of the Act or the Company decided to merge with other company or companies, the LTIP Committee may at its absolute discretion decide whether a LTIP Participant(s) may be entitled to be vested and/or to exercise all or any of his/her unvested and/or unexercised LTIP Awards at any time commencing from the date upon which the compromise or arrangement is sanctioned by the court and ending on the date upon which it becomes effective PROVIDED ALWAYS THAT no LTIP Awards shall be vested and LTIP Awards shall be subscribed and/or exercised after the expiry of the LTIP Award Vesting Date. Upon the compromise or arrangement becoming effective, all unvested and/or unexercised LTIP Awards shall automatically lapse and become null and void and of no further force and effect.

11. DIVESTMENT FROM AND TRANSFER TO/FROM THE GROUP

11.1 If a LTIP Participant(s) is in the employment of a company within the Group and such company is subsequently divested, wholly or in part, from 3REN Group, the LTIP Participant(s):

(i) shall cease to be capable of being vested with any unvested LTIP Awards awarded to him/her under the Scheme from the date of completion of such divestment or the Date of Expiry, whichever expires first;

(ii) will not be entitled to exercise any unexercised vested SOP Options from the date of completion of such divestment, unless the LTIP Committee at its discretion permit such exercise of the unexercised vested SOP Option or the vesting of the unvested LTIP Awards including its allocation thereof. For avoidance of doubt, save and except to the extent permitted by the LTIP Committee, all existing LTIP Awards shall automatically lapse and become null and void and of no further force and effect; and

(iii) shall not be eligible to participate for further LTIP Award(s) under the Scheme as from the date of completion of such divestment.

11.2 For the purposes of By-Law 11.1 above, a company shall be deemed to be divested from 3REN Group or disposed of from 3REN Group in the event that the effective interest of the Company in such company is reduced from above fifty percent (50%) to fifty percent (50%) or below so that such company would no longer be a subsidiary of the Company pursuant to Section 4 of the Act (other than pursuant to a takeover, scheme of arrangement, amalgamation, reconstruction, merger or otherwise as provided under the By-Law 10).

11.3 In the event that:

(i) an employee who was employed in a company which is not related to the Company pursuant to Section 7 of the Act (that is to say, a company which does not fall within the definition of 3REN Group") and is subsequently transferred from such company to any company within 3REN Group; or

(ii) an employee who was in the employment of a company which subsequently becomes a company within 3REN Group as a result of a restructuring or acquisition exercise or otherwise involving the Company and/or any company within 3REN Group with any of the first mentioned company stated in (i) above;

(the first abovementioned company in (i) and (ii) herein referred to as the "**Previous Company**"), such an employee of the Previous Company will be eligible to participate in this Scheme for the remaining duration of the Scheme, if the affected employee becomes an "**Eligible Person**" within the meaning under these By-Laws.

For the avoidance of doubt, in the event of any acquisition or incorporation of any company into 3REN Group pursuant to part (ii) above as a subsidiary as defined in Section 4 of the Act or any other statutory regulation in place thereof during the duration of the Scheme, the Scheme shall apply to the employees of such company on the date of such company becomes a subsidiary of 3REN Group (PROVIDED THAT such subsidiary is not dormant) falling within the meaning of the expression of "Eligible Person" under By-Law 1 and the provisions of these By-Laws shall apply.

12. WINDING UP

12.1 All outstanding LTIP Awards under the Scheme shall be automatically terminated and be of no further force and effect in the event that a resolution is passed or a court order is made for the winding up of the Company commencing from the date of such resolution or the date of the court order. In the event a petition is presented in court for the winding-up or liquidation of the Company, all rights to exercise the SOP Options and/or vest in the LTIP Awards pursuant to the Scheme shall automatically be suspended from the date of the presentation of the petition. Conversely, if the petition for winding-up is dismissed by the court, the right to exercise the SOP Options and/or vest the LTIP Awards pursuant to the Scheme shall accordingly be unsuspended.

13. DURATION AND TERMINATION OF THE SCHEME

13.1 The Effective Date for the implementation of the Scheme shall be at the date of full compliance with all relevant requirements in the Listing Requirements, including but not limited to the following:

(i) submission of the final copy of the By-Laws to Bursa Securities together with a letter of a compliance pursuant to Rule 2.12 of the Listing Requirements and checklist showing compliance with Appendix 6E of the Listing Requirements;

(ii) receipt of the approval or approval-in-principle, as the case may be, from Bursa Securities for the listing of and quotation for the new Shares to be issued under the Scheme;

(iii) receipt of the approval of any other relevant authorities whose approvals are necessary in respect of the Scheme; and

(iv) fulfilment or waiver (as the case may be) of all conditions attached to any of the abovementioned approvals, if any.

The Adviser of the Company shall submit a confirmation letter to Bursa Securities of full compliance with the relevant requirements of Bursa Securities stating the Effective Date of implementation of the Scheme. The confirmation letter shall be submitted to Bursa Securities no later than five (5) Market Days after the Effective Date.

13.2 The Scheme, when implemented, shall be in force for a period of five (5) years from the Effective Date. The Company may, if the Board deems fit and upon the recommendation of the LTIP Committee, extend the Scheme for a period of up to a maximum of five (5) years, commencing from the day after the date of expiration of the original five (5) years period, and shall not in aggregate exceed ten (10) years from the Effective Date or such longer period as may be permitted by Bursa Securities or any other relevant authorities. Such extended Scheme shall be implemented in accordance with the terms of these By-Laws, save for any amendment and/or change to the relevant statutes and/or regulations then in force. Unless otherwise required by the relevant authorities, no further approvals from the shareholders of the Company shall be required for the extension of the Scheme and the Company shall serve appropriate notices on each LTIP Participant(s) and/or make any necessary announcements to any parties and/or Bursa Securities (if required) within thirty (30) days prior to the Date of Expiry or such other period as may be stipulated by Bursa Securities.

13.3 LTIP Award(s) can only be made from the Effective Date and up to the Date of Expiry.

13.4 Notwithstanding anything to the contrary, all unvested LTIP Awards and/or unexercised vested SOP Options shall lapse and become null and void on the Date of Expiry.

13.5 The Scheme may be terminated by the LTIP Committee at any time before the Date of Expiry PROVIDED THAT an announcement is released to Bursa Securities on the following:

(i) the effective date of termination ("**Termination Date**");

(ii) the number of the Shares vested pursuant to the SGP and/or number of SOP Option(s) exercised pursuant to the SOP; and

(iii) the reasons and justification for termination.

13.6 In the event of termination as stipulated in By-Law 13.5 above, the following provisions shall apply:

(i) no further LTIP Award(s) shall be awarded by the LTIP Committee from the Termination Date;

(ii) all LTIP Award(s) which have yet to be accepted by the Eligible Persons shall automatically lapse and become null and void on the Termination Date; and

(iii) any LTIP Award(s) which have yet to be vested or exercised (as the case may be and whether fully or partially) awarded under the Scheme shall be deemed cancelled and be null and void.

13.7 Subject to the requirements under the Listing Requirements, approval or consent of the shareholders of the Company by way of a resolution in a general meeting and written consent of LTIP Participant(s) who have yet to be vested their LTIP Awards and/or exercise their vested SOP Options are not required to effect a termination of the Scheme.

14. ADMINISTRATION AND IMPLEMENTATION OF THE SCHEME

14.1 The Scheme shall be administered by the LTIP Committee. The LTIP Committee shall, subject to these By-Laws, administer the Scheme in such manner as it shall deem fit and with such powers and duties as are conferred upon it by the Board. The decision of the LTIP Committee shall be final and binding.

14.2 Without limiting the generality of By-Law 14.1, the LTIP Committee may, for the purpose of administering the Scheme, do all acts and things, rectify any error(s) in the LTIP Award(s), execute all documents and delegate any of its powers and duties relating to the Scheme as it may at its sole discretion consider to be necessary or desirable for giving effect to the Scheme including the powers to:

(i) subject to the provisions of the Scheme, construe and interpret the Scheme and LTIP Award(s) awarded under it, to define the terms therein and to recommend to thereto establish, amend and revoke rules and regulations relating to the Scheme and its administration. The LTIP Committee in the exercise of this power may correct any defects, supply any omission, or reconcile any inconsistency in the Scheme or in any agreement providing for the LTIP Award(s) in a manner and to the extent it shall deem necessary to expedite and make the Scheme fully effective; and

(ii) determine all question of policy and expediency that may arise in the administration of the Scheme and generally exercise such powers and perform such acts as are deemed necessary and/or expedient to promote the best interests of the Company.

14.3 The Board shall have power at any time and from time to time to approve, rescind and/or revoke the appointment of any person in the LTIP Committee as it shall deem fit.

14.4 In implementing the Scheme, the LTIP Committee may at its absolute discretion decide that the LTIP Awards be satisfied by the following methods:

(i) issuance of new Shares;

(ii) acquisition of existing Shares from the open market of Bursa Securities;

(iii) transfer of the Company's treasury shares (if any) or any other methods as may be permitted by the Act, as amended from time to time and any re-enactment thereof; or

(iv) a combination of any of the above.

In considering the method of satisfaction as referred to in (i) to (iv) above, the LTIP Committee shall take into consideration, amongst others, factors such as the prevailing market price of the Shares, the potential cost arising from awarding the LTIP Awards and dilutive effects on the Company's capital base as well as applicable laws and/or regulatory requirements. The method of satisfaction to be made by the Company shall be at the discretion of the LTIP Committee.

14.5 For the purpose of facilitating the implementation of the Scheme, the Company and/or the LTIP Committee may, but shall not be obligated to, establish a trust to be administered by a trustee(s) to be appointed by the Company ("**Trustee**") ("**Trust**") in accordance with the trust deed to be entered into between the Company and the Trustee ("**Trust Deed**"). Accordingly, the Company shall have the power to appoint or rescind the appointment of any Trustee as it deems fit for the purpose of administering the Scheme, in accordance with the provision of the Trust Deed. The Company shall have the power from time to time, at any time, to negotiate with the Trustee to amend the provisions of the Trust Deed.

14.6 For the purpose of administering the Trust, if and when the Trust is established, the Trustee shall do all such acts and things and enter into any transaction, agreement, deed, document or arrangement or make rules, regulations or impose terms and conditions or delegate part of its power relating to the administration of the Trust, as the LTIP Committee may in its absolute discretion direct for the implementation and administration of the Trust which are expedient for the purpose of giving effect to and carrying out the powers and duties conferred on the Trustee by the Trust Deed.

14.7 The Trustee shall, at such times as the LTIP Committee shall direct, subscribe for and/or acquire the necessary number of existing Shares from the open market of Bursa Securities to accommodate any transfer of the Shares to the CDS account of the LTIP Participant(s). For this purpose, the Trustee will be entitled, from time to time, to the extent permitted by law and as set out under these By-Laws to accept funding and/or assistance, financial or otherwise from 3REN and/or any company within 3REN Group. The LTIP Committee shall have the discretion to instruct the Trustee to subscribe for new Shares and/or acquire existing Shares from time to time and also to revoke or suspend any such instruction that has earlier been given to the Trustee.

14.8 Should the Trust be terminated pursuant to the Trust Deed, the Trustee shall sell the remaining Shares held by the Trustee and/or its authorised nominee(s) and deal with such funds in accordance with the instructions of the LTIP Committee.

14.9 The appointment or involvement of a Trustee shall not be required in the event that the Shares to be awarded under the LTIP are to be satisfied solely via issuance of new Shares and/or transfer of treasury shares held by the Company, if any, pursuant to Section 127(7) of the Act.

15. MODIFICATION, VARIATION AND/OR AMENDMENT TO THE SCHEME

15.1 Subject to By-Law 15.2 and compliance with the Listing Requirements, the LTIP Committee may at any time and from time to time recommend to the Board any additions, modifications or amendments to or deletions of these By-Laws as it shall at its sole discretion deem fit and the Board shall have the power, at any time, by resolution to, add, amend, modify and/or delete all or any of the terms in these By-Laws upon such recommendation and the Company will submit the amended By-Laws together with a confirmation letter to Bursa Securities confirming that such amendment and/or modification is in compliance with the provisions of the Listing Requirements pertaining to the Scheme and the Rules of Bursa Depository.

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15.2 Subject to By-Law 15.3, the approval of the shareholders of the Company in general meeting shall not be required in respect of any additions, modifications or amendments to or deletions of these By-Laws PROVIDED THAT no additions, modifications or amendments to or deletions of these By-Laws shall be made which will:

(i) prejudice any rights which would have accrued to any LTIP Participant(s) without the prior consent or sanction of that LTIP Participant(s);

(ii) increase the number of the Shares available under the Scheme beyond the maximum amount set out in By-Law 5 above;

(iii) prejudice any rights of the shareholders of the Company; or

(iv) alter to the advantage of an Eligible Person and/or LTIP Participant(s) in respect of any matters which are required to be contained in the By-Laws pursuant to the Listing Requirements, without the prior approval of the Company's shareholders obtained in a general meeting unless allowed by the provisions of the Listing Requirements.

Such amendment or modification to the By-Laws does not need the prior approval of Bursa Securities. However, the Company shall submit to Bursa Securities a confirmation letter that the amendment or modification does not contravene any of the provisions of the Listing Requirements pertaining to the Scheme no later than five (5) Market Days after the effective date of the said amendment or modification is made.

15.3 The LTIP Committee shall within ten (10) Market Days of any amendment and/or modification made pursuant to these By-Laws notify the LTIP Participant(s) in writing of any amendment and/or modification made pursuant to these By-Laws.

16. INSPECTION OF THE AUDITED FINANCIAL STATEMENTS

16.1 All LTIP Participant(s) are entitled to inspect the latest audited financial statements of the Company at the registered office of the Company during normal business hours on any working day of the registered office.

17. SCHEME NOT A TERM OF EMPLOYMENT

17.1 This Scheme shall not confer or be construed to confer on an Eligible Person any special rights or privileges over the Eligible Person's terms and conditions of employment in 3REN Group under which the Eligible Person is employed nor any rights additional to any compensation or damages that the Eligible Person may be normally entitled to arising from the cessation of such employment. The Scheme shall not form part of or constitute or be in any way construed as a term or condition of employment of any Eligible Person.

18. NO COMPENSATION FOR TERMINATION

18.1 No Eligible Person shall be entitled to any compensation for damages arising from the termination of the LTIP Awards(s) or this Scheme pursuant to the provisions of these By-Laws.

18.2 Notwithstanding any provisions of these By-Laws:

(i) this Scheme shall not form part of any contract of employment between the Company or any company within 3REN Group and any Eligible Person of any company of 3REN Group. The rights of any Eligible Person under the terms of his/her office and/or employment with any company within 3REN Group shall not be affected by his/her participation in the Scheme, nor shall such participation or the LTIP Award(s) or consideration for the LTIP Award(s) afford such Eligible Person any additional rights to compensation or damages in consequence of the termination of such office or employment for any reason;

(ii) this Scheme shall not confer on any person any legal or equitable right or other rights under any other law (other than those constituting the LTIP Award(s)) against the Company or any company within 3REN Group, directly or indirectly, or give rise to any course of action in law or in equity or under any other law against any company within 3REN Group;

(iii) no LTIP Participant(s) or his/her personal or legal representative (as the case may be) shall bring any claim, action or proceeding against any company within 3REN Group, the LTIP Committee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension/cancellation of his/her rights to his/her LTIP Award(s) or his/her LTIP Award(s) ceasing to be valid pursuant to the provisions of these By-Laws; and

(iv) the Company, the Board (including Directors that had resigned but were on the Board during the duration of the Scheme) or the LTIP Committee shall in no event be liable to the LTIP Participant(s) or his/her personal or legal representative (as the case may be) or any other person or entity for any third party claim, loss of profits, loss of opportunity, loss of savings or any punitive, incidental or consequential damage, including without limitation lost profits or savings, directly or indirectly arising from the breach or non-performance of these By-Laws or any loss suffered by reason of any change in the price of the Shares or from any other cause whatsoever whether known or unknown, contingent, absolute or otherwise, whether based in contract, tort, equity, indemnity, breach of warranty or otherwise and whether pursuant to common law, statute, equity or otherwise, even if any company within 3REN Group, the Board or the LTIP Committee has been advised of the possibility of such damage.

19. DISPUTES

19.1 In case any dispute or difference shall arise between the LTIP Committee and an Eligible Person or a LTIP Participant or in the event of an appeal by an Eligible Person, as the case may be, as to any matter of any nature arising hereunder, such dispute or appeal must have been referred to and received by the LTIP Committee during the duration of the Scheme. The LTIP Committee then shall determine such dispute or difference by a written decision (without the obligation to give any reason thereof) given to the Eligible Person and/or the LTIP Participant, as the case may be PROVIDED THAT where the dispute is raised by a member of the LTIP Committee, the said member shall abstain from voting in respect of the decision of the LTIP Committee in that instance. In the event the Eligible Person or the LTIP Participant(s), as the case may be, shall dispute the same by written notice to the LTIP Committee within fourteen (14) days of the receipt of the written decision, then such dispute or difference shall be referred to the Board, whose decision shall be final and binding in all respects, PROVIDED THAT any Director of the Company who is also in the LTIP Committee shall abstain from voting and no person shall be entitled to dispute any decision or certification which is stated to be final and binding under these By-Laws. Notwithstanding anything herein to the contrary, any costs and expenses incurred in relation to any dispute or difference or appeal brought by any party to the LTIP Committee shall be borne by such party.

19.2 Notwithstanding the foregoing provisions of By-Law 19.1 above, matters concerning adjustments made pursuant to By-Law 9 shall be referred to external auditors or the Adviser of the Company who shall act as experts and not as arbitrators and whose decision shall be final and binding in all respects.

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20. COSTS AND EXPENSES

20.1 Unless otherwise stipulated by the Company in the LTIP Award(s), all fees, costs and expenses incurred in relation to the Scheme including but not limited to the fees, costs and expenses relating to the allotment and issuance and/or transfer of the Shares pursuant LTIP Award(s), shall be borne by the Company. Notwithstanding this, the LTIP Participant(s) shall bear any fees, costs and expenses incurred in relation to his/her acceptance of the LTIP Award(s) and/or exercise of the SOP Option(s) under the Scheme and any holding or dealing of the Shares after the Shares have been successfully issued and allotted or transferred to the LTIP Participant(s) pursuant to the LTIP Award(s), including but not limited to the opening and maintenance of his or her own CDS Account, brokerage commissions and stamp duties.

21. CONSTITUTION

21.1 In the event of a conflict between any of the provisions of these By-Laws and the Constitution, the provisions of the Constitution shall at all times prevail save and except where such provisions of the By-Laws are included pursuant to the Listing Requirements.

22. TAXES

22.1 For the avoidance of doubt, all other costs, fees, levies, charges and/or taxes (including, without limitation, income tax), if any, arising from the acceptance and vesting of the Shares pursuant to the SGP Award(s) and/or exercising of the SOP Option(s) and any holding or dealing of such Shares (including but not limited to brokerage commissions and stamp duty) under the Scheme shall be borne by the LTIP Participant(s) for his own account and the Company shall not be liable for any one or more of such costs, fees, levies, charges and/or taxes.

23. LISTING OF AND QUOTATION FOR THE SHARES

23.1 An application will be made by the Company for the listing of and quotation for such new Shares to be issued pursuant to LTIP Award(s) on the ACE Market or Main Market of Bursa Securities (as the case may be).

23.2 The Company and the LTIP Committee shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and however relating to the delay on the part of the Company in allotting and issuing the Shares or in procuring Bursa Securities to list the Shares for which the LTIP Participant(s) are entitled to.

24. NOTICE

24.1 Any notice under the Scheme required to be given to or served upon the LTIP Committee by an Eligible Person or LTIP Participant(s) or any correspondence to be made between an Eligible Person or LTIP Participant(s) to the LTIP Committee shall be given or made in writing and either delivered by hand or sent to the LTIP Committee or the Company by email or ordinary letter. Notwithstanding the foregoing, proof of posting shall not be evidence of receipt of the letter.

24.2 Any notice or request which the Company is required to give, or may desire to give, to any Eligible Person or the LTIP Participant(s) pursuant to the Scheme shall be in writing and shall be deemed to be sufficiently given;

(i) if it is sent by ordinary post by the Company to the Eligible Person or the LTIP Participant(s) at the last address known to the Company as being his/her address such notice or request shall be deemed to have been received three (3) Market Days after posting;

(ii) if it is delivered by hand to the Eligible Person or the LTIP Participant(s), such notice or request shall be deemed to have been received on the date of delivery; and

(iii) if it is sent by electronic media, including but not limited to electronic mail to the Eligible Person or the LTIP Participant(s), such notice or request shall be deemed to have been received by the recipient on the Market Day immediately following the day on which the electronic mail is sent or (in the case of communication by other digital means) on the Market Day immediately following the day on which such communication is effected.

Any change of address of the Eligible Person or the LTIP Participant(s) shall be communicated in writing to the Company by email or ordinary letter.

24.3 Where any notice which the Company or the LTIP Committee is required to give, or may desire to give, in relation to matters which may affect all the Eligible Persons or all the LTIP Participant(s) (as the case may be) pursuant to the Scheme, the Company or the LTIP Committee may give such notice through an announcement to all employees of 3REN Group to be made in such manner deemed appropriate by the LTIP Participant(s) (including via electronic media). Upon the making of such an announcement, the notice to be made under By-Law 24.2 above shall be deemed to be sufficiently given, served or made to all affected Eligible Persons or LTIP Participant(s), as the case may be.

25. SEVERABILITY

25.1 Any term, condition, stipulation or provision in these By-Laws which is or becomes illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability without invalidating the remaining provisions hereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation or provision herein contained.

26. DISCLOSURES IN ANNUAL REPORT

26.1 The Company will make such disclosures in its annual report for as long as the Scheme continues in operation as from time to time required by the Listing Requirements.

27. SUBSEQUENT LONG TERM INCENTIVE PLAN

27.1 Subject to the approval of Bursa Securities and other relevant authorities, the Company may establish a new long term incentive plan after the expiry date of this scheme or upon termination of this Scheme.

27.2 The Company may implement more than one (1) scheme PROVIDED THAT the aggregate number of shares available under all the Schemes does not breach the maximum limit prescribed in the prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time.

28. GOVERNING LAW AND JURISDICTION

28.1 The Scheme, these By-Laws, all LTIP Award(s) awarded and actions taken under the Scheme shall be governed by and construed in accordance with the laws of Malaysia.

28.2 The Eligible Persons, by accepting the LTIP Award(s) in accordance with these By-Laws and terms of the Scheme and the Constitution, irrevocably submit to the exclusive jurisdiction of the courts in Malaysia.

SECTION 1

SGP

29. SGP AWARD

29.1 During the duration of the Scheme as provided under By-Law 13, the LTIP Committee may, at its sole discretion, at any time and from time to time award the SGP Award(s) in writing to an Eligible Person subject to the Maximum Allowable Allotment as set out in By-Law 5 and further subject to other terms and conditions of these By-Laws. Each SGP Award(s) awarded to the selected Eligible Person(s) shall be separate and independent from any previous or subsequent SGP Award(s) awarded by the LTIP Committee to that Eligible Person.

29.2 The actual number of the Shares which may be awarded to an Eligible Person shall be at the discretion of the LTIP Committee, subject to any adjustments that may be made under By-Law 9. The number of the Shares arising from the vesting of the SGP Award(s) shall not be less than one hundred (100) Shares nor more than the Maximum Allowable Allotment as set out in By-Law 5 and shall be in multiples of one hundred (100) Shares. The LTIP Committee may stipulate any terms and conditions it deems appropriate in a SGP Award(s) and the terms and conditions of each may differs.

29.3 The LTIP Committee shall, in its LTIP Award letter to an Eligible Person, state, amongst others:

(i) the number of the Shares which the Eligible Person shall be entitled upon acceptance of the SGP Award(s);

(ii) the SGP Award Date;

(iii) the manner of acceptance of the SGP Award(s);

(iv) the closing date for acceptance of the SGP Award(s);

(v) the vesting conditions of the SGP Award(s) as determined by the LTIP Committee, if any;

(vi) the SGP Vesting Date(s); and

(vii) any other terms and conditions deemed necessary by the LTIP Committee.

29.4 Under the SGP, the reference price of the SGP Awards to be awarded will be determined based on the fair value of the SGP Awards, which will take into account, amongst others, the market price of the Shares as at or prior to the award date of the SGP Awards.

29.5 Without prejudice to By-Law 14, in the event the LTIP Award letter contains an error on the part of the Company in stating any of the particulars in By-Law 29.3 above, as soon as possible but in any event no later than one (1) month after discovery of the error, the Company shall issue a supplemental LTIP Award letter, stating the correct particulars referred to in By-Law 29.3.

30. ACCEPTANCE

30.1 The SGP Award(s) shall be valid for acceptance by the Eligible Person(s) for a period of thirty (30) days from the SGP Award Date (inclusive) or such period as may be determined by the LTIP Committee at its sole discretion on a case to case basis.

30.2 The SGP Award(s) shall be accepted by an Eligible Person within the time as aforesaid by written notice to the Company accompanied by a nominal non-refundable payment to the Company of a sum of Ringgit Malaysia One (RM1.00) only, as acceptance of the SGP Award(s).

30.3 The day of receipt by the Company of such written notice shall constitute the date of acceptance of the SGP Award(s).

30.4 If the SGP Award(s) is not accepted in the manner as set out in By-Law 30.2 and within the time as set out in By-Law 30.1 or in the event of death or cessation of employment of the Eligible Person or the Eligible Person becomes a bankrupt prior to his/her acceptance of the SGP Award(s), the SGP Award(s) shall automatically lapse and become null and void. The SGP Award(s) may, at the discretion of the LTIP Committee, be re-offered to other Eligible Person.

30.5 Upon acceptance of the SGP Award(s) by the Eligible Person(s), the SGP Award(s) will be vested to the SGP Participant(s) on the SGP Vesting Date(s) during the duration of the Scheme subject to the SGP Participant(s) fulfilling the vesting conditions, if any, as determined by the LTIP Committee.

30.6 The SGP Participant is not required to pay for the Shares they are entitled to receive upon vesting of the SGP Award(s).

31. SGP VESTING CONDITIONS

31.1 The LTIP Committee shall, as and when it deems necessary, review and determine at its own discretion the vesting conditions specified in respect of the SGP Award(s). The Shares to be issued under the SGP Award(s) shall be vested to the SGP Participant(s) on the SGP Vesting Date once the vesting conditions, if any, are fully and duly satisfied which includes amongst others, the following:

(i) the SGP Participant(s) must remain as an employee and shall not have given a notice to resign or receive a notice of termination as at the SGP Vesting Date; and

(ii) any other conditions which are determined by the LTIP Committee.

31.2 If applicable, where the LTIP Committee has determined that the vesting conditions have been fully and duly satisfied, the LTIP Committee shall notify the SGP Participant(s) of the number of the Shares vested or which will be vested to him/her on the SGP Vesting Date ("**SGP Vesting Notice**").

31.3 No SGP Participant(s) shall have the right to or interest in the Shares under the SGP Award(s) until and unless such number of new Shares are credited into their respective CDS Accounts.

31.4 The SGP Participant(s) shall provide all information as required in the SGP Vesting Notice and subject to the provisions of the Listing Requirements, the Central Depositories Act, the Rules of Bursa Depository, the Constitution and any other relevant laws, the Company shall within eight (8) Market Days from the SGP Vesting Date or such other period as may be prescribed or allowed by Bursa Securities,

(i) allot and issue such number of new Shares and/or transfer the relevant number of existing Shares to the SGP Participant(s) (subject to absolute discretion of the LTIP Committee);

(ii) despatch notices of allotment and/or notice of transfer to the SGP Participant(s) accordingly, if applicable; and

(iii) apply for quotation of such new Shares.

31.5 The Shares arising from the vesting of the SGP Award(s) shall be credited directly to the CDS Account of the SGP Participant(s) and no physical share certificate will be issued and delivered to the SGP Participant(s) or his authorised nominee as the case may be. The SGP Participant(s) shall provide the LTIP Committee with his/her CDS Account number when accepting the SGP Award(s). Any change to the SGP Participant(s)' CDS Account number will need to be made in writing to the LTIP Committee.

31.6 Any failure to comply with the procedures specified by the LTIP Committee or to provide information as required by the Company in the SGP Vesting Notice or inaccuracy in the CDS Account number provided shall result in the SGP Vesting Notice being rejected at the sole discretion of the LTIP Committee. The LTIP Committee shall inform the SGP Participant of the rejection of the SGP Vesting Notice within five (5) Market Days from the date of rejection and the SGP Participant shall then be deemed not to have vested his/her SGP Award(s).

31.7 Notwithstanding anything contrary contained in these By-Laws, the LTIP Committee shall have the right, at its sole discretion by notice in writing to the relevant SGP Participant(s) to that effect, to suspend the unvested SGP Award(s) of any SGP Participant(s) who is being subjected to disciplinary proceedings (whether or not such disciplinary proceedings may give rise to a dismissal or termination of service of such SGP Participant or are found to have had no basis or justification) pending the outcome of such disciplinary proceedings.

31.8 In addition to the right to suspend, the LTIP Committee may impose such terms and conditions as the LTIP Committee shall deem appropriate at its sole discretion, on the SGP Participant's unvested SGP Award(s) having regard to the nature of the charges made or brought against such SGP Participant, PROVIDED ALWAYS THAT:

(i) in the event such SGP Participant is found not guilty of the charges which gave rise to such disciplinary proceedings, the LTIP Committee shall reinstate the unvested SGP Award(s) of such SGP Participant;

(ii) in the event the disciplinary proceedings result in a recommendation for the dismissal or termination of service of such SGP Participant, all or any part of any unvested SGP Award(s) of the SGP Participant shall immediately lapse and become null and void and of no further force and effect, without notice to the SGP Participant, upon pronouncement of the dismissal or termination of service of such SGP Participant notwithstanding that such recommendation, dismissal and/or termination of service may be subsequently challenged or disputed by the SGP Participant in any other forum; or

(iii) in the event the SGP Participant is found guilty but no dismissal or termination of service is recommended, the LTIP Committee shall have the right to determine at its sole discretion whether or not the SGP Participant may continue to satisfy the vesting conditions of the unvested SGP Award(s).

and nothing herein shall impose any obligations on the LTIP Committee to enquire into or investigate the substantiveness and/or validity of such disciplinary proceedings and the LTIP Committee shall not under any circumstances be held liable for any costs, losses, expenses, damages or liabilities, gains or profits foregone, arising from the LTIP Committee's exercise of or failure to exercise any of its rights under these By-Laws.

32. NON-TRANSFERABILITY

32.1 An SGP Award(s) is personal to the Eligible Person(s) and shall be accepted solely by that Eligible Person(s) and is not capable of being accepted by any third party on behalf of that Eligible Person(s) by his/her representative or any other persons.

32.2 Subject to the provisions in these By-Laws, an SGP Award(s) is personal to the SGP Participant(s) during his/her employment or appointment within 3REN Group and it shall not be transferred, assigned or disposed of by the SGP Participant(s).

33. TERMINATION OF SGP AWARD(S)

33.1 Prior to the full vesting of any SGP Award(s) in the manner as provided for under By-Law 31.2, such SGP Award(s) that remain unvested shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company in the following circumstances:

(i) termination or cessation of employment of the SGP Participant(s) within 3REN Group for any reason whatsoever, in such event the unvested SGP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any company within 3REN Group on the day the SGP Participant(s)' employer accepts his/her notice of resignation or the SGP Participant(s)' employer notifies the SGP Participant(s) of termination of his/her employment or on the day the SGP Participant(s) notifies his/her employer of his/her resignation or on the SGP Participant(s)' last day of employment, whichever is the earlier;

(ii) bankruptcy of the SGP Participant(s), in such event the unvested SGP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any company within 3REN Group on the date a receiving order is made against the SGP Participant(s) by a court of competent jurisdiction;

(iii) upon the happening of any other event which results in the SGP Participant(s) being deprived of the beneficial ownership of the unvested SGP Award(s), in such event the unvested SGP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any company within 3REN Group on the date such event occurs;

(iv) winding up or liquidation of the Company, in such event the unvested SGP Award(s) shall be automatically terminated and/or cease to be valid on the following date:

(a) in the case of a voluntary winding up, the date on which a provisional liquidator is appointed by the Company; or

(b) in the case of an involuntary winding up, the date on which a petition for winding up is served on the Company;

(v) the subsidiary which employs the SGP Participant(s) ceasing to be part of the 3REN Group in such event the SGP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid on the date the subsidiary ceases to be part of the 3REN Group; or

(vi) termination of the Scheme pursuant to By-Law 13.5, in such event the unvested SGP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any company within 3REN Group on the termination date,

whichever shall be applicable.

33.2 Upon the termination of the unvested SGP Award(s) pursuant to By-Laws 33.1 above, the SGP Participant(s) shall have no right to compensation or damages or any claim against the Company or any company within 3REN Group from any loss of any right or benefit or prospective right or benefit under the Scheme which he/she might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from him/her ceasing to hold office or employment or from the suspension of his/her entitlement to the award of, acceptance or vesting of any SGP Award(s) or his/her SGP Award(s) ceasing to be valid.

33.3 Notwithstanding By-Law 33.1(i) above, the LTIP Committee may at its discretion allow for all or any part of any unvested SGP Award(s) to vest in accordance with the provisions of these By-Laws on such terms and conditions as it shall deem fit if the cessation of employment occurs as a result of:

(i) retirement upon or after attaining the age in accordance with the Company's retirement policy;

(ii) retirement before attaining the normal retirement age with the consent of his/her employer;

(iii) ill-health, injury, physical or mental disability;

(iv) redundancy or retrenchment pursuant to the acceptance by that SGP Participant(s) or a voluntary separation scheme offered by a company within 3REN Group; or

(v) any other circumstance as may be deemed as acceptable to the LTIP Committee in its sole discretion,

PROVIDED THAT no SGP Award(s) shall vest after the expiry of the vesting period. Unless the LTIP Committee in its discretion permits such vesting in accordance with this By-Law 33.3, any unvested SGP Award(s) shall cease or be deemed to cease to be capable of vesting to the SGP Participant(s) without any liability or right to claim against the Company and/or the LTIP Committee and/or the Board.

33.4 Where a SGP Participant(s) dies before the expiry of the vesting period for the SGP Award(s), the LTIP Committee may at its discretion determine that all or any part of any unvested SGP Award(s) held by the SGP Participant(s), be vested to the executor or administrator of that deceased SGP Participant(s), and the times or periods at or within which such SGP Award(s) may vest, PROVIDED ALWAYS THAT no SGP Award(s) may vest after the expiry of the vesting period. In this regard, the LTIP Committee may require the executor or administrator of that deceased SGP Participant(s) to provide evidence satisfactory to the LTIP Committee of his status as such executor or administrator, as the case may be.

33.5 Notwithstanding By-Law 33.4 above, the SGP Participant(s) may, during his/her lifetime, nominate any of his/her immediate family members who have attained the age of eighteen (18) years at the time of nomination to receive the SGP Award(s) (which are unvested at the time of the death of the deceased SGP Participant(s)) after the death of the deceased SGP Participant(s) but in any event during the duration of the Scheme. The SGP Award(s) awarded pursuant to the provision of this By-Law 33.5 may be for the benefit of the estate of the SGP Participant(s) or the personal benefit of the nominated person. The nomination as aforesaid shall be made by the SGP Participant(s) during his/her lifetime and shall be in the prescribed form approved by the LTIP Committee and the Shares to be allotted and issued will be in the name of the deceased SGP Participant(s)'s estate or in the name of the nominated person as the SGP Participant(s) shall elect in his/her lifetime. In the event no nomination is made by the SGP Participant(s) during his/her lifetime, the LTIP Committee may at its discretion determine that his/her unvested SGP Award(s) shall only vested to the legal personal representatives pursuant to By-Law 33.4 above.

33.6 For the purposes of By-Law 33.5 above, the term "**immediate family members**" shall include the spouse, parent, child (including legally adopted child but excluding step child), brother and sister of the SGP Participant(s).

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SECTION 2

SOP

34. SOP AWARD

34.1 During the duration of the Scheme as provided under By-Law 13, the LTIP Committee may, at its sole discretion, at any time and from time to time award the SOP Award(s) in writing to an Eligible Person subject to the Maximum Allowable Allotment as set out in By-Law 5 and further subject to other terms and conditions of these By-Laws. Each SOP Award(s) awarded to selected Eligible Person(s) shall be separate and independent from any previous or subsequent SOP Award(s) awarded by the LTIP Committee to that Eligible Person.

34.2 The actual number of SOP Option(s) which may be awarded to an Eligible Person shall be at the discretion of the LTIP Committee, subject to any adjustments that may be made under By-Law 9. The number of the Shares which may be allotted and issued upon exercising the SOP Option(s) shall not be less than one hundred (100) Shares nor more than the Maximum Allowable Allotment as set out in By-Law 5 and shall be in multiples of one hundred (100) Shares. The LTIP Committee may stipulate any terms and conditions it deems appropriate in a SOP Award(s) and the terms and conditions of each may differs.

34.3 The LTIP Committee shall, in its LTIP Award letter to an Eligible Person, state, amongst others:

(i) the number of SOP Option(s) under the SOP Award(s) that are being awarded to the Eligible Person;

(ii) the number of the Share(s) which the Eligible Person shall be entitled to subscribe for upon the exercise of the SOP Option(s);

(iii) the SOP Award Date;

(iv) the manner of acceptance of the SOP Award(s);

(v) the Option Price;

(vi) the closing date for acceptance of the SOP Award(s);

(vii) the vesting conditions of the SOP Option(s) as determined by the LTIP Committee, if any;

(viii) SOP Vesting Date(s); and

(ix) any other terms and conditions deemed necessary by the LTIP Committee.

34.4 Without prejudice to By-Law 14, in the event the LTIP Award letter contains an error on the part of the Company in stating any of the particulars in By-Law 34.3 above, the following provisions shall apply:

(i) as soon as possible but in any event no later than one (1) month after discovery of the error, the Company shall issue a supplemental LTIP Award letter, stating the correct particulars referred to in By-Law 34.3;

(ii) in the event that the error relates to particulars other than the Option Price, the Option Price applicable in the supplemental LTIP Award letter shall remain as the Option Price as per the original LTIP Award letter; and

(iii) in the event that the error relates to the Option Price, the applicable Option Price shall be the Option Price in the supplemental LTIP Award letter and with effect as at the date of the supplemental LTIP Award letter, save and except with respect to any SOP Option(s) which have already been exercised as at the date of issue of the supplemental LTIP Award letter.

35. ACCEPTANCE

35.1 The SOP Award(s) shall be valid for acceptance by the Eligible Person(s) for a period of thirty (30) days from the SOP Award Date (inclusive) or such period as the LTIP Committee at its sole discretion on a case to case basis.

35.2 The SOP Award(s) shall be accepted by an Eligible Person within the time as aforesaid by written notice to the Company accompanied by a nominal non-refundable payment to the Company of a sum of Ringgit Malaysia One (RM1.00) only, as acceptance of the SOP Award(s).

35.3 The day of receipt by the Company of such written notice shall constitute the date of acceptance of SOP Award(s).

35.4 If the SOP Award(s) is not accepted in the manner as set out in By-Law 35.2 and within the time as set out in By-Law 35.1 or in the event of death or cessation of employment of the Eligible Person or the Eligible Person becomes a bankrupt prior to his/her acceptance of the SOP Award(s), the SOP Award(s) shall automatically lapse and become null and void. The SOP Award(s) may, at the discretion of the LTIP Committee, be re-offered to other Eligible Person.

35.5 Upon acceptance of the SOP Award(s) by the Eligible Person(s), the SOP Award(s) will be vested to the SOP Participant(s) on the SOP Vesting Date(s) during the duration of the Scheme, subject to the SOP Participant(s) fulfilling the vesting condition(s), if any, as determined by the LTIP Committee.

36. SOP VESTING CONDITIONS AND EXERCISE OF OPTIONS

36.1 Subject to the provisions of these By-Laws, the SOP Option(s) awarded to the SOP Participant(s) are exercisable by that SOP Participant(s) during his/she employment in 3REN Group during the duration of the Scheme. All unexercised SOP Options shall become null and void after the expiry date of this Scheme without any claim against the Company or any company within 3REN Group.

36.2 The LTIP Committee shall, as and when it deems necessary, review and determine at its own discretion the vesting conditions specified in respect of the SOP Award(s). The SOP Option(s) can be exercised by the SOP Participant(s) on the SOP Vesting Date once the vesting conditions, if any, are fully and duly satisfied which includes amongst others, the following:

(i) the SOP Participant(s) must remain as an employee and shall not have given a notice to resign or receive a notice of termination on the SOP Vesting Date; and

(ii) any other conditions which are determined by the LTIP Committee.

36.3 If applicable, where the LTIP Committee has determined that the vesting conditions have been fully and duly satisfied, the LTIP Committee shall notify the SOP Participant(s) the number of SOP Options vested or which will be vested to him/her on the SOP Vesting Date ("**SOP Vesting Notice**").

36.4 A SOP Participant shall exercise his/her vested SOP Option(s) by notice in writing to the Company in such form as the LTIP Committee may prescribe or approve. The procedure for the exercise of the SOP Option(s) to be complied with by a SOP Participant shall be determined by the LTIP Committee from time to time.

36.5 Every written notice to exercise the SOP Option(s) shall state the number of the Shares that a SOP Participant intends to subscribe and shall state his CDS Account ("**Notice of Exercise**").

36.6 The SOP Participant(s) shall complete the Notice of Exercise together with the remittance for the full amount of the subscription monies payable in respect thereof in Ringgit Malaysia in the form of a banker's draft or cashier's order drawn and payable in Malaysia or any other mode acceptable to the LTIP Committee for the full amount of the Option Price in relation to the number of the Shares in respect of which the Notice of Exercise is given and subject to the provisions of the Listing Requirements, the Central Depositories Act, the Rules of Bursa Depository, the Constitution and any other relevant laws, the Company shall within eight (8) Market Days from the date of receipt of the Notice of Exercise or such other period as may be prescribed or allowed by Bursa Securities,

(i) allot and issue such number of new Shares and/or transfer the relevant number of existing Shares to the SOP Participant(s) (subject to absolute discretion of the LTIP Committee);

(ii) despatch a notice of allotment to the SOP Participant, if applicable; and

(iii) apply for quotation of such new Shares.

36.7 The Shares arising from the exercising of the SOP Award(s) shall be credited directly to the CDS Account of the SOP Participant(s) and no physical share certificate will be issued and delivered to the SOP Participant(s). The SOP Participant(s) shall provide the LTIP Committee with his/her CDS Account number when accepting the SOP Award(s). Any change to the SOP Participant(s)' CDS Account number will need to be made in writing to the LTIP Committee.

36.8 Any failure to comply with the procedures specified by the LTIP Committee or to provide information as required by the Company in the Notice of Exercise or inaccuracy in the CDS Account number provided shall result in the Notice of Exercise being rejected at the sole discretion of the LTIP Committee. The LTIP Committee shall inform the SOP Participant of the rejection of the Notice of Exercise within five (5) Market Days from the date of rejection and the SOP Participant shall then be deemed not to have exercised his/her SOP Option(s).

36.9 The LTIP Committee may with its power under By-Law 14, at any time and from time to time, before and after the SOP Award(s) is awarded, limit the exercise of the SOP Options to a maximum number of Shares and/or such percentage of the total Shares comprised in the SOP Options and impose any other terms and/or conditions deemed appropriate by the LTIP Committee in its sole discretion including amending or varying any terms and conditions imposed earlier.

36.10 A SOP Participant shall exercise the SOP Option(s) awarded to him/her in whole or part multiples of one hundred (100) new Shares or such other units of the Shares constituting one (1) board lot as may be determined by the LTIP Committee, save and except where a SOP Participant's balance of SOP Option(s) exercisable in accordance with these By-Laws shall be less than one hundred (100) new Shares or such other units of the Shares constituting one (1) board lot as may be determined by the LTIP Committee, in which case the said balance shall, if exercised, be exercised in a single tranche. Such partial exercise of an SOP Option shall not preclude the SOP Participant from exercising the SOP Option(s) as to the balance of any SOP Option(s).

36.11 Notwithstanding anything contrary contained in these By-Laws, the LTIP Committee shall have the right, at its sole discretion by notice in writing to the relevant SOP Participant(s) to that effect, to suspend the right of any SOP Participant(s) who is being subjected to disciplinary proceedings (whether or not such disciplinary proceedings may give rise to a dismissal or termination of service of such SOP Participant or are found to have had no basis or justification) to exercise his/her SOP Option(s) pending the outcome of such disciplinary proceedings.

36.12 In addition to the right to suspend, the LTIP Committee may impose such terms and conditions as the LTIP Committee shall deem appropriate at its sole discretion, on the SOP Participant's right to exercise his/her SOP Option(s) having regard to the nature of the charges made or brought against such SOP Participant, PROVIDED ALWAYS THAT:

(i) in the event such SOP Participant is found not guilty of the charges which gave rise to such disciplinary proceedings, the LTIP Committee shall reinstate the right of such SOP Participant to exercise his/her SOP Option(s);

(ii) in the event the disciplinary proceedings result in a recommendation for the dismissal or termination of service of such SOP Participant, all unexercised and partially exercised SOP Option(s) of the SOP Participant shall immediately lapse and become null and void and of no further force and effect, without notice to the SOP Participant, upon pronouncement of the dismissal or termination of service of such SOP Participant notwithstanding that such recommendation, dismissal and/or termination of service may be subsequently challenged or disputed by the SOP Participant in any other forum; or

(iii) in the event the SOP Participant is found guilty but no dismissal or termination of service is recommended, the LTIP Committee shall have the right to determine at its sole discretion whether or not the SOP Participant may continue to exercise his/her SOP Option(s) or any part thereof and if so, to impose such terms and conditions as it deems appropriate, on such exercise right.

and nothing herein shall impose any obligations on the LTIP Committee to enquire into or investigate the substantiveness and/or validity of such disciplinary proceedings and the LTIP Committee shall not under any circumstances be held liable for any costs, losses, expenses, damages or liabilities, gains or profits foregone, arising from the LTIP Committee's exercise of or failure to exercise any of its rights under these By-Laws.

37. NON-TRANSFERABILITY

37.1 An SOP Award(s) is personal to the Eligible Person(s) and shall be accepted solely by that Eligible Person(s) and is not capable of being accepted by any third party on behalf of that Eligible Person(s) by his/her representative or any other persons.

37.2 Subject to the provisions in these By-Laws, an SOP Award(s) is personal to the SOP Participant(s) during his/her employment or appointment within 3REN Group and it shall not be transferred, assigned or disposed of by the SOP Participant(s).

38. OPTION PRICE

38.1 Subject to any adjustments in accordance with By-Law 9 and pursuant to the Listing Requirements, the Option Price shall be based on a price to be determined by the Board upon recommendation of the LTIP Committee which will be based on the volume weighted average price of the Shares for the five (5) Market Days immediately preceding the SOP Award Date with a discount of not more than ten percent (10%) or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the duration of the Scheme.

38.2 The Option Price in respect of any offer which is made in conjunction with the listing of the Company shall be the initial public price of the Shares in the Company.

39. TERMINATION OF SOP AWARD(S)

39.1 Prior to the full vesting of any SOP Award(s) in the manner as provided for under By-Law 36.3, such SOP Award(s) that remain unvested shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company in the following circumstances:

(i) termination or cessation of employment of the SOP Participant(s) within 3REN Group for any reasons whatsoever, in which event the SOP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any company within 3REN Group on the day the SOP Participant(s)' employer accepts his/her notice of resignation or the SOP Participant(s)' employer notifies the SOP Participant(s) of termination of his/her employment or on the day the SOP Participant(s) notifies his/her employer of his/her resignation or on the SOP Participant(s)' last day of employment, whichever is the earlier;

(ii) bankruptcy of the SOP Participant(s), in which event the SOP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any company within 3REN Group on the date a receiving order is made against the SOP Participant(s) by a court of competent jurisdiction;

(iii) upon the happening of any other event which results in the SOP Participant(s) being deprived of the beneficial ownership of the SOP Award(s), in such event the SOP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any company within 3REN Group on the date such event occurs;

(iv) winding up or liquidation of the Company, in such event the SOP Option(s) shall be automatically terminated on the following date:

(a) in the case of a voluntary winding up, the date on which a provisional liquidator is appointed by the Company; or

(b) in the case of an involuntary winding up, the date on which a petition for winding up is served on the Company; or

(v) termination of the Scheme pursuant to By-Law 13.5, in such event the SOP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any company within 3REN Group on the termination date;

whichever shall be applicable.

39.2 Upon the termination of the SOP Award(s) pursuant to By-Laws 39.1 above, the SOP Participant(s) shall have no right to compensation or damages or any claim against the Company or any company within 3REN Group from any loss of any right or benefit or prospective right or benefit under the Scheme which he/she might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from him/her ceasing to hold office or employment or from the suspension of his/her entitlement to the award of, acceptance or vesting of any SOP Award(s) or his/her SOP Award(s) ceasing to be valid.

39.3 Notwithstanding By-Law 39.1 above, the LTIP Committee may at its discretion allow a SOP Participant to continue to hold and to exercise any SOP Option(s) held by him/her in accordance with the provisions of these By-Laws on such terms and conditions as it shall deem fit if the cessation of employment occurs as a result of:

(i) retirement upon or after attaining the age in accordance with the Company's retirement policy;

(ii) retirement before attaining the normal retirement age with the consent of his/her employer;

(iii) ill-health, injury, physical or mental disability;

(iv) redundancy, retrenchment pursuant to the acceptance by that SOP Participant(s) or voluntary separation scheme offered by a company within 3REN Group; or

(v) any other circumstances as may be deemed as acceptable to the LTIP Committee in its sole discretion.

39.4 Applications under By-Law 39.3 above shall be made during the duration of the Scheme and:

(i) in a case where By-Law 39.3(i), (ii) or (v) is applicable, within one (1) month before the SOP Participant(s)' last day of employment, the SOP Participant(s) may be vested with such number of unvested Shares under the SOP Award(s) within the said one (1) month period. In the event that no application is received by the LTIP Committee within the said period, any such number of unvested Shares under the SOP Award(s) at the expiry of the said period shall be automatically terminated;

(ii) in a case where By-Law 39.3(iii) is applicable, within one (1) month after the SOP Participant(s) notifies his/her employer of his/her resignation due to ill-health, injury, physical or mental disability, the SOP Participant(s) may be vested with such number of unvested Shares under the SOP Award(s) within the said one (1) month period. In the event that no application is received by the LTIP Committee within the said period, any unvested Shares under the SOP Award(s) at the expiry of the said period shall be automatically terminated; and

(iii) in a case where By-Law 39.3(iv) is applicable, within one (1) month after the SOP Participant(s) are notified that he/she will be retrenched or, where he/she is given an offer by his/her employer as to whether he/she wishes to accept retrenchment upon certain terms, within one (1) month after he/she accepts such offer. Thereafter, any such number of unvested and/or unexercised Shares under the SOP Award(s) at the expiry of the said period shall be automatically terminated.

39.5 The LTIP Committee shall consider applications under By-Law 39.3 on a case to case basis and may at its sole discretion approve or reject any application in whole or in part without giving any reasons thereof and may impose any terms and conditions in granting an approval. The decisions of the LTIP Committee shall be final and binding. In the event the LTIP Committee approves an application in whole or in part, the SOP Participant(s) may exercise the SOP Option(s) which are the subject of the approval for such period so approved by the LTIP Committee during the duration of the Scheme and subject to the provisions of By-Law 36. Any SOP Option(s) in respect of which an application is rejected shall be deemed automatically terminated on the date of termination stipulated in the relevant paragraph of By-Law 39.1 or on the date of the LTIP Committee's decision, whichever is the later.

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39.6 In the event a SOP Participant(s) dies before the expiration of the duration of the Scheme and at the time of his/her death held unexercised SOP Option(s), such unexercised SOP Option(s) may be exercised by the representative of the deceased SOP Participant(s) after the date of his/her death PROVIDED THAT such exercise shall be within the duration of the Scheme subject to the approval of the LTIP Committee.

39.7 Notwithstanding By-Law 39.6 above, the SOP Participant(s) may, during his/her lifetime, nominate any of his/her immediate family members who have attained the age of eighteen (18) years at the time of nomination to exercise the SOP Option(s) (which are unexercised at the time of the death of the deceased SOP Participant(s)) or after the death of the deceased SOP Participant(s) but in any event during the duration of the scheme. The SOP Option(s) exercised pursuant to the provision of this By-Law 39.7 may be for the benefit of the estate of the SOP Participant(s) or the personal benefit of the nominated person. The nomination as aforesaid shall be made by the SOP Participant(s) during his/her lifetime and shall be in the prescribed form approved by the LTIP Committee and the Shares to be allotted and issued will be in the name of the deceased SOP Participant(s)'s estate or in the name of the nominated person as the SOP Participant(s) shall elect in his/her lifetime. In the event no nomination is made by the SOP Participant(s) during his/her lifetime, his/her unexercised SOP Option(s) shall only be exercised by the legal personal representatives pursuant to By-Law 39.6 above.

39.8 For the purposes of By-Law 39.7 above, the term "**immediate family members**" shall include the spouse, parent, child (including legally adopted child but excluding step child), brother and sister of the SOP Participant(s).

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