# CAPE EMS BERHAD
# (FORMERLY KNOWN AS CAPE EMS MANUFACTURING (M) BERHAD)
**(Registration No: 199901026859 (501759-M))**
(Incorporated in Malaysia)

# ACCOUNTANTS' REPORT
# FOR THE FINANCIAL PERIOD ENDED
# 30 SEPTEMBER 2022
# AND FOR THE FINANCIAL YEARS ENDED
# 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

## GRANT THORNTON MALAYSIA PLT

## CHARTERED ACCOUNTANTS

**Member Firm of Grant Thornton International Ltd**

Date: 2 February 2023

**The Board of Directors**
**Cape EMS Berhad**
**(Formerly known as Cape EMS Manufacturing (M) Berhad)**
PLO 227A, Jalan Cyber 1A
Kawasan Perindustrian Senai III
81400 Senai
Johor Darul Ta'zim

**Grant Thornton Malaysia PLT**
Suite 28.01, 28th Floor
Menara Zurich
No.15, Jalan Dato' Abdullah Tahir
80300 Johor Bahru, Johor
Malaysia

**T** +607 332 8335
**F** +607 332 2268

Dear Sirs,

**Reporting Accountants' Opinion On The Financial Information (as defined herein) Contained In The Accountants' Report of Cape EMS Berhad (formerly known as Cape EMS Manufacturing (M) Berhad) ("the Company" or "Cape EMS")**

*Opinion*

We have audited the accompanying financial statements ("Financial Information") of the Company and its subsidiaries (collectively known as "the Group" or "Cape Group") which comprises the consolidated statements of financial position of the Group as at 30 September 2022, 31 December 2021 and 31 December 2020, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the financial period/years then ended 30 September 2022, 31 December 2021 and 31 December 2020 together with the statement of financial position of the Company as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year ended 31 December 2019, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 107. This historical Financial Information has been prepared for inclusion in the prospectus of the Company in connection with the initial public offering ("IPO") and the listing of and quotation for the entire enlarged issued share capital in the Company on the Main Market of Bursa Malaysia Securities Berhad ("Prospectus"). The Prospectus is required by the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and is given for the purpose of complying with Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines and for no other purposes.

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

*Basis for Opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Financial Information* 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.

*Directors' Responsibilities for the Financial Information*

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

In preparing the Financial Information 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 Financial Information*

Our objectives are to obtain reasonable assurance about whether the Financial Information of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Information.

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 Financial Information 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.

Grant Thornton

*Reporting Accountants' Responsibilities for the Audit of the Financial Information (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):-

- 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.

- Evaluate the overall presentation, structure and content of the Financial Information of the Group, including the disclosures, and whether the Financial Information of the Group represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the Financial Information of the Group or business activities within the Group to express an opinion on the 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 identify during our audit.

*Other Matter*

The comparative information for the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows and notes to the consolidated financial statements for the financial period ended 30 September 2021 has not been audited.

*Restriction on Distribution and Use*

This report is made solely to the Company and for inclusion in the Prospectus of Cape EMS 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 | WONG WEN TAK |
| (201906003682 & LLP0022494-LCA) | (NO: 3043/04/2023 J) |
| CHARTERED ACCOUNTANTS (AF 0737) | CHARTERED ACCOUNTANT |

Johor Bahru
2 February 2023

**CAPE EMS BERHAD**
**(FORMERLY KNOWN AS CAPE EMS MANUFACTURING (M) BERHAD)**
(Incorporated in Malaysia)
**(Registration No.: 199901026859 (501759-M))**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**AS AT 30 SEPTEMBER 2022, 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019**

| | Note | 30.9.2022 Audited RM | 31.12.2021 Audited RM | 31.12.2020 Audited RM | 31.12.2019 Audited RM |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 4 | 215,570,853 | 201,282,697 | 93,562,735 | 23,390,191 |
| Investment property | 5 | 8,800,000 | 8,800,000 | - | - |
| Goodwill on acquisition | 6 | 6,243,746 | 6,243,746 | 6,243,746 | - |
| Deferred tax assets | 7 | - | 2,556,053 | - | 2,695,000 |
| Total non-current assets | | 230,614,599 | 218,882,496 | 99,806,481 | 26,085,191 |
| **Current assets** | | | | | |
| Inventories | 8 | 35,614,621 | 33,976,618 | 26,594,528 | 4,513,086 |
| Trade receivables | 9 | 122,468,562 | 81,918,404 | 80,570,668 | 54,071,717 |
| Contract assets | 9 | 10,835,485 | - | - | - |
| Other receivables | 10 | 14,209,582 | 16,132,801 | 23,878,221 | 14,274,696 |
| Amount due from related parties | 11 | - | 7,416 | - | 804,668 |
| Amount due from Directors | 12 | - | - | 12,890,281 | - |
| Current tax assets | | 941,961 | 935,770 | 131,723 | - |
| Fixed deposits with licensed banks | 13 | 7,759,808 | 6,122,794 | 107,250 | 107,250 |
| Cash and bank balances | | 32,314,675 | 40,261,277 | 13,187,133 | 1,126,486 |
| | | 224,144,694 | 179,355,080 | 157,359,804 | 74,897,903 |
| Non-current assets held for sale | 14 | 8,858,831 | 3,902,312 | - | - |
| Total current assets | | 233,003,525 | 183,257,392 | 157,359,804 | 74,897,903 |
| **Total assets** | | 463,618,124 | 402,139,888 | 257,166,285 | 100,983,094 |
| **EQUITY AND LIABILITIES** | | | | | |
| **EQUITY** | | | | | |
| Share capital | 15 | 100,000,000 | 100,000,000 | 40,000,000 | 20,000,000 |
| Exchange translation reserve | | 352,503 | 33,720 | (5,946) | - |
| Revaluation reserve | 16 | 21,287,618 | 21,606,732 | 20,103,974 | - |
| Retained profits | | 59,883,472 | 47,921,435 | 21,269,837 | 1,009,368 |
| **Total equity** | | 181,523,593 | 169,561,887 | 81,367,865 | 21,009,368 |

**CAPE EMS BERHAD**
**(FORMERLY KNOWN AS CAPE EMS MANUFACTURING (M) BERHAD)**
(Incorporated in Malaysia)
**(Registration No.: 199901026859 (501759-M))**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**AS AT 30 SEPTEMBER 2022, 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019 (CONT'D)**

| | Note | 30.9.2022<br>Audited<br>RM | 31.12.2021<br>Audited<br>RM | 31.12.2020<br>Audited<br>RM | 31.12.2019<br>Audited<br>RM |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES (CONT'D)** | | | | | |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Lease liabilities | 17 | 44,638,810 | 45,465,344 | 9,612,096 | 6,031,500 |
| Loans and borrowings | 18 | 75,969,622 | 59,848,893 | 44,413,820 | 6,765,454 |
| Deferred tax liabilities | 7 | 9,240,839 | 6,822,449 | 5,852,714 | - |
| Total non-current liabilities | | 129,849,271 | 112,136,686 | 59,878,630 | 12,796,954 |
| **Current liabilities** | | | | | |
| Trade payables | 19 | 50,704,228 | 42,572,501 | 58,184,245 | 37,595,879 |
| Other payables | 20 | 17,656,130 | 25,512,260 | 17,633,416 | 17,058,754 |
| Amount due to related parties | 11 | 10,580 | 5,580 | 4,155 | 2,636,976 |
| Amount due to a Director | 12 | - | - | 6,005,843 | 3,829,447 |
| Lease liabilities | 17 | 9,533,529 | 11,119,747 | 3,086,138 | 3,029,707 |
| Loans and borrowings | 18 | 73,370,048 | 39,893,060 | 30,585,010 | 3,026,009 |
| Current tax liabilities | | 970,745 | 1,338,167 | 420,983 | - |
| Total current liabilities | | 152,245,260 | 120,441,315 | 115,919,790 | 67,176,772 |
| **Total liabilities** | | 282,094,531 | 232,578,001 | 175,798,420 | 79,973,726 |
| **Total equity and liabilities** | | 463,618,124 | 402,139,888 | 257,166,285 | 100,983,094 |

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

**CAPE EMS BERHAD**
**(FORMERLY KNOWN AS CAPE EMS MANUFACTURING (M) BERHAD)**
(Incorporated in Malaysia)
**(Registration No.: 199901026859 (501759-M))**

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022 AND FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019**

| | Note | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|---|
| Revenue | 21 | 319,749,945 | 243,596,977 | 344,334,423 | 168,261,089 | 43,156,931 |
| Cost of sales | | (278,199,087) | (215,658,475) | (302,443,589) | (135,839,983) | (39,761,630) |
| Gross profit | | 41,550,858 | 27,938,502 | 41,890,834 | 32,421,106 | 3,395,301 |
| Other income | 22 | 5,991,869 | 1,206,466 | 983,376 | 2,148,752 | 1,022,665 |
| Finance income | | 72,272 | 3,198 | 19,028 | 3,914 | 3,593 |
| Administration expenses | | (10,265,497) | (7,661,562) | (10,673,706) | (7,522,131) | (2,242,263) |
| Distribution costs | | (290,536) | (439,232) | (964,893) | (990,949) | (118,667) |
| Other expenses | | - | - | (567,638) | (382,141) | (47,959) |
| Finance costs | 23 | (6,118,650) | (3,675,670) | (5,332,069) | (2,981,591) | (889,324) |
| Profit before tax | 24 | 30,940,316 | 17,371,702 | 25,354,932 | 22,696,960 | 1,123,346 |
| Income tax (expense)/credit | 25 | (6,332,726) | 2,531,401 | 909,270 | (2,464,597) | 2,695,000 |
| Profit for the financial period/year | | 24,607,590 | 19,903,103 | 26,264,202 | 20,232,363 | 3,818,346 |

**CAPE EMS BERHAD**
**(FORMERLY KNOWN AS CAPE EMS MANUFACTURING (M) BERHAD)**
(Incorporated in Malaysia)
**(Registration No.: 199901026859 (501759-M))**

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022 AND FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019 (CONT'D)**

| | Note | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|---|
| **Other comprehensive income, net of tax** | | | | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | | | | |
| Realisation of revaluation reserve upon depreciation of revalued assets | | 319,114 | 290,547 | 387,396 | 28,106 | - |
| Transfer of revaluation reserve to retained profits | | (319,114) | (290,547) | (387,396) | (28,106) | - |
| Revaluation of land and buildings | | - | - | 2,481,419 | 26,489,580 | - |
| Tax effect on item that will not be reclassified subsequently to profit or loss | 25 | - | - | (591,265) | (6,357,500) | - |
| Foreign currency translation differences for foreign operation, net of tax | | 318,783 | 21,707 | 39,666 | (5,946) | - |
| **Other comprehensive income for the financial period/year** | | 318,783 | 21,707 | 1,929,820 | 20,126,134 | - |
| **Total comprehensive income for the financial period/year** | | 24,926,373 | 19,924,810 | 28,194,022 | 40,358,497 | 3,818,346 |
| **Profit attributable to:-** | | | | | | |
| Owners of the Company | | 24,607,590 | 19,903,103 | 26,264,202 | 20,232,363 | 3,818,346 |
| Non-controlling interest | | - | - | - | - | - |
| Profit for the financial period/year | | 24,607,590 | 19,903,103 | 26,264,202 | 20,232,363 | 3,818,346 |
| **Total comprehensive income attributable to:-** | | | | | | |
| Owners of the Company | | 24,926,373 | 19,924,810 | 28,194,022 | 40,358,497 | 3,818,346 |
| Non-controlling interest | | - | - | - | - | - |
| Total comprehensive income for the financial period/year | | 24,926,373 | 19,924,810 | 28,194,022 | 40,358,497 | 3,818,346 |
| **Earnings per share** | | | | | | |
| - Basic (RM) | 26 | 0.05 | 0.50 | 0.66 | 0.70 | 0.19 |
| - Diluted (RM) | 26 | 0.05 | 0.50 | 0.66 | 0.70 | 0.19 |

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

**CAPE EMS BERHAD**
**(FORMERLY KNOWN AS CAPE EMS MANUFACTURING (M) BERHAD)**
(Incorporated in Malaysia)
**(Registration No.: 199901026859 (501759-M))**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022 AND FOR THE**
**FINANCIAL YEARS ENDED 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019**

| | ← **Non-distributable** | | → | **Distributable** | |
|---|---|---|---|---|---|
| **Audited** | Share capital RM | Exchange translation reserve RM | Revaluation reserve RM | (Accumulated losses)/ Retained profits RM | Total equity RM |
| Balance at 1 January 2019 | 20,000,000 | - | - | (2,808,978) | 17,191,022 |
| Profit for the financial year | - | - | - | 3,818,346 | 3,818,346 |
| Other comprehensive income for the financial year | - | - | - | - | - |
| Total comprehensive income for the financial year | - | - | - | 3,818,346 | 3,818,346 |
| Balance at 31 December 2019/ 1 January 2020 | 20,000,000 | - | - | 1,009,368 | 21,009,368 |
| **Transaction with owners:** | | | | | |
| Issuance of ordinary shares | 20,000,000 | - | - | - | 20,000,000 |
| Total transaction with owners | 20,000,000 | - | - | - | 20,000,000 |
| Profit for the financial year | - | - | - | 20,232,363 | 20,232,363 |
| Other comprehensive income for the financial year | - | (5,946) | 20,103,974 | 28,106 | 20,126,134 |
| Total comprehensive income for the financial year | - | (5,946) | 20,103,974 | 20,260,469 | 40,358,497 |
| Balance at 31 December 2020 | 40,000,000 | (5,946) | 20,103,974 | 21,269,837 | 81,367,865 |

**CAPE EMS BERHAD**
**(FORMERLY KNOWN AS CAPE EMS MANUFACTURING (M) BERHAD)**
(Incorporated in Malaysia)
**(Registration No.: 199901026859 (501759-M))**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022 AND FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019 (CONT'D)**

| | | ← Non-distributable | | → | Distributable | |
|---|---|---|---|---|---|---|
| **Audited** | Note | Share capital RM | Exchange translation reserve RM | Revaluation reserve RM | Retained profits RM | Total equity RM |
| Balance at 1 January 2021 | | 40,000,000 | (5,946) | 20,103,974 | 21,269,837 | 81,367,865 |
| **Transaction with owners:** | | | | | | |
| Issuance of irredeemable convertible preference shares | | 60,000,000 | - | - | - | 60,000,000 |
| Total transaction with owners | | 60,000,000 | - | - | - | 60,000,000 |
| Profit for the financial year | | - | - | - | 26,264,202 | 26,264,202 |
| Other comprehensive income for the financial year | | - | 39,666 | 1,502,758 | 387,396 | 1,929,820 |
| Total comprehensive income for the financial year | | - | 39,666 | 1,502,758 | 26,651,598 | 28,194,022 |
| Balance at 31 December 2021/ 1 January 2022 | | 100,000,000 | 33,720 | 21,606,732 | 47,921,435 | 169,561,887 |
| **Transaction with owners:** | | | | | | |
| Dividends to owners of the Company | 27 | - | - | - | (12,964,667) | (12,964,667) |
| Total transaction with owners | | - | - | - | (12,964,667) | (12,964,667) |
| Profit for the financial period | | - | - | - | 24,607,590 | 24,607,590 |
| Other comprehensive income for the financial period | | - | 318,783 | (319,114) | 319,114 | 318,783 |
| Total comprehensive income for the financial period | | - | 318,783 | (319,114) | 24,926,704 | 24,926,373 |
| Balance at 30 September 2022 | | 100,000,000 | 352,503 | 21,287,618 | 59,883,472 | 181,523,593 |

**CAPE EMS BERHAD**
**(FORMERLY KNOWN AS CAPE EMS MANUFACTURING (M) BERHAD)**
(Incorporated in Malaysia)
**(Registration No.: 199901026859 (501759-M))**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022 AND FOR THE**
**FINANCIAL YEARS ENDED 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019**
**(CONT'D)**

| | ← Non-distributable | | → | Distributable | |
|---|---|---|---|---|---|
| **Unaudited** | Share capital RM | Exchange translation reserve RM | Revaluation reserve RM | Retained profits RM | Total equity RM |
| Balance at 1 January 2021 | 40,000,000 | (5,946) | 20,103,974 | 21,269,837 | 81,367,865 |
| Profit for the financial period | - | - | - | 19,903,103 | 19,903,103 |
| Other comprehensive income for the financial period | - | 21,707 | (290,547) | 290,547 | 21,707 |
| Total comprehensive income for the financial period | - | 21,707 | (290,547) | 20,193,650 | 19,924,810 |
| Balance at 30 September 2021 | 40,000,000 | 15,761 | 19,813,427 | 41,463,487 | 101,292,675 |

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

**CAPE EMS BERHAD**
**(FORMERLY KNOWN AS CAPE EMS MANUFACTURING (M) BERHAD)**
(Incorporated in Malaysia)
**(Registration No.: 199901026859 (501759-M))**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022 AND FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019**

| | Note | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | | | |
| Profit before tax | | 30,940,316 | 17,371,702 | 25,354,932 | 22,696,960 | 1,123,346 |
| **Adjustments for:-** | | | | | | |
| Depreciation of property, plant and equipment | | 7,124,137 | 5,312,358 | 6,504,281 | 3,293,209 | 1,148,483 |
| Depreciation of right-of-use assets | | 6,285,752 | 1,275,052 | 4,133,403 | 3,626,275 | 1,907,427 |
| Gain on early termination of lease contract | | - | - | - | (81,319) | - |
| Loss/(Gain) on disposal of property, plant and equipment | | 133 | (51,441) | (123,652) | 2,106 | - |
| Gain on disposal of non-current assets held for sale | | (148,688) | - | - | - | - |
| Property, plant and equipment written off | | 7,029 | - | - | - | - |
| Fair value gain on investment property | | - | - | (122,506) | - | - |
| Interest expense | | 3,719,159 | 2,431,115 | 3,345,774 | 2,176,639 | 357,254 |
| Interest income | | (72,272) | (3,198) | (19,028) | (3,914) | (3,593) |
| Lease liabilities interest expense | | 2,399,491 | 1,244,555 | 1,986,295 | 804,952 | 532,070 |
| Reversal of inventories written down | | - | - | - | - | (1,769,128) |
| Unrealised gain on foreign exchange | | (2,257,612) | (565,891) | (53,944) | (181,863) | (111,416) |
| Operating profit before working capital changes | | 47,997,445 | 27,014,252 | 41,005,555 | 32,333,045 | 3,184,443 |
| Changes in working capital:- | | | | | | |
| Inventories | | (1,638,003) | (8,791,596) | (7,382,090) | (18,473,196) | (2,743,958) |
| Receivables | | (26,209,979) | (28,668,211) | 3,303,008 | (33,333,285) | (37,328,162) |
| Payables | A[(iii)] | (4,790,843) | 30,044,127 | (2,474,107) | 8,707,404 | 36,173,453 |
| Contract assets | | (10,835,485) | - | - | - | - |
| Directors | A[(i),(ii)] | - | (3,911,591) | (215,562) | 8,617,048 | 4,291,282 |
| Related parties | | 12,416 | (4,155) | (5,991) | 390,953 | 972,134 |
| Cash flows generated from/(used in) operations | | 4,535,551 | 15,682,826 | 34,230,813 | (1,758,031) | 4,549,192 |
| Tax paid | | (1,752,475) | (794,092) | (1,162,183) | (199,092) | - |
| Net cash flows from/(used in) operating activities | | 2,783,076 | 14,888,734 | 33,068,630 | (1,957,123) | 4,549,192 |

**CAPE EMS BERHAD**
**(FORMERLY KNOWN AS CAPE EMS MANUFACTURING (M) BERHAD)**
(Incorporated in Malaysia)
**(Registration No.: 199901026859 (501759-M))**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022 AND FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019 (CONT'D)**

| | Note | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|---|
| **INVESTING ACTIVITIES** | | | | | | |
| Acquisition of subsidiaries, net of cash and cash equivalents acquired | 35(c) | - | - | - | (2,513,017) | - |
| Interest received | | 4,678 | 3,198 | 3,484 | 3,914 | 3,593 |
| Proceeds from disposal of property, plant and equipment | | 1,200 | 191,225 | 267,225 | 57,900 | - |
| Purchase of property, plant and equipment | B | (15,124,117) | (33,586,687) | (46,401,017) | (3,986,543) | (4,543,358) |
| Proceeds from non-current assets held for sale | E | 3,240,800 | - | - | - | - |
| Net cash flows used in investing activities | | (11,877,439) | (33,392,264) | (46,130,308) | (6,437,746) | (4,539,765) |
| **FINANCING ACTIVITIES** | | | | | | |
| Advances from related parties | | - | - | - | - | 594,015 |
| Decrease in a fixed deposit pledged with a licensed bank | | - | 107,250 | 107,250 | - | - |
| Dividends paid | | (12,964,667) | - | - | - | - |
| Interest paid | | (3,719,159) | (2,431,115) | (3,345,774) | (1,623,835) | (339,711) |
| Lease liabilities interest paid | | (2,399,491) | (1,244,555) | (1,784,463) | (555,659) | (532,070) |
| Drawndown of short-term borrowings | | 92,615,357 | 88,427,694 | 89,802,213 | 30,219,846 | 2,462,308 |
| Drawndown of term loans | | 7,333,873 | 1,674,435 | 1,720,816 | 318,007 | - |
| Payment of listing expenses | | (3,316,725) | - | - | - | - |
| Placement of fixed deposits pledged to licensed banks | | (1,676,670) | - | (6,000,000) | - | - |
| Proceeds from issuance of irredeemable convertible preference shares | | - | - | 60,000,000 | - | - |
| Proceeds from short-term advances from third parties | | - | - | - | 3,000,000 | - |
| Proceeds received prior to issuance of irredeemable convertible preference shares | | - | 19,186,020 | - | - | - |
| Repayment of short-term advances from third parties | | - | (3,000,000) | (6,838,202) | - | - |
| Repayment of short-term borrowings | | (67,783,556) | (72,367,671) | (84,653,659) | (10,066,039) | - |
| Repayment of term loans | | (4,578,268) | (2,946,739) | (3,630,427) | (330,498) | (192,888) |
| Repayment of lease liabilities - principal portion | | (9,653,834) | (2,844,931) | (4,917,041) | (3,253,822) | (2,146,760) |
| Net cash flows (used in)/from financing activities | | (6,143,140) | 24,560,388 | 40,460,713 | 17,708,000 | (155,106) |

**CAPE EMS BERHAD**
**(FORMERLY KNOWN AS CAPE EMS MANUFACTURING (M) BERHAD)**
(Incorporated in Malaysia)
**(Registration No.: 199901026859 (501759-M))**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022 AND FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019 (CONT'D)**

| | Note | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|---|
| **CASH AND CASH EQUIVALENTS** | | | | | | |
| Net changes | | (15,237,503) | 6,056,858 | 27,399,035 | 9,313,131 | (145,679) |
| Effect of exchange rate changes | | 1,945,388 | 329,341 | (229,212) | 215,098 | 144,202 |
| At beginning of financial period/year | | 37,809,564 | 10,639,741 | 10,639,741 | 1,111,512 | 1,112,989 |
| At end of financial period/year | C | 24,517,449 | 17,025,940 | 37,809,564 | 10,639,741 | 1,111,512 |

**NOTES TO THE STATEMENTS OF CASH FLOWS**

**A. NON-CASH TRANSACTIONS**

(i) The purchase consideration amounting to RM7,158,030 for acquisition of subsidiaries (Note 35) on 1 January 2020 was settled by way of contra against Director's account.

(ii) The issuance of share capital of RM5,000,000 and RM15,000,000 on 16 March 2020 and 7 September 2020, respectively, was by way of capitalising against credit balance in the amount owing to Director on the respective dates of allotments.

(iii) A third party paid a supplier on behalf of the Group amounted to RM1,815,903 and RM1,844,224 for the financial year ended 31 December 2020 and 31 December 2019 respectively. These advances bore interest rate at 0.75% per month.

**B. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT**

| | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|
| Total additions | 36,565,199 | 91,747,418 | 128,599,570 | 48,223,348 | 16,491,433 |
| Addition to right-of-use assets arising from increased lease liabilities | - | - | - | (82,535) | (5,494,568) |
| Amount financed through lease arrangements | (7,241,082) | (38,643,066) | (48,602,066) | (6,998,343) | (1,653,507) |
| Amount financed through term loans | (14,200,000) | (7,517,665) | (21,596,487) | (37,155,927) | (4,800,000) |
| Amount contra with balance owing by a Director | - | (7,100,000) | (7,100,000) | - | - |
| Amount offset against deposit paid to acquire property | - | (4,900,000) | (4,900,000) | - | - |
| Cash payment | 15,124,117 | 33,586,687 | 46,401,017 | 3,986,543 | 4,543,358 |

**CAPE EMS BERHAD**
**(FORMERLY KNOWN AS CAPE EMS MANUFACTURING (M) BERHAD)**
(Incorporated in Malaysia)
**(Registration No.: 199901026859 (501759-M))**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022 AND FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019 (CONT'D)**

**NOTES TO THE STATEMENTS OF CASH FLOWS (CONT'D)**

**C. CASH AND CASH EQUIVALENTS**

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

| | 30.9.2022 Audited RM | 30.9.2021 Unaudited RM | 31.12.2021 Audited RM | 31.12.2020 Audited RM | 31.12.2019 Audited RM |
|---|---|---|---|---|---|
| Cash and bank balances | 32,314,675 | 17,806,699 | 40,261,277 | 13,187,133 | 1,126,486 |
| Fixed deposits with licensed banks | 7,759,808 | 107,250 | 6,122,794 | 107,250 | 107,250 |
| Bank overdrafts (Note 18) | (7,797,226) | (888,009) | (2,558,963) | (2,547,392) | (14,974) |
| | 32,277,257 | 17,025,940 | 43,825,108 | 10,746,991 | 1,218,762 |
| Less: Fixed deposit with licensed banks pledged to banks (Note 13) | (7,759,808) | - | (6,015,544) | (107,250) | (107,250) |
| | 24,517,449 | 17,025,940 | 37,809,564 | 10,639,741 | 1,111,512 |

**D. CASH OUTFLOWS FOR LEASES AS A LESSEE**

| | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|
| **Included in net cash from operating activities:-** | | | | | |
| Payment relating to short-term leases | 389,570 | 362,186 | 630,799 | 995,645 | 297,050 |
| **Included in net cash used in financing activities:-** | | | | | |
| Interest paid in relation to lease liabilities | 2,399,491 | 1,244,555 | 1,784,463 | 555,659 | 532,070 |
| Repayment of principal portion of lease liabilities | 9,653,834 | 2,844,931 | 4,917,041 | 3,253,822 | 2,146,760 |
| | 12,442,895 | 4,451,672 | 7,332,303 | 4,805,126 | 2,975,880 |

**CAPE EMS BERHAD**
**(FORMERLY KNOWN AS CAPE EMS MANUFACTURING (M) BERHAD)**
(Incorporated in Malaysia)
**(Registration No.: 199901026859 (501759-M))**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022 AND FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019 (CONT'D)**

**NOTES TO THE STATEMENTS OF CASH FLOWS (CONT'D)**

**E. PROCEEDS FROM DISPOSAL OF NON-CURRENT ASSETS HELD FOR SALE**

| | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|
| Sales consideration of non-current assets held for sale | 4,051,000 | - | - | - | - |
| Amount offset against outstanding balance from customer | (810,200) | - | - | - | - |
| Net proceeds from non-current assets held for sale | 3,240,800 | - | - | - | - |

**Reconciliation of liabilities arising from financing activities**

| | Lease liabilities RM | Term loans RM | Short-term borrowings RM | Short-term advances from third parties RM | Total RM |
|---|---|---|---|---|---|
| **Audited** | | | | | |
| At 1 January 2019 | 4,659,651 | 2,689,526 | - | - | 7,349,177 |
| Additions | 6,548,316 | 4,800,000 | 2,462,308 | 1,844,224 | 15,654,848 |
| Accrued interest | - | 17,543 | - | - | 17,543 |
| Repayment | (2,146,760) | (192,888) | - | - | (2,339,648) |
| At 31 December 2019/ 1 January 2020 | 9,061,207 | 7,314,181 | 2,462,308 | 1,844,224 | 20,681,920 |
| Acquisition through business combinations | 2,173,794 | 1,404,995 | 3,872,951 | - | 7,451,740 |
| Additions | 7,080,878 | 37,473,934 | 30,219,846 | 4,815,903 | 79,590,561 |
| Capitalisation of interest during moratorium period | 249,293 | 102,804 | - | - | 352,097 |
| Early termination of lease contract | (2,613,116) | - | - | - | (2,613,116) |
| Repayment | (3,253,822) | (330,498) | (10,066,039) | - | (13,650,359) |
| Foreign exchange movement | - | - | (3,044) | (138,679) | (141,723) |
| At 31 December 2020 | 12,698,234 | 45,965,416 | 26,486,022 | 6,521,448 | 91,671,120 |

**CAPE EMS BERHAD**
**(FORMERLY KNOWN AS CAPE EMS MANUFACTURING (M) BERHAD)**
(Incorporated in Malaysia)
**(Registration No.: 199901026859 (501759-M))**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022 AND FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019 (CONT'D)**

**Reconciliation of liabilities arising from financing activities (cont'd)**

| | Lease liabilities | Term loans | Short-term borrowings | Short-term advances from third parties | Total |
|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM |
| **Audited** | | | | | |
| At 1 January 2021 | 12,698,234 | 45,965,416 | 26,486,022 | 6,521,448 | 91,671,120 |
| Additions | 48,602,066 | 23,317,303 | 89,802,213 | - | 161,721,582 |
| Capitalisation of interest during moratorium period | 201,832 | - | - | - | 201,832 |
| Repayment | (4,917,041) | (3,630,427) | (84,653,659) | (6,838,202) | (100,039,329) |
| Foreign exchange movement | - | - | (103,878) | 316,754 | 212,876 |
| At 31 December 2021/1 January 2022 | 56,585,091 | 65,652,292 | 31,530,698 | - | 153,768,081 |
| Additions | 7,241,082 | 21,533,873 | 92,615,357 | - | 121,390,312 |
| Repayment | (9,653,834) | (4,578,268) | (67,783,556) | - | (82,015,658) |
| Foreign exchange movement | - | - | 2,572,048 | - | 2,572,048 |
| At 30 September 2022 | 54,172,339 | 82,607,897 | 58,934,547 | - | 195,714,783 |
| **Unaudited** | | | | | |
| At 1 January 2021 | 12,698,234 | 45,965,416 | 26,486,022 | 6,521,448 | 91,671,120 |
| Additions | 38,643,066 | 9,192,100 | 88,427,694 | - | 136,262,860 |
| Repayment | (2,844,931) | (2,946,739) | (72,367,671) | (3,000,000) | (81,159,341) |
| Foreign exchange movement | - | - | (11,329) | - | (11,329) |
| At 30 September 2021 | 48,496,369 | 52,210,777 | 42,534,716 | 3,521,448 | 146,763,310 |

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

**CAPE EMS BERHAD**
**(FORMERLY KNOWN AS CAPE EMS MANUFACTURING (M) BERHAD)**
**(Registration No: 199901026859 (501759-M))**
(Incorporated in Malaysia)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

#### 1.1 Introduction

This report has been prepared solely for inclusion in the prospectus of Cape EMS Berhad (formerly known as Cape EMS Manufacturing (M) Berhad) ("the Company" or "Cape EMS") in connection with the initial public offering ("IPO") and the listing of and quotation for the entire enlarged issued share capital in the Company on the Main Market of Bursa Malaysia Securities Berhad ("Prospectus"). This report has been prepared solely to comply with the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and is given for the purpose of complying with Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines and should not be relied upon for any other purposes.

#### 1.2 Background

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The address of the principal place of business and registered office of the Company are as follows:-

**Principal place of business**
PLO 227A, Jalan Cyber 1A,
Kawasan Perindustrian Senai III,
81400 Senai, Johor Darul Ta'zim.

**Registered office**
No. 7-1, Jalan 109F, Plaza Danau 2,
Taman Danau Desa,
58100 Kuala Lumpur, W.P. Kuala Lumpur.

## 1. GENERAL INFORMATION (CONT'D)

### 1.3 Principal activities

The Company's principal activities are investment holding and electronics manufacturing services.

The subsidiaries of the Company as of the date of this report are as follows:-

| Name of company | Country of incorporation | Principal activities | Effective interest in equity held % 30.9.2022 | % 31.12.2021 | % 31.12.2020 | % 31.12.2019 |
|---|---|---|---|---|---|---|
| Cape Manufacturing (M) Sdn. Bhd. ("Cape Manufacturing") | Malaysia | Aluminium die cast manufacturing and electronics manufacturing services | 100 | 100 | 100 | - |
| Cape Holdings (S) Pte. Ltd. ("Cape Singapore") | Singapore | Supply of electronics products and related activities | 100 | 100 | 100 | - |

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

1.4 **Relevant Financial Period/Years**

The financial statements for the financial year ended ("FYE") 31 December 2019 reflects the financial information of Cape EMS only. Through a trust deed agreement signed on 1 January 2020, Cape EMS obtained control over Cape Manufacturing and Cape Singapore and consequently, consolidated financial statements of Cape EMS and its subsidiaries (collectively known as "the Group") were prepared for the FYE 31 December 2020, FYE 31 December 2021 and financial period ended ("FPE") 30 September 2022.

The relevant financial period/years of the audited financial statements used for the purpose of the consolidated financial statements ("Relevant Financial Period/Years") are as follows:-

| **Companies** | **Relevant Financial Period/Years** |
|---|---|
| Cape EMS | FYE 31 December 2019*<br>FYE 31 December 2020*<br>FYE 31 December 2021<br>FPE 30 September 2022# |
| Cape Manufacturing | FYE 31 December 2020*<br>FYE 31 December 2021<br>FPE 30 September 2022# |
| Cape Singapore | FYE 31 December 2020^<br>FYE 31 December 2021^<br>FPE 30 September 2022# |

* Prior to the financial period ended 31 December 2020, the financial year ends for the statutory audits of Cape EMS and Cape Manufacturing were for FYE 30 June 2020 and FYE 30 June 2019 within the Relevant Financial years. The financial statements of Cape EMS for FYE 31 December 2020 and FYE December 2019 and the financial statements of Cape Manufacturing for FYE 31 December 2020 were re-audited by Grant Thornton Malaysia PLT, prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs") for inclusion into the consolidated financial statements of the Group.

^ The financial statements of Cape Singapore were audited by Grant Thornton Malaysia PLT for the purpose of inclusion into the consolidated financial statements of the Group.

\# The financial statements of Cape EMS, Cape Manufacturing and Cape Singapore for the FPE 30 September 2022 were audited by Grant Thornton Malaysia PLT for the purpose of inclusion into the consolidated financial statements of the Group.

The audited financial statements of the Company and its subsidiaries for the Relevant Financial Years reported above were not subject to any modified audit opinions.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with MFRSs and IFRSs.

### 2.2 Basis of measurement

The consolidated financial statements of the Group have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and its measurement assumes 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 by the Group.

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

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

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

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

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

2. **BASIS OF PREPARATION (CONT'D)**

2.2 **Basis of measurement (cont'd)**

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting year.

The Group has established control framework in respect of measurement of fair values of financial instruments. The Board of Directors has overall responsibility for overseeing all significant fair value measurements. The Board of Directors regularly reviews significant unobservable inputs and valuation adjustments.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

2.3 **Functional and presentation currency**

The consolidated financial statements are presented in Ringgit Malaysia ("RM") which is the Group's functional currency and all financial information is presented in RM unless otherwise stated.

2.4 **MFRSs**

2.4.1 **Adoption of new standards/amendments/improvements to MFRSs**

At the beginning of the first financial year presented, the Group adopted new standards/amendments/improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2019.

Initial application of the new standards/amendments/improvements to MFRSs did not have material impact on the consolidated financial statements of the Group.

## 2. BASIS OF PREPARATION (CONT'D)

### 2.4 MFRSs (cont'd)

### 2.4.2 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Effective for financial period beginning on or after 1 January 2023

- MFRS 17 *Insurance Contracts*
- Amendments to MFRS 4 *Insurance Contracts – Extension of the Temporary Exemption from Applying MFRS 9*
- Amendments to MFRS 17 *Insurance Contracts*
- Amendments to MFRS 17 *Initial Application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 101 *Presentation of Financial Statements – Disclosure of Accounting Policies*
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112 *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Effective for financial period beginning on or after 1 January 2024

- Amendments to MFRS 16 Leases *– Lease Liability in a Sale and Leaseback*

Deferred to a date to be determined by the Malaysian Accounting Standards Board ("MASB")

- Amendments to MFRS 10 *Combined 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 initial application of the accounting standards, interpretations and amendments are not expected to have any material financial impacts to the consolidated financial statements of the Group upon their first adoption.

2. **BASIS OF PREPARATION (CONT'D)**

2.5 **Significant accounting estimates and judgements**

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from judgements, estimates and assumptions made by the management, and will seldom equal the estimated results.

2.5.1 **Key sources of estimation uncertainty**

Information about significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

Useful life of depreciable assets other than right-of-use assets

Depreciable assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of the depreciable assets to be within 3 to 50 years and reviews the useful lives of depreciable assets at end of each reporting period. At each reporting date, management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to change in the expected level of usage and technological developments, which may result in the adjustment to the Group's assets.

The carrying amount of the Group's depreciable assets at the end of each reporting period are disclosed in Notes 4 and 5 to the consolidated financial statements.

Provision for expected credit losses ("ECLs") for trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns such as customer type and rating and other forms of credit insurance.

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. 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 ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about ECLs on the Group's trade receivables and contract assets is disclosed in Notes 9 and 31(c) of the consolidated financial statements.

## 2. BASIS OF PREPARATION (CONT'D)

### 2.5 Significant accounting estimates and judgements (cont'd)

### 2.5.1 Key sources of estimation uncertainty (cont'd)

Fair value measurement and valuation processes

Some of the Group's assets are measured at fair value for financial reporting. Significant judgement is involved in determining the appropriate valuation techniques and inputs for fair value measurements where active market quotes are not available.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in measuring the assets and liabilities. Where Level 1 inputs are not available, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting date. For the valuation of land and buildings, the Group engages third party qualified valuers to perform the valuation.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed in the Notes 4 and 5 to the consolidated financial statements.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, the management consider the most reliable evidence available at the time the estimates are made. The realisation of these inventories may be affected by market-driven changes that may occur in the future.

The carrying amount of the Group's inventories at the end of each reporting period is disclosed in Note 8 to the consolidated financial statements.

Income taxes/Deferred tax liabilities

Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

The information about deferred tax liabilities and income tax expenses are disclosed in Note 7 and Note 25 to the consolidated financial statements.

## 2. BASIS OF PREPARATION (CONT'D)

### 2.5 Significant accounting estimates and judgements (cont'd)

### 2.5.1 Key sources of estimation uncertainty (cont'd)

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unabsorbed tax losses, unutilised capital allowances and unused tax credits to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences, unabsorbed tax losses, unutilised capital allowances and unused tax credits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

The information about deferred tax assets is disclosed in Note 7 to the consolidated financial statements.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Further details of the carrying values, key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are disclosed in Note 6 to the consolidated financial statements.

## 2. BASIS OF PREPARATION (CONT'D)

### 2.5 Significant accounting estimates and judgements (cont'd)

### 2.5.2 Judgements made in applying accounting policies

The following is the significant management judgement in applying accounting policies that have most significant effect on the consolidated financial statements.

Classification between investment property and owner-occupied properties

The Group determines whether a property qualifies as an investment property and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

Determining the lease term of contracts with renewal options

The Group determines the lease term with any periods covered by an option to extend the lease if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

The Group included the renewal period as part of the lease term for leases.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The Group applies the significant accounting policies, as summarised below, consistently throughout all financial period/years presented in the consolidated financial statements, unless otherwise stated.

### 3.1 Consolidation

#### 3.1.1 Subsidiary companies

Subsidiary companies are entities, including structured entities, controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiary companies is stated at cost in the Company's statement of financial position. Where an indication of impairment exists, the carrying amount of the subsidiary companies is assessed and written down immediately to their recoverable amount.

Upon the disposal of investment in a subsidiary company, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

#### 3.1.2 Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and all of its subsidiary companies, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiary companies have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiary companies are all drawn up to the same reporting period.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Intra-group losses may indicate an impairment that requires recognition in the consolidated financial statements.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer combined from the date that control ceases.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary company. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.1 Consolidation (cont'd)

### 3.1.3 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.1 **Basis of consolidation (cont'd)**

3.1.4 **Loss of control**

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

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

3.2 **Property, plant and equipment**

Property, plant and equipment are initially measured at cost. Subsequently, property, plant and equipment are carried at cost less any accumulated depreciation and less any impairment losses, except for land and factory buildings. As at 31 December 2020, the Group adopted the revaluation model for measurement of the carrying value of land and buildings other than for right-of-use assets.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour.

As at the financial year ended 31 December 2020 and subsequently, land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity, to ensure that the carrying amount does not differ materially from the fair value of the land and buildings at the end of the reporting period.

As at the date of revaluation, accumulated depreciation, if any, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus arising is recognised in other comprehensive income and credited to the 'revaluation reserve' in equity. To the extent that any revaluation decreases or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Any downward revaluations of the assets are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to the assets and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to other comprehensive income.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.2 **Property, plant and equipment (cont'd)**

Depreciation is recognised on the straight-line method in order to write off the cost of each asset over its estimated useful life. Freehold land with an infinite life is not depreciated.

The annual rates of depreciation based on the estimated useful lives for the various classes of depreciable assets are as follows:-

| | |
|---|---|
| Factory buildings | 29 – 50 years |
| Plant and machinery | 5 – 10 years |
| Equipment, furniture and fittings | 3 – 10 years |
| Renovation and electrical installation | 5 – 10 years |
| Motor vehicles | 5 – 6.67 years |

Capital work-in-progress consists of property, plant and equipment under construction/installation for intended use. The amount is stated at cost and borrowing cost for qualifying assets is capitalised in accordance with accounting policy on borrowing cost. Capital work-in-progress is not depreciated until the assets are ready for the intended use.

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least once annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.3 **Investment properties**

Investment properties consist of land and buildings held for capital appreciation or rental purpose and not occupied or only an insignificant portion is occupied for use or in the operations of the Group.

Investment properties are treated as long term investments and are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment properties at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the financial period/year in which they arise.

Investment properties are derecognised when either they are disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the financial period/year of retirement or disposal.

**Reclassification to/from investment properties**

When an item of property, plant and equipment is transferred to investment properties following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, the fair value at the date of reclassification becomes its cost for subsequent accounting.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.4 **Leases**

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

**As a Lessee**

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are presented as one of the categories under property, plant and equipment and depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the assets as follows:-

| | Estimated useful life |
|---|---|
| Leasehold land | 29 – 47.4 years |
| Leased factory buildings | 2.25 – 3 years |
| Hostel | 3 – 4 years |
| Plant and machinery | 10 years |
| Equipment, furniture and fittings | 10 years |
| Motor vehicles | 5 – 6.67 years |

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

The right-of-use assets are also subject to impairment as detailed in Note 3.5 to the consolidated financial statements.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.4 **Leases (cont'd)**

**As a Lessee (cont'd)**

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments included fixed payments (including in-substance fixed payments) less any incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on a index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

As a practical expedient, MFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

COVID-19 – Related rent concessions

The amendments to MFRS 16 provide relief to lessees from applying MFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether the COVID-19 – related rent concessions from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from COVID-19 - related rent concessions the same way it would account for the change under MFRS 16, if the change were not a lease modification.

Short-term lease and lease of low-value assets

The Group applies the short-term lease recognition exemption to its short-term lease. It also applies the lease of low-value assets recognition exemption to lease of that are considered to be low-value. Lease payments on short-term leases and lease of low-value assets are recognised as expense on a straight-line basis over the lease term.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.4 **Leases (cont'd)**

**As a Lessor**

The Group classified its leases as either operating leases or finance leases. Leases where the Group retains substantially all the risks and rewards of ownership of the leased assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

If the Group transfers substantially all the risks and rewards incidental to ownership of the leased assets, leases are classified as finance leases and are capitalised at an amount equal to the net investment in the lease.

3.5 **Impairment of non-financial assets**

The Group assesses at each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell or its value in use and it is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. At each reporting date, the Group reviews the carrying amounts of non-financial assets to determine whether there is any indication of impairment.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of 5 years.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss has been recognised for asset in prior financial years. Such reversal is recognised in the profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Inventories

Inventories comprising of raw materials, work-in-progress, finished goods and goods-in-transit are stated at the lower of cost and net realisable value.

Cost of raw materials is determined on first-in-first-out basis. Cost of finished goods and work-in-progress includes raw material, direct labour and an appropriate proportion of production overheads (based on normal operating capacity).

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

### 3.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instruments of another entity.

### 3.7.1 Financial assets

### 3.7.1.1 Classification

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

The Group classifies their financial assets in the following measurement categories:-

- Those to be measured subsequently at fair value through profit or loss ("FVTPL");
- Those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss); and
- Those to be measured at amortised cost.

During the financial period/year, the Group does not have any financial assets categorised as FVTPL and fair value through other comprehensive income ("FVTOCI").

### 3.7.1.2 Recognition and derecognition

A financial asset is recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all of the risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.7 **Financial instruments (cont'd)**

3.7.1 **Financial assets (cont'd)**

3.7.1.3 **Initial measurement**

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15.

3.7.1.4 **Subsequent measurement**

The Group's financial assets are subsequently measured at the amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortised cost.

Financial assets at amortised cost are subsequently measured using effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables, most of the other receivables, amount due from related parties, amount due from Directors and cash and cash equivalents.

3.7.1.5 **Impairment of financial assets**

The Group assesses on forward-looking basis the expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The measurement of ECL reflects:-

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.7 Financial instruments (cont'd)

### 3.7.1 Financial assets (cont'd)

### 3.7.1.5 Impairment of financial assets (cont'd)

ECLs are measured on either of the following bases:-

- 12-months ECLs: these are losses that are expected to result from possible default events within 12 months after the reporting date; and
- Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the terms to which ECLs model applies.

The maximum period considered when estimating ECLs are the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and economic environment.

For all other financial instruments, the Group recognises a loss allowance equal to 12-months ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are re-measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVTOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have any assets or sources of income that could generate sufficient cash flows to repay the amount subject to write-off.

### 3.7.2 Financial liabilities

### 3.7.2.1 Classification

The Group classifies their financial liabilities in the following measurement categories:-

- Those to be measured subsequently at FVTPL; and
- Those to be measured at amortised cost.

During the financial period/year, the Group does not have any financial liabilities categorised as FVTPL.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.7 **Financial instruments (cont'd)**

3.7.2 **Financial liabilities (cont'd)**

3.7.2.2 **Recognition and derecognition**

A financial liability is recognised in the consolidated statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

A financial liability (or a part of a financial liability) is derecognised from its consolidated statements of financial position when, and only when, the obligation specified in the contract is discharged or cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.7.2.3 **Initial measurement**

The Group initially measures a financial liability at its fair value plus, in the case of a financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial liability.

3.7.2.4 **Subsequent measurement**

The Group's financial liabilities are subsequently measured at the amortised cost.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

The Group's financial liabilities at amortised cost include trade payables, most of the other payables, amount due to a Director, amount due to related parties and loans and borrowings. Loans and borrowings are classified as current liabilities unless the Group has unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

3.7.3 **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.7 **Financial instruments (cont'd)**

3.7.4 **Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

3.8 **Cash and cash equivalents**

Cash and cash equivalents comprise of short-term deposits with licensed banks, cash on hand and bank balances which are readily convertible to known amount of cash and are not subject to risk of significant changes in value.

Bank overdrafts are shown in current liabilities in the consolidated statement of financial position.

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposit.

3.9 **Foreign currency translation**

The Group's consolidated financial statements are presented in RM, which is also the Company's functional currency.

3.9.1 **Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at exchange rate at the reporting date.

Foreign currency differences arising from retranslation are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising in translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.9 **Foreign currency translation (cont'd)**

3.9.2 **Foreign operations**

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combination before 1 January 2020 which are treated as assets and liabilities of the Group. The income and expenses of foreign operations are translated to RM at exchange rates at the date of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary company, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary company that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in foreign currency translation reserve in equity.

3.10 **Equity and reserve**

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are equity instruments.

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

The revaluation reserve within equity comprises gains and losses due to the revaluation of property, plant and equipment.

Foreign currency translation differences arising on the translation of the Group's foreign entities are included in the exchange translation reserve.

Retained earnings include all current and prior financial period's/years' accumulated profits.

All transactions with owners of the Company are recorded separately within equity.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### 3.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are reviewed at end of each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provisions due to the passage of time is recognised as a finance cost.

### 3.12 Contingencies

Contingent liabilities

Where it is not probable that an outflow of economic benefits will occur, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.13 **Revenue recognition**

The Group applies five-step model revenue recognition under MFRS 15 *Revenue from Contracts with Customers*.

The Group recognises revenue from contracts with customers for goods or services based on the five-step model as set out below:-

i. Identify contracts with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

ii. Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer goods or services to the customers, that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

iii. Determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

iv. Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

v. Recognise revenue when (or as) the Group satisfies a performance obligation. An asset is transferred when (or as) the customer obtains control of the asset.

The Group satisfies a performance obligation and recognises revenue over time if the Group's performance:-

i. Do not create an asset with an alternative use to the Group and have enforceable right to payment for performance completed to-date; or

ii. Create or enhance an asset that the customer controls as the asset is created or enhanced; or

iii. Provide benefits that the customer simultaneously receives and consumes as the Group performs.

For performance obligations where none of the above conditions are met, revenue is recognised at a point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or service, it creates a contract based on asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this give rise to a contract liability.

Revenue is measured at fair value of consideration received of receivable. The following describe the performance obligation in contracts with customers.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.13 **Revenue recognition (cont'd)**

3.13.1 **Sale of goods and rendering of services**

All revenue is recognised at a point in time, which is typically on delivery of goods and upon services are rendered. An asset is transferred when (or as) the customer obtains control of the asset. The revenue is recognised net of any related rebates, discounts and tax. The Group shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

3.13.2 **Interest income**

Interest income is accounted for on accrual basis.

3.13.3 **Rental income**

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

3.13.4 **Contract balances**

a) **Trade receivables**

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

b) **Contract assets**

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. Contract assets are subject to impairment in accordance with MFRS 9, Financial Instruments. Refer to Note 3.7.1.5 to the consolidated financial statements on impairment of financial assets.

3.14 **Employee benefits**

3.14.1 **Short-term employee benefits**

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial period/year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

3.14.2 **Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial period/years.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.14 **Employee benefits (cont'd)**

3.14.2 **Defined contribution plans (cont'd)**

Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund. Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

3.15 **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets during the period of time that is necessary to complete and prepare the asset for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that Group incurred in connection with the borrowing of funds.

3.16 **Interest-bearing borrowings**

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs incurred. Borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred. However, borrowing costs incurred to finance the construction of property, plant and equipment are capitalised as part of the cost of those assets during the period of time that is required to complete and prepare the assets for its intended use.

3.17 **Taxes**

Tax expense comprises of current tax and deferred tax but exclude taxes arising from business combinations and items recognised directly in equity or other comprehensive income. Current tax and deferred tax are recognised as an expense or income in the profit or loss.

3.17.1 **Current tax**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years. Tax payable (recoverable) for current and prior periods is recognised as liability (or asset) to the extent that it is unpaid (or refundable).

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.17 **Taxes (cont'd)**

3.17.2 **Deferred tax**

Deferred tax is recognised using liability method for temporary difference between carrying amount of an asset or liability in the consolidated statements of financial position and its tax base at reporting date. However, deferred tax on temporary differences arising from the initial recognition of goodwill and initial recognition of assets and liabilities in a transaction that is not a business combination is not recognised because they affect neither accounting or taxable profit or loss.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of reporting year, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets or liabilities will be realised simultaneously.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary can be utilised. Deferred tax assets are reviewed at the end of each reporting year and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as deferred tax asset to the extent that it is probable that the future taxable profits will be available to offset against the unutilised tax incentive credit.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.17 **Taxes (cont'd)**

3.17.3 **Indirect tax**

Sales and Services Tax ("SST") was imposed effective from 1 September 2018. The rate for sales tax is fixed at 5% or 10% while the rate for services tax is fixed at 6%.

Revenue, expenses, assets and liabilities are recognised net of the amount of SST except:-

(i) where the SST incurred in a purchase of assets or services is not recoverable from the authority, in which case the SST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
(ii) receivables and payables that are stated with the amount of SST included.

The net amount of SST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.18 **Related parties**

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the Group if that person:-

  (i) Has control or joint control over the Group;
  (ii) Has significant influence over the Group; or
  (iii) Is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:-

  (i) The entity and the Group are members of the same group.
  (ii) The entity is an associate or joint venture of the Group.
  (iii) The Group and the entity are joint ventures of the same third party.
  (iv) The Group is a joint venture of a third entity and the other entity is an associate of the same third entity.
  (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
  (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
  (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity.
  (viii) The entity, or any member of a group of which it is a party, provides key management personnel services to the Group.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.19 Non-current assets held for sale

Non-current assets, or disposal group comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

A component of the Group is classified as discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single coordinate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification of the asset (or disposal group) as held for sale occurs only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary and the sale must be highly probable. Management must be committed to a plan to sell the assets which are expected to qualify for recognition as a completed sale within one year from the date of classification. Action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or the plan will be withdrawn.

Immediately before classification as held for sale (or disposal group), the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell.

Liabilities are classified as held for sale and presented as such in the consolidated statement of financial position if they are directly associated with a disposal group.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excel of any cumulative impairment loss.

In the consolidated statement of profit or loss and other comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after tax, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after tax) is reported separately in the consolidated statement of profit or loss and other comprehensive income.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity accounted associates ceases once classified as held for sale.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### 3.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are recognised in profit or loss over the periods to match the related costs for which the grants are intended to compensate.

### 3.21 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

### 3.22 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the net profit attributable to common controlling shareholders by the weighted average number of shares in issue.

Diluted EPS is calculated by dividing the net profit for the financial period/year attributable to common controlling shareholders by the weighted average number of ordinary shares in issue, adjusted for the dilutive effects of all potential ordinary shares to be issued.

## 4. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land RM | Leasehold land RM | Factory buildings RM | Leased factory buildings RM | Hostels RM | Plant and machinery RM | Equipment, furniture and fittings RM | Renovation and electrical installation RM | Motor vehicles RM | Capital work in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | | | | | | | |
| At 1 January 2019 | - | - | - | - | - | 10,192,930 | 192,221 | 9,680 | 1,022,224 | - | 11,417,055 |
| Additions | - | 2,852,250 | 3,690,020 | 5,494,568 | - | 718,730 | 1,927,338 | 1,536,910 | 271,617 | - | 16,491,433 |
| At 31 December 2019 | - | 2,852,250 | 3,690,020 | 5,494,568 | - | 10,911,660 | 2,119,559 | 1,546,590 | 1,293,841 | - | 27,908,488 |
| **Representing:-** | | | | | | | | | | | |
| At cost | - | 2,852,250 | 3,690,020 | 5,494,568 | - | 10,911,660 | 2,119,559 | 1,546,590 | 1,293,841 | - | 27,908,488 |
| At valuation | - | - | - | - | - | - | - | - | - | - | - |
| At 1 January 2020 | - | 2,852,250 | 3,690,020 | 5,494,568 | - | 10,911,660 | 2,119,559 | 1,546,590 | 1,293,841 | - | 27,908,488 |
| Acquisition through business combinations | - | - | - | - | 69,326 | 7,520,989 | 495,410 | 581,103 | 463,978 | - | 9,130,806 |
| Additions | - | 6,472,430 | 16,684,224 | - | 82,535 | 19,999,534 | 1,876,034 | 3,003,576 | - | 105,015 | 48,223,348 |
| Disposals | - | - | - | - | - | (203,400) | (7,900) | - | - | - | (211,300) |
| Revaluation | - | 5,725,320 | 20,575,756 | - | - | - | - | - | - | - | 26,301,076 |
| Early termination of lease contract | - | - | - | (4,894,809) | - | - | - | - | - | - | (4,894,809) |
| Exchange translation difference | - | - | - | - | - | - | (58) | (46) | - | - | (104) |
| At 31 December 2020 | - | 15,050,000 | 40,950,000 | 599,759 | 151,861 | 38,228,783 | 4,483,045 | 5,131,223 | 1,757,819 | 105,015 | 106,457,505 |

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

| | Freehold land RM | Leasehold land RM | Factory buildings RM | Leased factory buildings RM | Hostels RM | Plant and machinery RM | Equipment, furniture and fittings RM | Renovation and electrical installation RM | Motor vehicles RM | Capital work in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost/Valuation (cont'd)** | | | | | | | | | | | |
| **Representing:-** | | | | | | | | | | | |
| At cost | - | - | - | 599,759 | 151,861 | 38,228,783 | 4,483,045 | 5,131,223 | 1,757,819 | 105,015 | 50,457,505 |
| At valuation | - | 15,050,000 | 40,950,000 | - | - | - | - | - | - | - | 56,000,000 |
| At 1 January 2021 | - | 15,050,000 | 40,950,000 | 599,759 | 151,861 | 38,228,783 | 4,483,045 | 5,131,223 | 1,757,819 | 105,015 | 106,457,505 |
| Additions | 6,364,175 | 16,332,885 | 18,675,687 | - | - | 76,270,698 | 2,565,576 | 2,626,704 | 994,581 | 4,769,264 | 128,599,570 |
| Disposals | - | - | - | - | - | - | (134,188) | (27,400) | (304,893) | - | (466,481) |
| Revaluation | - | 2,397,115 | - | - | - | - | - | - | - | - | 2,397,115 |
| Reclassification | - | - | 55,120 | - | - | - | - | (55,120) | - | - | - |
| Reclassification to assets held for sale | - | - | - | - | - | (6,003,556) | - | - | - | - | (6,003,556) |
| Transfer from/(to) | - | - | - | - | - | - | - | 81,600 | - | (81,600) | - |
| Transfer to investment properties | - | (3,150,000) | (5,650,000) | - | - | - | - | - | - | - | (8,800,000) |
| Exchange translation difference | - | - | - | - | - | - | 442 | 397 | - | - | 839 |
| At 31 December 2021 | 6,364,175 | 30,630,000 | 54,030,807 | 599,759 | 151,861 | 108,495,925 | 6,914,875 | 7,757,404 | 2,447,507 | 4,792,679 | 222,184,992 |
| **Representing:-** | | | | | | | | | | | |
| At cost | - | - | - | 599,759 | 151,861 | 108,495,925 | 6,914,875 | 7,757,404 | 2,447,507 | 4,792,679 | 131,160,010 |
| At valuation | 6,364,175 | 30,630,000 | 54,030,807 | - | - | - | - | - | - | - | 91,024,982 |
| At 1 January 2022 | 6,364,175 | 30,630,000 | 54,030,807 | 599,759 | 151,861 | 108,495,925 | 6,914,875 | 7,757,404 | 2,447,507 | 4,792,679 | 222,184,992 |
| Additions | - | 7,512,020 | 10,230,137 | - | - | 6,754,569 | 2,701,095 | 2,459,839 | 303,357 | 6,604,182 | 36,565,199 |
| Disposals | - | - | - | - | - | - | - | - | (40,000) | - | (40,000) |
| Reclassification to assets held for sale | - | (8,980,000) | - | - | - | - | - | - | - | - | (8,980,000) |
| Transfer from/(to) | - | - | 437,791 | - | - | 4,327,569 | - | 23,415 | - | (4,788,775) | - |
| Written off | - | - | - | - | - | - | (11,125) | - | - | (3,904) | (15,029) |
| Exchange translation difference | - | - | - | - | - | - | 1,361 | 1,220 | - | - | 2,581 |
| At 30 September 2022 | 6,364,175 | 29,162,020 | 64,698,735 | 599,759 | 151,861 | 119,578,063 | 9,606,206 | 10,241,878 | 2,710,864 | 6,604,182 | 249,717,743 |

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

| | Freehold land RM | Leasehold land RM | Factory buildings RM | Leased factory buildings RM | Hostels RM | Plant and machinery RM | Equipment, furniture and fittings RM | Renovation and electrical installation RM | Motor vehicles RM | Capital work in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost/Valuation (cont'd)** | | | | | | | | | | | |
| **Representing:-** | | | | | | | | | | | |
| At cost | - | - | - | 599,759 | 151,861 | 119,578,063 | 9,606,206 | 10,241,878 | 2,710,864 | 6,604,182 | 149,492,813 |
| At valuation | 6,364,175 | 29,162,020 | 64,698,735 | - | - | - | - | - | - | - | 100,224,930 |
| At 30 September 2022 | 6,364,175 | 29,162,020 | 64,698,735 | 599,759 | 151,861 | 119,578,063 | 9,606,206 | 10,241,878 | 2,710,864 | 6,604,182 | 249,717,743 |
| **Accumulated depreciation** | | | | | | | | | | | |
| At 1 January 2019 | - | - | - | - | - | 816,590 | 111,815 | 1,048 | 488,755 | - | 1,418,208 |
| Charge for the financial year | - | - | - | 1,194,885 | - | 1,459,478 | 149,144 | 112,154 | 140,249 | - | 3,055,910 |
| At 31 December 2019 | - | - | - | 1,194,885 | - | 2,276,068 | 260,959 | 113,202 | 629,004 | - | 4,474,118 |
| Acquisition through business combinations | - | - | - | - | 10,144 | 3,002,199 | 346,787 | 433,851 | 366,930 | - | 4,159,911 |
| Charge for the financial year | - | 112,185 | 198,824 | 1,701,245 | 34,047 | 3,626,344 | 561,098 | 466,489 | 219,252 | - | 6,919,484 |
| Disposals | - | - | - | - | - | (150,855) | (439) | - | - | - | (151,294) |
| Revaluation | - | (68,333) | (120,170) | - | - | - | - | - | - | - | (188,503) |
| Early termination of lease contract | - | - | - | (2,363,012) | - | - | - | - | - | - | (2,363,012) |
| Exchange translation difference | - | - | - | - | - | - | (58) | (55) | - | - | (113) |
| At 31 December 2020 | - | 43,852 | 78,654 | 533,118 | 44,191 | 8,753,756 | 1,168,347 | 1,013,487 | 1,215,186 | - | 12,850,591 |

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

| | Freehold land RM | Leasehold land RM | Factory buildings RM | Leased factory buildings RM | Hostels RM | Plant and machinery RM | Equipment, furniture and fittings RM | Renovation and electrical installation RM | Motor vehicles RM | Capital work in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Accumulated depreciation (cont'd)** | | | | | | | | | | | |
| At 1 January 2021 | - | 43,852 | 78,654 | 533,118 | 44,191 | 8,753,756 | 1,168,347 | 1,013,487 | 1,215,186 | - | 12,850,591 |
| Charge for the financial year | - | 305,030 | 892,059 | 66,641 | 47,803 | 7,000,778 | 995,579 | 1,103,116 | 226,678 | - | 10,637,684 |
| Disposals | - | - | - | - | - | - | (15,275) | (2,740) | (304,893) | - | (322,908) |
| Revaluation | - | (53,772) | (30,532) | - | - | - | - | - | - | - | (84,304) |
| Reclassification to assets held for sale | - | - | - | - | - | (2,101,244) | - | - | - | - | (2,101,244) |
| Transfer to investment properties | - | (43,852) | (78,654) | - | - | - | - | - | - | - | (122,506) |
| Exchange translation difference | - | - | - | - | - | - | 406 | 397 | - | - | 803 |
| At 31 December 2021 | - | 251,258 | 861,527 | 599,759 | 91,994 | 13,653,290 | 2,149,057 | 2,114,260 | 1,136,971 | - | 20,858,116 |
| Charge for the financial period | - | 468,007 | 859,362 | - | 35,852 | 9,665,926 | 1,000,051 | 1,136,766 | 243,925 | - | 13,409,889 |
| Disposals | - | - | - | - | - | - | - | - | (38,667) | - | (38,667) |
| Reclassification to assets held for sale | - | (121,169) | - | - | - | - | - | - | - | - | (121,169) |
| Written off | - | - | - | - | - | - | (8,000) | - | - | - | (8,000) |
| Exchange translation difference | - | - | - | - | - | - | 1,323 | 1,219 | - | - | 2,542 |
| At 30 September 2022 | - | 598,096 | 1,720,889 | 599,759 | 127,846 | 23,319,216 | 3,142,431 | 3,252,245 | 1,342,229 | - | 34,102,711 |

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

| | Freehold land RM | Leasehold land RM | Factory buildings RM | Leased factory buildings RM | Hostels RM | Plant and machinery RM | Equipment, furniture and fittings RM | Renovation and electrical installation RM | Motor vehicles RM | Capital work in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Accumulated impairment loss** | | | | | | | | | | | |
| At 1 January 2019, 31 December 2019, 31 December 2020, 31 December 2021 and 30 September 2022 | - | - | - | - | - | - | - | - | 44,179 | - | 44,179 |
| **Net carrying amount** | | | | | | | | | | | |
| At 31 December 2019 | - | 2,852,250 | 3,690,020 | 4,299,683 | - | 8,635,592 | 1,858,600 | 1,433,388 | 620,658 | - | 23,390,191 |
| At 31 December 2020 | - | 15,006,148 | 40,871,346 | 66,641 | 107,670 | 29,475,027 | 3,314,698 | 4,117,736 | 498,454 | 105,015 | 93,562,735 |
| At 31 December 2021 | 6,364,175 | 30,378,742 | 53,169,280 | - | 59,867 | 94,842,635 | 4,765,818 | 5,643,144 | 1,266,357 | 4,792,679 | 201,282,697 |
| At 30 September 2022 | 6,364,175 | 28,563,924 | 62,977,846 | - | 24,015 | 96,258,847 | 6,463,775 | 6,989,633 | 1,324,456 | 6,604,182 | 215,570,853 |

Freehold land, leasehold land and factory buildings are pledged to the banks for borrowing facilities granted to the Group as disclosed in Note 18 to the consolidated financial statements.

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

4.1 Right-of-use assets

Included in the property, plant and equipment are right-of-use assets as follows:-

| | Leasehold land RM | Leased factory buildings* RM | Hostels RM | Equipment, furniture and fittings RM | Plant and machinery RM | Motor vehicles RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Net carrying amount** | | | | | | | |
| At 1 January 2019 | - | - | - | - | 4,410,764 | 434,208 | 4,844,972 |
| Additions | 2,852,250 | 5,494,568 | - | 166,000 | - | 271,618 | 8,784,436 |
| Additions through refinancing | - | - | - | - | 1,292,615 | - | 1,292,615 |
| Depreciation charges | - | (1,194,885) | - | (9,684) | (600,356) | (102,502) | (1,907,427) |
| At 31 December 2019 | 2,852,250 | 4,299,683 | - | 156,316 | 5,103,023 | 603,324 | 13,014,596 |
| Acquisition through business combinations | - | - | 59,182 | - | 2,175,268 | 11,000 | 2,245,450 |
| Additions | 6,472,430 | - | 82,535 | - | 7,802,750 | - | 14,357,715 |
| Additions through refinancing | - | - | - | - | 170,117 | - | 170,117 |
| Depreciation charges | (112,185) | (1,701,245) | (34,047) | (16,600) | (1,640,808) | (121,390) | (3,626,275) |
| Revaluation | 5,793,653 | - | - | - | - | - | 5,793,653 |
| Full settlement of lease liabilities | - | - | - | - | - | (64,251) | (64,251) |
| Early termination of lease contract | - | (2,531,797) | - | - | - | - | (2,531,797) |
| At 31 December 2020 | 15,006,148 | 66,641 | 107,670 | 139,716 | 13,610,350 | 428,683 | 29,359,208 |
| Additions | 16,332,885 | - | - | - | 56,827,346 | 768,581 | 73,928,812 |
| Depreciation charges | (305,030) | (66,641) | (47,803) | (16,600) | (3,549,053) | (148,276) | (4,133,403) |
| Reclassification to assets held for sale | - | - | - | - | (3,902,312) | - | (3,902,312) |
| Revaluation | 2,450,887 | - | - | - | - | - | 2,450,887 |
| Transfer to investment properties | (3,106,148) | - | - | - | - | - | (3,106,148) |
| Full settlement of lease liabilities | - | - | - | - | (316,021) | - | (316,021) |
| At 31 December 2021 | 30,378,742 | - | 59,867 | 123,116 | 62,670,310 | 1,048,988 | 94,281,023 |

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

4.1 Right-of-use assets (cont'd)

Included in the property, plant and equipment are right-of-use assets as follows (cont'd):-

| | Leasehold land | Leased factory buildings* | Hostels | Equipment, furniture and fittings | Plant and machinery | Motor vehicles | Total |
|---|---|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM | RM | RM |
| **Net carrying amount (cont'd)** | | | | | | | |
| At 1 January 2022 | 30,378,742 | - | 59,867 | 123,116 | 62,670,310 | 1,048,988 | 94,281,023 |
| Additions | 7,512,020 | - | - | - | 7,656,595 | 303,357 | 15,471,972 |
| Classified as right-of-use assets | - | - | - | - | - | 138,000 | 138,000 |
| Depreciation charges | (468,007) | - | (35,852) | (12,450) | (5,537,552) | (231,891) | (6,285,752) |
| Reclassification to assets held for sale | (8,858,831) | - | - | - | - | - | (8,858,831) |
| Full settlement of lease liabilities | - | - | - | - | (188,000) | - | (188,000) |
| At 30 September 2022 | 28,563,924 | - | 24,015 | 110,666 | 64,601,353 | 1,258,454 | 94,558,412 |

* The Group leased two factory buildings for terms of 3 years, one with extension option of 2 years and the other with no extension option; and leased hostels for terms of 2 years with extension options of 2 years. The Group has elected to apply the cost model to all right-of-use assets other than leasehold land. One of the leases of factory building lease was early terminated in the financial year ended 31 December 2020 upon acquisition of the factory building.

Equipment, furniture and fittings, plant and machinery and motor vehicles under right-of-use assets are acquired by hire purchase creditors and pledged as security for the related lease liabilities.

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

4.2 Revaluation of land and factory buildings

As at 31 December 2020, the Group adopted the revaluation model for measurement of the carrying value of land and buildings other than for right-of-use assets.

On 31 December 2020 and 31 December 2021, other than the extension building that was constructed and completed in November 2021 amounting to RM12,503,369, the Directors revalued the land and factory buildings based on professional valuations by external independent professionally qualified property valuers having appropriate recognised professional qualifications and recent experience in the location and category of properties being valued. Directors are of the opinion that the cost of the constructed extension building attached to the existing factory approximates the fair value as the extension was recently constructed by third party contractors.

Revaluations are made with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the end of each reporting period. The Directors deem that annual revaluations of land and buildings are unnecessary and therefore have not engaged external property valuers to perform a revaluation as at 30 September 2022.

The Group measures fair values using the fair value hierarchy that reflects the significance of the inputs used in making the measurements. The following table provides the fair value measurement hierarchy of the Group's land and factory buildings:-

| | Level 3 | | |
|---|---|---|---|
| | 30.9.2022 | 31.12.2021 | 31.12.2020 |
| | RM | RM | RM |
| Freehold land | 6,364,175 | 6,364,175 | - |
| Leasehold land | 29,162,020 | 30,630,000 | 15,050,000 |
| Factory buildings | 64,698,735 | 54,030,807 | 40,950,000 |
| | 100,224,930 | 91,024,982 | 56,000,000 |

Level 3 Fair value of land and factory buildings

Level 3 fair value of land and factory buildings have been generally derived using the comparison approach and cost approach respectively.

The comparison/cost method of valuation entails separate valuations of the land and factory buildings to arrive at the fair value of the subject property.

Under the comparison method, a property's fair value is estimated based on comparable transactions. This approach is based upon the principle of substitution under which a potential buyer would not pay more for the property than it would cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold.

The land is valued by reference to transactions of similar lands with adjustments made for differences in location, terrain, size and shape of the land, tenure, title restrictions, if any and other relevant characteristics.

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

4.2 Revaluation of land and factory buildings (cont'd)

Level 3 Fair value of land and factory buildings (cont'd)

The factory buildings are valued by reference to the current estimates on construction costs to erect equivalent buildings, taking into consideration of similar accommodation in terms of size, construction, finishes contractors' overheads, fees and profits. Appropriate adjustments are then made for the factors of obsolescence and existing physical condition of the factory buildings.

The following table shows the valuation technique used in the determination of fair value within Level 3, as well as the key unobservable inputs used in the valuation model.

| Description | Valuation | Significant unobservable inputs | Range of unobservable inputs | Relationship of significant unobservable inputs to fair value |
|---|---|---|---|---|
| 31.12.2021 | | | | |
| Freehold land | Comparison approach | Difference in location, time factor, size, land usage and shape | RM70 to RM80 per square feet | Higher differential value, lower fair value |
| Leasehold land | Comparison approach | Difference in location, time factor, size, land usage, shape and tenure | RM32 to RM80 per square feet | Higher differential value, lower fair value |
| Factory buildings | Cost approach | Estimated replacement cost per square feet | RM94.20 to RM210 per square feet | Higher estimated replacement cost, higher fair value |
| | | Depreciation rate | 2% - 10% | Higher depreciation rate, lower fair value |
| 31.12.2020 | | | | |
| Leasehold land | Comparison approach | Difference in location, time factor, size, land usage, shape and tenure | RM34.20 to RM59.70 per square feet | Higher differential value, lower fair value |
| Factory buildings | Cost approach | Estimated replacement cost per square feet | RM100 to RM130 per square feet | Higher estimated replacement cost, higher fair value |
| | | Depreciation rate | 2% | Higher depreciation rate, lower fair value |
| | | Discount factor for consideration of Covid-19 pandemic | 10% | Higher discount factor adjustment, lower fair value |

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

4.3 Transfer to investment properties

During the financial year ended 31 December 2021, a property was transferred to investment properties because it was no longer used by the Group and it is leased to a third party.

4.4 Revalued land and factory buildings at cost

At the reporting date, had the revalued land and factory buildings of the Group been carried under the cost model, the carrying amount would have been as follows:-

| | Freehold land RM | Leasehold land RM | Factory buildings RM |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2019 | - | - | - |
| Additions | - | 2,852,250 | 3,690,020 |
| At 31 December 2019 | - | 2,852,250 | 3,690,020 |
| Additions | - | 6,472,430 | 16,684,224 |
| At 31 December 2020 | - | 9,324,680 | 20,374,244 |
| Additions | 6,364,175 | 16,332,885 | 18,675,687 |
| Reclassification from renovation and electrical installation | - | - | 55,120 |
| Transfer to investment properties | - | (2,852,250) | (3,690,020) |
| At 31 December 2021 | 6,364,175 | 22,805,315 | 35,415,031 |
| Additions | - | 7,512,020 | 10,667,928 |
| Reclassification to assets held for sale | - | (8,195,086) | - |
| At 30 September 2022 | 6,364,175 | 22,122,249 | 46,082,959 |

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

4.4 Revalued land and factory buildings at cost (cont'd)

At the reporting date, had the revalued land and factory buildings of the Group been carried under the cost model, the carrying amount would have been as follows (cont'd):-

| | Freehold land RM | Leasehold land RM | Factory buildings RM |
|---|---|---|---|
| **Accumulated depreciation** | | | |
| At 1 January 2019 | - | - | - |
| Charge for the financial year | - | 45,584 | 58,973 |
| At 31 December 2019 | - | 45,584 | 58,973 |
| Charge for the financial year | - | 61,822 | 109,192 |
| At 31 December 2020 | - | 107,406 | 168,165 |
| Charge for the financial year | - | 190,514 | 499,215 |
| Transfer to investment properties | - | (84,656) | (109,521) |
| At 31 December 2021 | - | 213,264 | 557,859 |
| Charge for the financial period | - | 344,531 | 515,724 |
| Reclassification to assets held for sale | - | (134,747) | - |
| At 30 September 2022 | - | 423,048 | 1,073,583 |
| **Net carrying amount** | | | |
| 31 December 2019 | - | 2,806,666 | 3,631,047 |
| 31 December 2020 | - | 9,217,274 | 20,206,079 |
| 31 December 2021 | 6,364,175 | 22,592,051 | 34,857,172 |
| 30 September 2022 | 6,364,175 | 21,699,201 | 45,009,376 |

5. **INVESTMENT PROPERTY**

| | Leasehold land RM | Factory building RM | Total RM |
|---|---|---|---|
| **At fair value** | | | |
| At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020 | - | - | - |
| Transfer from property, plant and equipment | 3,106,148 | 5,571,346 | 8,677,494 |
| Fair value adjustments | 43,852 | 78,654 | 122,506 |
| At 31 December 2021, 1 January 2022 and 30 September 2022 | 3,150,000 | 5,650,000 | 8,800,000 |

During the financial year ended 31 December 2021, the property was transferred from property, plant and equipment to investment property because the property was no longer used by the Group and it is leased to a third party.

The investment property has been pledged to a licensed bank for credit facilities granted to the Group as disclosed in Note 18 to the consolidated financial statements.

Included in the investment property is right-of-use assets as follows:-

| | 30.9.2022 RM | 31.12.2021 RM | 31.12.2020 RM | 31.12.2019 RM |
|---|---|---|---|---|
| **At fair value** | | | | |
| Leasehold land | 3,150,000 | 3,150,000 | - | - |

The following are recognised in profit or loss in respect of investment property:-

| | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|
| Lease income | 864,000 | - | - | - | - |
| Direct operating expenses | 38,722 | 59,861 | 67,645 | - | - |

The operating lease payments to be received are as follows:-

| | 30.9.2022 RM | 31.12.2021 RM | 31.12.2020 RM | 31.12.2019 RM |
|---|---|---|---|---|
| Less than one year | 1,152,000 | 1,152,000 | - | - |
| One to two years | 288,000 | 1,152,000 | - | - |
| Total undiscounted lease payments | 1,440,000 | 2,304,000 | - | - |

## 5. INVESTMENT PROPERTY (CONT'D)

### 5.1 Fair value information

The investment property consists of land and factory building and are valued annually at fair value, comprising market value, by an external independent professionally qualified property valuer having appropriate recognised professional qualifications and recent experience in the location and category of properties being valued.

The market value is defined as the estimated amount for which an asset or an interest in a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion. The market value of the investment property was determined based on the comparison approach and cost approach.

The Group measures fair values using the fair value hierarchy that reflects the significance of the inputs used in making the measurements. The following table provides the fair value measurement hierarchy of the Group's investment property:-

| | Level 3 | | | |
|---|---|---|---|---|
| | 30.9.2022 | 31.12.2021 | 31.12.2020 | 31.12.2019 |
| | RM | RM | RM | RM |
| Leasehold land | 3,150,000 | 3,150,000 | - | - |
| Factory building | 5,650,000 | 5,650,000 | - | - |
| | 8,800,000 | 8,800,000 | - | - |

Level 3 Fair value of land and factory building

| Description | Valuation | Significant unobservable inputs | Range of unobservable inputs | Relationship of significant unobservable inputs to fair value |
|---|---|---|---|---|
| Land | Comparison approach | Difference in location, time factor, size, land usage, shape and tenure | RM34.20 to RM41.85 per square feet | Higher differential value, lower fair value |
| Factory building | Cost approach | Estimated replacement cost per square feet | RM100 to RM130 per square feet | Higher estimated replacement cost, lower fair value |
| | | Depreciation rate | 2% | Higher depreciation rate, lower fair value |
| | | Discount factor for consideration of Covid-19 pandemic | 10% | Higher discount factor adjustment, lower fair value |

6. **GOODWILL ON ACQUISITION**

| | RM |
|---|---|
| **Cost** | |
| At 1 January 2019, 31 December 2019 and 1 January 2020 | - |
| Additions | 6,243,746 |
| At 31 December 2020, 1 January 2021, 31 December 2021, 1 January 2022 and 30 September 2022 | 6,243,746 |

The goodwill arose from the acquisition of subsidiary companies.

**Impairment tests for goodwill**

(a) Allocation of goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's cash generating units ("CGU") identified as follows:-

| | 30.9.2022<br>RM | 31.12.2021<br>RM | 31.12.2020<br>RM |
|---|---|---|---|
| **Subsidiary companies** | | | |
| Cape Manufacturing | 5,609,949 | 5,609,949 | 5,609,949 |
| Cape Singapore | 633,797 | 633,797 | 633,797 |
| | 6,243,746 | 6,243,746 | 6,243,746 |

(b) Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a period of not more than five years. Key assumptions and management's approach to determine the values assigned to each key assumption are as follows:-

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the period immediately before the budgeted period and revised for expected demand of their products.

(ii) Growth rate

The average growth rates used are based on management's estimate of average growth rate based on the past and current trends of the industry.

(iii) Discount rate

The pre-tax discount rate of 7.62% and 8.82% (31.12.2021: 7.62% and 8.82%, 31.12.2020: 7.21% and 8.82%) for Cape Manufacturing and Cape Singapore respectively was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the weighted average cost of capital of the respective subsidiary companies.

The Directors believe that any reasonably possible changes in the above key assumptions applied are not likely to materially cause the recoverable amount to be lower than its carrying amount except for the changes in prevailing operating environment which is not ascertainable.

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

The balances in the deferred tax assets/(liabilities) are made up of temporary differences arising from:-

| | 30.9.2022 RM | 31.12.2021 RM | 31.12.2020 RM | 31.12.2019 RM |
|---|---|---|---|---|
| **Assets** | | | | |
| Excess of right-of-use assets and interest on lease liabilities against actual lease payments | - | - | 94,000 | 111,000 |
| Unabsorbed tax losses | - | - | 832,000 | 1,963,000 |
| Unrealised foreign exchange | 17,000 | 49,000 | 62,000 | - |
| Unutilised capital allowances | - | 232,000 | - | - |
| Unutilised reinvestment allowances | 5,484,000 | 7,571,000 | 1,241,000 | 1,057,000 |
| Unutilised value of increased export allowances | - | - | 121,000 | - |
| Tax assets | 5,501,000 | 7,852,000 | 2,350,000 | 3,131,000 |
| Set off of tax | (5,501,000) | (5,295,947) | (2,350,000) | (436,000) |
| Net tax assets | - | 2,556,053 | - | 2,695,000 |
| **Liabilities** | | | | |
| Property, plant and equipment | (7,360,962) | (5,296,746) | (1,849,994) | (409,000) |
| Revaluation of land and buildings | (6,720,877) | (6,821,650) | (6,352,720) | - |
| Unrealised foreign exchange | (660,000) | - | - | (27,000) |
| Tax liabilities | (14,741,839) | (12,118,396) | (8,202,714) | (436,000) |
| Set off of tax | 5,501,000 | 5,295,947 | 2,350,000 | 436,000 |
| Net tax liabilities | (9,240,839) | (6,822,449) | (5,852,714) | - |
| **Net** | | | | |
| Property, plant and equipment | (7,360,962) | (5,296,746) | (1,849,994) | (409,000) |
| Excess of right-of-use assets and interest on lease liabilities against actual lease payments | - | - | 94,000 | 111,000 |
| Revaluation of land and buildings | (6,720,877) | (6,821,650) | (6,352,720) | - |
| Unabsorbed tax losses | - | - | 832,000 | 1,963,000 |
| Unrealised foreign exchange | (643,000) | 49,000 | 62,000 | (27,000) |
| Unutilised capital allowances | - | 232,000 | - | - |
| Unutilised reinvestment allowances | 5,484,000 | 7,571,000 | 1,241,000 | 1,057,000 |
| Unutilised value of increased export allowances | - | - | 121,000 | - |
| Net tax (liabilities)/assets | (9,240,839) | (4,266,396) | (5,852,714) | 2,695,000 |

7. **DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)**

Movement in deferred tax assets/(liabilities) during the financial period/year is as follows:-

| | At 31 December 2021/ 1 January 2022 RM | Recognised in other comprehensive income (Note 25) RM | Recognised in profit or loss (Note 25) RM | At 30 September 2022 RM |
|---|---|---|---|---|
| Property, plant and equipment | (5,296,746) | - | (2,064,216) | (7,360,962) |
| Revaluation of land and buildings | (6,821,650) | - | 100,773 | (6,720,877) |
| Unrealised foreign exchange | 49,000 | - | (692,000) | (643,000) |
| Unutilised capital allowances | 232,000 | - | (232,000) | - |
| Unutilised reinvestment allowances | 7,571,000 | - | (2,087,000) | 5,484,000 |
| | (4,266,396) | - | (4,974,443) | (9,240,839) |

| | At 31 December 2020/ 1 January 2021 RM | Recognised in other comprehensive income (Note 25) RM | Recognised in profit or loss (Note 25) RM | At 31 December 2021 RM |
|---|---|---|---|---|
| Property, plant and equipment | (1,849,994) | - | (3,446,752) | (5,296,746) |
| Excess of right-of-use assets and interest on lease liabilities against actual lease payments | 94,000 | - | (94,000) | - |
| Revaluation of land and buildings | (6,352,720) | (591,265) | 122,335 | (6,821,650) |
| Unabsorbed tax losses | 832,000 | - | (832,000) | - |
| Unrealised foreign exchange | 62,000 | - | (13,000) | 49,000 |
| Unutilised capital allowances | - | - | 232,000 | 232,000 |
| Unutilised reinvestment allowances | 1,241,000 | - | 6,330,000 | 7,571,000 |
| Unutilised value of increased export allowances | 121,000 | - | (121,000) | - |
| | (5,852,714) | (591,265) | 2,177,583 | (4,266,396) |

7. **DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)**

Movement in deferred tax assets/(liabilities) during the financial period/year is as follows (cont'd):-

| | At 31 December 2019/ 1 January 2020 RM | Acquisition through business combinations RM | Recognised in other comprehensive income (Note 25) RM | Recognised in profit or loss (Note 25) RM | At 31 December 2020 RM |
|---|---|---|---|---|---|
| Property, plant and equipment | (409,000) | (170,381) | - | (1,270,613) | (1,849,994) |
| Excess of right-of-use assets and interest on lease liabilities against actual lease payments | 111,000 | - | - | (17,000) | 94,000 |
| Revaluation of land and buildings | - | - | (6,357,500) | 4,780 | (6,352,720) |
| Unabsorbed tax losses | 1,963,000 | - | - | (1,131,000) | 832,000 |
| Unrealised foreign exchange | (27,000) | - | - | 89,000 | 62,000 |
| Unutilised reinvestment allowances | 1,057,000 | - | - | 184,000 | 1,241,000 |
| Unutilised value of increased export allowances | - | - | - | 121,000 | 121,000 |
| | 2,695,000 | (170,381) | (6,357,500) | (2,019,833) | (5,852,714) |

| | At 1 January 2019 RM | Recognised in profit or loss (Note 25) RM | At 31 December 2019 RM |
|---|---|---|---|
| Property, plant and equipment | - | (409,000) | (409,000) |
| Excess of right-of-use assets and interest on lease liabilities against actual lease payments | - | 111,000 | 111,000 |
| Unabsorbed tax losses | - | 1,963,000 | 1,963,000 |
| Unrealised foreign exchange | - | (27,000) | (27,000) |
| Unutilised reinvestment allowances | - | 1,057,000 | 1,057,000 |
| | - | 2,695,000 | 2,695,000 |

The unutilised capital allowances are available indefinitely for offset against future taxable profits of the Group in which those items arose.

The unutilised reinvestment allowances can only be carried forward up to seven (7) consecutive years of year of assessment ("YA") upon expiry of the qualifying period of that reinvestment allowances, which is specifically until YA 2031 for the Company and YA 2041 for a subsidiary. Any such amount that would not be fully deducted after YA 2031 and YA 2041 shall be disregarded.

## 8. INVENTORIES

| | 30.9.2022<br>RM | 31.12.2021<br>RM | 31.12.2020<br>RM | 31.12.2019<br>RM |
|---|---|---|---|---|
| Raw materials | 34,059,896 | 31,210,189 | 12,669,348 | 3,014,426 |
| Work-in-progress | 1,389,124 | 1,538,965 | 4,474,692 | - |
| Finished goods | 165,601 | 424,116 | 3,697,403 | 1,498,660 |
| Goods-in-transit | - | 803,348 | 5,753,085 | - |
| Total inventories | 35,614,621 | 33,976,618 | 26,594,528 | 4,513,086 |

| | 1.1.2022<br>to<br>30.9.2022<br>RM | 1.1.2021<br>to<br>31.12.2021<br>RM | 1.1.2020<br>to<br>31.12.2020<br>RM | 1.1.2019<br>to<br>31.12.2019<br>RM |
|---|---|---|---|---|
| **Recognised in profit or loss:-** | | | | |
| Inventories recognised in cost of sales | 278,199,087 | 302,443,589 | 135,839,983 | 41,530,758 |
| Reversal of inventories written down | - | - | - | (1,769,128) |

## 9. TRADE RECEIVABLES AND CONTRACT ASSETS

**Trade receivables**

Normal trade credit terms granted to customers range from 30 days to 180 days (31.12.2021: 30 days to 90 days, 31.12.2020: 30 days to 90 days and 31.12.2019: 30 days to 60 days).

On 31 December 2020, the Group entered into an agreement with a customer to extend the repayment term for a trade receivable amounting to RM25,132,166 by one year. The outstanding balance would be interest-free and would be guaranteed by the major shareholders of the customer. The tenure of the repayment will be reviewed on an annual basis. On 31 December 2021, by request from the customer, the Group agreed for the repayment of the remaining balance of RM7,555,882 to be extended by another one year and to be repaid over five instalments. As at the report date, the customer has fully repaid the outstanding balance.

**Contract assets**

| | 30.9.2022<br>RM | 31.12.2021<br>RM | 31.12.2020<br>RM | 31.12.2019<br>RM |
|---|---|---|---|---|
| Contract assets | 10,835,485 | - | - | - |

The contract assets primarily relate to the Group's rights to consideration for work completed on contracts but not yet billed at the reporting date. Typically, the amount will be billed within 30 to 120 days and payment is expected within 60 to 120 days.

An impairment analysis is performed at each reporting date using a provision matrix to measure Expected Credit Losses ("ECLs"). Information regarding the Group's exposure to the credit risk and ECLs for trade receivables and contract assets is disclosed in Note 31(c) to the consolidated financial statements.

## 10. OTHER RECEIVABLES

| | 30.9.2022 RM | 31.12.2021 RM | 31.12.2020 RM | 31.12.2019 RM |
|---|---|---|---|---|
| Non-trade receivables | 1,707,400 | 330,680 | 1,591,116 | 585 |
| Advance payment to suppliers | 887,668 | 1,302,324 | 748,230 | 2,164,636 |
| Bank guarantee | 100,000 | 250,000 | 80,000 | - |
| Deposits | 1,341,454 | 1,189,312 | 1,852,528 | 5,939,706 |
| Deposits and advances paid for purchase of property, plant and equipment | 1,303,200 | 6,399,595 | 14,111,793 | 5,548,006 |
| Prepayments | 8,867,243 | 6,660,890 | 5,494,554 | 621,763 |
| Goods and service tax receivables | 2,617 | - | - | - |
| | 14,209,582 | 16,132,801 | 23,878,221 | 14,274,696 |

## 11. AMOUNT DUE FROM/(TO) RELATED PARTIES

Related parties refer to companies in which certain Directors of the Company have substantial financial interest in it.

The amount due from related parties is non-trade in-nature, unsecured, bears no interest and repayable upon demand.

| | 30.9.2022 RM | 31.12.2021 RM | 31.12.2020 RM | 31.12.2019 RM |
|---|---|---|---|---|
| **Amount due to related parties** | | | | |
| Trade related [(1)] | - | - | - | (2,299,566) |
| Non-trade related [(2)] | (10,580) | (5,580) | (4,155) | (337,410) |
| | (10,580) | (5,580) | (4,155) | (2,636,976) |

Note:
[(1)] The trade related balances are unsecured, bear no interest and are generally on terms of NIL days (31.12.2021: NIL days, 31.12.2020: NIL days and 31.12.2019: 30 days to 60 days).

[(2)] The non-trade related balances are unsecured, bear no interest and repayable on demand.

## 12. AMOUNT DUE FROM/TO DIRECTORS

The amount due from/to Directors is unsecured, bears no interest and repayable on demand.

13. **FIXED DEPOSITS WITH LICENSED BANKS**

Fixed deposits with licensed banks amounted to RM7,759,808 (31.12.2021: RM6,015,544, 31.12.2020: RM107,250 and 31.12.2019: RM107,250) is pledged to the bank for bank guarantee facility granted to the Group, and hence, are not available for general use.

The fixed deposits with licensed banks are on fixed rate basis and mature within 1 month (31.12.2021: 1 month to 12 months, 31.12.2020: 12 months and 31.12.2019: 12 months) period.

The effective interest rate on fixed deposits with licensed banks ranged from 1.38% to 2.00% (31.12.2021: 1.53% to 2.85%, 31.12.2020: 3.35% and 31.12.2019: 3.35%) per annum.

14. **NON-CURRENT ASSETS HELD FOR SALE**

| | Leasehold land RM | Plant and machinery RM | Total RM |
|---|---|---|---|
| At 1 January 2019, 31 December 2019, 1 January 2020, 31 December 2020 and 1 January 2021 | - | - | - |
| Transfer from property, plant and equipment | - | 3,902,312 | 3,902,312 |
| At 31 December 2021 | - | 3,902,312 | 3,902,312 |
| Disposal | - | (3,902,312) | (3,902,312) |
| Transfer from property, plant and equipment | 8,858,831 | - | 8,858,831 |
| At 30 September 2022 | 8,858,831 | - | 8,858,831 |

On 7 December 2021, the Group entered into a Sale and Purchase arrangement for disposal of 16 units of plant and machineries for a total sale consideration of RM4,051,000. The sale of plant and machineries is completed on 29 March 2022.

On 22 June 2022, the Group entered into a non-binding letter of intent with a third party for the proposed sale of a leasehold land and subsequent leaseback of a single storey industrial building that will be constructed on the said leasehold land by the third party. An extension letter was signed in September 2022 to extend the duration of the letter of intent to 20 December 2022. The sale is expected to be completed within one year, pending the Group to finalise the building plan and terms of the proposed sale. The carrying value of the leasehold land is RM8,858,831 and is classified as non-current assets held for sale.

Assets classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification. No loss on write-down is required to be recognised in profit or loss.

## 15. SHARE CAPITAL

| | 30.9.2022<br>Unit | 30.9.2022<br>RM | 31.12.2021<br>Unit | 31.12.2021<br>RM | 31.12.2020<br>Unit | 31.12.2020<br>RM | 31.12.2019<br>Unit | 31.12.2019<br>RM |
|---|---|---|---|---|---|---|---|---|
| **Ordinary shares** | | | | | | | | |
| Issued and fully paid-up with no par value:- | | | | | | | | |
| At beginning of the financial period/year | 40,000,000 | 40,000,000 | 40,000,000 | 40,000,000 | 20,000,000 | 20,000,000 | 20,000,000 | 20,000,000 |
| Issued during the financial period/year for non-cash consideration | - | - | - | - | 20,000,000 | 20,000,000 | - | - |
| Conversion of irredeemable convertible preference shares | 10,000,000 | 60,000,000 | - | - | - | - | - | - |
| Share split | 700,000,000 | - | - | - | - | - | - | - |
| At end of the financial period/year | 750,000,000 | 100,000,000 | 40,000,000 | 40,000,000 | 40,000,000 | 40,000,000 | 20,000,000 | 20,000,000 |
| **Irredeemable convertible preference share** | | | | | | | | |
| At beginning of the financial period/year | 60,000,000 | 60,000,000 | - | - | - | - | - | - |
| Issued during the financial period/year | - | - | 60,000,000 | 60,000,000 | - | - | - | - |
| Conversion of irredeemable convertible preference shares | (60,000,000) | (60,000,000) | - | - | - | - | - | - |
| At end of the financial period/year | 750,000,000 | 100,000,000 | 100,000,000 | 100,000,000 | 40,000,000 | 40,000,000 | 20,000,000 | 20,000,000 |

15. **SHARE CAPITAL (CONT'D)**

**Share split**

On 27 April 2022, the Company had undertaken a subdivision of every 1 existing share held into 15 shares. The share split had not resulted in any change to the Company's cumulative value of issued share capital.

**Irredeemable convertible preference shares**

On 31 December 2021, the Company issued 60,000,000 irredeemable convertible preference shares ("ICPS") at an issue price of RM1 per ICPS.

On 20 April 2022, ICPS holders had converted all of the existing ICPS into new ordinary shares in the Company. Upon completion of the conversion of all ICPS, the Company's resultant issued share capital had changed from RM40,000,000 comprising 40,000,000 ordinary shares to RM100,000,000 comprising 50,000,000 ordinary shares.

The salient terms of the ICPS were as follows:-

i) Conversion rights

   a. The ICPS holders will have the right to convert the ICPS into the Company's new ordinary shares on a pro-rata basis to represent 20% of the Company's enlarged and fully diluted share capital.

   b. The conversion of ICPS can be at any time, at the option of the ICPS holder, or immediately prior to the public listing of the Company via an initial public offering ("IPO") or reverse takeover ("RTO").

ii) Dividend

   A dividend of 6% per annum is payable, and the timing of the payment is at discretion of the Company. The dividend is cumulative, but subject to the exit event, which is for the existing shareholders prior to the issuance of the ICPS ("Promoters") to cause the Company to consummate an IPO or RTO, share sale or asset sale within a period of three years from the closing of the subscription of the ICPS. The choice of the exit event is deemed to be within the control of the Company and in the case of an IPO or RTO, the Company, via the control of the Promoters, will have the discretion to settle the dividends either by the Company by cash, or by the Promoters in cash or by shares in the Company.

iii) Rights of the ICPS holders

   The ICPS when allotted and issued shall be free from all encumbrances whatsoever and that on conversion to ordinary shares of the Company, shall rank *pari passu* in all respects with the existing issued shares and the investors shall be entitled to all dividends, rights, bonuses, issues or other allotments or distributions declared and distributed by the Company after the date of allotment and issue.

15. **SHARE CAPITAL (CONT'D)**

**Irredeemable convertible preference shares (cont'd)**

The salient terms of the ICPS were as follows (cont'd):-

iv) Exit event

The Company and each Promoter shall use all reasonable endeavours to consummate an IPO or RTO, share sale or asset sale within a period of three years from the closing date of the share subscription agreement of the ICPS. In the event that the Company has not achieved the exit event by third anniversary of closing date, the ICPS holders shall have the right to compel the Promoters to undertake to repurchase 100% of outstanding ICPS on a pro-rate basis from the investors to be settled in cash at a repurchase price derived from the principal subscription sum plus accrued dividends to provide for a repurchase yield of 16.5% per annum.

v) Restrictions

The ICPS holders shall have the right to subscribe to new equity issues at the prevailing issue price to maintain their shareholding at the percentage prior to any equity issue. The ICPS holders shall maintain 20% of shareholding in the Company and any equity issue shall not result in transferring control of shareholding and management capacity of the Promoters.

Prior to a public listing of the Company, the existing shareholders may not transfer, assign, pledge, encumber or otherwise deal in respect of any shares in the Company without the consent of the lead investor, Fortress Capital Asset Management (M) Sdn. Bhd. which may result in the Promoters transferring control of shareholding and management capacity.

16. **REVALUATION RESERVE**

The revaluation reserve arises from the revaluation of land and buildings and is not available for distribution as dividends.

17. **LEASE LIABILITIES**

17.1 **Group as lessee**

17.1.1 Nature of leasing activities

Lease liabilities of the Group arises from the rental of factory buildings, hostels and acquisition of motor vehicles, plant and machinery and equipment, furniture and fittings under hire purchase contracts.

The table below describes the nature of the Group's leasing activities :-

| Type | Number of right-of-use assets leased | Range of remaining terms | Number of lease with extension options |
|---|---|---|---|
| 30.9.2022 | | | |
| Hostels | 2 | 2 – 9 months | 2 |
| Plant and machinery | 17 | 30 – 80 months | - |
| Motor vehicles | 6 | 48 – 54 months | - |
| 31.12.2021 | | | |
| Hostels | 2 | 11 – 18 months | 2 |
| Equipment, furniture and fittings | 2 | 29 months | - |
| Plant and machinery | 21 | 24 – 79 months | - |
| Motor vehicles | 5 | 8 – 62 months | - |
| 31.12.2020 | | | |
| Leased factory building | 1 | 3 months | 1 |
| Hostels | 2 | 23 - 30 months | 2 |
| Equipment, furniture and fittings | 2 | 41 months | - |
| Plant and machinery | 16 | 10 – 57 months | - |
| Motor vehicles | 3 | 20 – 74 months | - |
| 31.12.2019 | | | |
| Leased factory buildings | 2 | 15 -24 months | 1 |
| Equipment, furniture and fittings | 2 | 53 months | - |
| Plant and machinery | 6 | 45 – 52 months | - |
| Motor vehicles | 3 | 1 – 86 months | - |

Each lease generally imposes a restriction that the right-of-use asset can only be used by the Group. For leases over properties, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

17. **LEASE LIABILITIES (CONT'D)**

17.1 **Group as lessee (cont'd)**

17.1.2 Lease liabilities are presented in the consolidated statements of financial position as follows:-

| | 30.9.2022 RM | 31.12.2021 RM | 31.12.2020 RM | 31.12.2019 RM |
|---|---|---|---|---|
| Current | 9,533,529 | 11,119,747 | 3,086,138 | 3,029,707 |
| Non-current | 44,638,810 | 45,465,344 | 9,612,096 | 6,031,500 |
| | 54,172,339 | 56,585,091 | 12,698,234 | 9,061,207 |

17.1.3 Set out below are the carrying amounts of lease liabilities and the movements during the period:-

| | Leased factory buildings RM | Hostels RM | Equipment, furniture and fittings RM | Plant and machinery RM | Motor vehicles RM | Total RM |
|---|---|---|---|---|---|---|
| At 1 January 2019 | - | - | - | 3,718,890 | 341,002 | 4,059,892 |
| Additions | 5,494,568 | - | 168,000 | 1,245,507 | 240,000 | 7,148,075 |
| Accretion of interest | 135,247 | - | 5,913 | 376,820 | 14,090 | 532,070 |
| Payments | (1,265,614) | - | (23,331) | (1,243,727) | (146,158) | (2,678,830) |
| At 31 December 2019 | 4,364,201 | - | 150,582 | 4,097,490 | 448,934 | 9,061,207 |
| Addition through business combinations | - | 59,707 | - | 2,113,701 | 386 | 2,173,794 |
| Additions | - | 82,535 | - | 6,998,343 | - | 7,080,878 |
| Accretion of interest | 138,327 | 4,012 | 10,989 | 638,651 | 12,973 | 804,952 |
| Payments | (1,818,000) | (41,200) | (39,996) | (1,819,368) | (90,917) | (3,809,481) |
| Early termination of lease contract | (2,613,116) | - | - | - | - | (2,613,116) |
| At 31 December 2020 | 71,412 | 105,054 | 121,575 | 12,028,817 | 371,376 | 12,698,234 |
| Additions | - | - | - | 48,101,066 | 501,000 | 48,602,066 |
| Accretion of interest | 588 | 3,107 | 7,431 | 1,956,530 | 18,639 | 1,986,295 |
| Payments | (72,000) | (46,100) | (39,996) | (6,383,024) | (160,384) | (6,701,504) |
| At 31 December 2021 | - | 62,061 | 89,010 | 55,703,389 | 730,631 | 56,585,091 |
| Additions | - | - | - | 7,241,082 | - | 7,241,082 |
| Accretion of interest | - | 1,428 | 7,587 | 2,369,750 | 20,726 | 2,399,491 |
| Payments | - | (38,250) | (96,597) | (11,740,731) | (177,747) | (12,053,325) |
| At 30 September 2022 | - | 25,239 | - | 53,573,490 | 573,610 | 54,172,339 |

The maturity analysis of lease liabilities is disclosed in Note 31(d) to the consolidated financial statements.

## 17. LEASE LIABILITIES (CONT'D)

### 17.1 Group as lessee (cont'd)

17.1.4 Lease payments not recognised as a liability

The Group has certain leases of hostel and factory buildings with lease terms of 12 months or less. The Group elected not to recognise lease liability for short-term leases (leases with an expected term of 12 months or less). Payments made under such leases are expensed on a straight-line basis.

The followings are the amounts recognised in profit or loss:-

| | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2022 to 30.9.2022 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|
| Lease payments not recognised as liabilities:- | | | | | |
| Short-term leases | 389,570 | 362,186 | 630,799 | 995,645 | 297,050 |

## 18. LOANS AND BORROWINGS

| | 30.9.2022 RM | 31.12.2021 RM | 31.12.2020 RM | 31.12.2019 RM |
|---|---|---|---|---|
| *Secured:-* | | | | |
| Current | | | | |
| Term loans | 6,638,275 | 5,803,399 | 1,551,596 | 548,727 |
| Bankers' acceptance | 10,381,597 | 3,932,063 | 4,637,501 | 385,000 |
| Bank overdrafts | 7,797,226 | 2,558,963 | 2,547,392 | 14,974 |
| Onshore foreign currency loans | 9,209,358 | 2,503,058 | - | - |
| Receivables finance | 25,485,033 | 10,820,250 | - | - |
| Shipment buyer loans | 13,858,559 | 14,275,327 | 20,006,286 | - |
| Trust receipts | - | - | 1,842,235 | 2,077,308 |
| | 73,370,048 | 39,893,060 | 30,585,010 | 3,026,009 |
| Non-current | | | | |
| Term loans | 75,969,622 | 59,848,893 | 44,413,820 | 6,765,454 |
| Total loans and borrowings | 149,339,670 | 99,741,953 | 74,998,830 | 9,791,463 |

The loans and borrowings of the Group are secured by:-

i) Principal instrument in facilities agreement;
ii) Legal charge over the land and buildings held by the Group;
iii) Fixed deposits of the Group as disclosed in Note 13 to the consolidated financial statements;
iv) Jointly and severally guaranteed by the Directors of the Group and third parties;
v) Personal guarantee by certain Directors of the Group;
vi) Guaranteed cover from the Government of Malaysia under Working Capital Guarantee Scheme ("WCGS"); and
vii) Corporate guarantee by the Company or subsidiary company.

19. **TRADE PAYABLES**

Normal credit terms granted by the suppliers for the Group ranged from 30 days to 120 days (31.12.2021: 30 days to 120 days, 31.12.2020: 30 days to 120 days and 31.12.2019: 30 days to 60 days).

20. **OTHER PAYABLES**

| | 30.9.2022 RM | 31.12.2021 RM | 31.12.2020 RM | 31.12.2019 RM |
|---|---|---|---|---|
| Accruals | 4,062,571 | 4,685,598 | 4,131,484 | 3,249,480 |
| Deposit received | 2,539,914 | 2,463,045 | 93,244 | - |
| Non-trade payables | 11,053,645 | 18,358,434 | 6,881,069 | 11,965,050 |
| Short-term advances from third parties | - | - | 6,521,448 | 1,844,224 |
| Goods and service tax payables | - | 5,183 | 6,171 | - |
| | 17,656,130 | 25,512,260 | 17,633,416 | 17,058,754 |

Short-term advances are obtained by the Group from third parties, which are unsecured and bore interest at rates ranging from NIL (31.12.2021: 0.75% to 2.50%, 31.12.2020: 0.75% to 2.50% and 31.12.2019: 0.75%) per month. Short-term advances obtained from third parties were fully repaid during the financial year ended 31 December 2021.

21. **REVENUE**

Revenue for the Group comprises of revenue from contracts with customers.

21.1 Disaggregation of revenue from contracts with customers

Revenue from contracts with customers is disaggregated by major products, primary geographical markets of the customers and timing of revenue recognition as follows:-

| | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|
| **Major products and services** | | | | | |
| Industrial electronic products | 187,873,860 | 146,820,294 | 214,658,162 | 83,641,020 | 17,801,345 |
| Consumer electronic products | 121,577,348 | 63,084,803 | 91,628,806 | 53,619,054 | 25,922 |
| Die casting manufacturing | 8,163,311 | 21,737,853 | 24,142,860 | 11,403,145 | - |
| Supply of parts and components | 2,135,426 | 11,954,027 | 13,904,595 | 19,597,870 | 25,329,664 |
| | 319,749,945 | 243,596,977 | 344,334,423 | 168,261,089 | 43,156,931 |

21. **REVENUE (CONT'D)**

21.1 Disaggregation of revenue from contracts with customers (cont'd)

Revenue from contracts with customers is disaggregated by major products, primary geographical markets of the customers and timing of revenue recognition as follows (cont'd):-

| | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|
| **Primary geographical markets of the customers** | | | | | |
| Asia | 120,859,988 | 105,646,901 | 150,103,635 | 44,788,830 | 25,355,587 |
| Americas | 176,047,314 | 135,088,349 | 190,518,293 | 92,369,220 | 10,821,088 |
| Europe | 22,842,643 | 2,861,727 | 3,712,495 | 31,103,039 | 6,980,256 |
| | 319,749,945 | 243,596,977 | 344,334,423 | 168,261,089 | 43,156,931 |
| **Timing of revenue recognition** | | | | | |
| Goods transferred at a point in time | 319,749,945 | 243,596,977 | 344,334,423 | 168,261,089 | 43,156,931 |

21.2 Nature of goods and services

The following information reflects the typical transactions of the Group:-

| Nature of goods | Timing of recognition or method used to recognise revenue | Significant payment terms | Warranty |
|---|---|---|---|
| Industrial electronic products and consumer electronic products, die casting manufacturing and supply of parts and components | Revenue is recognised when the goods are delivered and/or accepted by the customers | Credit period of 30 to 90 days | Assurance warranties of 12 to 24 months are given to certain customers |

The revenue from contracts with customers of the Group are not subject to variable element in the consideration and obligation for returns or refunds.

The Group applies the practical expedients for exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.

22. **OTHER INCOME**

| | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|
| Insurance compensation income | - | 35,630 | 35,630 | 117,288 | 476,033 |
| Fair value gain on investment property | - | - | 122,506 | - | - |
| Gain on disposal of property, plant and equipment | - | 51,441 | 123,652 | - | - |
| Gain on disposal of non-current assets held for sale | 148,688 | - | - | - | - |
| Gain on early termination of lease contract | - | - | - | 81,319 | - |
| Miscellaneous income | 204,654 | 263,351 | 287,593 | 123,100 | 116,628 |
| Rental income: | | | | | |
| - factory | 864,000 | 206,400 | 277,920 | 288,000 | 275,613 |
| - machinery | - | - | - | 878,342 | 42,975 |
| Realised gain on foreign exchange | 2,480,315 | 78,817 | 69,196 | - | - |
| Unrealised gain on foreign exchange | 2,257,612 | 565,891 | 53,944 | 181,863 | 111,416 |
| Wages subsidy* | 36,600 | 4,936 | 12,935 | 478,840 | - |
| | 5,991,869 | 1,206,466 | 983,376 | 2,148,752 | 1,022,665 |

* The Group received financial assistance from Wage Subsidy Program ("PSU") implemented by Malaysia Social Security Organisation ("SOCSO") as well as Support Scheme implemented by Inland Revenue Authority of Singapore ("IRAS") and Ministry of Manpower of Singapore ("MOM").

23. **FINANCE COSTS**

| | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|
| Bank guarantee commission | - | 8,350 | 8,350 | - | - |
| Bank overdraft interest | 343,359 | 105,768 | 146,364 | 147,065 | - |
| Lease liabilities interest | 2,399,491 | 1,244,555 | 1,986,295 | 804,953 | 532,070 |
| Letter of credit interest | 93,287 | - | - | - | - |
| Receivables finance discounting charges | 411,742 | - | 56,649 | - | - |
| Trade financing interest | 675,678 | 713,898 | 815,039 | 321,488 | 35,949 |
| Term loans interest | 2,195,093 | 1,150,053 | 1,866,326 | 733,296 | 140,873 |
| Short-term advances interest | - | 453,046 | 453,046 | 974,789 | 180,432 |
| | 6,118,650 | 3,675,670 | 5,332,069 | 2,981,591 | 889,324 |

24. **PROFIT BEFORE TAX**

Profit before tax has been determined after charging/(crediting) amongst other, the following items:-

| | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|
| Auditors' remuneration | | | | | |
| - statutory - current | 23,750 | 97,110 | 109,000 | 110,843 | 14,583 |
| - statutory - under provision paid to predecessor auditors | - | - | - | 22,134 | - |
| - non-statutory | - | - | 39,000 | - | - |
| Depreciation of right-of-use assets | 6,285,752 | 1,275,052 | 4,133,403 | 3,626,275 | 1,907,427 |
| Depreciation of property, plant and equipment | 7,124,137 | 5,312,358 | 6,504,281 | 3,293,209 | 1,148,483 |
| Expenses relating to short-term leases | 389,570 | 362,186 | 630,799 | 995,645 | 297,050 |
| Loss/(Gain) on disposal of property, plant and equipment | 133 | (51,441) | (123,652) | 2,106 | - |
| Property, plant and equipment written off | 7,029 | - | - | - | - |
| Gain on disposal of non-current assets held for sale | (148,688) | - | - | - | - |
| Gain on early termination of lease contract | - | - | - | (81,319) | - |
| Fair value gain on investment property | - | - | (122,506) | - | - |
| Finance income | (72,272) | (3,198) | (19,028) | (3,914) | (3,593) |
| Foreign exchange (gain)/loss:- | | | | | |
| - realised | (2,480,315) | (78,817) | (69,196) | 477,883 | 47,959 |
| - unrealised | (2,257,612) | (565,891) | (53,944) | (181,863) | (111,416) |

25. **INCOME TAX EXPENSE**

**Recognised in profit or loss**

| | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|
| In Malaysia | | | | | |
| **Current tax expenses** | | | | | |
| Current financial period/year | 1,120,000 | 27,000 | 739,000 | 223,500 | - |
| Under/(Over) provision of tax expense in prior financial period/years | 70,594 | 32,508 | 32,508 | (100,704) | - |
| | 1,190,594 | 59,508 | 771,508 | 122,796 | - |
| **Deferred tax expenses** | | | | | |
| Under/(Over) provision of deferred tax in prior financial period/years | - | 1,132,072 | 1,132,072 | (757,000) | - |
| Realisation of deferred tax upon depreciation of revalued assets | (100,773) | (91,751) | (122,335) | (4,780) | - |
| Transferred from/(to) deferred tax | 5,075,216 | (4,292,690) | (3,187,320) | 2,782,208 | (2,695,000) |
| | 4,974,443 | (3,252,369) | (2,177,583) | 2,020,428 | (2,695,000) |
| Total income tax expense/(credit) in Malaysia | 6,165,037 | (3,192,861) | (1,406,075) | 2,143,224 | (2,695,000) |
| Outside Malaysia | | | | | |
| **Current tax expenses** | | | | | |
| Current financial period/year | 167,689 | 792,623 | 627,922 | 313,864 | - |
| (Over)/Under provision in prior financial period/years | - | (131,163) | (131,117) | 8,104 | - |
| | 167,689 | 661,460 | 496,805 | 321,968 | - |

25. **INCOME TAX EXPENSE (CONT'D)**

### Recognised in profit or loss (cont'd)

| | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|
| Outside Malaysia (Cont'd) | | | | | |
| **Deferred tax expenses** | | | | | |
| Over provision of deferred tax in prior financial period/years | - | - | - | (744) | - |
| Transferred from deferred tax | - | - | - | 149 | - |
| | - | - | - | (595) | - |
| Total income tax expense outside Malaysia | 167,689 | 661,460 | 496,805 | 321,373 | - |
| Total income tax expense/(credit) | 6,332,726 | (2,531,401) | (909,270) | 2,464,597 | (2,695,000) |

### Recognised in other comprehensive income

| | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|
| Revaluation of land and buildings | - | - | 591,265 | 6,357,500 | - |

Malaysian income tax is calculated at the statutory tax rate of 24% (31.12.2021: 24%, 31.12.2020: 24% and 31.12.2019: 24%) of the estimated taxable profit for respective financial period/year.

25. **INCOME TAX EXPENSE (CONT'D)**

Reconciliation of tax expense applicable to profit before tax at statutory tax rate to tax expense at the effective tax rate of the Group are as follows:-

| | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|
| Profit before tax | 30,940,316 | 17,371,702 | 25,354,932 | 22,696,960 | 1,123,346 |
| Tax at Malaysian statutory tax rate of 24% | 7,425,676 | 4,169,208 | 6,085,184 | 5,447,270 | 269,603 |
| Tax effects in respect of:- | | | | | |
| Expenses not deductible for tax purposes | 1,227,967 | 525,698 | 1,014,543 | 826,577 | 420,397 |
| Effect of tax rates in foreign jurisdiction | (97,106) | (326,374) | (276,572) | (82,589) | - |
| Income not subject to tax | (387,407) | (15,780) | (15,780) | (65,088) | - |
| Prior year deferred tax assets not recognised | - | - | - | 16,394 | - |
| Recognition of deferred tax assets on reinvestment allowances | (1,806,225) | (7,825,819) | (8,627,773) | (2,822,843) | - |
| Realisation of deferred tax upon depreciation of revalued assets | (100,773) | (91,751) | (122,335) | (4,780) | - |
| Under/(Over) provision of current tax payable in prior financial period/years | 70,594 | (98,655) | (98,609) | (92,600) | - |
| Under/(Over) provision of net deferred tax in prior financial period/years | - | 1,132,072 | 1,132,072 | (757,744) | - |
| Utilisation of previously unrecognised deferred tax assets | - | - | - | - | (3,385,000) |
| Total income tax expense/(credit) | 6,332,726 | (2,531,401) | (909,270) | 2,464,597 | (2,695,000) |

26. **EARNINGS PER SHARE**

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share was based on the profit for the financial period/years attributable to ordinary equity holders of the Company and a weighted average number of ordinary shares issued calculated as follows:-

| | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|
| Profit attributable to owners of the Company | 24,607,590 | 19,903,103 | 26,264,202 | 20,232,363 | 3,818,346 |

Weighted average number of ordinary shares in issue:-

| | 1.1.2022 to 30.9.2022 Audited Unit | 1.1.2021 to 30.9.2021 Unaudited Unit | 1.1.2021 to 31.12.2021 Audited Unit | 1.1.2020 to 31.12.2020 Audited Unit | 1.1.2019 to 31.12.2019 Audited Unit |
|---|---|---|---|---|---|
| Issued ordinary shares at 1 January | 40,000,000 | 40,000,000 | 40,000,000 | 20,000,000 | 20,000,000 |
| Effects of issuance of ordinary shares | - | - | - | 8,770,492 | - |
| Effect of conversion of irredeemable convertible preference shares | 17,252,747 | - | - | - | - |
| Effect of share split | 391,318,681 | - | - | - | - |
| Weighted average number of ordinary shares for the financial period/year (basic) | 448,571,428 | 40,000,000 | 40,000,000 | 28,770,492 | 20,000,000 |
| Basic earnings per share (RM) | 0.05 | 0.50 | 0.66 | 0.70 | 0.19 |

26. **EARNINGS PER SHARE (CONT'D)**

Diluted earnings per ordinary share

For the purpose of calculating diluted earnings per share, the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the financial period/years have been adjusted for the dilutive effects of all potential ordinary shares.

| | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|
| Profit attributable to owners of the Company | 24,607,590 | 19,903,103 | 26,264,202 | 20,232,363 | 3,818,346 |

Weighted average number of ordinary shares in issue:-

| | 1.1.2022 to 30.9.2022 Audited Unit | 1.1.2021 to 30.9.2021 Unaudited Unit | 1.1.2021 to 31.12.2021 Audited Unit | 1.1.2020 to 31.12.2020 Audited Unit | 1.1.2019 to 31.12.2019 Audited Unit |
|---|---|---|---|---|---|
| Weighted average number of ordinary shares for the financial period/year (basic) | 448,571,428 | 40,000,000 | 40,000,000 | 28,770,492 | 20,000,000 |
| Effects of conversion of irredeemable convertible preference shares | - | - | 27,397 | - | - |
| Weighted average number of ordinary shares for the financial period/year (diluted) | 448,571,428 | 40,000,000 | 40,027,397 | 28,770,492 | 20,000,000 |
| Diluted earnings per share (RM) | 0.05 | 0.50 | 0.66 | 0.70 | 0.19 |

27. **DIVIDENDS**

During the financial period ended 30 September 2022, the following dividends have been paid by the Company to the owners of the Company.

| | RM |
|---|---|
| Single tier dividend of 0.26 sen per ordinary share in respect of the financial year ending 31 December 2022 and paid on 26 April 2022 | 12,964,667 |

28. **EMPLOYEE BENEFIT EXPENSES**

| | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|
| Salaries, wages and other emoluments | 17,495,600 | 10,017,085 | 14,532,137 | 7,771,436 | 1,435,954 |
| Defined contribution plans | 1,557,949 | 1,022,517 | 1,463,126 | 780,166 | 174,233 |
| Social security contributions | 189,296 | 113,049 | 162,460 | 88,450 | 17,737 |
| Other staff costs and benefits | 631,058 | 442,604 | 726,457 | 94,535 | 139,092 |
| | 19,873,903 | 11,595,255 | 16,884,180 | 8,734,587 | 1,767,016 |

Included in the employee benefits expenses are aggregate amount of remuneration received and receivable by the Directors of the Company during the financial period/years as below:-

| | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|
| Fees | 486,103 | 123,410 | 203,554 | - | - |
| Salaries, wages and other emoluments | 1,361,000 | 1,063,734 | 1,419,561 | 697,034 | 610,000 |
| Defined contribution plans | 156,360 | 109,320 | 149,520 | 74,052 | 72,000 |
| Social security contribution | 2,675 | 2,078 | 2,770 | 1,249 | 923 |
| | 2,006,138 | 1,298,542 | 1,775,405 | 772,335 | 682,923 |

29. **RELATED PARTY DISCLOSURES**

(a) The related party transactions of the Group during the financial period/years were as follows:-

| | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|
| **Directors of the Company** | | | | | |
| Net advances (to)/ from | - | (5,732,378) | (8,115,225) | 5,900,912 | 1,860,279 |
| Rental paid to | - | 100,000 | 100,000 | 240,000 | 240,000 |
| Purchase of properties | - | 12,000,000 | 12,000,000 | - | - |
| **Related parties** | | | | | |
| Net advances from | - | - | - | - | 594,015 |
| Purchase of goods | - | - | - | - | 2,300,222 |
| Sales of goods | - | - | - | - | 41,982 |
| Services received from | 40,597 | 10,610 | 17,105 | 9,005 | 35,033 |

(b) The terms of outstanding balances arising from related party transactions as at the reporting date are disclosed in Notes 11 and 12 to the consolidated financial statements.

(c) Key management personnel are defined as the person having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. Key management includes all the Directors of the Company and its subsidiaries and certain members of senior management of the Group.

The remuneration of the Directors is disclosed in Note 28 to the consolidated financial statements.

The remuneration of other key management personnel is as follows:-

| | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|
| **Other key management personnel remuneration** | | | | | |
| Salaries, wages and other emoluments | 749,000 | 494,000 | 720,581 | 486,350 | 240,000 |
| Defined contribution plans | 89,880 | 59,280 | 86,498 | 58,404 | 28,800 |
| Social security contributions | 3,002 | 2,694 | 3,662 | 2,617 | 923 |
| | 841,882 | 555,974 | 810,741 | 547,371 | 269,723 |

30. **COMMITMENTS**

Capital expenditure in respect of the following is not provided for in the consolidated financial statements:-

| | 30.9.2022 RM | 31.12.2021 RM | 31.12.2020 RM | 31.12.2019 RM |
|---|---|---|---|---|
| Authorised and contracted for:- | | | | |
| Land and buildings | - | - | 1,100,000 | 20,000,000 |
| Plant and machinery | 11,037,700 | 9,306,297 | 33,585,678 | 7,586,169 |
| Renovation and electrical installation | - | 265,493 | 785,815 | - |
| Equipment, furniture and fittings | 12,785 | - | 108,000 | - |
| | 11,050,485 | 9,571,790 | 35,579,493 | 27,586,169 |

31. **FINANCIAL INSTRUMENTS**

**Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as financial assets and financial liabilities measured at amortised cost ("AC"):-

| | Carrying amount RM | AC RM |
|---|---|---|
| 30.9.2022 | | |
| **Financial assets** | | |
| Trade receivables | 122,468,562 | 122,468,562 |
| Other receivables | 14,209,580 | 2,169,054 |
| Fixed deposits with licensed banks | 7,759,808 | 7,759,808 |
| Cash and bank balances | 32,314,675 | 32,314,675 |
| | 176,752,625 | 164,712,099 |
| **Financial liabilities** | | |
| Trade payables | 50,704,227 | 50,704,227 |
| Other payables | 17,656,130 | 14,323,078 |
| Amount due to related parties | 10,580 | 10,580 |
| Loans and borrowings | 149,339,670 | 149,339,670 |
| | 217,710,607 | 214,377,555 |

31. **FINANCIAL INSTRUMENTS (CONT'D)**

**Categories of financial instruments (cont'd)**

The table below provides an analysis of financial instruments categorised as financial assets and financial liabilities measured at amortised cost ("AC") (cont'd):-

| | Carrying amount RM | AC RM |
|---|---|---|
| 31.12.2021 | | |
| **Financial assets** | | |
| Trade receivables | 81,918,404 | 81,918,404 |
| Other receivables | 16,132,801 | 1,770,099 |
| Amount due from a related party | 7,416 | 7,416 |
| Fixed deposits with licensed banks | 6,122,794 | 6,122,794 |
| Cash and bank balances | 40,261,277 | 40,261,277 |
| | 144,442,692 | 130,079,990 |
| **Financial liabilities** | | |
| Trade payables | 42,572,501 | 42,572,501 |
| Other payables | 25,512,260 | 24,071,859 |
| Amount due to related parties | 5,580 | 5,580 |
| Loans and borrowings | 99,741,953 | 99,741,953 |
| | 167,832,294 | 166,391,893 |
| 31.12.2020 | | |
| **Financial assets** | | |
| Trade receivables | 80,570,668 | 80,570,668 |
| Other receivables | 23,878,221 | 3,523,644 |
| Amount due from Directors | 12,890,281 | 12,890,281 |
| Fixed deposit with a licensed bank | 107,250 | 107,250 |
| Cash and bank balances | 13,187,133 | 13,187,133 |
| | 130,633,553 | 110,278,976 |
| **Financial liabilities** | | |
| Trade payables | 58,184,245 | 58,184,245 |
| Other payables | 17,633,416 | 17,534,001 |
| Amount due to a Director | 6,005,843 | 6,005,843 |
| Amount due to related parties | 4,155 | 4,155 |
| Loans and borrowings | 74,998,830 | 74,998,830 |
| | 156,826,489 | 156,727,074 |

31. **FINANCIAL INSTRUMENTS (CONT'D)**

**Categories of financial instruments (cont'd)**

The table below provides an analysis of financial instruments categorised as financial assets and financial liabilities measured at amortised cost ("AC") (cont'd):-

| | Carrying amount<br>RM | AC<br>RM |
|---|---|---|
| 31.12.2019 | | |
| **Financial assets** | | |
| Trade receivables | 54,071,717 | 54,071,717 |
| Other receivables | 14,274,696 | 5,940,291 |
| Amount due from related parties | 804,668 | 804,668 |
| Fixed deposit with a licensed bank | 107,250 | 107,250 |
| Cash and bank balances | 1,126,486 | 1,126,486 |
| | 70,384,817 | 62,050,412 |
| **Financial liabilities** | | |
| Trade payables | 37,595,879 | 37,595,879 |
| Other payables | 17,058,754 | 17,058,754 |
| Amount due to a Director | 3,829,447 | 3,829,447 |
| Amount due to related parties | 2,636,976 | 2,636,976 |
| Loans and borrowings | 9,791,463 | 9,791,463 |
| | 70,912,519 | 70,912,519 |

**Net gains/(losses) arising from financial instruments**

| | 1.1.2022<br>to<br>30.9.2022<br>Audited<br>RM | 1.1.2021<br>to<br>30.9.2021<br>Unaudited<br>RM | 1.1.2021<br>to<br>31.12.2021<br>Audited<br>RM | 1.1.2020<br>to<br>31.12.2020<br>Audited<br>RM | 1.1.2019<br>to<br>31.12.2019<br>Audited<br>RM |
|---|---|---|---|---|---|
| Financial assets measured at AC | 11,739,066 | 3,876,915 | 701,744 | (2,387,489) | (137,618) |
| Financial liabilities measured at AC | (10,935,182) | (5,428,816) | (3,861,007) | (81,255) | (152,586) |

**Included in gains/(losses) on financial instruments measured at amortised cost are:-**

| | 1.1.2022<br>to<br>30.9.2022<br>Audited<br>RM | 1.1.2021<br>to<br>30.9.2021<br>Unaudited<br>RM | 1.1.2021<br>to<br>31.12.2021<br>Audited<br>RM | 1.1.2020<br>to<br>31.12.2020<br>Audited<br>RM | 1.1.2019<br>to<br>31.12.2019<br>Audited<br>RM |
|---|---|---|---|---|---|
| Total interest income for financial assets | 72,272 | 3,198 | 19,028 | 3,914 | 3,593 |
| Total interest expenses for financial liabilities | (3,719,159) | (2,431,115) | (3,345,774) | (2,176,639) | (357,254) |

31. **FINANCIAL INSTRUMENTS (CONT'D)**

**Risk management objective and policies**

The Group is exposed to various risks in relation to financial instruments. The main types of risks are foreign currency risk, interest rate risk, credit risk and liquidity risk.

Financial risk management policy is established to ensure that adequate resources are available for the development of the Group's business whilst managing its foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group operates within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

Significant accounting policies on financial assets and financial liabilities of the Group are summarised in Note 3.7 to the consolidated financial statements. The following sections explain key risks faced by the Group and its management.

(a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk mostly on their sales and purchases that are denominated in a currency other than the functional currency of the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Chinese Yuan ("CNY"), Great Britain Pound ("GBP") and Singapore Dollar ("SGD").

Based on carrying amounts as at the reporting date, foreign currency denominated financial assets and financial liabilities which exposed the Group to foreign currency risk are disclosed below:-

| | USD | CNY | GBP | SGD |
|---|---|---|---|---|
| | RM | RM | RM | RM |
| 30.9.2022 | | | | |
| **Financial assets** | | | | |
| Trade receivables | 121,561,881 | - | 737,983 | - |
| Other receivables | 1,731,071 | - | 6,434 | 359,615 |
| Cash and bank balances | 24,508,330 | - | 18,063 | 610,786 |
| | 147,801,282 | - | 762,480 | 970,401 |
| **Financial liabilities** | | | | |
| Trade payables | (44,922,288) | - | - | (16,610) |
| Other payables | (2,434,334) | (2,561,559) | - | - |
| Loans and borrowings | (42,739,053) | - | - | - |
| | (90,095,675) | (2,561,559) | - | (16,610) |
| Net exposure | 57,705,607 | (2,561,559) | 762,480 | 953,791 |

31. **FINANCIAL INSTRUMENTS (CONT'D)**

**Risk management objective and policies (cont'd)**

(a) Foreign currency risk (cont'd)

Based on carrying amounts as at the reporting date, foreign currency denominated financial assets and financial liabilities which exposed the Group to foreign currency risk are disclosed below (cont'd):-

| | USD<br>RM | CNY<br>RM | GBP<br>RM | SGD<br>RM |
|---|---|---|---|---|
| 31.12.2021 | | | | |
| **Financial assets** | | | | |
| Trade receivables | 71,109,113 | - | 305,732 | - |
| Other receivables | 325,794 | - | - | 616,353 |
| Cash and bank balances | 24,086,949 | - | 121,087 | 1,687,092 |
| | 95,521,856 | - | 426,819 | 2,303,445 |
| **Financial liabilities** | | | | |
| Trade payables | (37,398,624) | - | (132,023) | (17,855) |
| Other payables | (1,812,041) | (12,636,651) | - | (76,287) |
| Loans and borrowings | (26,473,400) | - | - | - |
| | (65,684,065) | (12,636,651) | (132,023) | (94,142) |
| Net exposure | 29,837,791 | (12,636,651) | 294,796 | 2,209,303 |
| 31.12.2020 | | | | |
| **Financial assets** | | | | |
| Trade receivables | 52,468,686 | - | 48,152 | - |
| Other receivables | 2,241,386 | 7,600,139 | 434 | 32,661 |
| Cash and bank balances | 11,860,951 | - | 10,623 | 77,753 |
| | 66,571,023 | 7,600,139 | 59,209 | 110,414 |
| **Financial liabilities** | | | | |
| Trade payables | (46,236,990) | (155,346) | (13,908) | (30,561) |
| Other payables | (6,121,565) | - | - | (49,990) |
| Loans and borrowings | (218,166) | - | - | - |
| | (52,576,721) | (155,346) | (13,908) | (80,551) |
| Net exposure | 13,994,302 | 7,444,793 | 45,301 | 29,863 |

31. **FINANCIAL INSTRUMENTS (CONT'D)**

**Risk management objective and policies (cont'd)**

(a) Foreign currency risk (cont'd)

Based on carrying amounts as at the reporting date, foreign currency denominated financial assets and financial liabilities which exposed the Group to foreign currency risk are disclosed below (cont'd):-

| | USD<br>RM | CNY<br>RM | GBP<br>RM | SGD<br>RM |
|---|---|---|---|---|
| 31.12.2019 | | | | |
| **Financial assets** | | | | |
| Trade receivables | 9,426,968 | - | - | - |
| Other receivables | 2,157,272 | - | - | - |
| Amount due from related parties | 252,005 | - | - | 152,060 |
| Cash and bank balances | 970,095 | - | - | 2,547 |
| | 12,806,340 | - | - | 154,607 |
| **Financial liabilities** | | | | |
| Trade payables | (11,674,638) | - | - | - |
| Other payables | (2,015,255) | - | - | (27,202) |
| Amount due to related parties | (334,080) | - | - | - |
| | (14,023,973) | - | - | (27,202) |
| Net exposure | (1,217,633) | - | - | 127,405 |

*Foreign currency sensitivity analysis*

The following table illustrates the sensitivity of profit in regards to the Group's financial assets and financial liabilities and the RM/USD exchange rate, RM/CNY exchange rate, RM/GBP exchange rate and RM/SGD exchange rate with 'all other things are being equal'.

It assumes a +/- 1% (31.12.2021: 1%, 31.12.2020: 1% and 31.12.2019: 1%) change of the RM/USD, RM/CNY, RM/GBP and RM/SGD exchange rates respectively. The percentage has been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency denominated financial instruments held at the end of each reporting date.

31. **FINANCIAL INSTRUMENTS (CONT'D)**

**Risk management objective and policies (cont'd)**

(a) Foreign currency risk (cont'd)

*Foreign currency sensitivity analysis (cont'd)*

If the RM had strengthened against the USD, CNY, GBP and SGD by 1% (31.12.2021: 1%, 31.12.2020: 1% and 31.12.2019: 1%) respectively, this would have the following impact:-

| | 30.9.2022<br>RM | 31.12.2021<br>RM | 31.12.2020<br>RM | 31.12.2019<br>RM |
|---|---|---|---|---|
| USD | (577,056) | (298,378) | (139,943) | 12,176 |
| CNY | 25,616 | 126,367 | (74,448) | - |
| GBP | (7,625) | (2,948) | (453) | - |
| SGD | (9,538) | (22,093) | (299) | (1,274) |
| (Decrease)/Increase in profit for the financial period/year | (568,603) | (197,052) | (215,143) | 10,902 |

If the RM had weakened against the USD, CNY, GBP and SGD by 1% (31.12.2021: 1%, 31.12.2020: 1% and 31.12.2019: 1%) respectively, then the impact to profit for the financial period/year would be the opposite effect.

Exposures to foreign exchange rates vary during the financial period/year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposures to foreign currency risk.

(b) Interest risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's fixed rate borrowings are exposed to a risk of change in their fair values due to changes in interest rates. The Group's variable rate borrowings are exposed to the risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

The Group's interest rate management objective is to manage interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation.

*Interest rate sensitivity*

The Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates. The exposure to interest rates for the Group's short-term placement is considered immaterial.

31. **FINANCIAL INSTRUMENTS (CONT'D)**

**Risk management objective and policies (cont'd)**

(b) Interest risk (cont'd)

*Interest rate sensitivity (cont'd)*

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period is as follows:-

| | 30.9.2022 RM | 31.12.2021 RM | 31.12.2020 RM | 31.12.2019 RM |
|---|---|---|---|---|
| **Fixed rate instruments** | | | | |
| Financial asset | 7,759,808 | 6,122,794 | 107,250 | 107,250 |
| Financial liabilities | - | - | (6,521,448) | (1,844,224) |
| | 7,759,808 | 6,122,794 | (6,414,198) | (1,736,974) |
| **Floating rate instruments** | | | | |
| Financial liabilities | (149,339,670) | (99,741,953) | (74,998,830) | (9,791,463) |

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 25 (31.12.2021: 25, 31.12.2020: 25 and 31.12.2019: 25) basis points ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rates for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

| | (Decrease)/Increase on profit for the financial period/years | |
|---|---|---|
| | + 25 bp RM | - 25 bp RM |
| 30.9.2022 | (373,349) | 373,349 |
| 31.12.2021 | (249,355) | 249,355 |
| 31.12.2020 | (187,497) | 187,497 |
| 31.12.2019 | (24,479) | 24,479 |

(c) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group's exposure to credit risk is monitored on an ongoing basis. The credit risk is controlled by monitoring procedures. An internal credit review is conducted if the credit risk is material. The Group does not require collateral in respect of financial assets.

31. **FINANCIAL INSTRUMENTS (CONT'D)**

**Risk management objective and policies (cont'd)**

(c) Credit risk (cont'd)

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:-

| | 30.9.2022 | 31.12.2021 | 31.12.2020 | 31.12.2019 |
|---|---|---|---|---|
| | RM | RM | RM | RM |
| **Classes of financial assets** | | | | |
| Trade receivables | 122,468,562 | 81,918,404 | 80,570,668 | 54,071,717 |
| Other receivables | 2,169,054 | 1,770,099 | 3,523,644 | 5,940,291 |
| Amount due from Directors | - | - | 12,890,281 | - |
| Amount due from related parties | - | 7,416 | - | 804,668 |
| Fixed deposits with licensed banks | 7,759,808 | 6,122,794 | 107,250 | 107,250 |
| Cash and bank balances | 32,314,675 | 40,261,277 | 13,187,133 | 1,126,486 |
| | 164,712,099 | 130,079,990 | 110,278,976 | 62,050,412 |

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into their credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

The areas where the Group are exposed to credit risk are as follows:-

**Receivables and contract assets**

Receivables and contract assets are monitored on an ongoing basis to mitigate risk of bad debts. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry in which customers operate.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institution with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts. The Group does not hold collateral as security.

31. **FINANCIAL INSTRUMENTS (CONT'D)**

**Risk management objective and policies (cont'd)**

(c) Credit risk (cont'd)

**Receivables and contract assets (cont'd)**

The following table provides information about credit risk exposure on the Group's trade receivables:-

| | | ← Allowance for impairment loss → | | | |
|---|---|---|---|---|---|
| | Gross | Expected credit loss (individually impaired) | Expected credit loss (collectively impaired) | Total | Net |
| | RM | RM | RM | RM | RM |
| 30.9.2022 | | | | | |
| Within terms | 103,850,585 | - | - | - | 103,850,585 |
| Past due 1 to 30 days | 10,661,695 | - | - | - | 10,661,695 |
| Past due 31 to 60 days | 2,792,304 | - | - | - | 2,792,304 |
| Past due 61 to 90 days | 1,487,273 | - | - | - | 1,487,273 |
| Past due 91 to 120 days | 1,240,553 | - | - | - | 1,240,553 |
| Past due more than 120 days | 2,436,152 | - | - | - | 2,436,152 |
| | 122,468,562 | - | - | - | 122,468,562 |
| 31.12.2021 | | | | | |
| Within terms | 54,482,664 | - | - | - | 54,482,664 |
| Past due 1 to 30 days | 10,710,165 | - | - | - | 10,710,165 |
| Past due 31 to 60 days | 4,920,719 | - | - | - | 4,920,719 |
| Past due 61 to 90 days | 5,632,348 | - | - | - | 5,632,348 |
| Past due 91 to 120 days | 2,202,401 | - | - | - | 2,202,401 |
| Past due more than 120 days | 3,970,107 | - | - | - | 3,970,107 |
| | 81,918,404 | - | - | - | 81,918,404 |
| 31.12.2020 | | | | | |
| Within terms | 63,275,522 | - | - | - | 63,275,522 |
| Past due 1 to 30 days | 8,523,874 | - | - | - | 8,523,874 |
| Past due 31 to 60 days | 2,147,988 | - | - | - | 2,147,988 |
| Past due 61 to 90 days | 3,341,629 | - | - | - | 3,341,629 |
| Past due 91 to 120 days | 393,379 | - | - | - | 393,379 |
| Past due more than 120 days | 2,888,276 | - | - | - | 2,888,276 |
| | 80,570,668 | - | - | - | 80,570,668 |

31. **FINANCIAL INSTRUMENTS (CONT'D)**

**Risk management objective and policies (cont'd)**

(c) Credit risk (cont'd)

**Receivables (cont'd)**

The following table provides information about credit risk exposure on the Group's trade receivables (cont'd):-

| | | ←Allowance for impairment loss→ | | | |
|---|---|---|---|---|---|
| | Gross | Expected credit loss (individually impaired) | Expected credit loss (collectively impaired) | Total | Net |
| | RM | RM | RM | RM | RM |
| 31.12.2019 | | | | | |
| Within terms | 9,730,905 | - | - | - | 9,730,905 |
| Past due 1 to 30 days | 4,583,436 | - | - | - | 4,583,436 |
| Past due 31 to 60 days | 2,517,681 | - | - | - | 2,517,681 |
| Past due 61 to 90 days | 2,440,805 | - | - | - | 2,440,805 |
| Past due 91 to 120 days | 2,446,630 | - | - | - | 2,446,630 |
| Past due more than 120 days | 32,352,260 | - | - | - | 32,352,260 |
| | 54,071,717 | - | - | - | 54,071,717 |

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type and customer type).

The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the financial period/year.

*Concentration of credit risk*

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instrument is broadly diversified along geographical lines and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

The credit risk concentration profile of the Group's trade receivables as at the reporting date are as follows:-

| | Top 3 counterparties | |
|---|---|---|
| | RM | % |
| 30.9.2022 | 89,519,011 | 73.1% |
| 31.12.2021 | 49,701,575 | 60.7% |
| 31.12.2020 | 64,019,762 | 79.5% |
| 31.12.2019 | 53,973,002 | 99.8% |

The net carrying amount of receivables is considered a reasonable approximate of its fair value.

31. **FINANCIAL INSTRUMENTS (CONT'D)**

**Risk management objective and policies (cont'd)**

(c) Credit risk (cont'd)

**Receivables (cont'd)**

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, the management has taken reasonable steps to ensure that receivables are stated at their realisable values. A significant portion of the receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk and are monitored individually.

**Other receivables**

In respect of other receivables, the Group are not exposed to any significant credit risk exposure to any single counterparty or a group of counterparties having similar characteristics. Based on historical information about customer default rates, the management considers the credit quality of other receivables that are not past due or impaired to be good.

**Intercompany loans and advances**

The maximum exposure to credit risk is represented by their carrying amounts in the consolidated statement of financial position.

The Company provides unsecured loans and advances to related parties and monitors the results of the related parties regularly.

As at end of each reporting period, there was no indication that the loans and advances to the related parties are not recoverable.

**Financial guarantee**

The maximum exposure to credit risk in relation to the financial corporate guarantee given amounted to RM NIL (31.12.2021: RM21,759,364, 31.12.2020: RM20,608,536 and 31.12.2019: RM19,424,803) as at the end of the reporting period representing the outstanding banking facilities of the related party which certain Directors have interest in it as at the end of financial period/year.

The financial guarantee of the Group has not been recognised since the fair value of the credit enhancement provided by the corporate guarantee are not material.

The Group monitors on an ongoing basis the result of the related party and repayments made by the related party. As at the end of the reporting year, there was no indication that the related party would default on repayment. The financial corporate guarantee given to the related party has been uplifted after full settlement of loan facilities by the related party during the financial period ended 30 September 2022.

**Cash and cash equivalents**

The credit risk for cash and cash equivalents including fixed deposits with licensed banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

## 31. FINANCIAL INSTRUMENTS (CONT'D)

**Risk management objective and policies (cont'd)**

(d) Liquidity risk

Liquidity risk is the risk arising from the Group not being able to meet its obligations due to shortage of funds.

In managing its exposures to liquidity risk, the Group maintains a level of cash and cash equivalents and bank credit facilities deemed adequate by the management to ensure that they will have sufficient liquidity to meet its liabilities as and when they fall due.

The Group aims at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

The summary of the maturity profile based on contractual undiscounted repayment obligations is as below:-

| | | | | Current | Non-current | |
|---|---|---|---|---|---|---|
| | Carrying amount RM | Contractual interest rate | Contractual cash flows RM | Less than 1 year RM | Between 1 to 5 years RM | More than 5 years RM |
| 30.9.2022 | | | | | | |
| **Non-derivative financial liabilities and lease liabilities** | | | | | | |
| Trade payables | 50,704,228 | - | 50,704,228 | 50,704,228 | - | - |
| Other payables | 14,323,078 | - | 14,323,078 | 14,323,078 | - | - |
| Amount due to related parties | 10,580 | - | 10,580 | 10,580 | - | - |
| Lease liabilities | 54,172,339 | 3.70% to 8.96% | 62,088,449 | 12,198,754 | 43,581,283 | 6,308,412 |
| Bankers' acceptances | 10,381,597 | 1.00% to 5.68% | 10,381,597 | 10,381,597 | - | - |
| Bank overdrafts | 7,797,226 | 6.20% to 7.49% | 7,797,226 | 7,797,226 | - | - |
| Onshore foreign currency loans | 9,209,358 | 1.45% to 5.15% | 9,209,358 | 9,209,358 | - | - |
| Receivables finance | 25,485,033 | 2.08% to 5.56% | 25,485,033 | 25,485,033 | - | - |
| Shipment buyer loans | 13,858,559 | 1.69% to 4.63% | 13,858,559 | 13,858,559 | - | - |
| Term loans | 82,607,897 | 3.70% to 6.89% | 108,878,269 | 10,263,181 | 40,717,558 | 57,897,530 |
| Total undiscounted financial liabilities | 268,549,895 | | 302,736,377 | 154,231,594 | 84,298,841 | 64,205,942 |

31. **FINANCIAL INSTRUMENTS (CONT'D)**

**Risk management objective and policies (cont'd)**

(d) Liquidity risk (cont'd)

The summary of the maturity profile based on contractual undiscounted repayment obligations is as below (cont'd):-

| | Carrying amount RM | Contractual interest rate | Contractual cash flows RM | Current Less than 1 year RM | Non-current Between 1 to 5 years RM | Non-current More than 5 years RM |
|---|---|---|---|---|---|---|
| 31.12.2021 | | | | | | |
| **Non-derivative financial liabilities and lease liabilities** | | | | | | |
| Trade payables | 42,572,501 | - | 42,572,501 | 42,572,501 | - | - |
| Other payables | 24,071,859 | - | 24,071,859 | 24,071,859 | - | - |
| Amount due to related parties | 5,580 | - | 5,580 | 5,580 | - | - |
| Lease liabilities | 56,585,091 | 3.38% to 7.06% | 65,510,111 | 14,019,483 | 41,921,462 | 9,569,166 |
| Bankers' acceptances | 3,932,063 | 2.87% to 5.12% | 3,932,063 | 3,932,063 | - | - |
| Bank overdrafts | 2,558,963 | 4.90% to 5.99% | 2,558,963 | 2,558,963 | - | - |
| Onshore foreign currency loans | 2,503,058 | 1.45% | 2,503,058 | 2,503,058 | - | - |
| Receivables finance | 10,820,250 | 2.00% to 2.11% | 10,820,250 | 10,820,250 | - | - |
| Shipment buyer loans | 14,275,327 | 1.53% to 3.28% | 14,275,327 | 14,275,327 | - | - |
| Term loans | 65,652,292 | 2.34% to 7.14% | 82,907,590 | 8,368,949 | 31,805,627 | 42,733,014 |
| Total undiscounted financial liabilities | 222,976,984 | | 249,157,302 | 123,128,033 | 73,727,089 | 52,302,180 |
| Financial guarantee* | - | | 21,759,364 | 21,759,364 | - | - |

31. **FINANCIAL INSTRUMENTS (CONT'D)**

**Risk management objective and policies (cont'd)**

(d) Liquidity risk (cont'd)

The summary of the maturity profile based on contractual undiscounted repayment obligations is as below (cont'd):-

| | Carrying amount | Contractual interest rate | Contractual cash flows | Current Less than 1 year | Non-current Between 1 to 5 years | Non-current More than 5 years |
|---|---|---|---|---|---|---|
| | RM | | RM | RM | RM | RM |
| 31.12.2020 | | | | | | |
| **Non-derivative financial liabilities and lease liabilities** | | | | | | |
| Trade payables | 58,184,245 | - | 58,184,245 | 58,184,245 | - | - |
| Other payables | 17,534,001 | - | 17,987,047 | 17,987,047 | - | - |
| Amount due to a Director | 6,005,843 | - | 6,005,843 | 6,005,843 | - | - |
| Amount due to related parties | 4,155 | - | 4,155 | 4,155 | - | - |
| Lease liabilities | 12,698,234 | 3.38% to 7.06% | 14,072,930 | 3,770,756 | 10,255,402 | 46,772 |
| Bankers' acceptances | 4,637,501 | 2.50% to 3.76% | 4,637,501 | 4,637,501 | - | - |
| Bank overdrafts | 2,547,392 | 4.90% to 5.99% | 2,547,392 | 2,547,392 | - | - |
| Shipment buyer loans | 20,006,286 | 3.11% to 3.31% | 20,006,286 | 20,006,286 | - | - |
| Term loans | 45,965,416 | 1.95% to 7.14% | 65,951,304 | 3,628,365 | 21,357,746 | 40,965,193 |
| Trust receipts | 1,842,235 | 5.12% to 5.18% | 1,842,235 | 1,842,235 | - | - |
| Total undiscounted financial liabilities | 169,425,308 | | 191,238,938 | 118,613,825 | 31,613,148 | 41,011,965 |
| Financial guarantee* | - | | 21,759,364 | 21,759,364 | - | - |

31. **FINANCIAL INSTRUMENTS (CONT'D)**

**Risk management objective and policies (cont'd)**

(d) Liquidity risk (cont'd)

The summary of the maturity profile based on contractual undiscounted repayment obligations is as below (cont'd):-

| | Carrying amount RM | Contractual interest rate | Contractual cash flows RM | Current Less than 1 year RM | Non-current Between 1 to 5 years RM | Non-current More than 5 years RM |
|---|---|---|---|---|---|---|
| 31.12.2019 | | | | | | |
| **Non-derivative financial liabilities and lease liabilities** | | | | | | |
| Trade payables | 37,595,879 | - | 37,595,879 | 37,595,879 | - | - |
| Other payables | 17,058,754 | - | 17,224,819 | 17,224,819 | - | - |
| Amount due to a Director | 3,829,447 | - | 3,829,447 | 3,829,447 | - | - |
| Amount due to related parties | 2,636,976 | - | 2,636,976 | 2,636,976 | - | - |
| Lease liabilities | 9,061,207 | 4.28% to 7.06% | 9,874,844 | 3,413,720 | 6,374,200 | 86,924 |
| Bankers' acceptances | 385,000 | 4.86% | 385,000 | 385,000 | - | - |
| Bank overdrafts | 14,974 | 6.79% | 14,974 | 14,974 | - | - |
| Term loans | 7,314,181 | 3.58% to 7.14% | 10,121,376 | 961,616 | 3,590,332 | 5,569,428 |
| Trust receipts | 2,077,308 | 4.85% to 6.62% | 2,077,308 | 2,077,308 | - | - |
| Total undiscounted financial liabilities | 79,973,726 | | 83,760,623 | 68,139,739 | 9,964,532 | 5,656,352 |
| Financial guarantee* | - | | 19,976,000 | 19,976,000 | - | - |

* This represents the maximum amount that is required to be settled in the event of default of loan repayment by the related party which certain Directors have interest in. The exposure is included in liquidity risk for illustration only. No financial guarantee was called upon by the holders as at the end of the reporting period.

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the financial liabilities at the reporting date.

32. **FAIR VALUE MEASUREMENT**

The carrying amounts of current financial assets and financial liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting date.

The fair value of non-current financial liabilities, which bear interest at floating rates, are determined by the present value of future cash flow estimated and discounted using the current interest rates for similar instruments as of the end of the reporting period. There is no material difference between the fair values and carrying values of these liabilities as of the end of the reporting period.

**Fair value hierarchy**

As at the reporting date, the Group has no financial instruments that are measured subsequent to initial recognition at fair value and hence fair value hierarchy is not presented.

33. **OPERATING SEGMENT**

**Business segments**

For management purposes, the Group is organised into business units based on their products and services, which comprises the following:-

| | |
|---|---|
| Segment I | Electronics manufacturing services and other related supporting goods and services |
| Segment II | Die casting and machining |

The Group has aggregated certain operating segments to form a reportable segment due to the similar nature and economic characteristics of the products. The Managing Director/Group Chief Executive Officer, who is the Group's chief operating decision maker monitors the segment performance of electronics manufacturing services and other related supporting goods and services in aggregate due to the inter-related nature of the two revenue streams.

Management monitors its business units separately up to gross profit level for the purpose of making decision about performance assessment. Information about segmental assets and liabilities are not presented to the decision makers by management.

Business segment only consist of Segment I for the financial year ended 31 December 2019 as the Company only acquired the business of Segment II during the financial year ended 31 December 2020, with the acquisition of Cape Manufacturing on 1 January 2020.

33. **OPERATING SEGMENTS (CONT'D)**

**Business segment (cont'd)**

| | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Electronics manufacturing services and other related supporting goods and services | 311,586,634 | 221,859,124 | 320,191,563 | 156,857,944 | 43,156,931 |
| Die casting and machining | 8,163,311 | 21,737,853 | 24,142,860 | 11,403,145 | - |
| **Total revenue** | 319,749,945 | 243,596,977 | 344,334,423 | 168,261,089 | 43,156,931 |
| **Cost of sales** | | | | | |
| Electronics manufacturing services and other related supporting goods and services | (271,486,781) | (195,681,278) | (279,807,486) | (126,947,453) | (39,761,630) |
| Die casting and machining | (6,712,306) | (19,977,197) | (22,636,103) | (8,892,530) | - |
| **Total cost of sales** | (278,199,087) | (215,658,475) | (302,443,589) | (135,839,983) | (39,761,630) |
| **Gross profit** | | | | | |
| Electronics manufacturing services and other related supporting goods and services | 40,099,853 | 26,177,846 | 40,384,077 | 29,910,491 | 3,395,301 |
| Die casting and machining | 1,451,005 | 1,760,656 | 1,506,757 | 2,510,615 | - |
| **Total gross profit** | 41,550,858 | 27,938,502 | 41,890,834 | 32,421,106 | 3,395,301 |

**Geographical information**

Revenue information based on geographical location of customers are disclosed in Note 21 to the consolidated financial statements.

The Group's non-current assets located outside Malaysia are not material and therefore not separately disclosed.

33. **OPERATING SEGMENTS (CONT'D)**

**Business segment (cont'd)**

**Information of major customers**

The following are major customers with revenue equal or more than 10% of the Group's total revenue:-

| | Segments | Revenue | | | | |
|---|---|---|---|---|---|---|
| | | 1.1.2022 to 30.9.2022 Audited RM | 1.1.2021 to 30.9.2021 Unaudited RM | 1.1.2021 to 31.12.2021 Audited RM | 1.1.2020 to 31.12.2020 Audited RM | 1.1.2019 to 31.12.2019 Audited RM |
| Customer A | Segment I | 36,810,088 | 59,423,183 | 76,462,176 | 41,679,458 | 10,821,088 |
| Customer B | Segment I | 63,221,757 | 27,587,541 | 62,862,179 | * | - |
| Customer C | Segment I | 34,983,124 | 45,392,941 | 49,349,514 | 17,213,507 | * |
| Customer D | Segment I | 86,594,224 | * | 42,279,292 | 36,405,547 | - |
| Customer E | Segment I | * | * | * | 30,598,685 | 6,980,257 |
| Customer F | Segment I | * | - | * | 19,070,578 | 25,287,772 |
| Customer G | Segment I | - | 36,345,282 | 36,332,356 | * | - |
| | | 221,609,193 | 168,748,947 | 267,285,517 | 144,967,775 | 43,089,117 |

* The revenue is not represented equal or more than 10% of the Group's total revenue for respective financial periods/years.

34. **CAPITAL MANAGEMENT**

The primary capital management objective of the Group is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to sustain future development of the business. There is no change to the objectives in the financial period/years ended 30 September 2022, 31 December 2021, 31 December 2020 and 31 December 2019.

The Group manages its capital by regularly monitoring its current and expected liquidity requirement and modify the combination of equity and borrowings from time to time to meet the needs. Shareholders' equity and gearing ratio of the Group are as follows:-

| | 30.9.2022 RM | 31.12.2021 RM | 31.12.2020 RM | 31.12.2019 RM |
|---|---|---|---|---|
| Lease liabilities (Note 17) | 54,172,339 | 56,585,091 | 12,698,234 | 9,061,207 |
| Loans and borrowings (Note 18) | 149,339,670 | 99,741,953 | 74,998,830 | 9,791,463 |
| Interest-bearing short-term advances from third parties (Note 20) | - | - | 6,521,448 | 1,844,224 |
| Total debt | 203,512,009 | 156,327,044 | 94,218,512 | 20,696,894 |
| Total equity | 181,523,593 | 169,561,887 | 81,367,865 | 21,009,368 |
| Debt-to-equity ratio | 1.12 | 0.92 | 1.16 | 0.99 |

## 35. ACQUISITION OF SUBSIDIARIES

On 1 January 2020, through trust deed agreements, Tee Kim Chin and Alex Miranda Jutando, who are directors of the Company, confirmed and declared that their entire shareholdings in Cape Manufacturing and Cape Singapore are held in trust for the Company and that all benefits and rights of the shares belong to the Company. The agreed consideration for the transfer of the benefits and rights of the shares for Cape Manufacturing and Cape Singapore are RM5,574,588 and SGD521,092, respectively. With this, the Company has gained control on Cape Manufacturing and Cape Singapore and this makes the Company as the holding company of Cape Manufacturing and Cape Singapore.

The following summarises the major classes of consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:-

(a) Fair value of consideration

| | 1.1.2020<br>RM |
|---|---|
| **Consideration** | |
| Cape Manufacturing | 5,574,588 |
| Cape Singapore | 1,583,442 |
| Consideration by way of offsetting against amount due from Director of the Company | 7,158,030 |

(b) Fair value of identifiable assets acquired and liabilities assumed

Cape Manufacturing

| | 1.1.2020<br>RM |
|---|---|
| Property, plant and equipment | 4,962,292 |
| Inventories | 3,608,246 |
| Trade and other receivables | 1,597,300 |
| Amount due from Directors | 2,741,292 |
| Amount due from related parties | 8,078,794 |
| Current tax assets | 155,220 |
| Cash and bank balances | 184,271 |
| Deferred tax liabilities | (169,000) |
| Loans and borrowings | (5,277,946) |
| Bank overdraft | (3,015,233) |
| Lease liabilities | (2,173,794) |
| Trade and other payables | (10,603,555) |
| Amount due to related parties | (123,248) |
| Total identifiable assets and liabilities | (35,361) |

35. **ACQUISITION OF SUBSIDIARIES (CONT'D)**

The following summarises the major classes of consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date (cont'd):-

(b) Fair value of identifiable assets acquired and liabilities assumed (cont'd)

Cape Singapore

| | 1.1.2020<br>RM |
|---|---|
| Property, plant and equipment | 8,603 |
| Trade and other receivables | 2,702,605 |
| Amount due from Directors | 3,556,310 |
| Cash and bank balances | 317,945 |
| Deferred tax liabilities | (1,384) |
| Trade and other payables | (245,877) |
| Amount due to related parties | (5,216,452) |
| Current tax liabilities | (172,105) |
| Total identifiable assets and liabilities | 949,645 |

(c) Net cash outflow arising from acquisition of subsidiaries

| | 1.1.2020<br>RM |
|---|---|
| Bank overdraft in subsidiary acquired | (3,015,233) |
| Cash and bank balances in subsidiaries acquired | 502,216 |
| | (2,513,017) |

(d) Goodwill arising from business combination

Goodwill was recognised as a result of the acquisition as follows:-

| | 1.1.2020<br>RM |
|---|---|
| Fair value of consideration | 7,158,030 |
| Fair value of identifiable assets acquired and liabilities assumed | (914,284) |
| Goodwill | 6,243,746 |

35. **ACQUISITION OF SUBSIDIARIES (CONT'D)**

The following summarises the major classes of consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date (cont'd):-

(e) Additional information

Since the Company adopted the accounting policy for business combinations using the acquisition method, the consolidated financial results were only prepared for the FYE 31 December 2020 and 2021.

Common control of the Group has been established prior to the beginning of the earliest FYE presented (as at 1 January 2019) and that control is not transitory. Therefore, the Group could have opted to adopt the accounting policy of preparing combined financial statements for the relevant financial years presented in a manner similar to the merger method by preparing combined financial statements as if the Group were operating as a single economic enterprise from the beginning of the earliest comparative period.

Had the Group adopted combined financial statements for FYE 31 December 2019, including Cape Manufacturing and Cape Singapore, the combined group revenue and group profit after tax would have been RM66,547,012 and RM3,368,063 respectively.

**CAPE EMS BERHAD**
**(FORMERLY KNOWN AS CAPE EMS MANUFACTURING (M) BERHAD)**
**(Registration No: 199901026859 (501759-M))**
(Incorporated in Malaysia)

## STATEMENT BY DIRECTORS

We, the undersigned, being the Directors of the Company, do hereby state that, in our opinion, the accompanying consolidated financial statements set out on the pages 4 to 107 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position as at 30 September 2022, 31 December 2021, 31 December 2020 and 31 December 2019, and of its financial performance and cash flows for the financial period/years ended 30 September 2022, 31 December 2021, 31 December 2020 and 31 December 2019.

| | |
|---|---|
| ............................................................ | ............................................................ |
| TEE KIM CHIN | TEE KIM YOK |

Johor Bahru

## 14. ADDITIONAL INFORMATION

### 14.1 EXTRACT OF OUR CONSTITUTION

The following provisions are extracted from our Company's Constitution and are qualified in its entirety by the provisions of our Constitution and by applicable law.

The words and expressions appearing in the following provisions shall bear the same meanings used in our Company's Constitution unless they are otherwise defined or the context otherwise requires.

#### 14.1.1 Remuneration of Directors

The provision in our Constitution dealing with remuneration of Directors are as follows:

Clause 93 - Directors' remuneration

93. The fees and benefits payable to the Directors of the Company including compensation for loss of employment of a Director or a former Director of the Company shall from time to time be approved by Members in general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree PROVIDED ALWAYS that:

93.1 salaries payable to executive Director(s) may not include a commission on or percentage of turnover; and

93.2 fees payable to non-executive Directors shall be a fixed sum and not by a commission on or percentage of profits or turnover.

Clause 94 - Reimbursement of expenses

94.1. The Directors shall be paid all their travelling and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending board meetings or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.

94.2. 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 willing 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 Director's fees and such special remuneration may be by way fixed sum or otherwise as may be arranged.

Clause 115 – Alternate Director

115.1. A Director may appoint any person to act as his Alternate Director and at his discretion by way of a notice to the Company, remove such Alternate Director from office. PROVIDED ALWAYS that:

(a) such person is not a director of the Company;

(b) such person does not act as an alternate for more than one (1) Director of the Company;

(c) the appointment is approved by a majority of the other members of the Board; and

(d) any fee paid by the Company to an alternate director shall be deducted from that Director's remuneration.

115.2. An alternate Director shall (except as regards power to appoint an alternate Director and remuneration) be subject in all respects to the terms and conditions existing with reference to the other Directors and shall be entitled to receive notices of all meetings of the Directors and to attend, speak and vote at any such meeting at which his appointer is not present.

115.3. Any appointment or removal of an alternate Director may be made by cable, telegram, facsimile, telex or in any other manner approved by the Directors. Any cable or telegram shall be confirmed as soon as possible by letter but may be acted upon by the Company meanwhile.

115.4. If a Director making any such appointment as aforesaid shall cease to be a Director (otherwise than by reason of vacating his office at a meeting of the Company at which he is re-elected), the person appointed by him as an alternative Director shall thereupon cease to be an alternate Director.

115.5. An alternate Director shall not be taken into account in reckoning the minimum or maximum number of Directors allowed for the time being but he shall be counted for the purpose of reckoning whether a quorum is present at any meeting of the Directors attended by him at which he is entitled to vote.

Clause 117 - Remuneration of Managing Director

117. The remuneration of a managing director or managing directors shall be fixed by the Directors and may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but shall not include a commission on or percentage of turnover.

### 14.1.2 Voting and Borrowing Powers of Directors

The provisions in our Company's Constitution in respect of the voting and borrowing powers of Directors, including voting powers on contracts or arrangements in which they are interested in, are as follows:

Clause 96 - General power of the Company vested in Directors

96. The business of the Company shall be managed by the Directors who may, in addition to the powers and authorities by these presents or otherwise expressly conferred upon them, pay all expenses incurred in promoting and registering the Company, and exercise all such powers of the Company as are not by the Act or by this Constitution required to be exercised by the Company in general meeting subject, nevertheless, to any of this Constitution, to the provisions of the Act, and to such regulations, not being inconsistent with this Constitution or provisions of the Act as may be prescribed by the Company in general meeting but no regulation made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made or passed.

Clause 97 – Limitation on Directors' powers

97. The Directors shall not without the prior approval of the Company in general meeting:

(a) exercise any power of the Company to issue shares unless otherwise permitted under the Act;

(b) carry into effect any proposal or execute any transaction for the acquisition of an undertaking or property of a substantial value, or the disposal of a substantial portion of the Company's undertaking or property; and

(c) subject to the Act, enter into any arrangement or transaction with a Director of the Company or its holding company or with a person connected with such a Director, to acquire from or dispose to such a Director or person, any shares or non-cash assets of the requisite value.

Clause 98 - Directors' borrowing powers

98. The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or subsidiary company subject to the law including but not limited to the provisions of the Act and the Listing Requirements, as they may think fit.

Clause 111 - Chairman to have a casting vote

111.1. Subject to this Constitution any question arising at any meeting of the Directors shall be decided by a majority of votes, each Director having one (1) vote and a determination by a majority of the Directors shall for all purposes be deemed a determination of the Directors.

111.2. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote EXCEPT where only two (2) of the Directors form a quorum and only such Directors are present at the meeting or where only two (2) of the Directors are competent to vote on the question in issue, whereupon the resolution shall be deemed not to have been passed, without affecting any other businesses at the meeting.

Clause 113 - Disclosure of interest and restriction on discussion and voting

113. Every Director shall declare his interest in the Company and his interest in any contract or proposed contract with the Company as may be required by law. Subject to Section 221 of the Act, a Director shall not participate in any discussion or vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly an interest and if he shall do so his vote shall not be counted. A Director shall, notwithstanding his interest, be counted in the quorum for any meeting where a decision is to be taken upon any contract or proposed contract or arrangement in which he is in any way interested.

Clause 114 - Power to vote

114. Without prejudice to the provisions of any other Constitution, the Act and the Listing Requirements, a Director may vote in respect of:

114.1. any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or

114.2. any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of security.

### 14.1.3 Changes in capital or variation of class right

The provisions in our Company's Constitution in respect of the changes in capital and variation of class rights, which are no less stringent than those required by law, are as follows:

Clause 8 - Issue of Shares

8. Without prejudice to any special rights previously conferred on the holders of any existing Shares or class of Shares, but subject to the Act, the Listing Requirements, any other statutory requirements, and to conditions, restrictions and limitations expressed in this Constitution, the Directors may allot, issue or grant rights to subscribe for or otherwise dispose of unissued shares in the Company to such persons, at such time and at such time and on such terms and conditions, with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as they deem proper, but the Directors in making any such issue of shares shall comply with the following conditions:

8.1. No Shares shall be issued at a discount except in compliance with the provisions of the Act.

8.2. The rights attaching to shares of a class other than ordinary shares, shall be expressed in this Constitution, the respective term sheets and/or subscription agreement.

8.3. No issue of Shares shall be made without the prior approval of the members of the Company in general meeting.

8.4. No Director shall participate in a scheme that involves a new issuance of Shares or other convertible securities to employees unless the Members in a general meeting have approved the specific allotment to be made to such Director.

Clause 9 - Rights of preference shareholders

9.1. Subject to the Act, the Listing Requirements and term sheet and/or subscription agreement, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution, any preference shares may with the sanction of an ordinary resolution be issued on the terms that they are or at the option of the Company are liable to be redeemed and the Company has the power to issue such preference capital ranking equally with, or in priority to preference shares already issued.

9.2. Subject to the Act, the Listing Requirements and term sheet and/or subscription agreement, a holder of preference shares must have a right to vote in each of the following circumstances:

(a) when the dividend or part of the dividend on the share is in arrears for more than six (6) months;

(b) on a proposal to reduce the Company's share capital;

(c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;

(d) on a proposal that affects the rights attached to the preference shares;

(e) on a proposal to wind up the Company;

(f) during the winding up of the Company; and

(g) the Company shall not, without the consent of the existing preference members at a class meeting, issue further preference capital ranking in priority above preference share already issued.

9.3. Subject to this Constitution and/or term sheet and/or subscription agreement, a holder of preference shares shall be entitled to the same rights as a holder of ordinary shares in relation to receiving notices, reports, audited financial statements, and attending general meetings.

9.4. The Company shall not allot any preference shares or convert any issued shares into preference shares unless in accordance with the right of the Members with respect to repayment of capital, participation in surplus assets and profits, cumulative or non-cumulative dividends, voting and priority of payment of capital and dividend in relation to other Shares and other classes of preference shares as set out in this Constitution and/or term sheet and/or subscription agreement.

Clause 11 - Modification of class rights

11. Subject to the provisions of the Act, if at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of three-fourths (3/4) of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of this Constitution relating to general meetings shall mutatis mutandis apply so that the necessary quorum shall be two (2) persons at least holding or representing by proxy one-third (1/3) of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such special resolution the provisions of Section 292 of the Act shall apply with such adaptations as are necessary.

Clause 12 - Alteration of rights by issuance of new Shares

12. The rights conferred upon the holders of the Shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

Clause 52 - Power to increase capital

52. Subject to the Act, this Constitution, the Central Depositories Act, the Rules, the Listing Requirements, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution, the Company may from time to time, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully called up or not, by Ordinary Resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase may direct.

Clause 53 - Offer of new Shares to the Member

53. Subject to any direction to the contrary that may be given by the Company in general meeting, any new Shares or other convertible securities of whatever kind for the time being unissued and not allotted and any new Shares or securities from time to time to be created shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing Shares or securities to which they are entitled. The offer shall be made by notice specifying the number of Shares or securities offered and limiting a time within which the offer, if not accepted shall be deemed to be declined and after the expiration of that time or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the Shares or securities offered, the Directors may dispose of those Shares or securities in such manner as they think most beneficial to the Company. The Directors may also dispose of any new Shares or securities which (by reason of the ratio which the new Shares or securities bear to Shares or securities held by persons entitled to an offer of new Shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution.

Clause 54 - Ranking of new Shares

54. Except so far as otherwise provided by the conditions of issue in this Constitution, any share capital raised by the creation of new Shares shall be considered as part of the original share capital of the Company and shall be subject to the same provisions with reference to the allotments, the payment of calls and instalments, lien, transfer, transmission, forfeiture and otherwise as the original share capital.

Clause 55 - Power to alter capital

55. The Company may by ordinary resolution and subject to the Act, the Central Depositories Act, the Rules, the Listing Requirements, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution:

55.1. consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

55.2. subdivide its share capital or any part thereof into shares of smaller amount, subject nevertheless to the provisions of the Act and so that as between the resulting shares, one (1) or more of such shares may, by the resolution by which such subdivision is effected, be given any preference or advantage as regards dividend, return of capital, voting or otherwise over the others or any other of such shares;

55.3. cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled; or

55.4. convert and/or reconvert and/or re-classify any class of shares into any other class of shares.

Clause 56 - Power to reduce capital

56. The Company may by special resolution, subject to the Act, the Central Depositories Act, the Rules, the Listing Requirements, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution, reduce its share capital, any capital redemption reserve fund or any reserve account in any manner authorised by the Act and subject to any consent required by law.

### 14.1.4 Transfer of securities

The provision in our Constitution dealing in respect of the transfer of securities of our Company are as follows:

Clause 31 – Transfer of Deposited Securities

31.1 Subject to the restriction imposed by this Constitution, the Listing Requirements, the Central Depositories Act and the Rules (with respect to transfer of Deposited Security), the transfer of any listed security or class of listed security of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to subsection 148(2) of the Act and any exemption that may be made from compliance with subsection 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the listed securities.

31.2 The Depository may, in its absolute discretion, refuse to register any transfer Deposited Security where the reason for transfer does not fall within any approved reasons provided for in the Rules or does not comply with the Rules.

31.3 Subject to provisions of the Act, the Listing Requirements and the Rules, there shall be no restriction on the transfer of fully paid securities except where required by law or transfer is in respect of the partly paid Shares in respect of which a call has been made and is unpaid.

Clause 32 – Transfer of Shares (Non-Deposited Securities)

32.1 Subject to the provisions of the Act and this Constitution, any Member may transfer all or any of his Shares (which as not Deposited Securities) by a duly executed and stamped instrument in writing. The instrument shall be executed by or on behalf of the transferor and the transferor shall remain the holder of the Shares transferred until the transfer is registered and the name of the transferee is entered in the Register of Members in respect thereof.

32.2 The instrument of transfer must be left for registration at the Office of the Company together with such fee not exceeding RM1.00 as the Directors from time to time may require accompanied by the certificate of the Shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, and thereupon the Company shall subject to the powers vested in the Directors by this Constitution register the transferee as a shareholder and retain the instrument of transfer.

32.3 Subject to the Act, the Directors may in their discretion through passing of a resolution to decline or delay registering any transfer of Shares (which is non-Deposited Security) to a person of whom they do not approve, whether or not being fully paid Shares or Shares on which the Company has a lien, within thirty (30) days from the date of receipt the instrument of transfer.

32.4 Neither the Company nor its Directors nor any of its officers shall incur any liability for any transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the Shares proposed or professed to be transferred and although transferred, the transfer may, as between the transferor and transferee be liable to be set aside and notwithstanding that the Company may have notice of such transfer. And in every such case, the transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such Shares and the previous holder shall so far as the Company is concerned, be deemed to have transferred his whole title hereto.

32.5 Subject to any written law, no Shares shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

32.6 Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any Shares by the allottee thereof in favour of some other persons.

32.7 All instruments of transfer which shall be registered shall be retained by the Company but any instrument of transfer which the Directors may decline or refuse to register shall on demand be returned to the person depositing the same. All powers of attorney granted by members for purpose (inter-alia) of transferring Shares which may be lodged produced or exhibited to the Company or any of its proper officers shall as between the Company and the grantor of such powers be taken and deemed to continue and remain in full force and effect and the same may be acted upon until such time as express notice in writing of the revocation of the same shall have been given and lodged at the registered office of the Company.

### 14.1.5 Rights, preferences and restrictions attached to each class of shares relating to voting, dividend, liquidation and any special rights

The provisions in our Constitution in respect of the rights, preferences and restrictions attached to each class of shares relating to voting, dividend, liquidation and any special rights are as follows:

<u>Clause 8 - Issue of Shares</u>

8. Without prejudice to any special rights previously conferred on the holders of any existing Shares or class of Shares, but subject to the Act, the Listing Requirements, any other statutory requirements, and to conditions, restrictions and limitations expressed in this Constitution, the Directors may allot, issue or grant rights to subscribe for or otherwise dispose of unissued shares in the Company to such persons, at such time and at such time and on such terms and conditions, with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as they deem proper, but the Directors in making any such issue of shares shall comply with the following conditions:

8.1. No Shares shall be issued at a discount except in compliance with the provisions of the Act.

8.2. The rights attaching to shares of a class other than ordinary shares, shall be expressed in this Constitution, the respective term sheets and/or subscription agreement.

8.3. No issue of Shares shall be made without the prior approval of the members of the Company in general meeting.

8.4. No Director shall participate in a scheme that involves a new issuance of Shares or other convertible securities to employees unless the Members in a general meeting have approved the specific allotment to be made to such Director.

Clause 9 - Rights of preference shareholders

9.1. Subject to the Act, the Listing Requirements and term sheet and/or subscription agreement, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution, any preference shares may with the sanction of an ordinary resolution be issued on the terms that they are or at the option of the Company are liable to be redeemed and the Company has the power to issue such preference capital ranking equally with, or in priority to preference shares already issued.

9.2. Subject to the Act, the Listing Requirements and term sheet and/or subscription agreement, a holder of preference shares must have a right to vote in each of the following circumstances:

(a) when the dividend or part of the dividend on the share is in arrears for more than six (6) months;

(b) on a proposal to reduce the Company's share capital;

(c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;

(d) on a proposal that affects the rights attached to the preference shares;

(e) on a proposal to wind up the Company;

(f) during the winding up of the Company; and

(g) the Company shall not, without the consent of the existing preference members at a class meeting, issue further preference capital ranking in priority above preference share already issued.

9.3. Subject to this Constitution and/or term sheet and/or subscription agreement, a holder of preference shares shall be entitled to the same rights as a holder of ordinary shares in relation to receiving notices, reports, audited financial statements, and attending general meetings.

9.4. The Company shall not allot any preference shares or convert any issued shares into preference shares unless in accordance with the right of the Members with respect to repayment of capital, participation in surplus assets and profits, cumulative or non-cumulative dividends, voting and priority of payment of capital and dividend in relation to other Shares and other classes of preference shares as set out in this Constitution and/or term sheet and/or subscription agreement.

Clause 11 - Modification of class rights

11. Subject to the provisions of the Act, if at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of three-fourths (3/4) of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of this Constitution relating to general meetings shall mutatis mutandis apply so that the necessary quorum shall be two (2) persons at least holding or representing by proxy one-third (1/3) of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such special resolution the provisions of Section 292 of the Act shall apply with such adaptations as are necessary.

## 14.2 SHARE CAPITAL

(i) 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. There are no special rights attached to our Shares.

(ii) None of our Group's capital is under any option or agreed conditionally or unconditionally to be put under any option as at the date of this Prospectus.

(iii) No person has been or is entitled to be given an option to subscribe for any share, stock, debenture or other security of our Group, except for the Pink Form Allocation.

(iv) As at the date of this Prospectus, there is no scheme involving our Directors and employees in the share capital of our Group, except for the Pink Form Allocation.

(v) As at the date of this Prospectus, save as disclosed in **Sections 4.2.6, 6.1.1 and 6.1.2** of this Prospectus, there is no shares, outstanding warrants, options, convertible securities or uncalled capital of our Group which have been or are proposed to be issued as fully or partly paid-up, in cash or otherwise than in cash, within the 3 years preceding the date of this Prospectus.

(vi) As at the date of this Prospectus, our Group does not have any outstanding convertible debt securities, options, warrants or uncalled capital.

(vii) Save as disclosed in this Prospectus, no securities will be allotted or issued on the basis of this Prospectus later than 6 months after the date of issue of this Prospectus.

(viii) Save as disclosed in this Prospectus and save as provided under our Constitution and the Act, there are no other restrictions upon the holding or voting or transfer of our Shares.

## 14.3 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer his Shares to the Minister of Finance, Inc. and such Shares may not be traded on Bursa Securities.

Dealing in our Shares deposited with Bursa Depository may only be affected by a Depositor by means of entries in the securities account of that Depositor.

## 14. ADDITIONAL INFORMATION *(Cont'd)*

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares will be deemed to be a shareholder of our Company and will be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

### 14.4 LIMITATION ON THE RIGHT TO OWN SECURITIES

Subject to **Section 14.3** above, there is no limitation on the right to own our Shares, including any limitation on the right of a non-resident or non-Malaysian shareholder to hold or exercise voting rights on our Shares which is imposed by Malaysian law or by our Constitution.

### 14.5 EXCHANGE CONTROLS

**(i) Malaysia**

The principal legislations which govern exchange control in Malaysia are the Financial Services Act 2013 and Islamic Financial Services Act 2013. The governing authority for Foreign Exchange Administration in Malaysia is Bank Negara Malaysia ("**BNM**").

Pursuant to Notice 4 of the current foreign exchange notice ("**FE**") issued by BNM, a resident is allowed to make or receive payment in RM in Malaysia to or from a non-resident for, amongst others, settlement of trade in goods and services.

In relation to payment in foreign currency, Notice 4 of the FE allows a resident to make or receive payment to or from a non-resident for any purposes excluding the transactions listed as follows:

(a) a foreign currency denominated derivative or Islamic derivative offered by a resident unless approved by BNM under Part B of Notice 5 of the FE or otherwise approved in writing by BNM;

(b) a derivative or Islamic derivative which is referenced to RM unless approved by BNM under Part B of Notice 5 of the FE or otherwise approved in writing by BNM; or

(c) an exchange rate derivative offered by a non-resident unless approved by BNM under Notice 1 or otherwise approved in writing by BNM.

As at the LPD, we comply with the exchange control requirement in relation to our settlement of payments with foreign customers and suppliers. In view of the above, foreign exchange control does not have an impact on the ability of cash and cash equivalents for us by our Group and the remittance of dividends, interest or other payments to our shareholders.

**(ii) Singapore**

Currently, there are no Singapore governmental laws, decrees, regulations and other legislation that may affect the following:

(i) the repatriation or export of capital, including the availability of cash and cash equivalents for use by Cape Singapore; and

(ii) the remittance of dividends, interest or other payments to non-resident holders of Cape Singapore's securities.

As Cape Singapore is tax resident in Singapore, dividends paid by Cape Singapore will be considered as sourced in Singapore. Under current Singapore income tax law, dividends paid by Cape Singapore will not be subject to Singapore withholding tax, regardless of whether the shareholders receiving the dividends are resident or non-resident in Singapore for income tax purposes.

Currently, Singapore operates a "One-Tier" Corporate Income Tax System ("**One-Tier System**"). Under this One-Tier System, the income tax payable in respect of taxable corporate profits is the final tax and Cape Singapore can pay tax exempt (one-tier) dividends which are tax exempt in the hands of the shareholder, regardless of the tax residence status or the legal form of the shareholder.

## 14.6 MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, we are not engaged in any material litigation, claims and/or arbitration, either as plaintiff or defendant, which has a material effect on our financial position, and our Directors confirm that there are no proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect our financial position or business.

## 14.7 MATERIAL CONTRACTS

Save as disclosed below, we have not entered into any contracts which are material (not being contracts entered into in the ordinary course of business) within the period covered by the Period Under Review as disclosed in this Prospectus up to the date of this Prospectus:

(i) The sale and purchase agreement dated 27 March 2019 between Public Bank Berhad (as vendor) and our Company (as purchaser) to purchase the registered lease for a period commencing from 31 May 1996 and expire on 30 May 2056 of PLO 103 for a cash consideration of RM6,000,000.00, the transfer of which was completed on 3 December 2019;

(ii) The loan agreement dated 22 April 2019 between our engineering consultant, Wu Jung Wai (as lender) and our Company (as borrower) for a total amount of RMB3,000,000.00, which is fully paid by our Company as at the LPD;

(iii) The trust deed dated 1 January 2020 between Tee Kim Chin and Alex Miranda Juntado (collectively, "**Trustees**") and our Company where the Trustees confirmed and agreed that the entire paid-up capital of Cape Singapore are held on trust for our Company, the transfer of which was completed on 8 January 2021;

(iv) The trust deed dated 1 January 2020 between Tee Kim Chin and Alex Miranda Juntado (collectively, "**Trustees**") and our Company where the Trustees confirmed and agreed that the entire paid-up capital of Cape Manufacturing are held on trust for our Company, the transfer of which was completed on 3 May 2021;

(v) The loan agreement dated 1 March 2020 between our engineering consultant, Wu Jung Wai (as lender) and our Company (as borrower) for a total amount of RMB3,000,000.00, which is fully paid by our Company as at the LPD;

(vi) The loan agreement dated 16 March 2020 between Changhuat Plastic (as lender) and our Company (as borrower) for a total amount of RM3,000,000.00, which is fully paid by our Company as at the LPD;

(vii) The loan agreement dated 31 December 2020 between our Company (as lender) and Changhuat Plastic (as borrower) for a total amount of RM25,132,166.48. Changhuat Plastic issued a letter dated 31 December 2021 to request for an extension for this loan agreement for the remaining owing amount of RM7,555,881.98, which is proposed to be fully paid by Changhuat Plastic as at the LPD;

(viii) The sale and purchase agreement dated 12 March 2021 between Flextronics Shah Alam Sdn Bhd (as vendor) and our Company (as purchaser) to purchase PLO 226B & PLO 227B for a cash consideration of RM15,651,160.00, the transfer of which were completed on 1 November 2021;

(ix) The memorandum dated 30 April 2021 in relation to the sale of all the shares in Cape Manufacturing and Cape Singapore by Tee Kim Chin and Alex Miranda Juntado (as sellers) to our Company (as purchaser) at the consideration of RM5,574,588.00 based on the net tangible assets ("**NTA**") of Cape Manufacturing and SGD521,092.00 based on the NTA of Cape Singapore respectively;

(x) The sale and purchase agreement dated 31 May 2021 between Lim Chen Kim and Tee Kim Chin (as vendors) and Cape Manufacturing (as purchaser) to purchase the Temenggong 22 Factory for a cash consideration of RM6,000,000.00, the transfer of which was completed on 10 October 2021;

(xi) The share subscription agreement dated 28 June 2021 entered into between our Company, Tee Kim Chin, Tee Kim Yok (as promoters), Alex Miranda Juntado and Fortress (as investor), and the share subscription agreement (co-investor) dated 28 September 2021 entered into between AOF (as co-investor), our Company, Tee Kim Chin, Tee Kim Yok, and Fortress, pursuant to which our Company issued 57,000,000 ICPS to Fortress and 3,000,000 ICPS to AOF on 31 December 2021 at the subscription price of RM60,000,000.00. Fortress and AOF had on 20 April 2022 converted all of its existing ICPS into new ordinary shares in our Company. Upon completion of the conversion of all ICPS, our Company's resultant issued share capital had changed from RM40,000,000.00 comprising 40,000,000 ordinary shares to RM100,000,000.00 comprising 50,000,000 ordinary shares;

(xii) The sale and purchase agreement dated 1 July 2021 between Tee Kim Chin (as vendor) and our Company (as purchaser) to purchase the Kempas 6 Factory for a cash consideration of RM6,000,000.00, the transfer of which was completed on 28 October 2021;

(xiii) The sale and purchase agreement dated 17 February 2022 entered into between Cape Manufacturing (as purchaser) and Venice Tulip Sdn Bhd (as vendor) to purchase Tebrau 6 Factory for a purchase consideration of RM16,800,000.00; and

(xiv) The Underwriting Agreement dated 18 January 2023 entered into between our Company and the Joint Underwriters for the underwriting of 54,200,000 IPO Shares as set out in **Section 4.8.1** of this Prospectus. Please refer to **Section 4.8.1** of this Prospectus for the salient terms of the Underwriting Agreement.

***(The rest of this page has been intentionally left blank)***

## 14.8 CONSENTS

(i) The written consents of the Principal Adviser, Joint Bookrunners and Joint Underwriters, Company Secretaries, Financial Adviser, Legal Advisers, Share Registrar and Issuing House for the inclusion in this Prospectus of their names in the form and context in which their names appear in this Prospectus have been given before the issue of this Prospectus, and have not subsequently been withdrawn.

(ii) The written consent of the Auditors and Reporting Accountants for the inclusion in this Prospectus of their name, the Accountants' Report and the Reporting Accountants' Report on the Pro Forma Statements of Financial Position in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus, and has not subsequently been withdrawn.

(iii) The written consent of the Independent Business and Market Research Consultant for the inclusion in this Prospectus of its name and Industry Overview in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus, and has not subsequently been withdrawn.

## 14.9 RESPONSIBILITY STATEMENTS

(i) The Principal Adviser 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 relating to our IPO.

(ii) This Prospectus has been seen and approved by our Directors, Promoters and Selling Shareholders and they collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. 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.

## 14.10 DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at our registered office during office hours for a period of 6 months from the date of this Prospectus:

(i) our Constitution;

(ii) the Industry Overview referred to in **Section 8** of this Prospectus;

(iii) audited financial statements of our Company for FYE 2019, FYE 2020, FYE 2021 and FPE 2022;

(iv) audited financial statements of Cape Manufacturing for FYE 2020 and FYE 2021;

(v) audited financial statements of Cape Singapore for FYE 2021;

(vi) Reporting Accountants' Report on the Pro Forma Statements of Financial Position as included in **Section 12.8** of this Prospectus;

(vii) Accountants' Report as included in **Section 13** of this Prospectus;

(viii) the material contracts referred to in **Section 14.7** of this Prospectus; and

(ix) the letters of consent referred to in **Section 14.8** of this Prospectus.

## 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 THIS PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT OUR ISSUING HOUSE FOR FURTHER ENQUIRIES.**

**Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in this Prospectus.**

**Unless the context otherwise requires, words used in the singular include the plural, and vice versa.**

### 15.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 16 February 2023

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 24 February 2023

Applications for the IPO Shares will open and close at the time and dates stated above.

In the event there is any change to the time and dates stated above, we will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspapers in Malaysia.

**Late Applications will not be accepted.**

### 15.2 METHODS OF APPLICATIONS

#### 15.2.1 Institutional Offering

Institutional and selected investors being allocated our IPO Shares under the Institutional Offering will be contacted directly by the Joint Bookrunners and will follow the instructions as communicated by the Joint Bookrunners and should follow the instruction as communicated by the Joint Bookrunners.

Bumiputera investors approved by the MITI who have been allocated the IPO Shares will be contacted directly by the MITI and should follow the instructions as communicated through the MITI.

Selected investors and Bumiputera investors approved by MITI may still apply for our IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

#### 15.2.2 Retail Offering

**Application must accord with this Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.**

| Type of Application and category of investors | | | Application Method |
|---|---|---|---|
| (i) | Applications by Eligible Persons | | Pink Application Form only |
| (ii) | Applications by the Malaysian Public: | | |
| | (a) | Individuals | • White Application Form;<br>• Electronic Share Application; or<br>• Internet Share Application |
| | (b) | Non-Individuals | White Application Form only |

## 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 Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of this 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 fulfill all of the following:

(i) You must be one (1) of the following:

 (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or

 (b) a corporation / institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors / trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

 (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(ii) You must not be a director or employee of our Issuing House or an immediate family member of a director or employee of our Issuing House; and

(iii) You must submit Applications by using only one of the following methods:

 (a) White Application Form;

 (b) Electronic Share Application; or

 (c) Internet Share Application.

### 15.3.3 Application by eligible Directors, employees and persons who have contributed to the success of our Group

The eligible Directors, employees and persons (including any entities, wherever established) who have contributed to the success of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated IPO Shares. Applicants must follow the notes and instructions in the said documents and where relevant, in this Prospectus.

Eligible Directors, employees and persons who have contributed to the success of our Group may request for a copy of this printed Prospectus from our Company at no cost and are given an option to have this printed Prospectus delivered to them free of charge, or to obtain this printed Prospectus from our Company, our Issuing House, HLIB, Participating Organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

## 15.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of this 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 RM0.90 for each IPO Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NO. 736"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

(i) 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

(ii) **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 24 February 2023 or by such other time and date specified in any change to the date and time for closing.

We, together with our Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to our Issuing House.

### 15.5 PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

**Only Malaysian individuals** may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions.

### 15.6 PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

**Only Malaysian individuals** may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

### 15.7 AUTHORITY OF OUR BOARD AND OUR ISSUING HOUSE

Our Issuing House, on the authority of our Board reserves the right to:

(i) reject Applications which:

   (a) do not conform to the instructions of this Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

   (b) are illegible, incomplete or inaccurate; or

   (c) are accompanied by an improperly drawn up, or improper form of, remittance; or

(ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(iii) bank in all Application monies (including those from unsuccessful / partially successful Applicants) which would subsequently be refunded, where applicable (without interest), in accordance with **Section 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 our 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, our Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of Applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of Shares and the balloting results in connection therewith will be furnished by our Issuing House to the Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on our Issuing House's website https://tiih.online within 1 market day after the balloting event.

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 1,000 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or eligible Directors, employees and persons who have contributed to the success of our Group, subject to the underwriting arrangements and reallocation as set out in **Section 4.2.3** of this Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Joint Underwriters 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

(i) 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.

(ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the NRIC or any official valid temporary identity 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.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by our Issuing House as per items (i) and (ii) above (as the case may be).

(iv) Our Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful Applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

### 15.9.2 For applications by way of Electronic Share Application and Internet Share Application

Our Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from our Issuing House.

(i) You may check your account on the 5th Market Day from the balloting date.

(ii) 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 our Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institutions or Internet Participating Financial Institutions will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institutions or Internet Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from our Issuing House.

### 15.10 SUCCESSFUL APPLICANTS

If you are successful in your Application:

(i) Our IPO Shares allotted to you will be credited into your CDS account.

(ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as securities to be deposited in the CDS subject to the provision of the SICDA and the Rules of Bursa Depository. As such, our IPO Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.

(iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

(v) In the event that the Final Retail Price is lower than the Retail Price, the difference will be refunded to you without any interest thereon. The refund will be credited into your bank account for purposes of cash dividend distribution if you have provided such bank account information to Bursa Depository or despatched, in the form of cheques, by ordinary post to your address maintained with Bursa Directory if you have not provided such bank account information to Bursa Depository, or by crediting into your account with the Electronic Participating Financial Institutions for Applications made via the Electronic Share Application or by crediting into your account with the Internet Participating Financial Institutions for Applications made via the Internet Share Application, within 10 Market Days from the date of final ballot of Application, at your own risk.

## 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 no. 03-2783 9299 |
| Electronic Share Application | Participating Financial Institution |
| Internet Share Application | Internet Participating Financial Institution and Authorised Financial Institution |

The results of the allocation of shares derived from successful balloting will be made available to the public at our Issuing House website https://tiih.online, 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 set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of this Prospectus on the website of Bursa Securities.

***(The rest of this page has been intentionally left blank)***

## ANNEXURE A. DETAILS IN RELATION TO OUR COMPANY'S HISTORICAL BUSINESS ACTIVITIES, DIRECTORS AND SHAREHOLDERS SINCE ITS INCEPTION UP TO YEAR 2013

The details in relation to our Company's directors since its inception up to year 2013 are as follows:

| No. | Directors | Date Appointed | Date Resigned |
|---|---|---|---|
| 1. | Lai Wai Fun | 21 December 1999 | 28 February 2005 |
| 2. | Chew Tiong Kheng | 21 December 1999 | 14 January 2005 |
| 3. | Jupri Bin Suep | 21 December 1999 | 29 November 2010 |
| 4. | Heng Guan Hern | 25 July 2000 | 11 June 2001 |
| 5. | Felix Ong Kim Huat | 25 July 2000 | 31 January 2008 |
| 6. | Seah Cheong Beng | 25 July 2000 | 21 September 2005 |
| 7. | Chong Teck Sin | 25 July 2000 | 14 May 2004 |
| 8. | Chan Kong Chuen | 17 October 2005 | 29 November 2010 |
| 9. | Robert Ernest Zinn | 17 October 2005 | 15 January 2010 |
| 10. | Lee Choon Seng | 31 January 2008 | 29 November 2010 |
| 11. | Lam Kim Kee | 31 January 2008 | 13 July 2010 |
| 12. | Chuang Keng Wee | 7 April 2010 | 29 November 2010 |
| 13. | Kwa Wee Keng | 13 July 2010 | 29 November 2010 |
| 14. | Lim Lai An | 29 November 2010 | 31 May 2013 |
| 15. | Tee Kim Chin | 29 November 2010 | 25 January 2013 |
| 16. | Lim Hui Bian | 25 January 2013 | 31 May 2013 |
| 17. | Tee Kim Chin | 31 May 2013 | Not applicable |
| 18. | Alex Miranda Juntado | 31 May 2013 | Not applicable |

The details in relation to our Company's shareholders since its inception up to year 2013 are as follows:

| No. | Shareholders | Date Acquired | Date Disposed |
|---|---|---|---|
| 1. | Lai Wai Fun | 21 December 1999 | 27 January 2005 |
| 2. | Chew Tiong Kheng | 21 December 1999 | 11 November 2003 |
| 3. | Jupri Bin Suep | 21 December 1999 | 27 January 2005 |
| 4. | Seksun Corporation Limited | 26 July 2000 | 25 February 2005 |
| 5. | Lim Teck Cheong | 11 November 2003 | 27 January 2005 |
| 6. | Seksun Array Technology Pte Ltd | 25 February 2005 | 9 August 2011 |

**ANNEXURE A. DETAILS IN RELATION TO OUR COMPANY'S HISTORICAL BUSINESS ACTIVITIES, DIRECTORS AND SHAREHOLDERS SINCE ITS INCEPTION UP TO YEAR 2013 *(Cont'd)***

| No. | Shareholders | Date Acquired | Date Disposed |
|---|---|---|---|
| 7. | Lim Lai An | 9 August 2011 | 19 June 2013 |
| 8. | Tee Kim Chin | 9 August 2011 | 22 February 2013 |
| 9. | Lim Hui Bian | 22 February 2013 | 19 June 2013 |
| 10. | Tee Kim Chin | 19 June 2013 | Not applicable |
| 11. | Alex Miranda Juntado | 19 June 2013 | 6 July 2021 |

Our Company's historical business activities in assembling and manufacturing of electronics components and printed circuit boards since its inception up to year 2013 has not substantially changed.