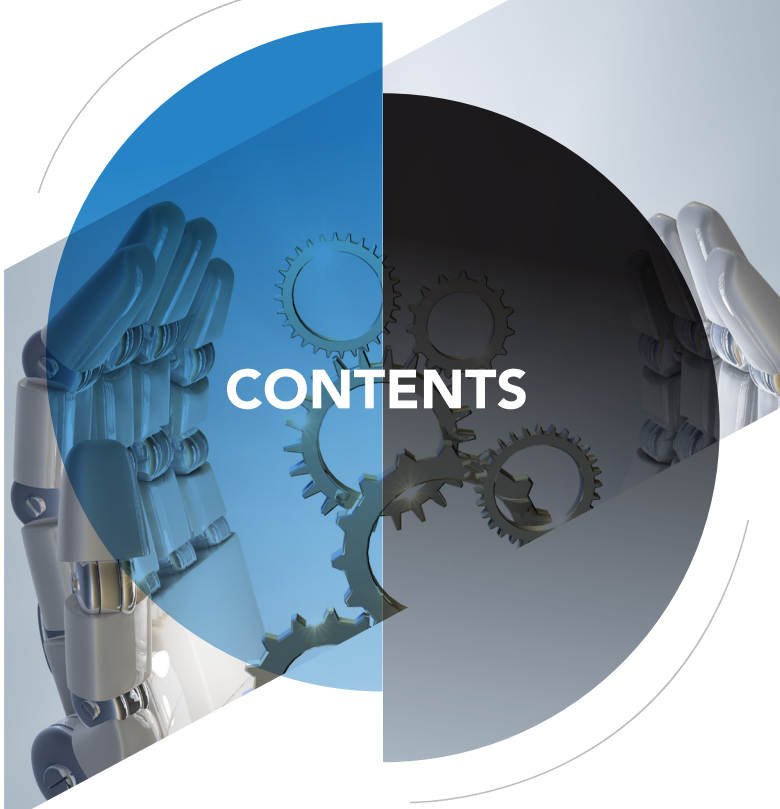




2023 ANNUAL REPORT

AUTONOMOUS . INTELLIGENT . MACHINES . FLEXIBLE

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PROXY FORM

CORPORATE INFORMATION

Board of Directors

Chuah Chong Ewe
Executive Chairman

Professor Dato' Ir. Ts. Dr. Ruzairi Bin Hj Abdul Rahim
Independent Non-Executive Director

Chuah Chong San
Group Managing Director

Law Lee Yen
Independent Non-Executive Director

Khoo Boo Keong
Independent Non-Executive Director

Audit & Risk Management Committee

Chairperson
Law Lee Yen

Members
Professor Dato' Ir. Ts. Dr. Ruzairi Bin Hj Abdul Rahim
Khoo Boo Keong

Remuneration Committee

Chairperson
Professor Dato' Ir. Ts. Dr. Ruzairi Bin Hj Abdul Rahim

Members
Law Lee Yen
Khoo Boo Keong

Nomination Committee

Chairperson
Professor Dato' Ir. Ts. Dr. Ruzairi Bin Hj Abdul Rahim

Members
Law Lee Yen
Khoo Boo Keong

Employees Share Option Scheme Committee

Chairperson
Professor Dato' Ir. Ts. Dr. Ruzairi Bin Hj Abdul Rahim

Members
Chuah Chong Ewe
Chuah Chong San

Investment Committee

Chairperson
Chuah Chong Ewe

Members
Professor Dato' Ir. Ts. Dr. Ruzairi Bin Hj Abdul Rahim
Chuah Chong San

CORPORATE INFORMATION CONT'D

Company Secretaries

Ng Heng Hooi
(MAICSA 7048492)
(PC No. 202008002923)

Wong Mee Ching
(LS 9014)
(PC No. 202008001420)

Wong Mee Kiat
(MAICSA 7058813)
(PC No. 202008001958)

Corporate Website

www.AIMFLEX.com.my

Principal Bankers

OCBC Bank (Malaysia) Berhad
47 & 49, Jalan Molek 1/29
Taman Molek
81100 Johor Bahru
Johor Darul Ta'zim
Tel: +603 8317 5200
Fax: +603 353 5581

Al Rajhi Banking & Investment
Corporation (Malaysia) Berhad
Lot 18-G-A, Gurney Tower
Jalan Kelawai
10250 Pulau Pinang
Tel: +604 219 2555

Share Registrar

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite Avenue 3
Bangsar South No. 8
Jalan Kerinchi
59200 Kuala Lumpur

Registered Office

Level 5, Tower 8
Avenue 5, Horizon 2
Bangsar South City
59200 Kuala Lumpur
Tel: +603 2280 6388
Fax: +603 2280 6399
Email: listcomalaysia@acclime.com

Auditors

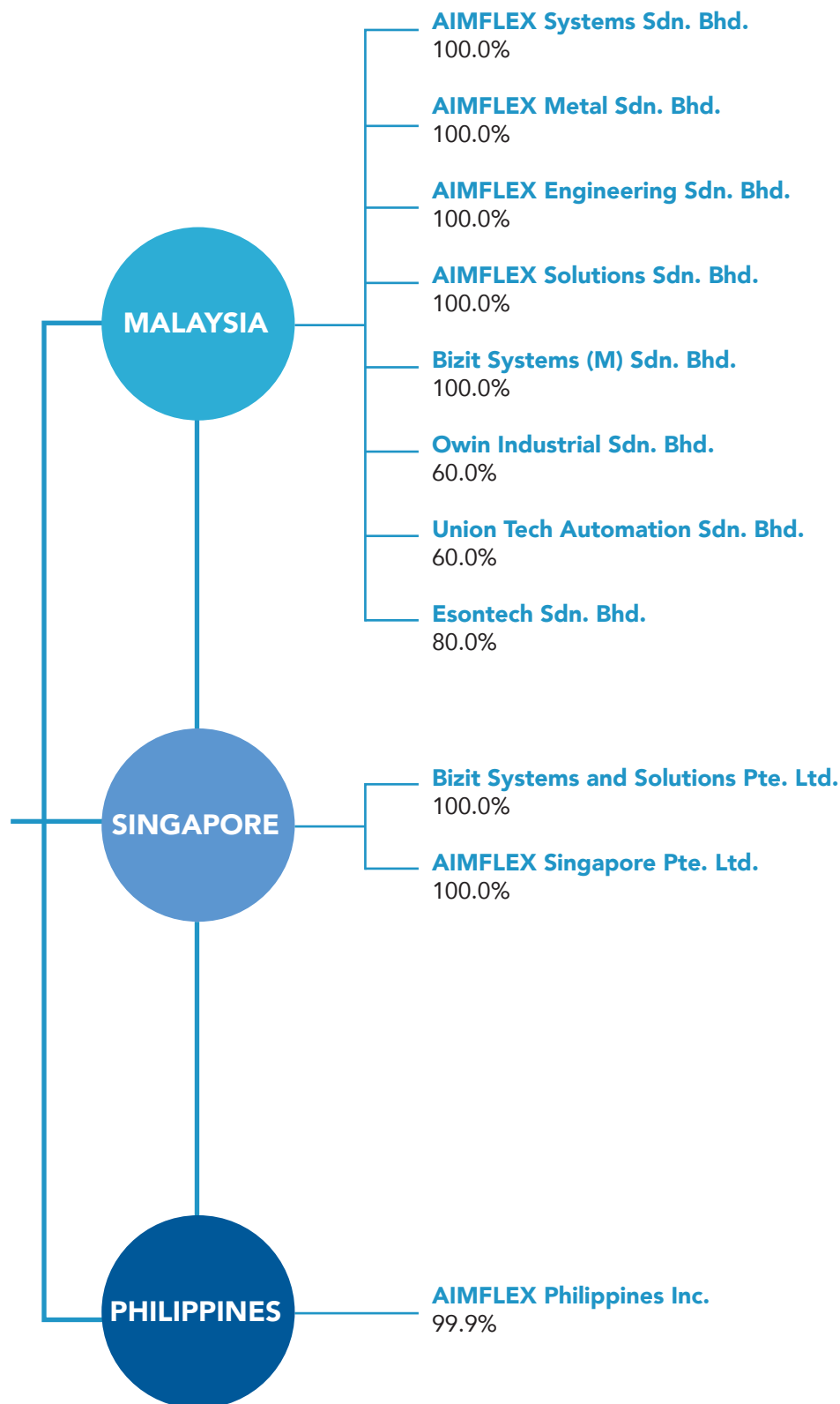
RSM Malaysia PLT 202206000002
(LLP0030276-LCA) & AF 0768
Chartered Accountants
Suite 16-02, Level 16
Menara Landmark
No. 12, Jalan Ngee Heng
80000 Johor Bahru
Johor Darul Ta'zim
Tel: +607 276 2828

Corporate Office

12-2, Jalan Persiaran Teknologi
Taman Teknologi Johor
81400 Senai
Johor Darul Ta'zim
Tel: +607 595 5545
Fax: +607 595 5543
Email: sales@aimflex.com.my

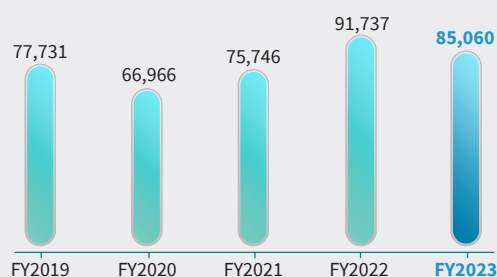
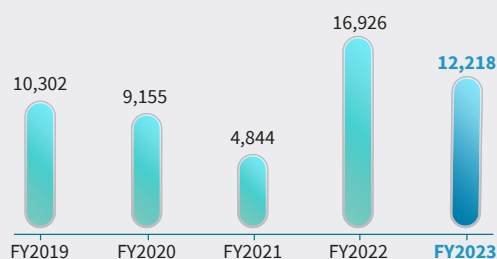
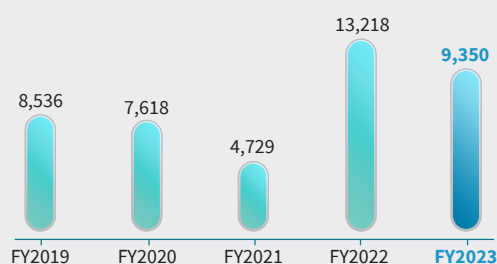
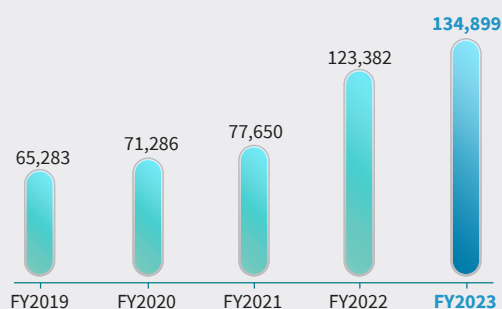
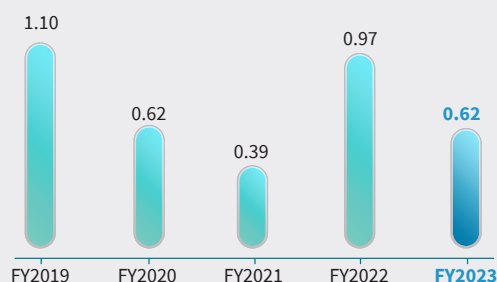
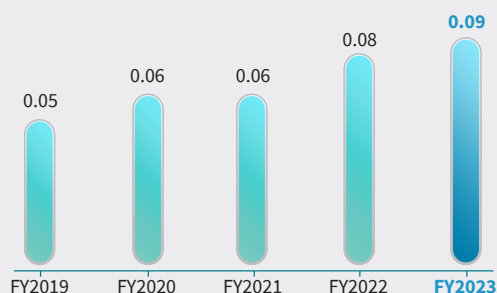
Stock Exchange Listing

Bursa Malaysia Securities Berhad
Ace Market
Stock Name: AIMFLEX
Stock Code: 0209



FINANCIAL HIGHLIGHTS

	FY2019	FY2020	FY2021	FY2022	FY2023
	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue	77,731	66,966	75,746	91,737	85,060
Profit before Taxation	10,302	9,155	4,844	16,926	12,218
Profit After Taxation	8,536	7,618	4,729	13,218	9,350
Shareholders' Equity	65,283	71,286	77,650	123,382	134,899
Earnings Before Interests, Taxation, Depreciation and Amortisation	12,187	10,674	6,601	18,383	13,146
Earning per Share (sen)	1.10	0.62	0.39	0.97	0.62
Net Assets per Share (RM)	0.05	0.06	0.06	0.08	0.09

REVENUE (RM '000)

PROFIT BEFORE TAXATION (RM '000)

PROFIT AFTER TAXATION (RM '000)

SHAREHOLDERS' EQUITY (RM '000)

EARNINGS PER SHARE (SEN)

NET ASSETS PER SHARE (RM)


DIRECTORS' PROFILES



 57 years old

 Male

 Malaysian



Chairperson for the Investment Committee
Member of the Employees' Share Option Scheme Committee

Chuah Chong Ewe was appointed to the Board as Executive Director on 25 January 2022 and as Group Managing Director on 30 September 2022. He was subsequently redesignated as Executive Chairman on 21 September 2023. He graduated from University of Malaya with a degree in LLB (Hons). He was admitted to the Malaysian Bar Council on 26 February 1993 and in the same year started his career as an advocate and solicitor. He practiced for approximately 20 years.

In 2005, he joined Seal Incorporated Berhad as Advisor before being assigned as its Group Chief Executive Officer. He spearheaded the strategic move and transformational restructuring in Seal Incorporated Berhad from a heavily indebted position into a profitable net cash corporation with diversified earnings base before leaving in October 2014.

He then joined Pentamaster Corporation Berhad in 2015 as its Chief Executive Officer and Executive Director. However, he resigned in 2021 but remains its major shareholder.

In 2018, he joined Luster Industries Berhad as Executive Director and is now its Group Managing Director and major shareholder.

On 30 May 2023, he was appointed as Executive Chairman in LFE Corporation Berhad.

DIRECTORS' PROFILES CONT'D



Chuah Chong San
Group Managing Director

 60 years old

 Male

 Malaysian



Member of the Employees' Share Option Scheme Committee
Member of the Investment Committee

Chuah Chong San was appointed to the Board as Executive Director on 25 January 2022 and was subsequently redesignated as Group Managing Director on 21 September 2023. He is responsible for the implementation of the Board's decisions, strategies and corporate direction. He graduated in 1989 from University of Malaya with a Degree in Electrical Engineering. In 1998, he obtained his Master of Business Administration from Universiti Sains Malaysia.

He started his career in Motorola Solutions Malaysia Sdn. Bhd. ("Motorola") as Test System Engineer in 1998 and subsequently transferred to the Internal Control function, focusing on Information Technology ("IT"), Information Security Protection & Compliance. He was promoted to an Engineering management role in 2000. He led a team to digitise and transform key supply chain business processes and was promoted to Motorola Penang IT lead in 2005 to manage the simplification and consolidation of Enterprise Resource Planning ("ERP") system across multiple businesses within Motorola.

During his service at Motorola, he managed IT lead roles in multiple Merger, Acquisition and Divesture projects. Furthermore, he had successfully migrated regional IT Business system to Global Enterprise System in 2013.

In 2016, he was promoted to be the Asia Pacific IT lead, focusing on modernising the IT Infrastructure, partnering with Third-Party Logistics ("3PL") and Electronics Manufacturing Services ("EMS") to deliver IT solution and supporting IT services in 12 Asia Pacific countries. He left Motorola in 2020.

He joined Luster Industries Berhad as an Alternate Director in 2020 and was appointed as Executive Director in 2021.

DIRECTORS' PROFILES CONT'D



**Professor Dato' Ir. Ts. Dr. Ruzairi
Bin Hj Abdul Rahim**
Independent Non-Executive Director

 **57 years old**

 **Male**

 **Malaysian**



Chairperson of the Remuneration Committee
Chairperson of the Nomination Committee
Chairperson of the Employees' Share Option Scheme Committee
Member of the Audit and Risk Management Committee
Member of the Investment Committee

Professor Dato' Ir. Ts. Dr. Ruzairi Bin Hj Abdul Rahim was appointed to the Board as Independent Non-Executive Director on 1 November 2018. He graduated with a Degree in Electronic System & Control Engineering in 1992 from Sheffield City Polytechnic and Ph.D in 1996 from Sheffield Hallam University, UK. He was awarded as a Professional Technologist (Ts.) by the Malaysia Board of Technologists in 2018 and as a Professional Engineer (Ir.) on 17 November 2022 by the Board of Engineers Malaysia. He has over 30 years of experience in the field of Research and Development (R&D) management.

He started his career with Universiti Teknologi Malaysia (UTM) in 1992 as a Tutor at the Department of Control & Instrumentation Engineering in the Faculty of Electrical Engineering and subsequently appointed as the Head of Instrumentation Engineering Laboratory in 1997 to manage and operate lectures, tutorials, practical as well as reviewing examination papers. In June 1998, he was promoted as the Head of Department (Control & Instrumentation Engineering), where he was responsible for overseeing the planning, development programme, distribution of academic workload and staff coordination. He was then made Associate Professor of UTM in 1999.

In 2006, Professor Dato' Ir. Ts. Dr. Ruzairi was promoted as the Professor of UTM and appointed the Deputy Dean (Corporate) at the Research Management Centre ("RMC") of UTM. He was then promoted to the position of Director of RMC in 2009, a position which he held until November 2016. RMC is the research arm of UTM responsible for managing and facilitating various R&D activities, intellectual property creation and management, technological development, promotion and exploitation of R&D findings.

From December 2016 to November 2019, Professor Dato' Ir. Ts. Dr. Ruzairi held the position of Deputy Vice Chancellor (Research & Innovation) at Universiti Tun Hussein Onn Malaysia (UTHM), where he was mainly responsible for the management of research, innovation and publications.

In 2020, Professor Dato' Ir. Ts. Dr. Ruzairi was appointed as Professor for the School of Electrical Engineering, Faculty of Engineering and was the Dean of the Faculty of Engineering UTM from July 2021 to June 2024.

During his service at UTM, he received 45 awards in recognition of his excellence among which are Indexed Journal Writer Award, UTM Quality Award - Research Management Center, Vice Chancellor's Innovation Award - Research Management Center, Outstanding UTM Academician 2022 (Tokoh Akademik UTM 2022), Outstanding Scientist Award (MOHE), Malaysia's Research STAR Award 2019, Research and Innovation Excellence in Technology and Engineering area and Top Research Scientist Malaysia (TRSM) by Academy Science Malaysia.

On 9 May 2022, he was appointed as Vice Chancellor of UTHM and has held the post until today.

DIRECTORS' PROFILES CONT'D



39 years old



Female



Malaysian



Chairperson of the Audit and Risk Management Committee
Member of the Nomination Committee
Member of the Remuneration Committee

Law Lee Yen was appointed to the Board as Independent Non-Executive Director on 1 October 2018. She graduated from the University of Melbourne, Australia in 2006 with a Bachelor of Commerce. She has been a member of CPA Australia and the Malaysian Institute of Accountants since April 2010 and August 2010 respectively. In October 2012, she joined the Chartered Tax Institute of Malaysia as a member. She has more than 16 years of working experience in the field of audit, corporate advisory and taxation services.

She started her career in 2007 with KPMG LLP Singapore as an Audit Associate. In 2010, she left KPMG LLP Singapore and joined Terry Law & Co, Malaysia as a Manager, responsible for tax advisory services. She was promoted as Partner of the firm in 2011.

In January 2017, she set up her own firm, LY Law & Associates as a partner after obtaining her audit practice license from the relevant ministry in Malaysia, providing audit and tax advisory services. In May 2017, she resigned as a partner of Terry Law & Co.

Currently, she also serves as an Independent Non-Executive Director for BCB Berhad.

DIRECTORS' PROFILES CONT'D


Khoo Boo Keong
Independent Non-Executive Director

 **56 years old**

 **Male**

 **Malaysian**



Member of the Audit and Risk Management Committee
Member of the Nomination Committee
Member of the Remuneration Committee

Khoo Boo Keong was appointed to the Board as Independent Non-Executive Director on 21 September 2023. He completed his Bachelor of Economics (Hons.) from Universiti Utara Malaysia (UUM) in 1993 and in 2005 attained his Master of Business Administration, Marketing (E-Commerce) from the University of Leicester, UK.

He started his career in 1991 as a Sales Executive and subsequently Sales Manager at Texchem Trading, Malaysia before joining GE Plastics SEA, Singapore in 1993. In 1998, he joined Toho Tenax Co. Ltd, Singapore as the Regional Sales Manager and in 2010 moved to Zoltek Corporation, Singapore also in a similar position.

From 2012 till 2017, he was the Managing Director with Teijin Carbon Singapore Pte. Ltd. and was promoted as Vice President of Sales and Marketing for Teijin Carbon America, USA of which he served until September 2020.

Currently, he is a Certificate of Employment Intermediaries (CEI) certified Human Resource and Recruitment consultant at Union Manpower Services Pte. Ltd., Singapore of which he had joined in March 2021.

Notes:

1. None of the Directors have any family relationship with any Director and/or major shareholder within the Company save for Chuah Chong Ewe and Chuah Chong San, who are brothers.
2. None of the Directors have been convicted of any offence (other than traffic offences) within the past 5 years and have not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year.
3. None of the Directors have any conflict of interest with the Company other than the Recurrent Related Party Transaction disclosed in this Annual Report and the Circular to Shareholders dated 30 April 2024.
4. Save as disclosed, none of the Directors holds any directorship in public companies and listed corporations.
5. Number of board meetings attended by each Director during the financial year are disclosed in the Corporate Governance Overview Statement of the Annual Report.

KEY SENIOR MANAGEMENT PROFILES



Hing Fook Sern
Key Senior Management

 **54 years old**

 **Male**

 **Malaysian**

Hing Fook Sern is the Managing Director of our subsidiaries, Bizit Systems (M) Sdn. Bhd. and Bizit Systems and Solutions Pte. Ltd..

In 1993, he graduated with a Bachelor of Science (with distinction) in Industrial Engineering from University of Nebraska – Lincoln, United States of America. With more than 27 years of experience throughout his career, he has a strong track record in business, engineering functions, sales and marketing planning. His 18 year experience in engineering and process excellence is a complement to the sales of Minitab software and Universal Robots as he is able to align value propositions of the company to meet customers' expectations.

He started his career with Aiwa Electronics (M) Sdn. Bhd. in 1994 as a Process Engineer and was eventually promoted to Senior Process Engineer in 2000. He was assigned to develop standardised assembly methods and more productive tools for better production. In 2002, he joined Dyson Manufacturing Sdn. Bhd. as a Manufacturing Engineer before he was promoted to Senior Manufacturing Engineer in 2005. He set up a new production line and implemented manufacturing solutions. In 2011, he went on to pursue his career in Singapore and joined Sealing Technologies Pte. Ltd., and FCI Connectors Singapore Pte. Ltd.. During his tenure with both companies, he continued his passion in optimising operational efficiency and machine performance.

In 2012, he joined AIMFLEX as a Sales Manager, where he was later promoted to Sales Director in 2014. In 2018, he was appointed as the Managing Director to lead the distribution business of AIMFLEX.

KEY SENIOR MANAGEMENT PROFILES CONT'D



Ong Soo Lid
Key Senior Management



43 years old



Male



Malaysian

Ong Soo Lid was appointed as the Managing Director of our subsidiary, AIMFLEX Singapore Pte. Ltd. in January 2021 and promoted to Vice President of Sales and Operations of another subsidiary, AIMFLEX Systems Sdn. Bhd. in June 2022.

He graduated with a Bachelor of Engineering (Electrical – Electronics) from Universiti Teknologi Malaysia (UTM) in 2003. He has more than 17 years of working experience in the Engineering and Automation industry.

He began his career in 2003 with Tekmark Sdn. Bhd. as a Principal Consultant and was responsible for providing a wide range of sales and technical services to customers and developed test and automation solutions in multiple industries. In 2007, he joined Celestica Electronics (M) Sdn. Bhd. as the Test Development Manager. During his tenure with Celestica, he had set up a test development team to provide in-house test solutions to their new and existing customers. In 2008, he joined Flextronics Technology (M) Sdn. Bhd. and was promoted to Senior Manager of Test Development Engineering and Industrial Automation. He was assigned to lead the company's SMART factory and their Industry 4.0 initiatives.

In 2019, he decided to pursue his career in Singapore, where he joined Venture Corporation Limited as a Test Development Manager. He had the responsibility of managing the test development engineering team in Johor Bahru and Singapore. He then left Venture Corporation Limited to join AIMFLEX Singapore Pte. Ltd. in March 2020.

KEY SENIOR MANAGEMENT PROFILES CONT'D



Lau Karn Hwa
Key Senior Management

 **44 years old**

 **Male**

 **Malaysian**

Lau Karn Hwa joined AIMFLEX in October 2019, appointed as the Senior R&D Manager in January 2021 and promoted to Vice President of Engineering in June 2022. He is responsible in leading the AIMFLEX R&D team in data acquisition, machine vision, motion controls & machine learning.

He graduated with a Bachelor of Engineering (Electrical-Mechatronics) from Universiti Teknologi Malaysia (UTM) in 2003. He holds more than 18 years of working experience in the Electrical and Electronics industry.

He started his career in the year 2003 serving as one of the local pioneer engineers in Test Development team at Flextronics Technology (Malaysia) Sdn. Bhd.. The role requires extensive communication and negotiation with various customers to define and execute product functional test plan. In 2005, he left Flextronics (Malaysia) Sdn. Bhd. and joined Altera Corporation Sdn. Bhd. as Senior Test Development Engineer focusing on chip level/ wafer level equipment developments.

From 2007 to 2017, he served at Keysight Technologies Malaysia Sdn. Bhd. (formerly known as Agilent Technologies Malaysia Sdn. Bhd.), where he had grown into an Expert Design Engineer developing Agilent/ Keysight bench top oscilloscopes. Working together with Keysight USA team, he had completed 6 product development life cycles with successful global product launches. His skills include development of advanced embedded systems, signal integrity analysis and power electronics. During his tenure at Agilent, he was also a certified PMI Project Management Professional and a key contributor to US Patent (#10,222,398).

In 2017, he served as the Senior Consultant for Avnet Asia Pte. Ltd. (Xilinx Distribution Channel) in Singapore. His key role covered business development activities driving demand creation for Xilinx SOC and Compute Hardware Accelerator targeting customers in Aerospace & Defence, 4G/5G Radio Communications, High Performance Computing Data Centre and Machine Vision/Machine Learning domains. He then left Avnet Asia Pte. Ltd. to join AIMFLEX.

KEY SENIOR MANAGEMENT PROFILES CONT'D



Chuah Chern Yang
Key Senior Management

27 years old

Male

Malaysian

Chuah Chern Yang is the Chief Financial Officer of the Group and is responsible for the Group's overall financial and accounting operations.

In 2016, he did his first year of Bachelor of Business (Majoring in Accounting & Finance) in Monash University, Malaysia. Subsequently in 2017, he transferred to University of Melbourne, Australia for the second and third year and in 2018 graduated with a Bachelor of Commerce (Majoring in Accounting & Finance). He is a Certified Practising Accountant (CPA) with CPA Australia and a Chartered Accountant of Malaysian Institute of Accountant since June 2022 and September 2022 respectively.

Chuah Chern Yang began his career in March 2019 as a Tax Associate with Ernst & Young (EY) in Kuala Lumpur of which he was attached to the Global Compliance Reporting – GCR department, mainly involved in corporate tax computation, managing tax compliance for various client from different industries. During his tenure in EY, he was also seconded to the International Transaction Tax Services (ITTS) department for 6 months and handled tax matters involving merger & acquisitions, corporate restructuring, liquidation and due diligence.

In April 2022, he left the tax profession and began his journey in the commercial sector with Puncakdana Group of Companies mainly involved in property development, construction, hospitality and corporate finance as its Finance Manager to lead the finance team. His experience with Puncakdana includes mergers and acquisitions of public listed companies in Bursa Malaysia, private placement exercise and share rights issuance.

In January 2024, after leaving Puncakdana Sdn Bhd, he joined AIMFLEX and assumed the current role.

Notes:

1. None of the Key Senior Management has any family relationship with any Director and/or major shareholder of the Company save for Chuah Chern Yang, who is the son of Chuah Chong Ewe and nephew to Chuah Chong San.
2. None of the Key Senior Management has been convicted of any offence (other than traffic offences) within the past 5 years and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year.
3. None of the Key Senior Management has any conflict of interest with the Company.
4. None of the Key Senior Management holds any directorship in public companies and listed corporations.

LETTER TO SHAREHOLDERS

Dear Shareholders,

On behalf of the Board of Directors of AIMFLEX Berhad, we are pleased to present the Annual Report and Consolidated Financial Reports of the Group for the financial year ending on 31 December 2023 ("FY2023").

2023 had seen a lot of challenges, with the continuance in the Russia/Ukraine war to the ongoing conflict in the Middle East. As a business entity, AIMFLEX must acknowledge and adapt to the evolving economic landscape, remaining vigilant to potential shifts and opportunities in the business environment.

For FY2023, AIMFLEX achieved a revenue of RM85.06 million (FY2022 : RM91.7 million). The slight decrease in revenue was primarily attributed to a 12.3% decline in revenue from the manufacturing segment. Gross profit also decreased by 13.7% from RM33.39 million in FY2022 to RM28.81 million in FY2023, primarily due to lower revenue and increased overhead costs in the manufacturing segment.

Conversely, other incomes increased by RM1.1 million or 59.5%, mainly due to higher interest income from cash on hand placed in fixed deposits and gains on foreign currency due to the rise of the USD and SGD, respectively.

As a result, AIMFLEX reported a Profit Before Tax ("PBT") of RM12.22 million for FY2023, compared to PBT of RM16.93 million for FY2022, reflecting a decrease of 27.8%. The lower PBT in FY2023 was mainly attributable to lower gross profit resulting from decreased revenue and increased overhead costs.

BUSINESS AND OPERATIONS

Despite the challenging business environment, we remain focused on developing and expanding our business and operations as follows:

1. Tapping on our strong cash reserves, we had acquired controlling stakes in three new companies situated at the northern part of Peninsular Malaysia. Namely:
 - i. 60% stake in Owin Industrial Sdn. Bhd. ("Owin") on 19 January 2023. Owin is involved in the manufacturing of automation machines
 - ii. 60% of Union Tech Automation Sdn. Bhd. ("Union Tech") on 31 January 2023. Union Tech is involved in the design and fabrication of precision parts. In July 2023, Union Tech purchased a light industrial factory building located in Penang.
 - iii. Acquisition of a 80% stake in Esontech Sdn. Bhd. ("Esontech") on 11 October 2023. Esontech is involved in design, production and promotion of automated equipment.
2. On 9 January 2023, the Malaysian Investment Development Authority ("MIDA") granted our subsidiary, AIMFLEX Systems Sdn. Bhd. ("AFSYS"), Pioneer Status for its Factory Automation System and Related Modules for a period of 10 years commencing from 7 February 2022. This incentive grants AFSYS 100% income tax waiver on its statutory business income generated from Factory Automation System and Related Modules.
3. As part of the Group's Human Capital Development agenda, we had
 - i. fully sponsored 10 employees for various Bachelors, Masters and PhD programmes.
 - ii. organised a total of 95 employee training courses, of which 27 were in-house training and 68 were external training sessions.
 - iii. hosted 10 Malaysian private and public College and University interns across various disciplines.

LETTER TO SHAREHOLDERS CONT'D

MARKET OUTLOOK AND FUTURE PROSPECT

The short-term market outlook appears uncertain due to various factors, including ongoing geopolitical tensions, concerns about a potential global recession, and persistent high inflation. These elements have the potential to impact global economic growth and, consequently, the demand for our products. The Group is actively monitoring the situation and implementing necessary measures to minimise the impact of unpredictable operating conditions on its operations. Despite these challenges, the Group has demonstrated resilience in its operations.

For the current Financial Year ("FY2023") marked a positive beginning, coinciding with the ongoing global economic recovery post-pandemic. Notably, the Group achieved significant milestones by successfully finalising three strategic acquisitions, namely Owin, Union Tech, and Esontech in January 2023 and October 2023, respectively. These acquisitions served as key entry points for the Group into the dynamic electrical and electronic ecosystem of the northern corridor. This region is characterised by the presence of numerous multinational companies and supported by a robust network of thousands of small and medium industries.

The strategic move into the northern corridor offers the Group a valuable opportunity to diversify its customer portfolio across various sectors within the vibrant electrical and electronic landscape. This expansion aligns with the Group's broader growth strategy, positioning it to tap into new markets and establish a stronger foothold in the industry. The acquisition of Esontech in October 2023 opens doors into the rapidly growing field of silicon photonics industries, beginning with Silicon Photonics Optical Alignment Solutions. The Group sees this move as a chance to venture into new and promising markets.

Looking ahead, the Group plans to continue its growth trajectory through smart and strategic acquisitions. Additionally, efforts will be directed towards strengthening internal product development capabilities, enhancing research and development, and implementing stringent cost controls to address inflation and its consequences. Barring unforeseen events, the Board expresses optimism about the Group's future.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, we would like to extend our heartfelt gratitude to our customers, shareholders, business partners, service providers, stakeholders, advisers, bankers, regulatory authorities, and government agencies for their unwavering support.

Special appreciation goes to our dedicated employees and the Management team for their commitment and contributions to our growth. Your efforts are crucial to our success, and we value each team member for their role in our journey. Thank you all for your integral support.

Chuah Chong Ewe

Executive Chairman

Chuah Chong San

Group Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of business

AIMFLEX Berhad ("AIMFLEX" or "the Company") is primarily involved in the manufacturing automation business, specialising in the design, manufacturing and modification of automation machines. AIMFLEX acts as a onestop automation solutions provider which also designs and fabricates metal frames, panels and precision parts of machines as well as the distribution of manufacturing automation hardware and software as value added services.

In 2019, with the successful listing in the Bursa Malaysia ACE Market, AIMFLEX has managed to set a strong foothold in the home appliances, electrical and electronics ("E&E") industries by working with local and international partners to fulfil the market needs for the latest manufacturing automation and smart solutions.

As industries go into hyperdrive to tap into the Industrial Revolution 4.0 wave and digitisation post-pandemic, AIMFLEX aims to explore a broader range of customers by making strategic acquisitions in three subsidiaries in 2023 as mentioned in the Letter To Shareholders (page 15 and 16).

The Board and Management Team are committed to achieve the highest standards in quality, safety and environment within its operation, production, and engineering processes. To this end, three of the Company's subsidiaries, namely AIMFLEX Systems Sdn. Bhd., AIMFLEX Metal Sdn. Bhd. and AIMFLEX Engineering Sdn. Bhd. are certified ISO 9001:2015 Quality Management System and ISO 14001:2015 Environmental Management System.

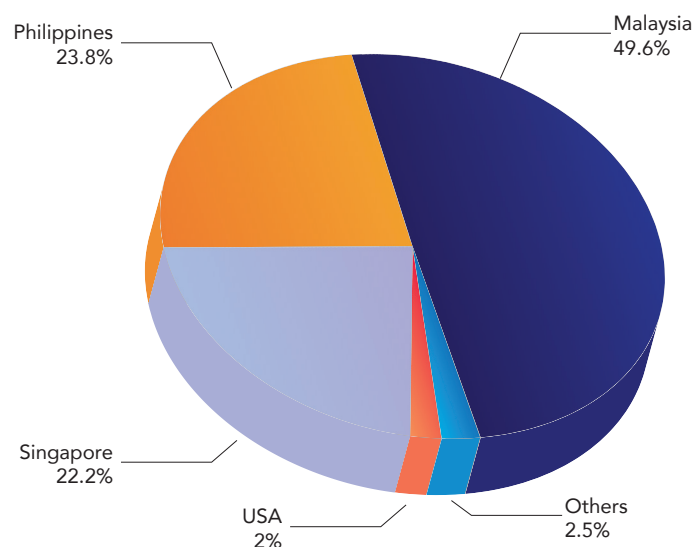
Review of Financial Performance

The Company and its subsidiaries' ("the Group") financial performance for the financial year ended 31 December 2023 ("FY2023") and financial year ended 31 December 2022 ("FY2022") are illustrated as follows:

	FY2023	FY2022	Variance	
	RM'000	RM'000	RM'000	%
Revenue	85,060	91,737	(6,677)	(7.3)
Gross profit ("GP")	28,812	33,393	(4,581)	(13.7)
Other income	2,958	1,855	1,103	59.5
Distribution, administrative and other expenses	(19,364)	(18,315)	1,049	5.7
Finance costs	(188)	(7)	(181)	2,516.4
Profit before taxation ("PBT")	12,218	16,926	(4,708)	(27.8)
Profit after taxation ("PAT")	9,350	13,218	(3,868)	(29.3)
GP margin (%)	33.9	36.4	-	(2.5)
PBT margin (%)	14.4	18.5	-	(4.1)
PAT margin (%)	11.0	14.4	-	(3.4)

MANAGEMENT DISCUSSION AND ANALYSIS CONT'D

Revenue



Overall Geographical Markets

	FY2023	FY2022	Variance	
	RM'000	RM'000	RM'000	%
Manufacturing	73,374	83,623	(10,249)	(12.3)
Malaysia	36,098	39,260		
Philippines	20,220	8,206		
Singapore	16,232	31,798		
Others	824	4,359		
Distribution	11,686	8,114	3,572	44.0
Malaysia	6,055	4,592		
Singapore	2,655	2,684		
United States of America (USA)	1,663	595		
Others	1,313	243		
Grand Total	85,060	91,737		

Our Group has recorded a lower revenue of RM85.06 million in FY2023 compared to RM91.74 million in FY2022. Revenue from manufacturing segment lowered by 12.3% from RM83.62 million to RM73.37 million in FY2023. By geographical location, the decrease in revenue from our manufacturing segment was mainly attributable to Singapore, which dropped by 49% in FY2023, mitigated by the increase in revenue from Philippines.

Revenue from our distribution segment, however, increased by 44% from RM8.11 million in FY2022 to RM11.69 million in FY2023. The increase in revenue from our distribution segment was mainly attributable to the increase in the revenue of statistical analysis software which contributed 67.1 % of distribution segment's revenue in FY2023 (FY2022: 66.8%).

Overall, Malaysia remained our Group's largest revenue contributor in FY2023, representing 49.6% (FY2022: 47.8%) of our total revenue, followed by Philippines at 23.8% (FY2022: 11.3%) and Singapore at 22.2% (FY2022: 37.6%).

MANAGEMENT DISCUSSION AND ANALYSIS CONT'D

Gross Profit

	Manufacturing			Distribution			Total		
	FY2023	FY2022	Variance	FY2023	FY2022	Variance	FY2023	FY2022	Variance
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	73,374	83,623	(12.3)	11,686	8,114	44.0	85,060	91,737	(7.3)
Cost of sales	47,754	52,854	(9.6)	8,494	5,490	54.6	56,248	58,344	(3.7)
GP	25,620	30,769	(16.8)	3,912	2,624	21.7	28,812	33,393	(13.7)
GP margin (%)	34.9	36.8	(5.4)	27.3	32.3	(15.2)	33.9	36.4	(6.9)

Gross profit slight decreased of 13.7% from RM33.39 million in FY2022 to RM28.81 million in FY2023 mainly resulted from lower gross profit recorded in the manufacturing segment which was mainly attributable to lower revenue and offset with higher gross profit and revenue recorded in distribution segment.

Other Income

Higher other income of RM2.96 million was recorded in FY2023 (FY2022: RM1.86 million) mainly attributable to higher income from interest from cash on hand by RM1.24 million (FY2023: RM1.72 million; FY2022: RM0.48 million) from financial institutions.

Operating Expenses

Higher distribution, administrative and other expenses of RM19.36 million was recorded in FY2023 (FY2022: RM18.31 million) mainly due to higher carriage outwards by RM0.12million and higher director allowance and salaries by RM0.89 million.

Profit and Tax

Our PBT decreased by RM4.7 million from RM16.93 million to RM12.22 million was in line with the lower gross profit by RM4.58 million as a result of lower revenue as explained above.

The Group's overall tax expenses has decreased from RM3.71 million in FY2022 to RM2.87million in FY2023 mainly due to lower PBT generated. The effective tax rate for the Group is lower than statutory tax rate mainly due to availability of tax incentive in one of its subsidiaries. On 9 January 2023, the Malaysian Investment Development Authority ("MIDA") has granted our subsidiary, AIMFLEX Systems Sdn. Bhd. ("AFSYS"), Pioneer Status for its Factory Automation System and Related Modules for a period of ten years commencing on 7 February 2022. This incentive grants AFSYS 100% income tax waiver on its statutory business income generated from Factory Automation System and Related Modules.

MANAGEMENT DISCUSSION AND ANALYSIS CONT'D

Financial Position Review

	FY2023 RM'000	FY2022 RM'000	Variance RM'000	%
Assets				
Non-current assets	32,731	24,815	7,916	31.9
Current assets	131,354	113,293	18,061	15.9
Total assets	164,085	138,108		
Liabilities				
Non-current liabilities	4,720	1,124	3,596	319.9
Current liabilities	24,466	13,602	10,864	79.8
Total liabilities	29,186	14,726		
Equity	134,899	123,382	11,517	9.3

Non-current assets

Our non-current assets mainly comprised Property, Plant and Equipment ("PPE") of RM27.81 million (FY2022: RM22.92 million) and goodwill of RM4.35 million (FY2022: RM0.86 million). The increase in PPE was mainly due to the purchase of factory building by one of our subsidiary Union Tech amounting to RM3.25 million and other subsidiaries have also purchased some new machineries during the financial year, while the increase in goodwill was mainly due to the Group acquisition of three new subsidiaries during the financial year.

Current assets

Current assets have increased from RM113.29 million in FY2022 to RM131.35 million in FY2023. The increase was mainly contributed by higher cash and cash equivalents from RM77.65 million in FY2022 to RM91.31 million in FY2023 and also higher current tax assets from RM0.64 million in FY2022 to RM1.96 million in FY2023. Other than this, the inventories also increased from RM11.8 million in FY2022 to RM13.0 million in FY2023 mainly consist of work-in-progress inventories.

Current and Non-Current Liabilities

Non-current liabilities increased mainly due to increase in loan and borrowing amounting to RM3.1 million as one of our subsidiary, Union Tech had acquired a loan to purchase factory building in Penang. On the other hand, current liabilities increased from RM13.60 million in FY2022 to RM24.47 million in FY2023 mainly due to the increase in contract liabilities from RM3.59million in FY2022 to RM9.98 million in FY 2023.

Liquidity and capital reserves

The net cash inflow of the Group for FY2023 was RM14.30 million compared to RM54.74 million for FY 2022. This was attributable by:

- Lower net cash inflow of RM17.14 million from operating activities mainly caused by lower PBT from RM16.93 million in FY2022 to RM12.22 million in FY2023;
- Higher net cash outflow of RM3.30 million from investing activities mainly caused by the purchase of property, plant and equipment amounting to RM2.71 million and acquisition of subsidiaries amounting to RM1.78 million but offset by higher interest income from fixed deposit amounting to RM1.10 million; and
- Lower net cash inflow of RM0.46 million from financing activities arising mainly from proceeds from issuance of ordinary shares (ESOS), and addition of hire purchase and loan drawdown, offset by repayment of loan and hire purchase as compared to high net cash inflow of RM30.91 million in FY2022 which mainly from issuance of ordinary shares pursuant to the placement exercise.

As of 31 December 2023, the Group's cash and cash equivalents stood at RM91.19 million.

MANAGEMENT DISCUSSION AND ANALYSIS CONT'D

Share Price Performance



The share price of AIMFLEX closed at RM0.165 on 29 December 2023, with a total market capitalisation of RM228.30 million. The year's high stood at RM0.23 while the year's low stood at RM0.145.

Operational and financial risks with mitigating strategies

Risk of dependence on our major customers

Approximately 48% (2022: 61%) of the Company's product sales were to a group of customers. Our Group presently does not have any long-term contract with our major customers. Hence, any adverse changes in the consumer preference and taste may affect the development of various products manufactured or introduced by our major customers, which in turn may affect the demand for our range of specialised automation machines as our customers may scale back on their overall production and investment plan.

The Group will continue to expand our automation business by penetrating into industries such as healthcare, automotive and so on.

Foreign currency risk

The Group is exposed to fluctuation in foreign exchange rate as a proportion of our sales and purchases are transacted in foreign currencies, namely in United States Dollar ("USD") and Singapore Dollar ("SGD"). Any adverse movement in the foreign exchange markets may have adverse impact on our business performance, financial position and operating results.

Our Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies and the Group continues to monitor our exposure to foreign currency movements on a regular basis. Should our exposure be substantial, the Group would consider financial instruments to hedge our exposure.

Market Risk

The geopolitical tension as well as chain reaction on price inflation for almost all goods and services have caused havoc to the fragile economy which was about to pick up steam post-pandemic.

The Group remains cautious of the above and will continue to optimise the resources on product and technology development that can support the market demands and in line with Industrial Revolution 4.0. The Group will also remain focused on prioritising the efforts on operational efficiency and rigorous cost rationalisation.

MANAGEMENT DISCUSSION AND ANALYSIS CONT'D

Forward Looking Statement

In addition to the market risks outlined above, the Group maintains a positive outlook on our operations. In 2023, we completed our inaugural company acquisition post-IPO, aimed at expanding our market presence in the Northern region of Peninsula Malaysia and enhancing our technical expertise. Through these acquisitions, we aim to diversify our customer base into sectors such as healthcare and automotive industries.

Our strategic focus remains on pursuing further acquisitions to drive business growth, exploring new opportunities with existing and potential clients, and strengthening our internal capabilities in product development while implementing stringent cost-control measures to mitigate inflationary pressures.

Subject to unforeseen circumstances, our Board expresses confidence in the Group's prospects, leveraging domestic opportunities while prudently evaluating potential ventures abroad.

SUSTAINABILITY STATEMENT

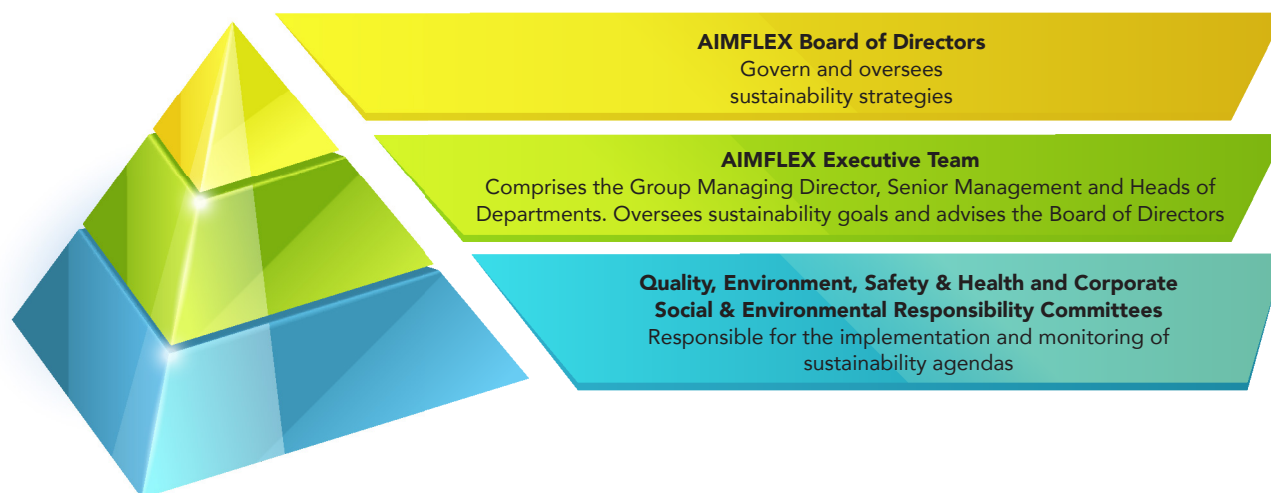
SUSTAINABILITY GOVERNANCE

AIMFLEX remains steadfast in its dedication to advancing proficiency in Specialised Automation Machines. Actively and strategically pursuing opportunities for sustained, long-term growth, our overarching mission is to not only generate financial prosperity but also to create enduring value and positive impacts for our diverse stakeholders. Central to our pursuits is the unwavering commitment to seamlessly integrate sustainability into the core fabric of our organisational agenda.

The Board of Directors, as the guiding force, assumes a pivotal role in steering the company towards sustainable development. Their responsibilities encompass providing strategic direction and guidance, ensuring the holistic and sustainable development of business strategies, and overseeing effective risk management across the entire group. A cornerstone of their leadership involves advocating for sustainability, spanning environmental, economic, and social dimensions.

Within the Group Management structure, comprised of the Group Managing Director, Senior Management, and various Heads of Departments, the charge is to meticulously formulate sustainability strategies. This involves setting bespoke objectives, defining goals, and implementing practices that resonate with the organisation's overarching mission and values.

Operationalising these strategies falls within the purview of the various committees such as the Quality, Environment, Safety & Health and Corporate Social and Environmental Responsibility. Under the adept leadership of the Group Managing Director, Senior Management, and appointed Management Representatives, these committees drive the comprehensive implementation of sustainable practices. They also play a pivotal role in fostering awareness internally and externally and engaging stakeholders in a meaningful and purposeful manner.



SUSTAINABILITY POLICIES

AIMFLEX has made considerable strides since embarking on our sustainability journey. Currently, our sustainability path is guided by our Environment Management System, Quality Management System, Occupational Safety & Health and Corporate Social and Environmental Responsibility policies. The mentioned policies undergo, crucial to our sustainability commitment, are readily accessible on our website at www.aimflex.com.my.

The mentioned policies undergo regular implementation and systematic reviews to ensure that the group consistently adheres to its sustainable commitments. This ongoing process is vital in keeping our sustainability practices relevant, effective, and in alignment with our evolving goals.

Moreover, our dedication to ethical principles extends to endorsing the Universal Declaration of Human Rights, a commitment enshrined not only in our corporate policies but also in the Federal Constitution of Malaysia. We actively advocate for the fair treatment of employees, irrespective of gender, nationality, race, religion, and culture, emphasising our steadfast commitment to fostering an inclusive and equitable workplace environment.

SUSTAINABILITY STATEMENT CONT'D

SUSTAINABILITY COMMITMENTS AND TARGETS

AIMFLEX is dedicated to promoting a sustainable future and enhancing the social, economic, and environmental welfare of the communities where we conduct business.

To reinforce this dedication, the Group has harmonised its sustainability targets based on the United Nations Sustainable Development Goals (UNSDGs), covering the following focal points:

UNSDG OBJECTIVES	TARGET	STATUS
 1 NO POVERTY	- All employees to be paid in accordance to the Minimum Wage Order. - Create employment	- Conformance to the Minimum Wage Order for all levels of employees. - AIMFLEX creates employment for both locals and foreign nationals through our various employment initiatives.
 3 GOOD HEALTH AND WELL-BEING	- Appropriate Personal Protective Equipment (PPE) are provided free of charge to all employees. - To minimise occupational hazards in the workplace. - Training in regards to Emergency Response and First Aid. - Provide medical benefits to employees.	- All personnel are provided with free PPE free of charge. - Conducting awareness programmes and identifying risks. - All personnel are required to attend the relevant Emergency Response and First Aid Trainings which are conducted at least once a year. - Conduct monitoring for high-risk areas such as Noise Risk Assessment, Audiometric Testing, Boundary Noise and Chemical Exposure Monitoring. - Drinking Water monitoring based on Food Act 1983. - AIMFLEX provides subsidised medical check-up, medical expenses and dental fees. Further to that the Group also takes up Group insurance for Medical Card, Personal Accident and Life Insurance for all its personnel.
 4 QUALITY EDUCATION	- Provide scholarships for higher education purposes. - Training and Development.	- Eligible employees are encouraged to further studies in related fields from accredited Universities. In 2023, ten (10) personnel were fully sponsored scholarships to pursue their Bachelors, Masters and PhD's. - To upskill all its personnel, AIMFLEX provides trainings for various job disciplines within the organisation utilising the Human Resource Development Corp Fund and internally budgeted capital.
 5 GENDER EQUALITY	- Paid maternity and paternity leave. - Zero tolerance to Sexual Harassment.	- All mothers and fathers are allocated paid maternity and paternity leave. - Implementation of the Code of Conduct including Grievance procedure.

SUSTAINABILITY STATEMENT CONT'D

SUSTAINABILITY COMMITMENTS AND TARGETS Cont'd

UNSDG OBJECTIVES	TARGET	STATUS
6 CLEAN WATER AND SANITATION 	1. Ensuring safe drinking water, sanitation and hygiene.	1. Perform yearly assessments of drinking water quality as stipulated by the Food Act 1983. 2. Maintain access to adequate handwashing amenities. 3. Ensure that sanitation facilities remain operational and properly maintained.
8 DECENT WORK AND ECONOMIC GROWTH 	1. Sustainability and Certification. 2. Equal pay for work of equal value. 3. Prohibition and elimination of child and forced labour.	1. Certified Quality Management System ISO 9001:2015 and Environment Management System ISO 14001:2015. 2. AIMFLEX practices equal pay without discriminating on background. Salaries are based on set guidelines, this includes education level, skills and experience. 3. Not to employ child labour as mentioned in our Child Labour and Remediation Policy. The Group adheres to all legal requirements of the related Malaysian Labour Laws. This would include payment of salaries, working hours, overtime payments and no forced labour.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	1. Increase access to information and communications technology and strive to provide universal and affordable access to the Internet.	1. A majority of AIMFLEX's personnel are provided with Laptops and/or Computers for daily work and communications. The Group also strives to provide stable internet access and accessibility for ease of work.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	1. Reduce waste generation through prevention, reduction, recycling and reuse. 2. Use of Battery Powered machines in replacement of Diesel engines. 3. Reduce usage of paper. 4. Use of more energy efficient equipment and lightings.	1. Recyclable wastes generated are disposed off through an appointed Recycling company. In 2023, AIMFLEX had recycled 13.86mt of recyclable wastes consisting of paper, cardboard boxes, steel, acrylics, aluminium and metals. 2. AIMFLEX has been converting existing equipment to Battery Powered. The Group had invested in two (2) units battery powered forklifts for use within the factory area. 3. AIMFLEX encourages the practice to reduce paper usage via printing on both sides, print when needed and converting to documents such as e-payslips and online claim submissions. 4. The use of more energy efficient air conditioners and LED lightings.

SUSTAINABILITY STATEMENT CONT'D

SUSTAINABILITY COMMITMENTS AND TARGETS Cont'd

UNSDG OBJECTIVES	TARGET	STATUS
	1. Increase actions to combat climate change	1. Increase recycling activities. 2. Use of energy efficient equipment. 3. Monitoring of wastes, usage of energy and water. 4. Monitor Environmental Objectives.

STAKEHOLDERS ENGAGEMENT

Stakeholders engagement is a key strategy for consistently creating enduring value, recognising the perpetual evolution of stakeholders' expectations. This becomes especially pertinent in the face of increasing complexity and challenges within the corporate environment. As our business landscape continues to transform, engaging stakeholders takes on an increasingly vital role. It serves as a crucial mechanism to keep our stakeholders fully informed about our proactive initiatives in addressing significant challenges and disruptions affecting our business.

Amidst the dynamic corporate landscape, we firmly uphold the belief that involving stakeholders is not just advantageous but an integral aspect of our commitment to transparency. Through active engagement, we aim to establish open lines of communication, ensuring that stakeholders play an active role in our decision-making processes. This approach enables them to stay well-informed about the strategies and measures we implement to navigate complexities and uncertainties effectively.

EMPLOYEES

Expectations & Concerns:

Our employees expect to have a safe and secure working environment and be given opportunities for career development.

Our Responses:

- Encourage employee feedbacks
- Performance evaluation measurements
- Integrated training Reward and appreciation.
- Pandemic precaution measures.
- Reinforced focus on safety and Environmental Social Governance (ESG)

Methods of Engagement:

- Company organised events.
- Direct communication channel.
- Performance review.
- Training and development.
- Conflict of Interest Policy
- Personal Data Protection Act Policy.
- Employee Non-Disclosure Agreement.
- Employee Satisfaction Survey.

Impact on the Group:

Creates a competent and efficient workforce while encourages employee retention and in turn add value to the Group.

SUSTAINABILITY STATEMENT CONT'D

STAKEHOLDERS ENGAGEMENT Cont'd

CUSTOMERS

Expectations & Concerns:

Our customers expect the company to have the relevant technology, innovative capabilities and know-how including compliance to related requirements without jeopardising on product quality and after sales services while maintaining competitive pricing.

Our Responses:

- Establish manufacturing Quality Management System.
- Good project management practices.
- Continuous learning and improvements.
- Exhibitions.
- Customer feedback surveys.
- Comply to customer Corporate Social and Environmental Responsibility expectations.
- Compliance to related Health, Safety & Environment laws and regulations including taking proactive measures as far as practicable.

Methods of Engagement:

- Face-to-face meetings and discussions.
- Customer satisfaction Survey.
- Virtual Meeting Support.
- Customer Audits.
- On-Site Visits.

Impact on the Group:

Ensures maintenance of quality while encouraging customer retention.

SHAREHOLDERS AND THE INVESTING PUBLIC

Expectations & Concerns:

Shareholders expect the Company to enhance sustainable value creation and return on investment while providing transparent information about our performance.

Our Responses:

- Enable investor relationship function.
- Transparency of operational performance.
- Establish risk management function.
- Management competencies.

Methods of Engagement:

- Quarterly financial results.
- Annual & Extraordinary General Meetings.
- Announcements.
- Annual report.
- Ad-hoc meetings and correspondence.
- Corporate website.

Impact on the Group:

Generating increased revenue while effectively managing costs is a key driver for achieving sustainable returns and dividends. The maintenance of robust financial health and adherence to sound reporting practices are essential elements that foster trust and preference among investors.

SUSTAINABILITY STATEMENT CONT'D

STAKEHOLDERS ENGAGEMENT Cont'd

VENDORS, SUPPLIERS AND CONTRACTORS

Expectations & Concerns:

Vendors, suppliers and contractors anticipate the Group to function as a professional business entity, characterised by timely payments, safe operations, and an ethical business environment.

Our Responses:

- Ensured timely payments, equal business opportunities and an ethical business environment.
- Assessment on supply deliverables.
- Reinforced focus on safety and Environmental Social Governance (ESG).

Methods of Engagement:

- Supplier qualification and background checks.
- Yearly vendor, supplier and contractor performance evaluation
- Regular feedback on performance.
- Supplier Audit.
- Visitor Non-Disclosure Agreement.

Impact on the Group:

Fostering a robust partnership and collaborative approach with our vendors, suppliers and contractors, guided by principles of integrity, is essential for maintaining a transparent and cost- effective procurement process. This commitment contributes to more sustainable outcomes and ensures the delivery of higher-quality services.

GOVERNMENT, REGULATORY AUTHORITIES AND CERTIFICATION BODIES

Expectations & Concerns:

Regulatory authorities expect the Group's adherence to relevant laws, standards, certifications, and contractual commitments.

Our Responses:

- Continue to practice the highest standards of governance, ethics and compliance.

Methods of Engagement:

- Quarterly Environmental, Safety & Health Monitoring.
- Periodical site inspections and audits.
- Continuous development of the Board of Directors through a variety of seminars and training and certification programmes
- Internal and External Audits.
- Bi-yearly regulatory review.
- Seminars, briefings and training for all employees

Impact on the Group:

Overall business continuity.

LOCAL COMMUNITIES

Expectations & Concerns:

The local community anticipates employment and business opportunities, along with positive contributions from the Group as a responsible corporate citizen.

Our Responses:

- Prioritise employment of locals and ensure safe operations with regular environmental monitoring and effective waste management.
- Regularly engage with the community through Corporate Social Responsibility programmes.

Methods of Engagement:

- Sponsorships and support for charitable and welfare programmes.
- Industrial training.
- Accept University/Industry visits.
- Organise Corporate Social Responsibility programmes.

Impact on the Group:

Earning recognition as a compassionate, approachable, responsible, and proactive organisation will enhance our reputation within the community, ensuring the overall sustainability of the business.

SUSTAINABILITY STATEMENT CONT'D

MATERIAL ASSESSMENT

Critical considerations encompass a spectrum of economic, environmental, and social factors that exert a substantial influence on AIMFLEX's capacity to create value for our stakeholders. Through a meticulous understanding of the needs and interests of our stakeholders, we can adeptly discern and prioritise issues that hold paramount importance for both our stakeholders and the company alike.

In the fiscal year 2023, the Group's significant concerns closely align with those revealed in FY2022, subsequent to a thorough internal materiality assessment undertaken by the Group.

In the identification of matters significant to the Group, we rigorously adhered to the guidelines outlined in the Sustainability Reporting Guide provided by Bursa Malaysia.

Throughout the research process, we diligently considered pertinent global industry trends and benchmarked against the best practices advocated by selected industry organisations.



SUSTAINABILITY STATEMENT CONT'D

ECONOMICS

AIMFLEX is steadfast in its commitment to conduct business operations in strict compliance with all relevant laws, rules, and regulations, upholding the highest standards of ethical conduct and corporate responsibility.

Material Matter	Impact on AIMFLEX	AIMFLEX's Response to the Matter	Stakeholder Groups Affected
Ethics, Integrity & Conducts	Creating an AIMFLEX culture and mindset	- Implementation of various policies such as AIMFLEX Code of Conduct, Whistleblower and Anti-Bribery & Corruption. - Adopting a zero-tolerance approach against discriminatory conducts, sexual harassment, child and forced labour and any other practices that seek to obtain business through improper means. - Privacy agreement through the respective Non-Disclosure Agreements	Employees, Customers, Shareholders and the Investing Public, Vendors, Suppliers and Contractors, Local Communities
Legal & Regulatory Compliances	Reputation	- Adherence to the relevant regulatory requirements. - Engagement with the Government on the renewal of licenses.	Employees, Customers, Shareholders and the Investing Public, Vendors, Suppliers and Contractors, Government, Regulatory Authorities and Certification Bodies
Corporate Governance and Transparency	Enterprise Risk Management	- Embedding Risk and Compliance culture across departments and subsidiaries. - Performance of audits periodically by Internal and External Auditors - Risk awareness briefings and trainings	Employees, Shareholders and the Investing Public
Commitment towards Quality	Consistently conforms to customer requirements through the pursuance of top of the class products, processes and management quality development	- Maintenance of the Quality Management Systems ISO 9001:2015 under UKAS (The United Kingdom Accreditation Service) and DSM (Depar Standards Malaysia). - Implementation of the 5S philosophy (Seiri, Seiton, Seiso, Seiketsu, Shitsuke)	Employees, Vendors, Suppliers and Contractors, Government, Regulatory Authorities and Certification Bodies

Grievance Procedure

In 2018, AIMFLEX implemented a grievance procedure to provide an avenue for any personnel to address concerns by lodging grievances with their respective Supervisor or Head of Department. We are committed to addressing grievances promptly and fairly, aiming to respond to all complaints within a timeframe of five (5) to twelve (12) working days, depending on the severity of the issue. This procedure ensures transparency, accountability, and a supportive environment where every employee's voice is heard and valued.

SUSTAINABILITY STATEMENT CONT'D

ECONOMICS Cont'd

Whistleblower Policy & Procedure

In 2020, AIMFLEX introduced the Whistleblower Policy and Procedure, offering a platform for all stakeholders to raise concerns regarding any inappropriate conduct within the Group. This policy establishes a dedicated communication channel (whistleblowing@aimflex.com.my) through which individuals can confidentially report any misconduct or wrongdoing they observe or experience. By fostering transparency and accountability, this initiative underscores our commitment to upholding ethical standards and ensuring a culture of integrity throughout our organization.

Code of Conduct

The Group's Code of Conduct serves as a cornerstone, guiding employees to uphold ethical and responsible business practices in accordance with applicable laws and regulations. In February 2022, the Code underwent a revision, placing renewed emphasis on the significance of governance and exemplary business conduct. This update underscores our unwavering commitment to maintaining the highest standards of integrity, transparency, and accountability in all aspects of our operations.

The Group's Code of Conduct spells out six (6) main pillars and sub-pillars namely:-

i. Duties of Good Faith, Intelligence and Integrity

- Compliance with Laws, Rules and Regulations
- Corporate Responsibility including compliance to the conflict minerals requirements
- Anti-Bribery and Corruption
- Offering Business Courtesies
- Money Laundering
- Insider Information and Securities Trading
- Political Activities
- Conflict of Interest

ii. Workplace Culture and Environment

- Discrimination and Harassment
- Sexual Harassment
- Forced Labour
- Child Labour
- Grievance Procedure
- Health and Safety
- Drugs and Alcohol

iii. Protecting the Group Information and Assets

- Record Keeping
- Protection and Proper use of Assets
- Company Funds
- Information Technology
- Confidential Information and Data Privacy
- Social Media
- Public Disclosure and Public Information

iv. Professionalism

v. Accountability

vi. Whistleblowing Channel

Details of the mentioned Policies and Procedures are available at <https://www.aimflex.com.my/corporate-governance.html>.

SUSTAINABILITY STATEMENT CONT'D

ENVIRONMENT

The Group remains acutely aware of its environmental obligations and the repercussions of its operations. An in-depth comprehension of the aspects and impacts of these activities empowers us to proactively address potential challenges and enhance our sustainability management practices.

Material Matter	Impact on AIMFLEX	AIMFLEX's Response to the Matter	Stakeholder Groups Affected
Environmental Monitoring	Compliance to the Environment Quality Act	Environmental monitoring, disclosures, and management policies within the framework of our management system.	Employees, Customers, Shareholders and the Investing Public, Vendors, Suppliers and Contractors, Local Communities
Commitment towards the Environment	Conformance to the Sustainability of the business through implementation of Environmental Management System	- Upkeep of the Environmental Management Systems ISO 14001:2015 accreditation under UKAS (The United Kingdom Accreditation Service) and DSM (Department of Standards Malaysia). - Incorporation of environmental considerations and impacts into the Group's decision-making processes and activities.	Employees, Vendors, Suppliers and Contractors, Government, Regulatory Authorities and Certification Bodies, Local Communities
Legal & Regulatory Compliance	Reputation	- Adherence to pertinent environmental regulatory mandates. - Engagement with the relevant government departments such as: - Department of Environment (DOE) - Department of Occupational Safety & Health (DOSH) - BOMBA - Local Governments i.e. Majlis Bandaraya Iskandar Puteri, Majlis Perbandaran Kulai and Majlis Bandaraya Johor Bahru	Employees, Customers, Shareholders and the Investing Public, Vendors, Suppliers and Contractors, Government, Regulatory Authorities and Certification Bodies

SUSTAINABILITY STATEMENT CONT'D

Energy and Water

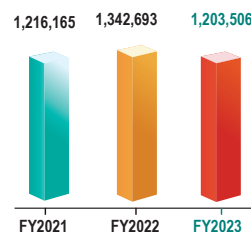
The Group recognises the significance of conserving energy and water resources. AIMFLEX has implemented several initiatives to achieve this, including:

- Raising employee awareness about the importance of turning off lights, computers, air-conditioning, and other electrical appliances during lunch breaks, when out of the office, and after working hours.
- Utilising more energy-efficient appliances and transitioning to LED lighting.
- Educating employees on water-saving practices, promoting reusability and advocating for reduced water usage, particularly in cleaning activities.
- Installing timers for appliances such as lighting and air-conditioning to regulate usage.
- Regularly monitoring monthly utility consumption to identify areas for improvement and optimise resource usage.

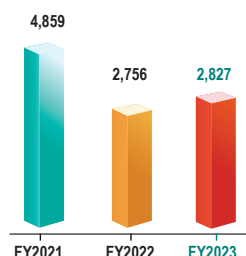
AIMFLEX acknowledges the importance of effective water management in our business operations to ensure the ongoing conservation of water supplies. Despite water consumption not representing a significant portion of our manufacturing costs, we remain committed to responsible water stewardship as part of our broader sustainability efforts.

With these commitments in place, it is reflected in the major decrease in energy consumption, however a slight increase in water consumption is acknowledge for future planning and action.

Energy Consumption (Kwh)



Water Consumption (M³)



Waste Management

Scheduled Wastes

The Group produces a considerable quantity of Scheduled Wastes, which must be disposed of periodically in compliance with the provisions outlined in the Environment Quality Act (Scheduled Waste) Regulations 2005.

List and Total Scheduled Wastes generated are as follows:

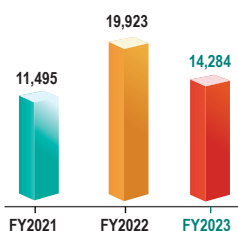
SW 102 – Acid Battery
 SW 103 – Lithium Battery
 SW 104 – Solder Dross
 SW 110 – Electric & Electronic Wastes
 SW 306 – Spent Hydraulic Oil
 SW 307 – Spent Coolant
 SW 322 – Spent Thinner
 SW 404 – Discarded Pathogenic & Clinical Waste
 SW 409 – Contaminated Container
 SW 410 – Contaminated Rags
 SW 416 – Sludges of inks, paints, pigments
 SW 417 – Waste of Coating Powder
 SW 418 – Discarded Paint
 SW 422 – Waste of chip mixed with coolant

In FY2023, there has been a significant reduction in the generation of Scheduled Wastes. This achievement reflects our diligent planning and heightened focus on quality management to minimise wastages.

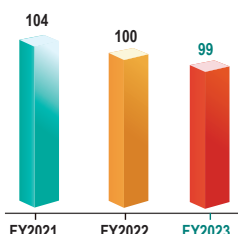
General Wastes

Non-recyclable wastes are produced on a daily basis, and AIMFLEX is steadfast in its commitment to further decrease the volume of general waste generated as outlined in the Group's Environmental Objective for 2023. This reduction is achievable through the utilization of both existing and innovative initiatives. In FY2023, a slight decrease in general waste was recorded, demonstrating progress towards our environmental goals.

TOTAL GENERATED SCHEDULED WASTES (MT)



TOTAL GENERATED WASTES (MT)



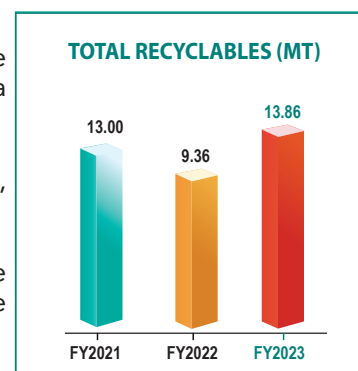
SUSTAINABILITY STATEMENT CONT'D

Recyclable Items

As part of AIMFLEX's sustainability goals, all recyclable items generated are systematically segregated and recycled. Disposal is carried out through a designated recycling company, with collections scheduled periodically.

The Group's recyclable materials include paper, cardboard boxes, steel, acrylics, and aluminum metals.

There has been a notable increase in the volume of recyclable items, attributable in part to the Recycling Activities conducted twice a year. These activities are aimed at fostering a culture of recycling among the group and its employees.



SOCIAL

AIMFLEX recognises the importance of achieving a harmonious equilibrium among the diverse components constituting the social dimension of our sustainability journey. This is evidenced by our concerted efforts to prioritise and integrate objectives and actions related to leadership, diversity, equity and inclusion, human rights, teamwork, community engagement, and the fostering of a safe and healthy corporate culture, as outlined below:

Material Matter	Impact on AIMFLEX	AIMFLEX's Response to the Matter	Stakeholder Groups Affected
Occupational Health and Safety	Compliance to the Occupational Safety and Health Act and related regulations	- Implementation of yearly monitoring conducted at AIMFLEX's factory in Senai, Johor: - Drinking Water monitoring in accordance with the Food Act 1983. - Local Exhaust Ventilation (LEV) monitoring - Noise Risk Assessment. - Audiometric Testing. - Chemical Exposure Monitoring. - The Chemical Health Risk Assessment (CHRA) was conducted in FY2023.	Employees, Customers, Shareholders and the Investing Public, Vendors, Suppliers and Contractors, Local Communities
Fair Employment Practices	Reputation	AIMFLEX upholds a policy of equal employment opportunities, irrespective of gender, race, disability, nationality, religion, or age, as stipulated in the AIMFLEX Code of Conduct.	Employees, Customers, Vendors, Suppliers and Contractors, Government, Regulatory Authorities and Certification Bodies, Local Communities
Training and Development	Upskilling and Staff Retention	- Implementation of a Department Skills Matrix to assess and manage employee skill sets within each department. - Establishment of training targets for personnel at all levels, ensuring continuous professional development and skill enhancement.	Employees
Responsible Supply Chain	Corporate Social Environment Responsibilities	- Deployment of the AIMFLEX Code of Conduct, incorporating Zero Tolerance policies regarding Sexual Harassment, Forced Labor, Discrimination, and Harassment. - Enactment of Anti-Bribery and Corruption policies alongside policies addressing Young Workers, Child Labor and its Remediation.	Employees, Customers, Shareholders and the Investing Public, Vendors, Suppliers and Contractors, Government, Regulatory Authorities and Certification Bodies, Local Communities

SUSTAINABILITY STATEMENT CONT'D

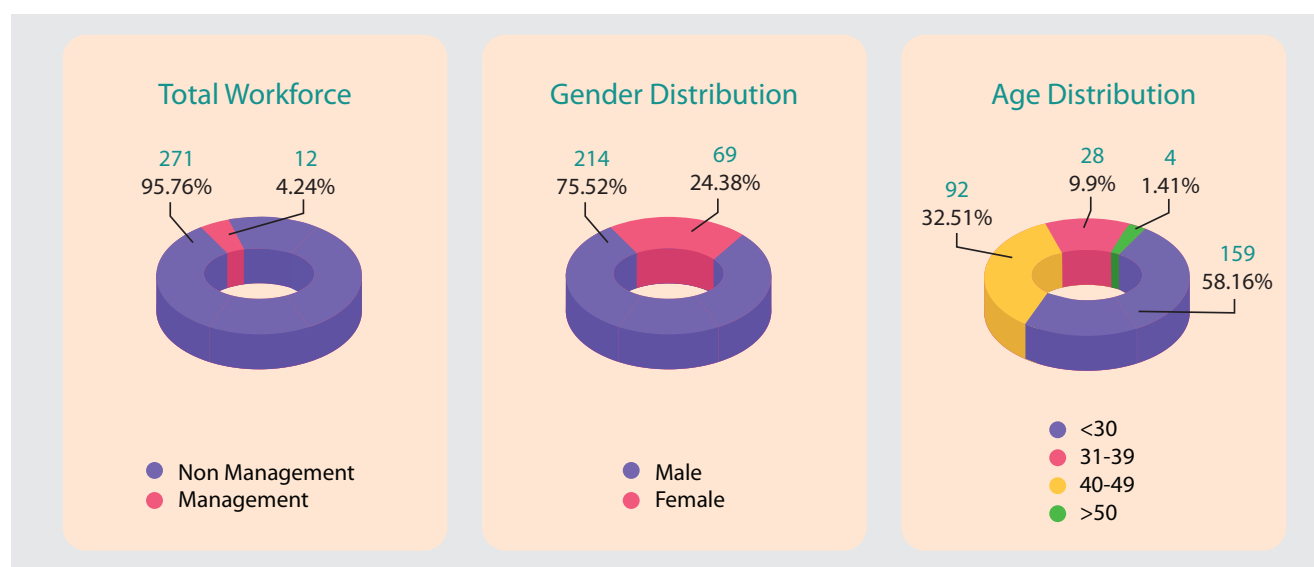
Employees

AIMFLEX recognises the criticality of fostering a dedicated and proficient workforce within a conducive work environment to accomplish its objectives.

We uphold a merit-based approach wherein individuals, irrespective of gender, ethnicity, religion, or nationality, are afforded equal opportunities for employment within the Group, contingent upon their experience and performance.

Our current remuneration strategy is designed to attract new talent and retain top-performing employees. Those aspiring to enhance their skills in specific domains are encouraged to capitalise on training programs and developmental opportunities.

Below are the distribution of AIMFLEX employees as of 31 December 2023.



Occupational Health & Safety

Ensuring a safe and healthy work environment is paramount for AIMFLEX. We are deeply committed to adhering to Occupational Health & Safety (OHS) management principles, alongside the Occupational Safety and Health Act and other relevant regulations. This dedication is rooted in our firm belief that every employee deserves to work in an environment that prioritises their well-being and minimises the risk of workplace accidents and incidents.

The Senior Management plays a pivotal role in driving this commitment forward. They actively lead by example through the implementation of robust safety and health policies, conducting thorough Risk Assessments, and continuously reviewing our Hazard Identification, Risk Assessment, and Risk Control (HIRARC) tool. This ongoing evaluation ensures that we identify and mitigate potential hazards effectively, thus safeguarding our workforce.

To further reinforce our safety culture, AIMFLEX has established several specialised committees. These includes the Safety and Health Committee, tasked with overseeing safety measures, the Environment Management System Committee, which focuses on environmental sustainability initiatives and the Emergency Response Committee, responsible for coordinating responses to any unforeseen incidents. Each committee is dedicated to monitoring, proposing improvements, and ensuring compliance across all aspects of safety, health, and environmental standards.

Moreover, we have formed dedicated response teams to handle emergencies swiftly and effectively. These teams, including the Emergency Response Team, First Aid Team, and Fire Fighting Team, undergo regular training to enhance their preparedness and response capabilities. Additionally, our Standard Operating Procedure for Emergency Management undergoes continuous evaluation and refinement to ensure that we meet and exceed all mandatory safety regulations.

SUSTAINABILITY STATEMENT CONT'D

Occupational Health & Safety Cont'd

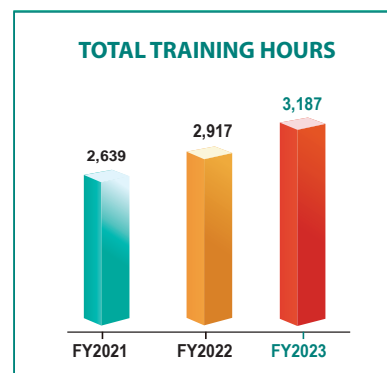
By prioritising safety and health at every level of our organisation, AIMFLEX is not only fulfilling our legal obligations but also demonstrating our unwavering commitment to the well-being of our employees and the sustainability of our operations.

Talent Training & Development Programmes

Employees are regarded as invaluable assets and are fundamental to the success and sustainability of the organisation. Recognising the strong aspiration of our workforce to enhance their knowledge, technical competencies and soft skills, the company actively facilitates both internal and external training opportunities.

The Group has steadily over the years increased the number of trainings. For FY2023 the Group organised and approved a total of 95 training sessions, amounting to 3,187 training hours for all personnel. This underscores our commitment to continuous learning and development, ensuring that our employees remain equipped with the latest job-related information and skills.

Furthermore, the Group actively supports the educational advancement of qualified employees by offering scholarships for part-time undergraduate, graduate, or doctoral degree programs. In 2023, 10 personnel were sponsored, reflecting our dedication to fostering personal and professional growth opportunities for our workforce.



Moreover, through collaborations with regional institutions, we have successfully implemented internship placement schemes, accommodating 10 interns across various disciplines. These initiatives not only provide valuable hands-on experience for interns but also contribute to knowledge sharing and talent development within our organisation.

Corporate Social Responsibility (CSR)

At AIMFLEX, we view Corporate Social Responsibility (CSR) as integral to our identity and mission. We are committed to conducting our business ethically, sustainably, and with a profound respect for the communities and environments in which we operate. Through strategic initiatives focused on environmental stewardship, employee well-being, community engagement, and ethical business practices, we aim to make a positive impact that extends beyond our bottom line. By embracing CSR principles, we strive to be a responsible corporate citizen, driving meaningful change for the betterment of society and the world around us.

1. Sponsorship to the Azman Hashim International Business School (AHIBS), Universiti Teknologi Malaysia (UTM) for their programme with Sekolah Kebangsaan Taman Impian Emas (SKTIE).
2. Industrial Visit from Universiti Tun Hussein Onn Malaysia (UTHM) Students.
4. Supporting the Restore Our Amazing Rainforest (ROAR) initiative Tree Planting in Borneo, Sabah, Malaysia in January 2023.
5. Cash and Donations in Kind to TECEN Confinement Home
6. Research and Development Sponsorship Grant to Universiti Tun Hussein Onn Malaysia (UTHM) in conjunction with the UTHM's 30th Anniversary.



SUSTAINABILITY STATEMENT CONT'D

Statement of Assurance and Limitations

This Sustainability Statement has not been subject to review by our internal auditors or external assurance by independent parties. AIMFLEX has instead garnered internal review of non-financial, sustainability-related data from the respective data owners. We aim to garner external assurance for non-financial and sustainability data in the future.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

This Corporate Governance Overview Statement is presented pursuant to Rule 15.25(1) of the Ace Market Listing Requirements ("ACE LR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The objective of this Statement is to provide an overview of the application of the corporate governance practices of the Group during the financial year ended 31 December 2023 ("FY2023") and to ensure good corporate governance is practised throughout the Group as a fundamental part of discharging its fiduciary responsibilities to safeguard and enhance shareholders' value and the financial performance of the Group in accordance with the Malaysian Code on Corporate Governance 2021 ("MCCG").

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

The Board's main roles are to create value for shareholders and provide leadership to the Group. It is primarily responsible for the Group's overall strategic plans and directions, overseeing the conduct of the businesses, risk management, succession planning of Senior Management, implementing investor relations programmes and ensuring the system of internal controls and management information system are adequate and effective.

The Board provides overall strategic guidance, effective oversight on the governance and management of the business affairs of the Group. Responsibilities of the Board includes:-

- (a) at all times act honestly, fairly, ethically and diligently in all aspects in accordance with the laws, rules and regulations applicable to the Company;
- (b) ensure stakeholders are kept informed of the Company's performance and major developments affecting its state of affairs;
- (c) identify and manage principal risks affecting the Company;
- (d) maintain a robust and sound framework for internal control and risk management to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- (e) be responsible for the overall corporate governance of the Group, including environmental and social impact and the Group's strategic direction, establishing goals for Management and monitoring the achievement of these goals;
- (f) input into and approve Management development of corporate strategies, including setting performance objectives;
- (g) monitor corporate performance and implementation of strategies and policies;
- (h) monitor and review Management processes aimed at ensuring the integrity of financial and other reporting with the guidance of the Audit and Risk Management Committee ("ARMC");
- (i) ensure that succession planning of the Board and Senior Management is in place;
- (j) monitor the Board composition, processes and performance with the guidance of the Nomination Committee;
- (k) review and approve remuneration of Directors under the guidance of the Remuneration Committee; and
- (l) ESOS is properly administered in accordance to the ESOS By-Laws.

In discharging its duties, the Board is assisted by the Board Committees namely the ARMC, Remuneration Committee, Nomination Committee, ESOS Committee and Investment Committees. Each Committee operates within its respective defined Terms of Reference ("TOR") which have been approved by the Board. The TOR of the respective Board Committees are periodically reviewed and assessed to ensure that the TOR remain relevant and adequate in governing the functions and responsibilities of the Committee concerned and reflect the latest developments in the ACE LR of Bursa Malaysia and the MCCG.

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS Cont'd

A. Audit and Risk Management Committee ("ARMC")

For details of its composition and activities during the FY2023, please refer to the ARMC Report on pages 63 and 64 of this Annual Report.

B. Remuneration Committee ("RC")

The RC is appointed by the Board and consists entirely of Independent Non-Executive Directors as follows:-

Members	Designation
Professor Dato' Ir. Ts. Dr. Ruzairi Bin Hj Abdul Rahim	Chairperson - Independent Non-Executive Director
Law Lee Yen	Member - Independent Non-Executive Director
Khoo Boo Keong (appointed on 21 September 2023)	Member - Independent Non-Executive Director

The RC reviews and reports to the Board on remuneration and personnel policies, compensation and benefits programmes with the aim to attract, retain and motivate individuals of the highest quality. The remuneration should be aligned with the business strategy and long-term objectives of the Group, and to reflect the Board's responsibilities, expertise and complexity of the Group's activities. The RC shall be appointed by the Board and shall comprise exclusively Non-Executive Directors with a majority of Independent Directors.

The remuneration package of Executive Directors is structured to reflect his or her experience, performance and scope of responsibilities. The remuneration of Non-Executive Directors is in the form of annual fees which are approved by the shareholders at the annual general meeting ("AGM"). Where applicable, the Board also takes into consideration any relevant information from survey data.

In carrying out its duties and responsibilities, the RC has full, free and unrestricted access to the Group's records, properties and personnel. During FY2023, the RC convened one (1) meeting and full attendance of the members were recorded at the meeting. The meeting was held to review the remuneration packages of the Directors and Senior Management. The TOR of the RC is available for reference at www.aimflex.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS Cont'd

B. Remuneration Committee ("RC") Cont'd

The details of the aggregate remuneration of the Directors of the Company (comprising remuneration received and/or receivable from the Company and its subsidiaries) during the FY2023 are categorised as follows:-

Company

	Fee RM	Salaries, emoluments and statutory contribution ⁽ⁱ⁾ RM	Bonuses RM	Benefits in-kind ⁽ⁱⁱ⁾ RM	Total RM
Independent Non-Executive Directors:					
Professor Dato' Ir. Ts. Dr. Ruzairi Bin Hj Abdul Rahim	48,000	3,000	-	-	51,000
Law Lee Yen	48,000	4,000	-	-	52,000
Khoo Boo Keong (appointed on 21 September 2023)	12,000	1,000	-	-	13,000
Siti Zaleha Binti Sulaiman (retired on 22 June 2023)	30,000	2,000	-	-	32,000
Non-Independent Non-Executive Director:					
Dato' (Dr.) Ts. Awang Daud Bin Awang Putera (retired on 22 June 2023)	72,000	2,000	-	-	74,000
Executive Directors:					
Chuah Chong Ewe	-	483,209	3,750	28,000	514,959
Chuah Chong San	-	483,209	3,750	-	486,959
	210,000	978,418	7,500	28,000	1,223,918

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS Cont'd

B. Remuneration Committee ("RC") Cont'd

The details of the aggregate remuneration of the Directors of the Company (comprising remuneration received and/or receivable from the Group and its subsidiaries) during the FY2023 are categorised as follows:-

Group

	Fee RM	Salaries, emoluments and statutory contribution ⁽ⁱ⁾ RM	Bonuses RM	Benefits in-kind ⁽ⁱⁱ⁾ RM	Total RM
Independent Non-Executive Directors:					
Professor Dato' Ir. Ts. Dr. Ruzairi Bin Hj Abdul Rahim	48,000	3,000	-	-	51,000
Law Lee Yen	48,000	4,000	-	-	52,000
Khoo Boo Keong (appointed on 21 September 2023)	12,000	1,000	-	-	13,000
Siti Zaleha Binti Sulaiman (retired on 22 June 2023)	30,000	2,000	-	-	32,000
Non-Independent Non-Executive Director:					
Dato' (Dr.) Ts. Awang Daud Bin Awang Putera (retired on 22 June 2023)	72,000	2,000	-	-	74,000
Executive Directors:					
Chuah Chong Ewe	-	483,209	3,750	28,000	514,959
Chuah Chong San	-	483,209	3,750	-	486,959
	210,000	978,418	7,500	28,000	1,223,918

Notes:

- (i.) Statutory contributions comprised EPF.
- (ii.) Benefits-in-kind comprised provision of company motor vehicle, petrol allowance, insurance, phone bills and share based payments for ESOS (for Executive Directors only).

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS Cont'd

C. Nomination Committee ("NC")

The NC is delegated with the responsibility to ensure a formal and transparent procedure for the appointment of new Directors to the Board. The NC will review and assess the proposed appointment of new Directors, and there upon make the appropriate recommendations to the Board for approval. In addition, the NC is also responsible for reviewing candidates for appointment to the Board Committees and making appropriate recommendations to the Board for approval. It is also tasked with assessing the competencies and effectiveness of the Board, the Board Committees and the performance of individual directors in ensuring that the required mix of skills and experience are present on the Board.

The NC is appointed by the Board and consists entirely of Independent Non-Executive Directors as follows:-

Members	Designation
Professor Dato' Ir. Ts. Dr. Ruzairi Bin Hj Abdul Rahim	Chairperson - Independent Non-Executive Director
Law Lee Yen	Member - Independent Non-Executive Director
Khoo Boo Keong (appointed on 21 September 2023)	Member - Independent Non-Executive Director
Siti Zaleha Binti Sulaiman (retired on 22 June 2023)	Member - Independent Non-Executive Director

In carrying out its duties and responsibilities, the NC has full, free and unrestricted access to the Group's records, properties and personnel. During FY2023, the NC convened two (2) meetings and full attendance of the members were recorded at the meeting. The meeting was held to review the assessment on independence of Independent Non-Executive Directors. The NC also reviewed and recommended the re-election of Members of the Board who are retiring at the AGM for shareholders' approval, pursuant to the Constitution of the Company. The TOR of the NC is available for reference at www.aimflex.com.my.

D. ESOS Committee ("EC")

On 19 August 2020, the shareholders had approved a new Employees' Share Option Scheme ("ESOS") and its related ESOS By-Laws. The new ESOS is valid for a duration of 10 years and will expire in the year 2030.

The ESOS Committee was established on 24 August 2020 to oversee the allocation of ESOS Options and its administration to always ensure full compliance with the By-Laws.

The members of the ESOS Committee are as follows:-

Members	Designation
Professor Dato' Ir. Ts. Dr. Ruzairi Bin Hj Abdul Rahim	Chairman - Independent Non-Executive Director
Chuah Chong Ewe	Member - Executive Chairman
Chuah Chong San	Member - Group Managing Director

The EC meets whenever necessary. For the financial year ended 31 December 2023, the EC held one meeting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS Cont'd

E. Investment Committee("IC")

The Investment Committee was established on 27 May 2021 to recommend to the Board and review all significant investments made and to be made by the Group. The IC is also responsible to recommend to the Board the fund- raising activities of the Group.

The members of the IC are as follows:-

Members	Designation
Chuah Chong Ewe	Chairman - Executive Chairman
Chuah Chong San	Member - Group Managing Director
Professor Dato' Ir. Ts. Dr. Ruzairi Bin Hj Abdul Rahim	Member - Independent Non-Executive Director
Dato' (Dr.) Ts. Awang Daud Bin Awang Putera (retired on 22 June 2023)	Former Chairman - Non-Independent Non-Executive Chairman

The IC meets whenever necessary. The TOR of the IC is available for reference at www.aimflex.com.my.

Roles of Chairman and Group Managing Director

There is a clear segregation of responsibilities between the Chairman and Group Managing Director to ensure there is an appropriate balance of power, authority and accountability at the Board level.

The Chairman of the Board plays a critical role on the Board, leading the Board in its responsibilities for the business and affairs of the Group and oversight of Management while the Group Managing Director is responsible to the Board for the overall management and profit performance of the Group, including all day-to-day operations and administration within the framework of Group policies, reserved powers and routine reporting requirements. The Group Managing Director may delegate aspects of his authority and power but remains accountable to the Board for the Group's performance.

Role of the Company Secretaries

The Company Secretaries are responsible for ensuring that the Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation. The Company Secretaries will also advise the Board on any new statutory requirements, guidelines and listing rulings relating to corporate governance as and when it arises. All Board members have direct access to the advice and services of the Company Secretaries for the purpose of the Board's affairs and the business.

Access to Information and Advice

Prior to the Board meetings, every Director is given an agenda and a comprehensive set of Board papers consisting of reports on the Group's financial performance, the quarterly or annual financial results, the minutes of preceding meetings of the Board and the Board Committees, and relevant proposal papers (if any) to allow them sufficient time to review, consider and deliberate knowledgeably on the matters to be tabled.

Senior key management as well as advisers and professionals appointed to act for the Company on corporate proposals to be undertaken by the Company are invited to attend the meetings to furnish the Board with their views and explanations on relevant agenda items tabled to the Board and to provide clarification on issues that may be raised by any Director.

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS Cont'd

Access to Information and Advice Cont'd

In between Board meetings, approvals on matters requiring the sanction of the Board are sought by way of circular resolutions enclosing all the relevant information to enable the Board to make informed decisions. All circular resolutions approved by the Board are tabled for notation at the subsequent Board meeting.

The Board also perused the decisions deliberated by the Board Committees through minutes of these Committees. The Chairman of the Board Committees is responsible for informing the Board at the Directors' Meetings of any salient matters noted by the Committees and which may require the Board's direction.

The Board members have access to the advice and services of the Company Secretaries and key senior management. The Board, whether as a full board or in their individual capacity, in the furtherance of their duties, may seek independent professional advice in discharge of their duties and obligations at the Company's expense.

Board Charter

The Board Charter sets out the principles governing the Board and adopts the principles and practices of good corporate governance in the management of the Group.

The Board Charter shall be reviewed by the Board as and when required to ensure its relevance in assisting the Board to discharge its duties with the changes in the corporate laws and regulations that may arise from time to time and to remain consistent with the Board's objectives and responsibilities.

The Board Charter is published on the Company's website at www.aimflex.com.my.

Code of Conduct

The Group's Code of Conduct ("the Code") reflects the objective of management to reinforce Group-wide ethical standards and to sustain a work environment that fosters integrity, caring, respect and professionalism. It is to serve the long-term interest of the Group by following the policy strictly to be lawful, highly principled and socially responsible in all business activities. The Code is published on the Company's website at www.aimflex.com.my.

Whistleblower Policy

The Group has set out various channels for employees or stakeholders to report or disclose any genuine concerns about unethical behaviour, malpractices, illegal acts or failure to comply with regulatory requirements ("reportable misconduct"). The Whistleblower Policy also provides protection for the party who reported allegations of such malpractices / misconducts / wrongdoings. The policy is published on the Company's website at www.aimflex.com.my.

Anti-Bribery and Corruption Policy ("ABC Policy")

The Board had established and approved the ABC Policy to uphold the Group's effort and commitment to ensure adequate and standardised ABC Policy are consistently applied throughout the Group by the employees and business operations within the Group and to adhere strictly to the ABC Policy.

The ABC Policy is available on the Company's website at www.aimflex.com.my.

Directors' Fit and Proper Policy

The Board adopted a Directors' Fit and Proper Policy to ensure that Directors possess the character, integrity, relevant range of skills, knowledge, experience, competence and time commitment to carry out their roles and

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS Cont'd

Directors' Fit and Proper Policy Cont'd

responsibilities effectively in the best interest of the Group and its stakeholders. The NC shall conduct the fit and proper assessment prior to the appointment of any candidates as a Director or making a recommendation for the re-election of an existing Director of the Group. The Directors' Fit and Proper Policy is available on the Company's website.

Board Composition and Independence

The Board currently has five (5) members, comprising three (3) Independent Non-Executive Directors and two (2) Executive Directors. The current composition of the Board is in compliance with Rule 15.02 of the ACE Market Listing Requirements of Bursa Malaysia. The profile of each Director is presented under Directors' Profile on pages 6 to 10 of the Annual Report.

Appointments and Re-elections to the Board

Candidates for appointment to the Board as Independent Directors are selected after taking into consideration the mix of skills, experience and strength that would be relevant for the effective discharge of the Board's responsibilities. Potential candidates are first evaluated by the NC and, if recommended by the NC, subsequently, by the Board based on their respective profiles as well as their character, integrity, professionalism, independence and their ability to commit sufficient time and energy to the Group's matters.

Article 131 of the Constitution of the Company provides that one third (1/3) of the Directors for the time being shall retire from office and an election of Directors shall take place at the forthcoming AGM of the Company provided always that each Director shall retire at least once in every three (3) years but shall be eligible for re-election.

The Directors who are subject to retirement at the forthcoming AGM of the Company are listed in the Notice of AGM and have offered themselves for re-election at the said AGM.

Gender Diversity Policy

The Board recognises the importance of gender diversity and is committed to the extent practicable, to address the recommendation of the MCCG relating to the establishment of a policy formalising its approach to boardroom and workplace diversity.

The current Board composition consists of one (1) woman Director and the Board endeavors to promote more suitable qualified women Directors on the Board. The woman Director is holding the position of Chairperson of our ARMC, Member of our Remuneration Committee and Nomination Committee.

Annual Assessment

The NC annually reviews the size and composition of the Board and the Board Committees in order to ensure the Board and the Board Committees have the requisite competencies and capacity to effectively oversee the overall business and carry out their respective responsibilities. The NC uses the Board and Board Committee Evaluation Form comprising questionnaires for the assessment together with the fit and proper declaration made in accordance with the Company's Fit and Proper Policy. The effectiveness of the Board is assessed in the Board's responsibilities and composition, administration and conduct of meetings, communication and interaction with Management and stakeholders and Board engagement. A Board Skills Matrix Form is also used as a general assessment of the composition, knowledge, skills and experience of the current Board.

The annual evaluation of the individual Director/Board Committee member is performed by the NC via the Directors' Evaluation Form comprising questionnaires pertaining to the Director's knowledge and skills, participation, contribution and performance, calibre and personality.

To assess the independence of the Independent Directors, each of the Independent Directors annually provides the NC with their Self-Assessment Independence Checklist.

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS Cont'd

Sustainability risks and opportunities

The Company is fully committed towards instituting a robust, wide-ranging and germane sustainability framework to cover all aspects of operations.

The Company's sustainability strategies, priorities and targets as well as performance against these targets were not communicated to its internal and external stakeholders.

Nevertheless, the Board together with senior management are working to set the Company's sustainability strategies, priorities and targets, as well as performance against these targets, and shall communicate the same to its internal and external stakeholders upon finalisation.

The Board had undertaken the relevant training to stay abreast with and understand the sustainability issues relevant to the Company and its businesses, including climate-related risks and opportunities.

Meetings and Time Commitment

The Board usually meets at least four (4) times a year at quarterly intervals with additional meetings convened when necessary. During FY2023, the Board met on eight occasions; where it deliberated on matters such as the Group's financial results, strategic decisions, business plan, and strategic direction of the Group among others. Board meetings for each year are scheduled in advance before the end of the preceding year in order for Directors to plan their schedules. The Board is satisfied with the level of time commitment of the Directors from their attendance at the Meetings. The record of the Directors' attendance at Board Meeting for the FY2023 is contained in the table below:-

Members	Attendance
Chuah Chong Ewe	8/8
Chuah Chong San	8/8
Law Lee Yen	8/8
Professor Dato' Ir. Ts. Dr. Ruzairi Bin Hj Abdul Rahim	8/8
Khoo Boo Keong (appointed on 21 September 2023)	1/1
Dato' (Dr.) Ts. Awang Daud Bin Awang Putera (retired on 22 June 2023)	2/5
Siti Zaleha Binti Sulaiman (retired on 22 June 2023)	5/5

Directors' Training

The Directors also made time to attend appropriate external training programmes to equip themselves further with the knowledge to discharge their duties more effectively and to keep abreast of developments on a continuous basis in compliance with Rule 15.08 of the Listing Requirements of Bursa Malaysia, the details of which are set out below:-

Name	Programmes/ Seminar Attended	Dated Attended	Duration
Chuah Chong Ewe	ChatGPT for Finance	14 December 2023	1 Day
Chuah Chong San	Bursa Malaysia Mandatory Accreditation Program (MAP)	13-14 December 2023	2 Days

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS Cont'd

Directors' Training Cont'd

Name	Programmes/ Seminar Attended	Dated Attended	Duration
Professor Dato' Ir. Ts. Dr. Ruzairi Bin Hj Abdul Rahim	Industrial Talk: What is Process Safety? - Introduction of Process Safety in Oil & Gas Industry	27 February 2023	1 Day
	Webinar Isu Ekonomi Semasa Bersempena Belanjawan 2023	29 February 2023	1 Day
	Analisis Bajet 2023 - Membangun Malaysia Madani	2 March 2023	1 Day
	ATU-NET World Engineering Day - Celebrating Engineers: Towards Sustainable Innovation in Engineering	6 March 2023	1 Day
	Forum Penggunaan ChatGPT di IPT	13 March 2023	1 Day
	Value Creation and Proposition & Target Market	16 March 2023	1 Day
Law Lee Yen	Seminar Percukaian Kebangsaan 2023	18 October 2023	1 Day
	Remarking Corporate Governance for an ESG World	31 May 2023	1 Day
	National Tax Conference 2023	1 – 2 August 2023	2 Days
Khoo Boo Keong	Bursa Malaysia Mandatory Accreditation Program (MAP)	13-14 December 2023	2 Days

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Suitability and Independence of External Auditors

The External Auditors report to the ARMC in respect of their audit on each year's statutory financial statements on matters that require the attention of the ARMC. At least once a year, the ARMC will have a separate session with the External Auditors without the presence of the Executive Directors and Management.

The External Auditors are required to declare their independence annually to the ARMC as specified by the by- laws issued by the Malaysian Institute of Accountants. The External Auditors had provided the declaration in their annual audit plan presented to the ARMC.

The ARMC undertakes annual assessment of the suitability and independence of the External Auditors. The factors considered by the ARMC in its assessment include, adequacy of professionalism and experience of the staff, the resources, the fees and the independence of and the level of non-audit services rendered to the Group.

Sound Risk Management Framework

The Board recognises the importance of a sound risk management framework and internal control system in order to safeguard the Group's assets and therefore, shareholders' investments in the Group.

The Board affirms its overall responsibility for the Group's system of internal controls. This includes reviewing the adequacy and integrity of financial, operational and compliance controls and risk management procedures

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT Cont'd

Sound Risk Management Framework Cont'd

within an acceptable risk profile. Since certain risks and threats are externally driven, unforeseen and beyond the Group's control, the system can only provide reasonable assurance against misstatement or loss.

The Board had put in place an ongoing process for identifying, evaluating and managing significant risks faced by the Group.

Internal Audit Function

The Group has outsourced the internal audit function to NeedsBridge Advisory Sdn Bhd, an internal audit consulting firm. The engagement was done during the FY2021 where the ARMC and Board approved the proposed internal audit plan for FY2022 and FY2023 including the Risk Management Framework and Key Risk Report.

The Statement of Risk Management and Internal Control set out on pages 55 to 62 of this Annual Report provides an overview of the state of internal controls within the Group.

Conflict of Interests

The Board through the AC, has oversight over the related party transactions and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity as well as the establishment of the procedures to ensure that the transactions carried out are in the best interest of the Group and not detrimental to the minority shareholders, as well as to mitigate the risk of conflicting interests.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Compliance with Applicable Financial Reporting Standards

The Board is assisted by the ARMC to oversee the Group's financial reporting processes and the quality of its financial reporting and to ensure that the financial statements of the Group and the Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial report announced to Bursa Malaysia and the annual audited financial statements.

A Statement by the Board of its responsibilities in respect of the preparation of the annual audited financial statements is set out on page 50 of this Annual Report.

Investors Relations and Shareholders Communication

The Group identifies the importance of effective and timely communication with shareholders and investors to keep them informed of the Group's latest financial performance and material business/corporate matters affecting the Group. The information about the Group's business and corporate developments is circulated via the Company's annual reports, various disclosures to Bursa Malaysia including quarterly financial results and various announcements made from time to time.

The AGM provides the main platform for dialogue and interactions with the shareholders. At the meeting, the Chairman sets out the performance of the Group for the financial year then ended. Question and Answer session will then be convened wherein the Directors, Company Secretaries and the External Auditors will be available to answer to the queries raised by the shareholders.

Voting at the forthcoming AGM will be conducted by poll as poll voting reflects shareholders' views more accurately and fairly as every vote is properly counted in accordance with the one share, one vote principle. The Company will continue to explore the deployment of technology to enhance the quality of engagement with shareholders and further facilitate greater participation by shareholders at general meetings of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D**PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS** Cont'd**Investors Relations and Shareholders Communication** Cont'd

Shareholders and the public can also access information on the Group's background, products and financial performance through the Company's website www.aimflex.com.my.

Key Focus Areas And Future Priorities In Relation To Corporate Governance Practices

In view of the enhancements in the corporate governance regulations, the Board has reviewed and updated the existing policies and procedures to ensure that they are kept contemporaneous and be relevant to the Company's needs. The Board will further look into the enhancements or developments of corporate governance policies and procedures, as the case may be.

This Corporate Governance Overview Statement was approved by the Board of Directors on 25 April 2024.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO FINANCIAL STATEMENT

The Directors are responsible for preparing the financial statements of the Group and of the Company in accordance with applicable laws and regulations, such as Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act 2016 ("the Act") and pursuant to Rule 15.26(a) of the Ace Market Listing Requirements of Bursa Malaysia Securities Berhad to ensure that the financial statements give a true and fair view of the state of affairs, the results and the cash flows of the Group and of the Company for the financial year.

In preparing each of the Group and Company financial statements, the Directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are also responsible to ensure that proper accounting and other records are kept to ensure that financial statements comply with the Act as well as taking reasonably available steps to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities.

This statement is made in accordance with a resolution of the Board dated 25 April 2024.

ADDITIONAL COMPLIANCE INFORMATION

1. Utilisation of Proceeds

(a) Utilisation of proceeds from the IPO

In conjunction with its listing on the ACE Market of Bursa Malaysia Securities Berhad, the gross proceeds arising from the Public issue amounting to RM39.09 million is intended to be utilised in the following manners:-

Details of utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Unutilised Amount RM'000	Estimated timeframe for utilisation upon listing
Process and product development	4,200	4,200	-	Within 48 months [#]
Repayment of borrowings	13,482	13,482	-	Within 12 months
Construction of new D&D centre	6,800	-	6,800	Within 84 months ⁽¹⁾
Capital expenditures	5,200	2,862	2,338	Within 84 months ⁽¹⁾
Working capital requirements	5,905	5,905	-	Within 36 months
Listing expenses	3,500	3,500	-	Within 1 month
	39,087	29,949	9,138	

⁽¹⁾ The Board of Directors has approved the extension of timeframe for the utilisation of the remaining unutilised IPO Proceeds earmarked for "Construction of new D&D centre" and "Capital expenditures" for up to 84 months from the date of listing.

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 21 June 2019.

(b) Utilisation of proceeds from the Subscription

In conjunction with its Subscription which was completed 3 June 2022, the gross proceeds arising from the Subscription issue amounting to RM31.02 million is intended to be utilised in the following manners:-

Details of utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Unutilised Amount RM'000	Estimated timeframe for utilisation
Business / Investment opportunities	6,000	3,868	2,132	Within 60 months ⁽¹⁾
Working capital requirements	24,924	20,974	3,950	Within 60 months ⁽¹⁾
Listing expenses	95	95	-	Upon completion
	31,019	24,937	6,082	

⁽¹⁾ The Board of Directors has approved the extension of timeframe for the utilisation of the remaining unutilised proceeds raised from Subscriptions Placements earmarked for "Business / Investment opportunities" and "Working capital requirements" for up to 60 months from the date of listing (3 June 2022).

The utilisation of proceeds as disclosed above should be read in conjunction with the Circular of the Company dated 14 April 2022.

ADDITIONAL COMPLIANCE INFORMATION CONT'D

2. Audit and Non-Audit Fees

The total amount of audit fees paid or payable to the external auditors by the Company and Group during the financial year ended 31 December 2023 were RM24,000 and RM126,669 respectively.

The non-audit fees paid or payable to the external auditors, or a firm or corporation affiliated to the auditors' firm by the Company during the financial year ended 31 December 2023 were RM3,000. The non-audit fees were mainly for the review of Statement On Risk Management And Internal Control.

3. Material Contracts

There were no material contracts entered into by the Company and / or its subsidiaries involving the interests of Directors and major shareholders, which subsisted at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

4. Recurrent Related Party Transactions

The Company had at its 5th Annual General Meeting ("AGM") held on 22 June 2023 obtained the shareholders mandate to allow AIMFLEX Group to enter into RRPT with related parties that are necessary for day-to-day operations of the Group. The RRPT mandate is valid until the conclusion of the forthcoming 6th AGM of the Group.

The details of RRPT conducted during the financial year ended 31 December 2023 pursuant to the said shareholders' mandate are as follows:

Subsidiaries	Transacting Related Party	Nature of Relationship	Nature of Transactions	Value of transactions from 1 January 2023 to 31 December 2023 (Amount) (RM)
AIMFLEX Engineering Sdn. Bhd.	Exzone Precision Engineering Sdn. Bhd.	Related by virtue of Chuah Chong Ewe & Chuah Chong San are Directors and substantial shareholder in both companies	Design and fabrication of precision parts	0
AIMFLEX Metal Sdn. Bhd.	Exzone Precision Engineering Sdn. Bhd.	Related by virtue of Chuah Chong Ewe & Chuah Chong San are Directors and substantial shareholder in both companies	Design and fabrication of precision parts	0
AIMFLEX Systems Sdn. Bhd.	Exzone Precision Engineering Sdn. Bhd.	Related by virtue of Chuah Chong Ewe & Chuah Chong San are Directors and substantial shareholder in both companies	Sale of specialised automation machines, related modules and maintenance services	41,018
Owin Industrial Sdn. Bhd.	Exzone Precision Engineering Sdn. Bhd.	Related by virtue of Chuah Chong Ewe & Chuah Chong San are Directors and substantial shareholder in both companies	Design and fabrication of precision parts	258,000

ADDITIONAL COMPLIANCE INFORMATION CONT'D

4. Recurrent Related Party Transactions Cont'd

The details of RRPT conducted during the financial year ended 31 December 2023 pursuant to the said shareholders' mandate are as follows: Cont'd

Subsidiaries	Transacting Related Party	Nature of Relationship	Nature of Transactions	Value of transactions from 1 January 2023 to 31 December 2023 (Amount) (RM)
Union Tech Automation Sdn. Bhd.	Exzone Precision Engineering Sdn. Bhd.	Related by virtue of Chuah Chong Ewe & Chuah Chong San are Directors and substantial shareholder in both companies	Sale of specialised automation machines, related modules and maintenance services	0
AIMFLEX Engineering Sdn. Bhd.	Winco Precision Engineering (Melaka) Sdn. Bhd.	Related by virtue of Chuah Chong Ewe & Chuah Chong San are Directors and substantial shareholder in both companies	Design and fabrication of precision parts	0
AIMFLEX Metal Sdn. Bhd.	Winco Precision Engineering (Melaka) Sdn. Bhd.	Related by virtue of Chuah Chong Ewe & Chuah Chong San are Directors and substantial shareholder in both companies	Design and fabrication of metal panels and frames	0
AIMFLEX Systems Sdn. Bhd.	Winco Precision Engineering (Melaka) Sdn. Bhd.	Related by virtue of Chuah Chong Ewe & Chuah Chong San are Directors and substantial shareholder in both companies	Sale of specialised automation machines, related modules and maintenance services	0
Owin Industrial Sdn. Bhd.	Winco Precision Engineering (Melaka) Sdn. Bhd.	Related by virtue of Chuah Chong Ewe & Chuah Chong San are Directors and substantial shareholder in both companies	Design and fabrication of precision parts, metal panels and sale of machineries	0
Union Tech Automation Sdn. Bhd.	Winco Precision Engineering (Melaka) Sdn. Bhd.	Related by virtue of Chuah Chong Ewe & Chuah Chong San are Directors and substantial shareholder in both companies	Sale of specialised automation machines, related modules and maintenance services	0
Union Tech Automation Sdn. Bhd.	Eumeko Technologies Sdn. Bhd.	Related by virtue of minority shareholders in Union Tech is also substantial shareholders in Eumeko	Sale of specialised automation machines, related modules and maintenance services	540,372
Union Tech Automation Sdn. Bhd.	Eumeko Technologies Sdn. Bhd.	Related by virtue of minority shareholders in Union Tech is also substantial shareholders in Eumeko	Purchase of industrial use feeders, related modules and maintenance services	617,829

ADDITIONAL COMPLIANCE INFORMATION CONT'D

4. Recurrent Related Party Transactions Cont'd

The details of RRPT conducted during the financial year ended 31 December 2023 pursuant to the said shareholders' mandate are as follows: Cont'd

Subsidiaries	Transacting Related Party	Nature of Relationship	Nature of Transactions	Value of transactions from 1 January 2023 to 31 December 2023 (Amount) (RM)
Union Tech Automation Sdn. Bhd.	TNC Technology Sdn. Bhd.	Related by virtue of minority shareholders in Union Tech is also substantial shareholders in TNC	Sale of specialised automation machines, related modules and maintenance services	442,951
Union Tech Automation Sdn. Bhd.	TNC Technology Sdn. Bhd.	Related by virtue of minority shareholders in Union Tech is also substantial shareholders in TNC	Purchase of industrial use feeders, related modules and maintenance services	54,400

5. Employees' Share Option Scheme

The Employees' Share Option Scheme of the Company ("ESOS" or "Scheme") was implemented on 28 December 2020 and shall be in force for a duration of ten (10) years.

There is one ESOS in existence during the financial year. The total number of options granted, exercised and outstanding under the ESOS are set out in the table below:-

Description	Number of Options (Since commencement of ESOS to 31 December 2023)	
	All Eligible Employees including Directors	Directors
(a) Total options granted	62,685,000	9,713,700
(b) Total options exercised	6,416,000	957,000
(c) Total options cancelled	14,483,400	2,485,000
(d) Total options outstanding	41,785,600	2,271,700

In accordance with the Company's ESOS By-Laws, not more than fifty per centum (50%) of the Company's ordinary shares available under the Scheme shall be allocated to Directors and senior management of the Group. Since the commencement of the Scheme up to the financial year ended 31 December 2023, the Company has granted 1.08% of options to the Directors and Senior Management.

No option was granted to the Non-Executive Directors.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Rule 15.26(b) and Guidance Note 11 of the Bursa Malaysia Securities Berhad's ACE Market Listing Requirements ("Listing Requirements") in relation to the requirement to prepare statement about the state of internal control of the listed issuer as a group, and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines") and the Malaysian Code on Corporate Governance 2021, the Board of Directors ("the Board") of AIMFLEX Berhad ("AIMFLEX" or "the Company") (collectively with its subsidiaries, "the Group") is pleased to present the statement on the state of the internal controls of the Group for the financial year ended 31 December 2023. The scope of this Statement includes the Company and its operating subsidiaries.

BOARD RESPONSIBILITIES

The Board affirms its overall responsibility for maintaining a sound governance, risk management and internal control system and for reviewing their adequacy and effectiveness so as to provide assurance on the achievement of the Group's mission, vision, core values, strategies and business objectives as well as to safeguard all its stakeholders' interests and protecting the Group's assets. The Board has established the risk appetite of the Group based on the risk capacity, strategies, internal and external business context, business nature and corporate lifecycle. The Board is committed to the establishment and maintenance of an appropriate control environment that is embedded into the corporate culture, strategies and processes of the Group as well as to articulate the importance of adequate and effective risk management and internal control system. The Board delegates the duty of identification, assessment and management of key business risks to the Risk and Sustainability Management Working Group ("RSMWG"), led by the Group Managing Director. The Audit and Risk Management Committee ("ARMC"), through its terms of reference approved by the Board, is delegated with the duty to review the adequacy and effectiveness of risk management and internal control system of the Group and to provide assurance to the Board on the adequacy and effectiveness of the same. Through the ARMC, the Board is kept informed on all significant risks and control issues brought to the attention of the ARMC by the RSMWG, the Internal audit function and the external auditors. The Board is provided with reasonable assurance that any impact arising from foreseeable future events and situations are properly managed and/or mitigated.

The system of internal control covers, inter-alia, control environment, risk assessment, control activities, information and communication and monitoring activities. However, in view of the limitations that are inherent in any system of internal control, the system of internal control is designed to manage, rather than to eliminate, the risk of failure to achieve the Group's business objectives. Accordingly, the system of internal control can only provide reasonable and not absolute assurance against material misstatement of losses and fraud.

RISK MANAGEMENT

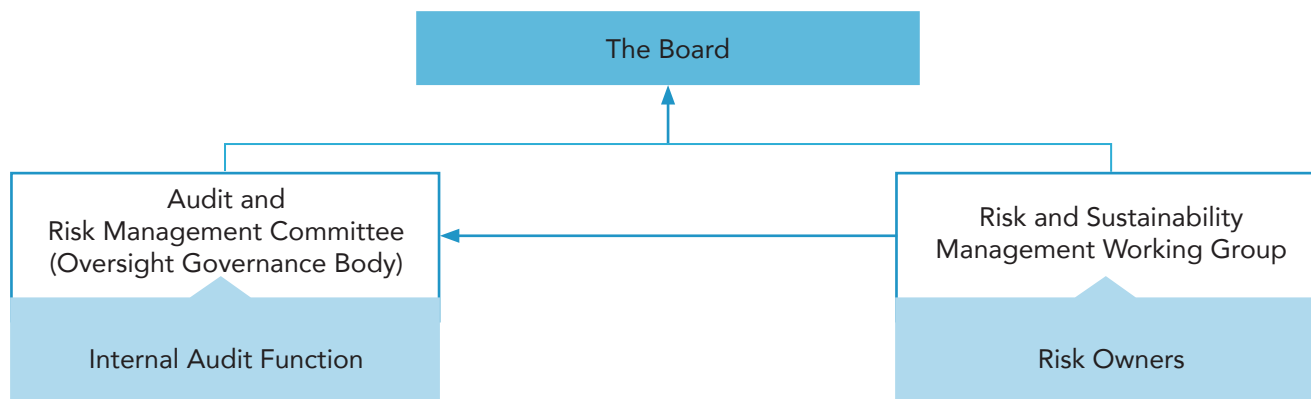
The Board recognises risk management as an integral part of system of internal control and good management practice in pursuit of its mission, vision, core value, strategies and business objectives. The Board maintains an on-going commitment for identifying, evaluating and managing significant risks and opportunities faced by the Group systematically during the financial year under review. The Board had put in place a formal Group Risk Management Framework, as the governance structure and processes for the risk management on enterprise wide, in order to embed the risk management practice into all levels of the Group and to manage key business risks faced by the Group as well as to optimise key business opportunities available to the Group adequately and effectively as Second-Line role. The duties for the identification, evaluation and management of the key business risks and opportunities are delegated to the RSMWG which consist of the Group Managing Director, Executive Director, Key Sustainability and Risk Officer and Heads of Departments.

The principles, practices and process of Risk Management Policy established by the Board are, in all material aspects, guided by the ISO 31000:2018 – Risk Management Guidelines.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL CONT'D

RISK MANAGEMENT Cont'd

The Group Risk Management Framework lays down the risk management's objectives and processes with formalised governance structure of the risk management activities of the Group as follows:-



Clear roles and responsibilities of the Board, ARMC, RSMWG, Risk Owners and Internal Audit Function are defined in the Group Risk Management Framework. In particular, the roles and responsibilities of RSMWG in relation to the risk management are as follows:-

- implement the Group Risk Management Framework approved by the Board;
- implement the risk management process which includes the identification of key risks and devising appropriate action plan(s) in cases where existing controls are ineffective, inadequate or non-existence and communicate methodology to the risk owners;
- ensure that risk strategies adopted are aligned with the Group's organisational strategies. (e.g. vision/mission, corporate strategies/goals, etc.), Group Risk Management Framework (including policies and processes), tolerance, risk appetite;
- continuous review and update of the Key Risk Registers (including incorporation of new or emerging risks or integration of business risks from implementation and integration of new strategies and business objectives into new key risk registers for monitoring) and compilation of Key Risk Profile and Key Risk Report of the Group due to changes in internal and external business context, business processes, business strategies or external environment and determination of management action plan, if required;
- update the Board, through the ARMC, on changes to the Key Risk Profile on periodical basis (at least on annual basis) or when appropriate (due to significant change to the internal and external business context) and the course of action to be taken by management in managing the changes; and
- to perform SWOT Analysis for all options of the proposed strategies and business objectives and to monitor and report to the Board on the progress of the implementation and integration for new project, merger & acquisition and corporate exercise during the scheduled meetings until it is implemented and integrated completely into the Group.

In addition, the Risk Owners, within their respective areas of expertise, are delegated with operational responsibilities with the following roles and responsibilities:-

- manage the risks of the business processes under his/her control;
- continuously identify risks and evaluate existing controls. If controls deemed ineffective, inadequate or non-existent, to establish and implement controls to reduce the likelihood and/or impact;
- to report to the RSMWG of the emergence of new business risks or change in the existing business risks through the use of prescribed form on a timely manner and assist the RSMWG.
- to assist with the development of the management action plans and implement these action plans;
- assist the RSMWG with the yearly update of the changes in the Key Risks Register, management action plans and the status of these plans;
- ensure that staffs working under him/her understand the risk exposure of the relevant process under his/her duty and the importance of the related controls; and
- ensure adequacy of training for staff on risk and opportunity management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL CONT'D

RISK MANAGEMENT Cont'd

Systematic risk management process is stipulated in the Group Risk Management Framework, whereby each step of the risk and opportunity identification, evaluation, control identification, treatment and control activities are laid down for application by RSMWG and Risk Owners. Risk and opportunity assessment, at gross and residual level, are guided by the likelihood rating and impact rating established by the Board based on the risk appetite acceptable by the Board. Based on the risk management process, Key Risk Registers were compiled by RSMWG and Risk Owners, with relevant key risks and opportunities identified rated based on the agreed upon risk and opportunity rating before reported to the Group Managing Director for his review and subsequently reported to the ARMC via the Key Risk Profile. The Key Risk Registers were primarily used for the identification of high residual risks which is above the risk appetite of the Group or risks with unsatisfactorily control effectiveness that require the Management and the Board's immediate attention and risk treatment as well as for future risk monitoring. In addition, key opportunities identified were registered in relevant Key Risk Registers for the monitoring of implementation of action plans to ensure its achievement. As an important risks and opportunities monitoring mechanism, the Management is scheduled to review the Key Risk Registers of key operating subsidiaries and assessment of emerging risks and opportunities identified at strategic and operational level on annual basis or on more frequent basis if circumstances required and to report to the ARMC on the results of the review and assessment.

During the financial year under review, RSMWG conducted a risk assessment exercise whereby existing strategic, governance, financial, fraud and key operational risks as well as opportunities of the Company and all operating subsidiaries were assessed and incorporated into the Key Risk Registers for on-going risk and opportunities monitoring. Key Risk Profile (included but not limited to, Key Risk Registers, existing control activities for risks mitigation and opportunities optimisation, likelihood and impact rating used and risk management process employed for review and assessment exercise by the Management) was compiled and tabled to the ARMC for its review and deliberation on its adequacy and effectiveness and for its reporting the results of review to the Board, which assumes the primary responsibility of the risk management of the Group.

At the strategic level, business plans, business strategies and investment proposals with risks and opportunities consideration are formulated by the Group Managing Director and/or Executive Director and presented to the Board for review and deliberation to ensure proposed plans and strategies are in line with the Group's risk appetite. In addition, specific strategic and key operational risks and opportunities are highlighted and deliberated by the ARMC and/or the Board during the review of the financial performance of the Group in the scheduled meetings.

As First-Line role, the respective Risk Owners are responsible for managing the risks under their responsibilities. Risk owners are responsible for effective and efficient operational monitoring and management by way of maintaining effective internal controls and executing risk and control procedures on a day-to-day basis. Changes in the key risks or emergence of new risks are identified through daily operational management and controls as well as review of financial and operational reports by respective level of Management generated by internal management information system supplemented by external data and information collected. Respective risk owners are responsible to assess the changes to the existing risks and emergence of new risks and to formulate and implement effective controls to manage the risks. Material risks are highlighted to the Group Managing Director for the final decision on the formulation and implementation of effective internal controls and reported to the ARMC and the Board by the Group Managing Director and/or the Executive Director respectively.

The monitoring of the risk management by the Group is enhanced by the internal audits carried out by the Internal Audit Function with specific audit objectives and business risks identified for each internal audit cycle based on the internal plan reviewed by the ARMC.

The above process has been practiced by the Group for the financial year under review and up to the date of approval of this statement.

Please refer to the "Risk Factors Exposure" of the Management Discussion and Analysis for the significant risks faced by the Group and the mitigation plans implemented.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL CONT'D

INTERNAL CONTROL SYSTEM

The key features of the Group's internal control system are made up of five core components, i.e. Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring Activities with principles representing the fundamental concepts associated with each component as follows:-

- **Board of Directors/Board Committees**

The role, functions, composition, operation and processes of the Board are guided by formal Board Charter whereby roles and responsibilities of the Board, individual Directors, the Non-Independent Non-Executive Chairman, the Group Managing Director and the Management are specified to preserve the independence of the Board from the Management.

Board Committees (i.e. ARMC, Remuneration Committee and Nomination Committee, ESOS Committee and Investment Committee) are established to carry out duties delegated by the Board, governed by written terms of reference.

Meetings of Board of Directors and respective Board Committees are carried out on scheduled basis to review the performance of the Group, from financial and operational perspective. Business plans and business strategies are proposed by the Group Managing Director and/or the Executive Director for the Board's review and approval, after taking into risk consideration and responses.

- **Integrity and Ethical Value**

The tone from the top on integrity and ethical value are enshrined in formal Code of Conduct approved by the Board. This formal code forms the foundation of integrity and ethical value of the Group.

Integrity and ethical value expected from the employees are incorporated in the Employees Handbook whereby the ethical behaviours expected from the employees are stated. Codes of conduct expected from employees to carry out their duties and responsibilities assigned are also established and formalised in Employees Handbook. Employee Grievance Procedure is established to provide clear, appropriate and transparent procedure on the handling of an employee's grievance(s) for prompt and fair and equitable investigation and resolution.

To further enhance the ethical value throughout the Group, formal Anti-Bribery and Corruption Policy had been put in place by the Board to prevent and manage the bribery risks and conflicts of interest. In addition, Whistleblower Policy is implemented for all stakeholders to raise genuine concerns about possible improprieties in matters of unethical behaviour, malpractices, illegal acts or failure to comply with regulatory requirements at the earliest opportunity.

The compliance of the Code of Conduct, Employees Handbook and Anti-Bribery and Corruption Policy is monitored via control activity monitoring mechanism implemented with non-compliances detected in a timely manner and investigated with appropriate corrective action, including but not limited to disciplinary actions, taken to rectify non-compliance.

- **Organisation Structure, Accountability and Authorisation**

The Group has a well-defined organisation structure with clear lines of reporting and accountability with the Board assuming the oversight roles. The Group is committed to employing suitably qualified staff so that the appropriate level of authorities and responsibilities can be delegated while accountability of performance and controls are assigned accordingly to competent staffs to ensure operational efficiency. The establishment and communication of job responsibilities and accountability of performance and controls for key positions are further enhanced via the job descriptions established by the Management.

The authorisation requirements of the key control points are stated in the Group's policies and standard operating procedures.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL CONT'D

INTERNAL CONTROL SYSTEM Cont'd

- **Performance Measurement**

Objectives and Key Results ("OKR") system is used to monitor the performance of key divisions/departments against targets established for prompt management action to be taken for unsatisfactory operational performance and for reporting to the Group Managing Director at scheduled interval.

Annual financial budgets of the Group are prepared and actual performances are closely monitored against such budgets to identify significant variances for prompt actions to be taken.

- **Succession Planning and Human Resource**

It is the Board's commitment that the Group identifies and satisfies the needs of employees to continuously develop their knowledge, skills and competency for personal development and corporate excellence. Succession Plan is to ensure key roles within the Group are supported by competent and caliber second-in-line to reduce the impact of abrupt departure of key personnel to the minimum possible.

Employees Handbook, Letter of Appointment and Code of Conduct set out general employment terms and conditions, the tone for control, consciousness and conducts. They are designed to provide guidelines to employees with the objective of ensuring all employees understand issues and matters during the tenure of their employment. Together with employees' job description, the guidelines clearly defined the Group's values and policies, Group's expectation of employees and employees' expectations towards the Group.

Performance evaluations are carried out for all levels of staff to identify performance gaps for training needs and talent development. The performance evaluation forms the basis of the incentive and promotion.

- **Risk Assessment and Control Activities**

Risk assessment (including fraud, bribery risk and sustainability risk and opportunity) is performed by risk owners at scheduled intervals or when there is change in internal and/or business context in accordance with Group Risk Management Framework. Internal controls, as risk responses, are formulated and put in place to mitigate risks identified to a level acceptable by the Board, i.e. the risk appetite.

The Group has documented policies and procedures that are regularly reviewed and updated to ensure its relevance to support the Group's business activities in achieving the Group's business objectives.

- **Information and Communication**

At operational level, clear reporting lines established across the Group and operation reports are prepared for dissemination to relevant personnel for effective communication of critical information throughout the Group for timely decision making and execution in pursuit of the strategies and business objectives. Matters that require the Board and the Executive Director's attention are highlighted for review, deliberation and decision making on a timely basis.

The Group puts in place effective and efficient information and communication infrastructures, communication channels (i.e. computerised systems, secured intranet, electronic mail system and modern telecommunication) and processing system, so that operational data and external data can be collected and processed into relevant and adequate information and communicated timely, reliably and securely to dedicated personnel within the Group for decision making and for communication with relevant external stakeholders. Apart from that, relevant financial and management reports are generated for different levels of management and employee for their review and decision making.

Communication of policies and procedures of the Group are conducted via written format, electronic mail system and in-house trainings by respective risk or control owners.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL CONT'D

INTERNAL CONTROL SYSTEM Cont'd

• Monitoring and Review

At operational level, monitoring activities are embedded into the policies and procedures established by the Management with incidents of non-compliance and exceptions noted are escalated to appropriate level of management. Apart from OKR system put in place to monitor the performance of key divisions/departments, periodical management meetings are held to discuss and review financial and operational performance of key divisions/departments of the Group. The monitoring of compliance with relevant laws and regulations are further enhanced by review of specific areas of safety, health and environment by independent consultants engaged by the Group and enforcement agencies.

Apart from the above, quarterly financial statements which contain key financial results are presented to the Board for their review. Financial performance report is also presented by the Executive Director and Head of Finance during the Board's meeting for the Board to assess the financial performance.

In addition to the internal audits, significant control issues highlighted by the External Auditors as part of their statutory audits and the monitoring of compliance with ISO certification carried out by internal ISO auditors as well as surveillance audit by independent consultants engaged by the Group serve as the additional line of defense.

Corrective actions are formulated and implemented for incidents of non-compliance and exceptions reported with its implementation monitored.

INTERNAL AUDIT FUNCTION

The review of the adequacy and effectiveness of the Group's risk management and internal control system is outsourced to an independent professional firm, NeedsBridge Advisory Sdn Bhd, who, through the ARMC, provides the Board with the assurance it requires in respect of the adequacy and effectiveness of the Group's system on the risk management and internal control.

The outsourced internal audit function reports directly to the ARMC and the engagement director, Mr. Pang Nam Ming, is a Certified Internal Auditor and Certification in Risk Management Assurance accredited by the Institute of Internal Auditors Global and a professional member of the Institute of Internal Auditors Malaysia. As a Certified Internal Auditor accredited by Institute of Internal Auditors, the engagement director is required to declare the compliance of the Standards to Institute of Internal Auditors during his renewal as Certified Internal Auditor. The internal audits are carried out, in all material aspects, in accordance with the International Professional Practices Framework ("IPPF"), i.e. Mission, Core Principles for the Professional Practice of Internal Auditing, Code of Ethics and the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors Global.

The audit engagement of the outsourced internal audit function is governed by the engagement letter and Internal Audit Charter approved by the Board. Key terms of the engagement include the purpose and scope of works, accountability, independence, outsourced internal audit function's responsibilities, Management's responsibilities, authority accorded to the outsourced internal audit function, limitation of scope of works, confidentiality, proposed fees and engagement team.

On the other hand, the Internal Audit Charter governs the internal audit function by specifying the purpose and mission of internal audit function, its roles, professionalism required (including adherence to The Institute of Internal Auditors' mandatory guidance including the Core Principles for the Professional Practice of Internal Auditing, Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing (hereinafter referred to as "Standards"), its authorities, reporting structure, independence and objectivity required, its responsibilities, purpose of internal audit plan, reporting and monitoring and quality assurance and improvement programme.

The appointment and resignation of the outsourced internal audit function as well as the proposed audit fees are subject to review by the ARMC and for its reporting to the Board for ultimate approval. During the financial year under review, the resources allocated to the fieldworks of the internal audit by the outsourced internal audit function were one (1) assistant manager and assisted by at least one (1) senior consultant and one (1) consultant per one (1) engagement with oversight performed by the senior director.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL CONT'D

INTERNAL AUDIT FUNCTION Cont'd

To preserve the independence and objectivity, the outsourced internal audit function is not permitted to act on behalf of the Management, decide and implement management action plan, perform on-going internal control monitoring activities (except for follow up on progress of action plan implementation), authorise and execute transactions, prepare source documents on transactions, have custody of assets or act in any capacity equivalent to a member of the Management or the employee.

The outsourced internal audit function is accorded unrestricted access to all functions, records, property, personnel, ARMC and other specialised services from within or outside the Group and necessary assistance of personnel in units of the Group where they perform audits.

Based on the review of the results of internal audit activities and terms of engagement of outsourced internal audit function during the financial year, the ARMC and the Board are satisfied:-

- that the outsourced internal audit function is free from any relationships or conflicts of interest which could impair their objectivity and independence;
- with the scope of the outsourced internal audit function;
- that the outsourced internal audit function possesses relevant experience, knowledge, competency and authority to discharge its functions effectively, possesses sufficient resources and has unrestricted access to employees and information for the internal audit activities; and
- with the internal audit plan.

Risk-based internal audit plan in respect of financial year ended 31 December 2023 was drafted by the outsourced internal audit function, after taking into consideration the residual risks with potential high impact per the Key Risk Profile of the Group, the previous internal audits carried out and the input by the Management after taking into consideration the existing business context and economic condition. Such internal audit plan was reviewed and approved by the ARMC prior to execution. Each internal audit cycle within the internal audit plan are specific with regard to audit objective, key risks to be assessed and scopes of the internal control review.

As the Third-Line role, the internal control review procedures performed by the outsourced internal audit function are designed to understand, document and evaluate risks and related controls to determine the adequacy and effectiveness of governance, risk management, and control processes. Recommendations are formulated by the outsourced internal audit function based on the root cause(s) of the internal audit observations. The internal audit procedures applied principally consist of process evaluations through interviews with relevant personnel involved in the processes under review, review of the Standard Operating Procedures and/or process flows provided as well as observations of the functioning of processes in compliance with results of interviews and/or documented Standard Operating Procedures and/or process flows. Thereafter, testing of controls for the respective audit areas are performed through review of the samples selected based on sample sizes calculated in accordance with predetermined formulation, subject to the nature of testing and verification of the samples.

During the financial year ended 31 December 2023, the outsourced internal audit function conducted reviews for production management and electrical and mechanical engineering and design management of AIMFLEX Systems Sdn. Bhd..

Upon the completion of the individual internal audit fieldwork during the financial year, the internal audit reports were presented to the ARMC during its scheduled meeting. During the presentation, the internal audit findings, priority level, risk/potential implication, recommendations, management responses/ action plans, person-in-charge as well as the date of implementation were presented and deliberated with the members of the ARMC in order for the ARMC to form an opinion on the adequacy and/or effectiveness of the governance, risk and control of the business processes under review. Besides, progress follow up was performed by the outsourced internal audit function on the management action plans that were not implemented in the previous internal audit fieldworks, by way of verification via physical observation or through verification of sample provided by person-in-charge to substantiate the implementation of the management action plans. The update on the implementation progress of the management action plans was presented via the Action Plan Progress Follow Up Report tabled at subsequent ARMC meeting for review and deliberation.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL CONT'D

INTERNAL AUDIT FUNCTION Cont'd

In addition, during the ARMC meeting, the outsourced internal audit function reported its staff strength, qualification, experience and continuous professional education for the ARMC's review.

The cost incurred in maintaining the outsourced internal audit function for the financial year ended 31 December 2023 amounted to RM32,000.

ASSURANCE FROM THE MANAGEMENT

In line with the Guidelines, the Board has received reasonable assurance in writing from the Group Managing Director, Executive Director and all Senior Managers, including the Head of Finance, that the Group's risk management and internal control system have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

OPINION AND CONCLUSION

Based on the review of the risk management results and process, results of the internal audit activities, monitoring and review mechanism stipulated above, coupled with the assurance provided by the Management, the Board is of the opinion that the risk management and internal control system are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report. The Board continues to take pertinent measures to sustain and, where required, to improve the Group's risk management and internal control system in meeting the Group's strategies and business objectives.

The Board is committed towards maintaining an effective risk management and internal control system throughout the Group and, where necessary, put in place appropriate plans to further enhance the Group's system of internal control. Notwithstanding this, the Board will continue to evaluate and manage the significant business risks faced by the Group in order to meet its business objectives in the current and challenging business environment.

ASSURANCE PROVIDED BY EXTERNAL AUDITORS

Pursuant to Rule 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Audit and Assurance Practice Guide 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysia Institute of Accountants. Based on their review, nothing has come to their attention that causes them to believe this Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Public Listed Companies and Practices 10.1 and 10.2 of the Malaysian Code on Corporate Governance 2021 to be set out, nor is factually incorrect.

REPORT ON AUDIT & RISK MANAGEMENT COMMITTEE

The Board of Directors is pleased to present the report of the Audit & Risk Management Committee ("ARMC") for the financial year ended 31 December 2023 ("FY2023").

MEMBERSHIP AND MEETINGS

Members

The present members of the ARMC consists of:-

Law Lee Yen - Chairperson, Independent Non-Executive Director
 Professor Dato' Ir. Ts. Dr. Ruzairi Bin Hj Abdul Rahim - Member, Independent Non-Executive Director
 Khoo Boo Keong - Member, Independent Non-Executive Director (appointed on 21 September 2023)
 Puan Siti Zaleha Binti Sulaiman (retired on 22 June 2023)

The details of the terms of reference of the ARMC are available for reference at www.aimflex.com.my.

Meetings and Attendance

A total of four (4) ARMC meetings were held during FY2023. At the invitation of the ARMC, the Executive Directors, External Auditors and Internal Auditors attended the meetings. The Group's External Auditors attended one (1) of the meeting where they were invited to discuss matters related to the statutory audit for FY2023. The attendance of each member at the ARMC meetings are as follows:-

Members	Attendance
Law Lee Yen	4/4
Professor Dato' Ir. Ts. Dr. Ruzairi Bin Hj Abdul Rahim	3/4
Khoo Boo Keong (appointed on 21 September 2023)	1/1
Siti Zaleha Binti Sulaiman (retired on 22 June 2023)	2/2

SUMMARY OF ACTIVITIES OF THE ARMC DURING THE FINANCIAL YEAR

In line with the ARMC Terms of Reference, the following activities were carried out during the FY2023 and in respect of the financial statements for FY2023:-

1. Reviewed the unaudited quarterly financial statements of the Group, focusing particularly on the financial reporting and compliance with the disclosure requirements prior to making recommendation to the Board for consideration and approval;
2. Reviewed the related party transactions entered into by the Group and conflict of interest situation that may arise within the Group;
3. Reviewed and approved the Internal Audit Plan for FY2023;
4. Reviewed the Risk Management Framework and Key Risk Report;
5. Reviewed the external auditors' scope of work and audit planning memorandum;
6. Reviewed the Audited Financial Statements, focusing particularly on any changes in accounting policies and practices, significant adjustments arising from audit or unusual events, the going concern assumption and compliance with the accounting standards and other requirements, prior to making recommendation to the Board for consideration and approval;
7. Considered the re-appointment of the external auditors and make recommendation to the Board for approval;
8. Reviewed the ARMC Report and Statement on Risk Management and Internal Control, prior to making recommendation to the Board for its approval; and
9. Reported to the Board on significant issues and concerns discussed during the ARMC meetings.
10. Reviewed the Group's Anti-Bribery and Corruption ("ABC") Policy and Procedures to ensure its adequacy and effectiveness and in line with the ABC commitment and risk appetite of the Board.
11. Throughout the financial year, the ARMC held private session with External Auditors, without presence of executive board members and management, for a greater exchange of free views & opinion concerning audit matters.

No major concerns were raised that required the attention of the Board of Directors.

REPORT ON AUDIT & RISK MANAGEMENT COMMITTEE CONT'D

INTERNAL AUDIT FUNCTION AND SUMMARY OF ACTIVITIES

The Board recognises that an internal audit function is essential to ensuring the effectiveness of the Group's system of internal control, risk management and overall governance process.

The Group has outsourced the internal audit function to NeedsBridge Advisory Sdn Bhd, an internal audit consulting firm. The engagement was done during the FY2021 where the ARMC and Board approved the proposed internal audit plan for FY2022 and FY2023 and Risk Management Framework and Key Risk Report.

The Internal Auditors report directly to the ARMC on a periodic basis based on the agreed internal audit plan.

PERFORMANCE OF THE ARMC

The performance of the ARMC was assessed through self-evaluation. The results of the self-assessment were documented and assessed by the Nomination Committee prior to presentation to the Board for review. During FY2023, the Board is satisfied that the ARMC have carried out their duties in accordance with their Terms of Reference.

This ARMC Report has been reviewed by the ARMC and approved by the Board on 25 April 2024.

FINANCIAL STATEMENTS

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The directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding.

The principal activities of the subsidiaries are described in Note 8 to the financial statements.

FINANCIAL RESULTS

	GROUP RM	COMPANY RM
Net profit for the financial year	<u>9,350,017</u>	<u>69,140</u>
Attributable to :		
Owners of the Company	9,116,061	69,140
Non-controlling interest	<u>233,956</u>	<u>-</u>
	<u>9,350,017</u>	<u>69,140</u>

In the opinion of the directors, the financial results of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year and the directors do not recommend any dividend for the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year, other than disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 3,797,000 ordinary shares for cash totalling RM666,373 arising from the exercise of employees' share options at an exercise price of RM0.1755 per ordinary share.

The new ordinary shares issued during the financial year rank pari-passu in all respects with the existing ordinary shares of the Company.

There were no other changes in the issued and paid-up share capital of the Company during the financial year.

The Company did not issue any new debentures during the financial year.

DIRECTORS' REPORT CONT'D

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the Employees' Share Option Scheme ("ESOS").

At an extraordinary general meeting held on 19 August 2020, the Company's shareholders approved the establishment of an ESOS of not more than 15% of the issued share capital of the Company to eligible directors and employees.

The salient features of the ESOS are, inter alia, as follows:

- (i) Each ESOS option entitles the eligible employees to subscribe for such number of ordinary shares in the Company pursuant to an offer duly accepted by the eligible employees at the exercise price to be determined by the ESOS Committee at its discretion based on the 5-day volume weighted average market price of the Company's shares as quoted in Bursa Securities, immediately prior to the date of offer made by the ESOS Committee with a discount of not more than 10%, if deemed appropriate.
- (ii) The ESOS shall be valid for a duration of ten years from the effective date of implementation of the ESOS.

The options offered to take up unissued ordinary shares and the exercise prices are as follows:

Date of offer	Expiry date	Exercise price RM	Number of options over ordinary shares				At 31.12.2023
			At 1.1.2023	Granted	Exercised	Forfeited	
29.12.2020	28.12.2028	0.2139	20,775,600	-	-	(634,000)	20,141,600
01.09.2021	31.08.2028	0.1755	12,017,000	-	(3,797,000)	(356,000)	7,864,000
01.12.2023	23.08.2030	0.1841	-	13,780,000	-	-	13,780,000
			32,792,600	13,780,000	(3,797,000)	(990,000)	41,785,600

Other terms of the ESOS are disclosed in Note 16 to the financial statements.

DIRECTORS

The directors of the Company who held office during the financial year until the date of this report are as follows:

Law Lee Yen

Professor Dato' Ir. Ts. Dr. Ruzairi Bin Hj Abdul Rahim

Chuah Chong Ewe

Chuah Chong San

Khoo Boo Keong

(appointed on 21 September 2023)

Dato' Awang Daud Bin Awang Putera

(retired on 22 June 2023)

Siti Zaleha Binti Sulaiman

(retired on 22 June 2023)

DIRECTORS' REPORT CONT'D

DIRECTORS OF THE SUBSIDIARIES

The directors of the Company's subsidiaries who held office during the financial year until the date of this report, excluding those who are already listed above are as follows:

Hing Fook Sern	
Ong Soo Lid	
Khoo Chee Kuang	
Khoo Chee Seang	
Queh Yong Jin	
Chin Yeow Ming	
Loo Kok Leong	
Ooi Chun Jin	(appointed on 1 August 2023)
Leong Kim Em	(resigned on 14 September 2023)

DIRECTORS' INTEREST

During and at the end of the financial year, the Company was not a party to any arrangement whose object is to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate apart from the issuance of the ESOS.

The directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2023 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	Number of ordinary shares		
	At 1.1.2023	Acquired (Disposed)	At 31.12.2023
DIRECT INTEREST			
The Company			
Chuah Chong Ewe	131,576,707	30,000,000	- 161,576,707
Professor Dato' Ir. Ts. Dr. Ruzairi Bin Hj Abdul Rahim	120,800	-	- 120,800
Subsidiary			
Hing Fook Sern	290,000	177,000	- 467,000
DEEMED INTEREST			
The Company			
Chuah Chong Ewe *	-	25,000,000	- 25,000,000

DIRECTORS' REPORT CONT'D

DEEMED INTEREST Cont'd

ESOS	At 1.1.2023	Number of options over ordinary shares			At 31.12.2023
		Granted	(Exercised)	(Forfeited)	
The Company					
Chuah Chong Ewe	-	2,000,000	-	-	2,000,000
Subsidiary					
Hing Fook Sern	1,021,700	400,000	(517,000)	-	904,700
Ong Soo Lid	517,000	850,000	-	-	1,367,000

* Deemed interest through Gosave Sdn. Bhd. ("GSB"), a company holds majority equity interest in Resolute Accomplishment Sdn. Bhd. ("RASB") and RASB holds 25,000,000 ordinary shares in AIMFLEX Berhad.

By virtue of his interests in the ordinary shares of the Company, Chuah Chong Ewe is also deemed to be interested in the ordinary shares of all the subsidiaries to the extent the Company has an interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the notes to the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with a director or with a firm of which a director is a member or with a company in which the director has a substantial financial interest.

DIRECTORS' REMUNERATION

The amounts of remunerations received or receivable by the Directors of the Group and of the Company during the financial year are as follow:

	GROUP RM	COMPANY RM
Directors of the Company		
- fees	210,000	210,000
- salaries, bonuses and other benefits	881,817	881,817
- defined contribution plan	104,098	104,098
	<u>1,195,915</u>	<u>1,195,915</u>
Directors of the subsidiaries		
- salaries, bonuses and other benefits	1,857,537	-
- defined contribution plan	100,468	-
	<u>1,958,005</u>	<u>-</u>
Total directors' remuneration	<u>3,153,920</u>	<u>1,195,915</u>

DIRECTORS' REPORT CONT'D

INDEMNIFYING DIRECTORS, OFFICERS AND AUDITORS

The Company maintains a Directors' and Officers' Liability Insurance for the purpose of Section 289 of the Companies Act 2016 in Malaysia, throughout the financial year, which provide appropriate insurance cover for Directors and officers of the Company. The amount of insurance premium effected for the Directors and officers of the Company during the financial year was RM3,153. The Directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them. No indemnities have been given to or insurance premiums paid, during or since the end of the financial year, for the auditor of the Group and of the Company.

AUDITORS' REMUNERATION

The amounts paid to or receivable by the auditors as remuneration for their services as auditors are as follows:

	GROUP RM	COMPANY RM
Audit fees	126,669	24,000
Non-audit fees	3,000	3,000
	<u>129,669</u>	<u>27,000</u>

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 8 to the financial statements.

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that the current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances:
 - (i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
 - (iv) not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the Group's and the Company's financial statements misleading.

DIRECTORS' REPORT CONT'D**OTHER STATUTORY INFORMATION** Cont'd

- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.
- (d) In the opinion of the directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to substantially affect the results of the operations of the Group and of the Company for the current financial year.

AUDITORS

The auditors, RSM Malaysia PLT have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors.

CHUAH CHONG EWE

CHUAH CHONG SAN

25 April 2024

Johor Bahru

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

		GROUP		COMPANY	
	Note	2023 RM	2022 RM	2023 RM	2022 RM
ASSETS					
Non-current assets					
Property, plant and equipment	6	27,810,620	22,920,614	249,972	350,933
Investment property	7	259,128	265,298	-	-
Investment in subsidiaries	8	-	-	44,917,607	44,626,251
Goodwill	9	4,354,250	855,802	-	-
Deferred tax assets	10	306,728	773,299	-	-
		<u>32,730,726</u>	<u>24,815,013</u>	<u>45,167,579</u>	<u>44,977,184</u>
Current assets					
Inventories	11	13,031,311	11,842,584	-	-
Trade and other receivables	12	25,054,579	23,162,113	96,262	6,523
Current tax assets		1,961,526	642,646	19,520	16
Cash and cash equivalents	13	91,307,153	77,646,169	45,332,688	44,562,988
		<u>131,354,569</u>	<u>113,293,512</u>	<u>45,448,470</u>	<u>44,569,527</u>
TOTAL ASSETS		<u>164,085,295</u>	<u>138,108,525</u>	<u>90,616,049</u>	<u>89,546,711</u>
EQUITY AND LIABILITIES					
Equity					
Share capital	14	87,351,211	86,365,131	87,351,211	86,365,131
Reserves	15	(12,377,280)	(12,814,528)	2,741,068	2,750,036
Retained earnings		<u>59,031,008</u>	<u>49,831,627</u>	<u>220,069</u>	<u>150,929</u>
Equity attributable to owners of the Company		<u>134,004,939</u>	<u>123,382,230</u>	<u>90,312,348</u>	<u>89,266,096</u>
Non-controlling interests		<u>894,174</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EQUITY		<u>134,899,113</u>	<u>123,382,230</u>	<u>90,312,348</u>	<u>89,266,096</u>
Non-current liabilities					
Lease liabilities	17	470,980	23,504	-	-
Loans and borrowings	18	3,109,877	-	-	-
Deferred tax liabilities	10	1,139,623	1,100,402	-	-
		<u>4,720,480</u>	<u>1,123,906</u>	<u>-</u>	<u>-</u>
Current liabilities					
Lease liabilities	17	599,291	92,161	-	-
Loans and borrowings	18	137,199	-	-	-
Trade and other payables	19	23,450,172	13,510,228	272,523	280,615
Current tax liabilities		279,040	-	31,178	-
		<u>24,465,702</u>	<u>13,602,389</u>	<u>303,701</u>	<u>280,615</u>
TOTAL LIABILITIES		<u>29,186,182</u>	<u>14,726,295</u>	<u>303,701</u>	<u>280,615</u>
TOTAL EQUITY AND LIABILITIES		<u>164,085,295</u>	<u>138,108,525</u>	<u>90,616,049</u>	<u>89,546,711</u>

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		GROUP		COMPANY	
	Note	2023 RM	2022 RM	2023 RM	2022 RM
REVENUE	20	85,059,950	91,736,998	-	-
COST OF SALES		(56,247,908)	(58,344,483)	-	-
GROSS PROFIT		28,812,042	33,392,515	-	-
OTHER OPERATING INCOME		2,957,959	1,855,122	1,702,959	680,926
SELLING AND DISTRIBUTION COSTS		(2,830,088)	(2,816,141)	-	-
ADMINISTRATIVE EXPENSES		(16,436,527)	(15,346,934)	(1,602,641)	(1,452,144)
OTHER OPERATING EXPENSES		(97,076)	(151,774)	-	(23,271)
RESULTS FROM OPERATING ACTIVITIES		12,406,310	16,932,788	100,318	(794,489)
FINANCE COSTS	21	(188,380)	(7,200)	-	-
PROFIT/(LOSS) BEFORE TAXATION	22	12,217,930	16,925,588	100,318	(794,489)
TAXATION	23	(2,867,913)	(3,707,186)	(31,178)	(101)
NET PROFIT/(LOSS) FOR THE FINANCIAL YEAR		9,350,017	13,218,402	69,140	(794,590)
OTHER COMPREHENSIVE INCOME					
Item that will be reclassified subsequently to profit or loss:					
Exchange translation differences of foreign operations		446,216	362,433	-	-
TOTAL COMPREHENSIVE INCOME/(EXPENSE)		9,796,233	13,580,835	69,140	(794,590)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

CONT'D

	Note	GROUP		COMPANY	
		2023 RM	2022 RM	2023 RM	2022 RM
NET PROFIT/(LOSS)					
ATTRIBUTABLE TO:					
Owners of the Company		9,116,061	13,218,402	69,140	(794,590)
Non-controlling interests		233,956	-	-	-
NET PROFIT/(LOSS)					
FOR THE FINANCIAL YEAR		<u>9,350,017</u>	<u>13,218,402</u>	<u>69,140</u>	<u>(794,590)</u>
TOTAL COMPREHENSIVE INCOME/(EXPENSE)					
ATTRIBUTABLE TO:					
Owners of the Company		9,562,277	13,580,835	69,140	(794,590)
Non-controlling interests		233,956	-	-	-
TOTAL COMPREHENSIVE INCOME/(EXPENSE)					
FOR THE FINANCIAL YEAR		<u>9,796,233</u>	<u>13,580,835</u>	<u>69,140</u>	<u>(794,590)</u>
EARNINGS PER SHARE					
- Basic (sen)	25	<u>0.62</u>	<u>0.97</u>		
- Diluted (sen)	25	<u>0.62</u>	<u>0.97</u>		

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

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

GROUP	Attributable to owners of the Company			Non-distributable			Non-controlling interests RM	Total equity RM
	Share capital RM	Merger reserve RM	Share options reserve RM	Translation reserve RM	Retained earnings RM	Total RM		
Balance as at 1 January 2022	55,345,930	(16,628,339)	1,982,684	701,342	36,248,078	77,649,695	-	77,649,695
Net profit for the financial year	-	-	-	-	13,218,402	13,218,402	-	13,218,402
Other comprehensive income for the financial year	-	-	-	362,433	-	362,433	-	362,433
Total comprehensive income for the financial year	-	-	-	362,433	13,218,402	13,580,835	-	13,580,835
Transactions with owners:								
Share options granted under ESOS (Note 16)	31,019,201	-	-	-	-	31,019,201	-	31,019,201
Share options forfeited under ESOS (Note 16)	-	-	1,132,499	-	-	1,132,499	-	1,132,499
Exercise of ESOS (Note 16)	-	-	(365,147)	-	365,147	-	-	-
	31,019,201	-	767,352	-	365,147	32,151,700	-	32,151,700
Balance as at 31 December 2022	86,365,131	(16,628,339)	2,750,036	1,063,775	49,831,627	123,382,230	-	123,382,230

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 CONT'D

	Attributable to owners of the Company			Non-distributable			Total equity RM
	Share capital RM	Merger reserve RM	Share options reserve RM	Translation reserve RM	Retained earnings RM	Total RM	
GROUP							
Balance as at 31 December 2022/1 January 2023	86,365,131	(16,628,339)	2,750,036	1,063,775	49,831,627	123,382,230	123,382,230
Acquisition of subsidiaries	-	-	-	-	-	-	660,218
Net profit for the financial year	-	-	-	-	9,116,061	9,116,061	9,350,017
Other comprehensive income for the financial year	-	-	-	446,216	-	446,216	446,216
Total comprehensive income for the financial year	-	-	-	446,216	9,116,061	9,562,277	9,796,233
Transactions with owners:							
Issuance of shares	666,373	-	(319,707)	-	-	346,666	346,666
Share options granted under ESOS (Note 16)	319,707	-	394,059	-	-	713,766	713,766
Share options forfeited under ESOS (Note 16)	-	-	(83,320)	-	83,320	-	-
	986,080	-	(8,968)	-	83,320	1,060,432	1,060,432
Balance as at 31 December 2023	87,351,211	(16,628,339)	2,741,068	1,509,991	59,031,008	134,004,939	134,899,113

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 CONT'D

COMPANY	Share capital RM	Share options reserve RM	Retained earnings RM	Total equity RM
Balance as at 1 January 2022	55,345,930	1,982,684	945,519	58,274,133
Net loss and total comprehensive expense for the financial year	-	-	(794,590)	(794,590)
Transactions with owners:				
Issuance of shares	31,019,201	-	-	31,019,201
Share options granted under ESOS (Note 16)	-	1,132,499	-	1,132,499
Share options forfeited under ESOS (Note 16)	-	(365,147)	-	(365,147)
	31,019,201	767,352	-	31,786,553
Balance as at 31 December 2022/ 1 January 2023	86,365,131	2,750,036	150,929	89,266,096
Net profit and total comprehensive income for the financial year	-	-	69,140	69,140
Transactions with owners:				
Issuance of shares	666,373	(319,707)	-	346,666
Share options granted under ESOS (Note 16)	319,707	394,059	-	713,766
Share options forfeited under ESOS (Note 16)	-	(83,320)	-	(83,320)
	986,080	(8,968)	-	977,112
Balance as at 31 December 2023	87,351,211	2,741,068	220,069	90,312,348

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

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	12,217,930	16,925,588	100,318	(794,489)
Adjustments for:				
Bad debts written off	3,807	-	-	-
Depreciation of				
- investment property	6,170	6,169	-	-
- property, plant and equipment	2,006,244	1,708,115	106,360	106,760
- right-of-use assets	450,134	219,720	-	-
Dividend income	(3,881)	(92,617)	(1,592)	(88,763)
Gain on disposal of property, plant and equipment	(36,049)	(53,000)	-	-
Impairment loss on trade receivables	1,994,643	2,105,416	-	-
Interest expense	188,380	7,200	-	-
Interest income	(1,721,875)	(482,672)	(1,402,955)	(439,834)
Property, plant and equipment written off	42,247	39,524	-	24,174
Provision for warranty	15,276	75,154	-	-
Rental income	(27,600)	(27,600)	-	-
Reversal of impairment loss on trade receivables	(153,600)	(440,180)	-	-
Share-based payments for ESOS	393,571	1,132,259	19,383	-
Unrealised loss/(gain) on foreign exchange	29,006	111,188	-	-
Operating profit/(loss) before working capital changes	15,404,403	21,234,264	(1,178,486)	(1,192,152)
(Increase)/Decrease in inventories	(1,161,225)	1,080,398	-	-
(Increase)/Decrease in trade and other receivables	(2,140,716)	12,396,741	(7,547)	87,305
Increase/(Decrease) in trade and other payables	7,050,082	(6,521,387)	(8,092)	77,930
Cash generated from/(used in) operations	19,152,544	28,190,016	(1,194,125)	(1,026,917)
Interest paid	(139,745)	(2,447)	-	-
Interest received	1,639,643	477,149	1,320,763	434,311
Tax paid	(3,515,538)	(3,897,650)	(19,504)	(87)
Net cash generated from/(used in) operating activities	17,136,904	24,767,068	107,134	(592,693)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 CONT'D

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiaries, net of cash & cash equivalents acquired	(1,772,368)	-	-	-
Dividend income	3,881	92,617	1,592	88,763
Decrease/(Increase) in fixed deposits pledged with licensed banks	1,099,010	(137,938)	-	-
Proceeds from disposal of property, plant and equipment	54,500	53,000	-	-
Purchase of property, plant and equipment	(2,709,235)	(969,780)	(5,399)	-
Rental received	27,600	27,600	-	-
Net cash (used in)/generated from investing activities	<u>(3,296,612)</u>	<u>(934,501)</u>	<u>(3,807)</u>	<u>88,763</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of share capital	666,373	31,019,201	666,373	31,019,201
Drawdown of loans and borrowings, net	374,703	-	-	-
Repayment of lease liabilities	(581,952)	(108,320)	-	-
Net cash generated from financing activities	<u>459,124</u>	<u>30,910,881</u>	<u>666,373</u>	<u>31,019,201</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,299,416	54,743,448	769,700	30,515,271
EFFECT OF FOREIGN EXCHANGE DIFFERENCES	460,578	370,921	-	-
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	<u>76,425,059</u>	<u>21,310,690</u>	<u>44,562,988</u>	<u>14,047,717</u>
CASH AND CASH EQUIVALENTS CARRIED FORWARD (NOTE 13)	<u>91,185,053</u>	<u>76,425,059</u>	<u>45,332,688</u>	<u>44,562,988</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

1. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding.

The principal activities of the subsidiaries are set out in Note 8 to the financial statements.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Malaysian Financial Reporting Standards ("MFRSs") issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

3. MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise stated in the financial statements.

The preparation of financial statements requires the directors to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. In addition, the directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 5. Although these estimates and assumptions are based on the directors' best knowledge of events and actions, actual results could differ from those estimates.

(b) Basis of consolidation

(i) Subsidiaries

A subsidiary is an entity controlled by the Group, i.e. 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 current ability to direct the entity's relevant activities (power over the investee).

The existence and effect of potential voting rights that the Group has the practical ability to exercise (i.e. substantive rights) are considered when assessing whether the Group controls another entity.

The Group's financial statements incorporate the results, cash flows, assets and liabilities of the Company and all of its directly and indirectly controlled subsidiaries. Subsidiaries are consolidated from the effective date of acquisition, which is the date on which the Group effectively obtains control of the acquired business, until that control ceases.

The non-controlling interests in the net assets and net results of consolidated subsidiaries are shown separately in the consolidated statement of financial position and consolidated statement of profit or loss, and consolidated statement of comprehensive income.

Total comprehensive income (i.e. profit or loss and each component of other comprehensive income) is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

3. MATERIAL ACCOUNTING POLICY INFORMATION Cont'd

(b) Basis of consolidation Cont'd

(i) Subsidiaries Cont'd

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control are accounted for as transactions with owners in their capacity as owners (i.e. equity transactions). The carrying amounts of the Group and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

Upon loss of control of a subsidiary, the Group's profit or loss is calculated as the difference between (i) the fair value of the consideration received and of any investment retained in the former subsidiary and (ii) the previous carrying amount of the assets (including any goodwill) and liabilities of the subsidiary and any non-controlling interests.

Investment in subsidiaries is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution.

(ii) Translation of financial statements of foreign entities

The assets and liabilities of foreign operations are translated into RM using exchange rates at the reporting date. The components of shareholders' equity are stated at historical value.

Average exchange rates for the period are used to translate income and expense items of foreign operations. However, if exchange rates fluctuate significantly, the exchange rates at the dates of the transactions are used.

All resulting exchange differences are recognised in other comprehensive income and accumulated in currency translation reserve, a separate component of equity.

Any goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and, as such, translated at the closing rate.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the parent company are reclassified to profit or loss. The cumulative amount of the exchange differences relating to that foreign operation that had been attributed to the non-controlling interests are derecognised, but without reclassification to profit or loss. The same applies in case of loss of control, joint control or significant influence.

On the partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of exchange differences accumulated in the separate component of equity are re-attributed to non-controlling interests (they are not recognised in profit or loss). For any other partial disposal of foreign entity (i.e. associates or jointly controlled entities without loss of significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

3. MATERIAL ACCOUNTING POLICY INFORMATION Cont'd

(b) Basis of consolidation Cont'd

(iii) Business combinations

The results of subsidiaries are presented as if the merger had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit differences is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Under the merger method of accounting, the financial statements of the subsidiaries are included in the consolidated financial statements as if the business combination had occurred from the earliest date presented and that the Group has operated as a single economic entity throughout the financial years presented in the consolidated financial statements.

The Group applies the acquisition method to account for acquired businesses, whereby the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values (with few exceptions as required by MFRS 3 *Business Combinations*).

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group.

Acquisition-related costs (e.g. finder's fees, consulting fees, administrative costs, etc.) are recognised as expenses in the periods in which the costs are incurred and the services are received.

On acquisition date, goodwill is measured as the excess of the aggregate of consideration transferred, any non-controlling interests in the acquiree, and acquisition-date fair value of the Group's previously held equity interest in the acquiree (if business combination achieved in stages) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after appropriate reassessment, the amount as calculated above is negative, it is recognised immediately in profit or loss as a bargain purchase gain.

At acquisition date, non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement is made separately for each business combination. Other components of non-controlling interests are measured at their acquisition-date fair values, unless otherwise required by MFRS.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

3. MATERIAL ACCOUNTING POLICY INFORMATION Cont'd

(b) Basis of consolidation Cont'd

(iii) Business combinations Cont'd

The acquisition-date fair value of any contingent consideration is recognised as part of the consideration transferred by the Group in exchange for the acquiree. Changes in the fair value of contingent consideration that result from additional information obtained during the measurement period (maximum one year from the acquisition date) about facts and circumstances that existed at the acquisition date are adjusted retrospectively against goodwill. Other changes resulting from events after the acquisition date are adjusted at each reporting date, only when the contingent consideration is classified as an asset or a liability, and the adjustment is recognised in profit or loss.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. If any, changes in the value of the Group's equity interest in the acquiree that have been previously recognised in other comprehensive income are reclassified to profit or loss, if appropriate had that interest been disposed of directly.

(iv) Transactions eliminated on consolidation

All intragroup transactions, balances, income and expenses are eliminated in full on consolidation.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(C) Financial instruments

(i) Initial recognition and measurement

The Group and the Company recognise a financial asset or a financial liability (including derivative instruments) in the statement of financial position when, and only when, an entity in the Group and the Company become a party to the contractual provisions of the instruments.

If a contract is a host financial liability or a non-financial host contract that contains an embedded derivative, the Group and the Company assess whether the embedded derivative shall be separated from the host contract on the basis of the economic characteristics and risks of the embedded derivative and the host contract at the date when the Group and the Company become a party to the contract. If the embedded derivative is not closely related to the host contract, it is separated from the host contract and accounted for as a stand-alone derivative. The Group and the Company do not make a subsequent reassessment of the contract unless there is a change in the terms of the contract that significantly modifies the expected cash flows or when there is a reclassification of a financial liability out of the fair value through profit or loss category. Embedded derivatives in host financial assets are not separated.

On initial recognition, all financial assets (including intra-group loans and advances) and financial liabilities (including intra-group payables and government loans at below market interest rates) are measured at fair value plus transaction costs if the financial asset or financial liability is not measured at fair value through profit or loss. For instruments measured at fair value through profit or loss, transaction costs are expensed to profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

3. MATERIAL ACCOUNTING POLICY INFORMATION Cont'd

(C) Financial instruments Cont'd

(ii) Derecognition of financial instruments

For derecognition purposes, the Group and the Company first determine whether a financial asset or a financial liability should be derecognised in its entirety as a single item or derecognised part-by-part of a single item or of a group of similar items.

A financial asset, whether as a single item or as a part, is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire, or when the Group and the Company transfer the contractual rights to receive cash flows of the financial asset, including circumstances when the Group and the Company act only as a collecting agent of the transferee, and retain no significant risks and rewards of ownership of the financial asset or no continuing involvement in the control of the financial asset transferred.

A financial liability is derecognised when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expires. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. For this purpose, the Group and the Company consider a modification as substantial if the present value of the revised cash flows of the modified terms discounted at the original effective interest rate is different by 10% or more when compared with the carrying amount of the original liability.

(iii) Financial assets

For the purpose of subsequent measurement, the Group and the Company classify financial assets into three measurement categories, namely: (i) financial assets at amortised cost ("AC"); (ii) financial assets at fair value through other comprehensive income ("FVOCI") and (iii) financial assets at fair value through profit or loss ("FVPL"). The classification is based on the Group's and the Company's business model objective for managing the financial assets and the contractual cash flow characteristics of the financial instruments.

After initial recognition, the Group and the Company measure financial assets, as follows:

1. Financial assets at AC

A financial asset is measured at amortised cost if: (a) it is held within the Group's and the Company's business objective to hold the asset only to collect contractual cash flows, and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in principal outstanding.

2. Financial assets at FVOCI

A financial asset is measured at FVOCI if: (a) it is held within the Group's and the Company's business objective to hold the asset both to collect contractual cash flows and selling the financial asset, and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in principal outstanding.

3. Financial assets at FVPL

A financial asset is measured at FVPL if it is an equity investment, held for trading (including derivative assets) or if it does not meet any of the condition specified for the AC or FVOCI model.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

3. MATERIAL ACCOUNTING POLICY INFORMATION Cont'd

(C) Financial instruments Cont'd

(iii) Financial assets Cont'd

Other than financial assets measured at fair value through profit or loss, all other financial assets are subject to review for impairment in accordance with Note 3(c)(vii) to the financial statements.

(iv) Financial liabilities

After initial recognition, the Group and the Company measure all financial liabilities at amortised cost using the effective interest method, except for:

1. Financial liabilities at fair value through profit or loss (including derivatives that are liabilities) are measured at fair value.
2. Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. Paragraph 3.2.15 and 3.2.17 of MFRS 9 apply to the measurement of such financial liabilities.
3. Financial guarantee contracts issued, and commitments to provide loans at a below-market interest rate given, by the Group and the Company are measured at the higher of: (a) the amount of impairment loss determined and (b) the amount initially recognised less, when appropriate, the cumulative of income recognised in accordance with the principles in MFRS 15 Revenue from Contracts with Customers.

(v) Fair value measurement

The fair value of a financial asset or a financial liability is determined by reference to the quoted market price in an active market, and in the absence of an observable market price, by a valuation technique as described in Note 3(v) to the financial statements.

(vi) Recognition of gains and losses

Fair value changes of financial assets and financial liabilities classified as at fair value through profit or loss are recognised in profit or loss when they arise.

For financial assets mandatorily measured at FVOCI, interest income (calculated using the effective interest rate method), impairment losses, and exchange gains or losses are recognised in profit or loss. All other gains or losses are recognised in other comprehensive income and retained in a fair value reserve. On derecognition of the financial assets, the cumulative gain or loss recognised in OCI is reclassified to profit or loss as a reclassification adjustment.

For financial assets and financial liabilities carried at amortised cost, interest income and interest expense are recognised in profit or loss using the effective interest method. A gain or loss is recognised in profit or loss only when the financial asset or financial liability is derecognised or impaired and through the amortisation process of the instrument.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

3. MATERIAL ACCOUNTING POLICY INFORMATION Cont'd

(C) Financial instruments Cont'd

(vii) Impairment of financial assets Cont'd

The Group and the Company apply the expected credit loss ("ECL") model of MFRS 9 to recognise impairment losses of financial assets measured at amortised cost or at fair value through other comprehensive income. Except for trade receivables, a 12-month ECL is recognised in profit or loss on the date of origination or purchase of the financial assets. At the end of each reporting period, the Group and the Company assess whether there has been a significant increase in credit risk of a financial asset since its initial recognition or at the end of the prior period. Other than for financial assets which are considered to be of low risk grade, a lifetime ECL is recognised if there has been a significant increase in credit risk since initial recognition. For trade receivables, the Group and the Company have availed the exception to the 12-month ECL requirement to recognise only lifetime ECL.

The assessment of whether credit risk has increased significantly is based on quantitative and qualitative information that include financial evaluation of the creditworthiness of the debtors or issuers of the instruments, ageing of receivables, defaults and past due amounts, past experiences with the debtors, current conditions and reasonable forecast of future economic conditions. For operational simplifications: (a) a 12-month ECL is maintained for financial assets which investment grades that are considered as low credit risk, irrespective of whether credit risk has increased significantly or not; and (b) credit risk is considered to have increased significantly if payments are more than 30 days past due if no other borrower-specific information is available without undue cost or effort.

The ECL is measured using an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, discounted for the time value of money and applying reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecast of future economic conditions. The ECL for a financial asset (when assessed individually) or a group of financial assets (when assessed collectively) is measured at the present value of the probability-weighted expected cash shortfalls over life of the financial asset or group of financial assets. When a financial asset is determined as credit-impaired (based on objective evidence of impairment), the lifetime ECL is determined individually.

For trade receivable, the lifetime ECL is determined at the end of each reporting period using a provision matrix. For each significant receivable, individual lifetime ECL is assessed separately. For significant receivables which are not impaired and for all other receivables, they are grouped into risk classes by type of customers and businesses, and the ageing of the receivables. Collective lifetime ECLs are determined using past loss rates, which are updated for effects of current conditions and reasonable forecasts for future economic conditions. In the event that the economic or industry outlook is expected to worsen, the past loss rates are increased to reflect the worsening economic conditions.

(d) Property, plant and equipment

On initial recognition, items of property, plant and equipment are recognised at cost, which includes the purchase price as well as any costs directly attributable in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the cost of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

3. MATERIAL ACCOUNTING POLICY INFORMATION Cont'd

(d) Property, plant and equipment Cont'd

After initial recognition, items of property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is calculated so as to write off the cost of the assets, less their estimated residual values, over their useful economic lives as follows:

Buildings	2%
Furniture and equipment	10% - 20%
Motor vehicles	20%
Plant and machinery	10%
Renovation	10%

Freehold land is not depreciated. Buildings-in-progress are not depreciated until the assets are ready for their intended use.

Useful lives, residual values and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(e) Leases

(i) Definition of a lease

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

3. MATERIAL ACCOUNTING POLICY INFORMATION Cont'd

(e) Leases Cont'd

(i) Definition of a lease Cont'd

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

1. As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentive receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that are linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents the right-of-use assets in 'property, plant and equipment' in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

3. MATERIAL ACCOUNTING POLICY INFORMATION Cont'd

(e) Leases Cont'd

(ii) Recognition and initial measurement Cont'd

2. As a lessor Cont'd

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

1. As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The depreciation period for the current and comparative periods are as follows:

Buildings	12 to 24 months
Leasehold land	50 years

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2. As a lessor

The Group recognises lease payments received under operating leases as income on straight-line basis over the lease term as part of "other operating income".

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

3. MATERIAL ACCOUNTING POLICY INFORMATION Cont'd

(f) Inventories

Inventories are measured at the lower of cost and net realisable value (which is the estimated selling price less costs to complete and sell). Cost comprises purchase price and directly attributable costs of bringing the inventories to their present location and condition. For manufactured goods, cost includes conversion costs of labour and variable and fixed production overheads. Cost is determined on a first-in first-out ("FIFO") basis.

Net realisable value is determined on an item-by-item basis or on group of similar items basis.

(g) Investment properties Cont'd

(i) Investment properties carried at cost

Investment properties are properties which are held to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. The cost comprises the purchase price and any directly attributable expenditure (e.g. professional fees for legal services, property transfer taxes).

Subsequently, investment properties are carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over its useful economic life as follows:

Buildings	2%
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Useful lives, residual values and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained 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 or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

3. MATERIAL ACCOUNTING POLICY INFORMATION Cont'd

(h) Intangible assets

Goodwill

Goodwill arising in a business combination is initially measured at its cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

(i) Impairment of non-financial assets

(i) Impairment of property, plant and equipment

The carrying amounts of such assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through profit or loss to its estimated recoverable amount. Recoverable amount is the higher of value in use and the fair value less costs to sell of the individual asset or the cash-generating unit. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

Value in use is the present value of the estimated future cash flows of that unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the unit which impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the unit.

Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(ii) Impairment of goodwill

Irrespective of whether there is any indication of impairment, such assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

For the purpose of impairment testing, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than an operating segment.

Goodwill impairment is not reversed in any circumstances.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

3. MATERIAL ACCOUNTING POLICY INFORMATION Cont'd

(j) Contract assets/contract liabilities

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9 Financial Instruments (see note 3(c)(vii)) to the financial statements.

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(k) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(l) Equity

(i) Share capital

Ordinary shares that carry no mandatory contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company, is classified as equity instruments.

When ordinary shares and other equity instruments are issued in a public offering or in a rights issue to existing shareholders, they are recorded at the issue price.

When ordinary shares and other equity instruments are issued as consideration transferred in a business combination or as settlement of an existing financial liability, they are measured at fair value at a date of the exchange transaction.

Transaction costs of an equity transaction are accounted for as a deduction from retained profits in equity, net of any related income tax benefit.

(ii) Dividend distribution

The Company establishes a distribution policy whereby cash dividends can only be paid out of retained earnings. Other distributions, such as stock dividends and distribution in specie, may be paid out of any reserve to the extent that the utilisation is permitted by company laws and regulations.

Distributions to holders of an equity instrument are debited directly in equity, net of any related income tax benefit.

A dividend declared is recognised as a liability only after it has been appropriately authorised, which is the date when the Board of Directors declares an interim dividend, or in the case of a proposed final dividend, the date the shareholders of the Company approve the proposed final dividend in an annual general meeting of shareholders. For a distribution of non-cash assets to owners, the Company measures the dividend payable at the fair value of the assets to be distributed.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

3. MATERIAL ACCOUNTING POLICY INFORMATION Cont'd

(m) Foreign currency transactions

Transactions denominated in foreign currencies are translated and recorded at the rates of exchange prevailing at the respective dates of transactions. At the end of each reporting period, foreign currency monetary assets and liabilities are retranslated into the functional currency using the exchange rates at the reporting date (i.e. the closing rate).

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the transaction (i.e. historical rate). Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Gains and losses arising from changes in exchange rates after the date of the transaction are recognised in profit or loss (except for loans and advances that form part of the net investment in a foreign operation and transactions entered into in order to hedge foreign currency risks of net investments in foreign operations).

For loans and advances that form part of the net investment in a foreign operation, exchange differences are recognised in profit or loss in the separate financial statements of the Company and/or the individual financial statements of the foreign operation. In the consolidated financial statements that include the foreign operation, the gain or loss recognised in profit or loss in the separate and/or individual financial statements is reversed and recognised in the consolidated other comprehensive income and accumulated in an exchange translation reserve.

(n) Employees benefits

(i) Short-term benefit

Wages, salaries, bonuses and social security ("SOCSSO") contributions and employment insurance system ("EIS") contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leaves are recognised when services are rendered by employees and short term non-accumulating compensated absences such as sick leaves are recognised when the absences occur.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employees' Provident Fund ("EPF"). The contributions are recognised as a liability after deducting any contribution already paid and as an expense in profit or loss in the period in which the employees render their services. Once the contributions have been paid, the Group and the Company have no further payment obligations.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

3. MATERIAL ACCOUNTING POLICY INFORMATION Cont'd

(o) Share-based payments for Employees' Share Option Scheme ("ESOS")

Share-based payments of the Group are equity-settled share options granted to employees, for which an option pricing model is used to estimate the fair value at grant date. That fair value is charged on a straight-line basis as an expense in the profit or loss over the period that the employee becomes unconditionally entitled to the options (vesting period), with a corresponding increase in equity.

The number of such options is adjusted annually to reflect best estimates of those expected to vest (ignoring purely market based conditions) with consequent changes to the expense. Equity is also increased by the proceeds receivable, as and when employees choose to exercise their options.

If the Group modifies the terms and conditions on which the equity instruments were granted, as a minimum, the services received measured at the grant date fair value of the equity instruments granted (unless those equity instruments do not vest because of failure to satisfy a vesting condition other than a market condition) are charged to the profit or loss.

Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore the unrecognised remaining amount is recognised immediately in profit or loss.

(p) Provisions

Where, at reporting date, the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will settle the obligation, a provision is made in the statement of financial position. Provisions are made using best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise.

Any reimbursement attributable to a recognised provision from a counter-party (such as an insurer) is not off-set against the provision but recognised separately as an asset when, and only when, the reimbursement is virtually certain.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. Warranty provisions are measured using probability models based on past experience.

(q) Revenue and other income

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

3. MATERIAL ACCOUNTING POLICY INFORMATION Cont'd

(q) Revenue and other income Cont'd

The Group measures revenue from a sale of goods or a service transaction at the fair value of the consideration received or receivable, which is usually the invoice price, net of a trade discount and volume rebate given to the customer. For a contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

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

Revenue for performance obligation that is not satisfied over time is recognised at a point in time at which the customer obtains control of the promised goods or services.

(i) Goods and services rendered

Revenue from a sale of goods is recognised at a point in time when control of the goods is passed to the customer, which is the point in time when the significant risks and rewards are transferred to the customer and the transaction has met the probability of inflows and measurement reliability requirements of MFRS 15.

Revenue from services rendered is recognised in profit or loss when the services are performed, and is measured at the fair value of the consideration receivable.

(ii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(iii) Rental income

Rental income from investment property is recognised in profit and loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from investment and subleased properties are recognised as other operating income.

(iv) Dividend income

Dividend income from investment is recognised when the right to receive dividend payment is established.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

3. MATERIAL ACCOUNTING POLICY INFORMATION Cont'd

(r) Borrowing costs

Interest on borrowings to finance the purchase and development of a self-constructed qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) is included in the cost of the asset until such time as the assets are substantially ready for use or sale. Such borrowing costs are capitalised net of any investment income earned on the temporary investment of funds that are surplus pending such expenditure.

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 recognised in profit or loss in the period in which they are incurred.

(s) Income taxes

Current tax payable is calculated using the tax rates in force or substantively enacted at the reporting date. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or because the time pattern that they are taxable or deductible differs between tax law and their accounting treatment.

Using the statements of financial position liability method, deferred tax is recognised in respect of all temporary differences between the carrying value of assets and liabilities in the statement of financial position and the corresponding tax base, with the exception of goodwill not deductible for tax purposes and temporary differences arising on initial recognition of assets and liabilities that do not affect taxable or accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that the Group and the Company consider that it is probable (i.e. more likely than not) that there will be sufficient taxable profits available for the asset to be utilised within the same tax jurisdiction.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities, they relate to the same tax authority and the Group's and the Company's intention are to settle the amounts on a net basis.

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except if it arises from transactions or events that are recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively. Where tax arises from the initial accounting for a business combination, it is included in the accounting for the business combination.

Since the Group and the Company are able to control the timing of the reversal of the temporary difference associated with interests in subsidiaries, associates and joint arrangements, a deferred tax liability is recognised only when it is probable that the temporary difference will reverse in the foreseeable future mainly because of a dividend distribution.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

3. MATERIAL ACCOUNTING POLICY INFORMATION Cont'd

(s) **Income taxes** Cont'd

At present, no provision is made for the additional tax that would be payable if the subsidiaries in certain countries remitted their profits because such remittances are not probable, as the Group and the Company intend to retain the funds to finance organic growth locally. As far as joint arrangements and associates are concerned, the Group and the Company are not in a position to determine their dividend policies. As a result, all significant deferred tax liabilities for all such taxable temporary differences are recognised.

(t) **Earnings per share**

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the financial year for the effects of all dilutive potential ordinary shares.

(u) **Operating segments**

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

(v) **Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Group and the Company use market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group and by the Company (working closely with external qualified valuers) using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

3. MATERIAL ACCOUNTING POLICY INFORMATION Cont'd

(v) Fair value measurement Cont'd

Transfers between levels of the fair value hierarchy are recognised by the Group and by the Company at the end of the reporting period during which the change occurred.

(w) Foreign currencies transactions and balances

(i) Functional and presentation currency

The Group's functional currency is presented in Ringgit Malaysia ("RM") which is also the functional currency of the Company. Each entity of the Group determines its own functional currency and items included in its financial statements of each entity are measured using that functional currency.

(ii) Transactions and balances

Transactions denominated in foreign currencies are translated and recorded at the rates of exchange prevailing at the respective dates of transactions. At the end of each reporting period, foreign currency monetary assets and liabilities are translated into the functional currency using the exchange rates at the reporting date (i.e. the closing rate).

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the transaction (i.e. historical rate). Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Gains and losses arising from changes in exchange rates after the date of the transaction are recognised in profit or loss (except for loans and advances that form part of the net investment in a foreign operation and transactions entered into in order to hedge foreign currency risks of net investments in foreign operations).

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS

4.1 New MFRS and amendments to MFRSs adopted

For the preparation of the financial statements, the following amendments to the MFRSs issued by the MASB are mandatory for the first time for the financial year beginning on or after 1 January 2023:

- MFRS 17 *Insurance Contracts*
- Amendments to MFRS 17 *Insurance Contracts*
- Amendment to MFRS 17 *Insurance Contracts* – *Initial Application of MFRS 17 and MFRS 9 Financial Instruments – Comparative Information*
- 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 and International Tax Reform – Pillar Two Model Rules*

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS Cont'd

4.1 New MFRS and amendments to MFRSs adopted Cont'd

The amendments to MFRS 101 - Presentation of Financial Statements and MFRS Practice Statement 2 – Disclosure of Accounting Policies require the disclosure of 'material', rather than 'significant', accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments also clarified that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments did not result in any changes to the Group's and the Company's accounting policies. The previous term, "significant accounting policies" used throughout the financial statements has been replaced with "material accounting policy information".

The adoption of the above-mentioned new MFRS and other amendments to MFRSs has no significant impact on the financial statements of the Group and the Company.

4.2 Amendments to MFRSs not yet effective

The following are amendments to the MFRSs that have been issued by the MASB up to the date of the issuance of the Group's and the Company's financial statements but have not been adopted by the Group and the Company:

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16 *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants*
- Amendments to MFRS 107 *Statement of Cash Flows* and MFRS 7 *Financial Instruments: Disclosures – Supplier Finance Arrangements*

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121 *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

Amendments to MFRSs effective for annual periods beginning on or after a date yet to be confirmed

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

The directors anticipate that the above-mentioned amendments will be adopted by the Group and the Company when they become effective.

The initial application of amendments to MFRSs is not expected to have any significant impact on the financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

In preparing its financial statements, the Group and the Company have made significant judgements, estimates and assumptions that impact on the carrying value of certain assets and liabilities, income and expenses as well as other information reported in the notes. The Group and the Company periodically monitor such estimates and assumptions and makes sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

The judgements made in the process of applying the Group's and the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements, and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Depreciation of property, plant and equipment, right-of-use assets and investment properties

The cost of an item of property, plant and equipment, right-of-use assets and investment properties are depreciated on a straight-line method or another systematic method that reflects the consumption of the economic benefits of the asset over its useful life. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment, right-of-use asset and investment properties may differ from the estimates applied.

(b) Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is written down to their estimated realisable value when their cost may no longer be recoverable such as when inventories are damaged or become wholly or partly obsolete or their selling prices have declined. In any case, the realisable value represents the best estimate of the recoverable amount, is based on the most reliable evidence available at the reporting date and inherently involves estimates regarding the future expected realisable value. The benchmarks for determining the amount of write-downs to net realisable value include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and may materially affect the carrying amount of inventories at the reporting date (as reflected in Note 11).

(c) Loss allowances of financial assets

The Group and the Company recognise impairment losses for trade receivables under the expected credit loss model. Individually significant trade receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Group's and the Company's past experience of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the allowance made and this may affect the Group's and the Company's financial positions and results.

(d) Determining the value in use

The Group allocates goodwill to cash-generating units for the purpose of impairment testing. In determining the value-in-use of a cash-generating unit, management uses reasonable and supportable inputs about sales, cost of sales and other expenses based upon past experience, current events and reasonably possible future developments. Cash flows are projected based on those inputs and discounted at an appropriate discount rate. The actual outcome or event may not coincide with the inputs or assumptions and the discount rate applied in the measurement, and this may have a significant effect on the Group's financial position and results.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS Cont'd

(e) Share-based payments for Employees' Share Option Scheme ("ESOS")

Share-based payments are measured at grant date fair value. For share options granted to employees, in many cases market prices are not available and therefore the fair value of the options granted shall be estimated by applying an option pricing model. Option pricing model need input data such as expected volatility of the share price, expected dividends or the risk-free interest rate for the life of the option. The overall objective is to approximate the expectations that would be reflected in a current market or negotiated exchange price for the option. Such assumptions are subject to judgements and may turn out to be significantly different than expected.

Fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's and the Company's estimate of equity instruments that will eventually vest. The estimate of the number of equity instruments expected to vest is revised by the Group and by the Company at the end of each reporting period through settlement. Revisions of the original estimates, if any, is recognised in profit or loss so that the cumulative expense includes the revised estimate, with the corresponding adjustment to the reserve for employee equity-settled benefits.

(f) Income tax and deferred tax estimation

Management judgement is required in determining the provision for income taxes, deferred tax assets and liabilities and the extent to which deferred tax assets can be recognised. There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate.

The Group and the Company recognise tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Recognition of deferred tax assets and liabilities involves making a series of assumptions. As far as deferred tax assets are concerned, their realisation ultimately depends on taxable profits being available in the future. Deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deferred tax asset can be utilised and it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the Group and the Company making assumptions within its overall tax-planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

6. PROPERTY, PLANT AND EQUIPMENT

<u>GROUP</u>	Land	Buildings	Buildings-in-progress	Furniture and equipment	Motor vehicles	Plant and machinery	Renovation	Total
		RM	RM	RM	RM	RM	RM	RM
<u>2023</u>								
<u>At cost</u>								
<u>Own use</u>								
As at 1 January 2023	-	11,293,022	-	4,140,296	1,601,039	5,557,995	2,136,771	24,729,123
Acquisition of subsidiaries	1,001,562	-	1,787,938	183,447	91,102	439,050	12,430	3,515,529
Additions	-	-	487,500	723,587	148,475	1,111,980	237,693	2,709,235
Disposals	-	-	-	(20,312)	(1)	-	-	(20,313)
Written off	-	-	-	(107,467)	(5,533)	(3,461)	(40,870)	(157,331)
Reclassifications	-	2,275,438	(2,275,438)	(19,035)	-	(71,596)	90,631	-
Effect of movements in exchange rates	-	-	-	12,132	-	-	3,458	15,590
As at 31 December 2023	1,001,562	13,568,460	-	4,912,648	1,835,082	7,033,968	2,440,113	30,791,833
<u>Right-of-use assets</u>								
As at 1 January 2023	5,833,111	270,028	-	-	-	-	-	6,103,139
Acquisition of subsidiaries	-	32,317	-	-	158,562	629,000	-	819,879
Addition	-	746,183	-	-	-	328,000	-	1,074,183
Derecognition	-	(302,345)	-	-	-	-	-	(302,345)
As at 31 December 2023	5,833,111	746,183	-	-	158,562	957,000	-	7,694,856

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

6. PROPERTY, PLANT AND EQUIPMENT Cont'd

<u>GROUP</u>	<u>Land</u>	<u>Buildings</u>	<u>Buildings-in-progress</u>	<u>Furniture and equipment</u>	<u>Motor vehicles</u>	<u>Plant and machinery</u>	<u>Renovation</u>	<u>Total</u>
<u>2023</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
Accumulated depreciation								
<u>Own use</u>								
As at 1 January 2023	-	1,053,899	-	1,751,722	834,280	2,844,333	796,131	7,280,365
Acquisition of subsidiaries	-	-	-	64,111	72,817	178,064	7,481	322,473
Charge for the financial year	-	233,445	-	671,917	310,425	565,817	224,640	2,006,244
Disposals	-	-	-	(1,862)	-	-	-	(1,862)
Written off	-	-	-	(92,230)	(5,532)	(1,130)	(16,192)	(115,084)
Reclassifications	-	-	-	22,240	-	(32,798)	10,558	-
Effect of movements in exchange rates	-	-	-	9,884	-	-	1,329	11,213
As at 31 December 2023	-	1,287,344	-	2,425,782	1,211,990	3,554,286	1,023,947	9,503,349
<u>Right-of-use assets</u>								
As at 1 January 2023	473,766	157,517	-	-	-	-	-	631,283
Acquisition of subsidiaries	-	2,694	-	-	158,561	127,913	-	289,168
Charge for the financial year	118,442	250,138	-	-	-	81,554	-	450,134
Derecognition	-	(199,480)	-	-	-	-	-	(199,480)
Effect of movements in exchange rates	-	1,615	-	-	-	-	-	1,615
As at 31 December 2023	592,208	212,484	-	-	158,561	209,467	-	1,172,720

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2023 CONT'D

6. PROPERTY, PLANT AND EQUIPMENT Cont'd

<u>GROUP</u>	Land	Buildings	Buildings-in-progress	Furniture and equipment	Motor vehicles	Plant and machinery	Renovation	Total
<u>2022</u>	RM	RM	RM	RM	RM	RM	RM	RM
At Cost								
<u>Own use</u>								
As at 1 January 2022	-	11,293,022	-	3,435,684	1,845,362	5,522,400	2,003,214	24,099,682
Additions	-	-	-	802,153	1,400	35,595	130,632	969,780
Disposals	-	-	-	-	(216,123)	-	-	(216,123)
Written off	-	-	-	(108,417)	(29,600)	-	-	(138,017)
Effect of movements in exchange rates	-	-	-	10,876	-	-	2,925	13,801
As at 31 December 2022	-	11,293,022	-	4,140,296	1,601,039	5,557,995	2,136,771	24,729,123
<u>Right-of-use assets</u>								
As at 1 January 2022	5,833,111	307,542	-	-	-	-	-	6,140,653
Derecognition	-	(53,336)	-	-	-	-	-	(53,336)
Effect of movements in exchange rates	-	15,822	-	-	-	-	-	15,822
As at 31 December 2022	5,833,111	270,028	-	-	-	-	-	6,103,139

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

6. PROPERTY, PLANT AND EQUIPMENT Cont'd

<u>GROUP</u>	<u>Land</u>	<u>Buildings</u>	<u>Buildings-in-progress</u>	<u>Furniture and equipment</u>	<u>Motor vehicles</u>	<u>Plant and machinery</u>	<u>Renovation</u>	<u>Total</u>
<u>2022</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
Accumulated depreciation								
<u>Own use</u>								
As at 1 January 2022	-	828,037	-	1,334,896	766,896	2,355,374	591,393	5,876,596
Charge for the financial year	-	225,862	-	500,586	288,933	488,959	203,775	1,708,115
Disposals	-	-	-	-	(216,123)	-	-	(216,123)
Written off	-	-	-	(93,067)	(5,426)	-	-	(98,493)
Effect of movements in exchange rates	-	-	-	9,307	-	-	963	10,270
As at 31 December 2022	-	1,053,899	-	1,751,722	834,280	2,844,333	796,131	7,280,365
<u>Right-of-use assets</u>								
As at 1 January 2022	355,326	85,737	-	-	-	-	-	441,063
Charge for the financial year	118,440	101,280	-	-	-	-	-	219,720
Derecognition	-	(35,913)	-	-	-	-	-	(35,913)
Effect of movements in exchange rates	-	6,413	-	-	-	-	-	6,413
As at 31 December 2023	473,766	157,517	-	-	-	-	-	631,283

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2023 CONT'D

6. PROPERTY, PLANT AND EQUIPMENT Cont'd

<u>GROUP</u>	Land	Buildings	Buildings-in-progress	Furniture and equipment	Motor vehicles	Plant and machinery	Renovation	Total
	RM	RM	RM	RM	RM	RM	RM	RM
<u>Net carrying amount</u>								
As at 31 December 2023								
Own use	1,001,562	12,281,116	-	2,486,866	623,092	3,479,682	1,416,166	21,288,484
Right-of-use assets	5,240,903	533,699	-	-	1	747,533	-	6,522,136
	6,242,465	12,814,815	-	2,486,866	623,093	4,227,215	1,416,166	27,810,620
As at 31 December 2022								
Own use	-	10,239,123	-	2,388,574	766,759	2,713,662	1,340,640	17,448,758
Right-of-use assets	5,359,345	112,511	-	-	-	-	-	5,471,856
	5,359,345	10,351,634	-	2,388,574	766,759	2,713,662	1,340,640	22,920,614

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2023 CONT'D

6. PROPERTY, PLANT AND EQUIPMENT Cont'd

<u>Company</u>	Furniture and equipment RM	Motor vehicle RM	Total RM
Cost			
As at 1 January 2022	-	526,400	556,000
Written off	-	(29,600)	(29,600)
As at 31 December 2022 / 1 January 2023	-	526,400	526,400
Addition	5,399	-	5,399
As at 31 December 2023	5,399	526,400	531,799
Accumulated depreciation			
As at 1 January 2022	-	74,133	74,133
Charge for the financial year	-	106,760	106,760
Written off	-	(5,426)	(5,426)
As at 31 December 2022 / 1 January 2023	-	175,467	175,467
Charge for the financial year	1,080	105,280	106,360
As at 31 December 2023	1,080	280,747	281,827
Net carrying amount			
As at 31 December 2023	4,319	245,653	249,972
As at 31 December 2022	-	350,933	350,933

(a) Purchase of property, plant and equipment

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM	RM	RM	RM
Aggregate cost of property, plant and equipment acquired	3,783,418	969,780	5,399	-
Acquired by means of finance lease arrangements	(328,000)	-	-	-
Addition to right-of-use assets in exchange for increased lease liabilities	(746,183)	-	-	-
Cost disbursed for acquisition of property, plant and equipment	2,709,235	969,780	5,399	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

7. INVESTMENT PROPERTY

	GROUP	
	2023	2022
	RM	RM
Cost		
As at 1 January/31 December	308,485	308,485
Accumulated depreciation		
As at 1 January	43,187	37,018
Charge for the financial year	6,170	6,169
As at 31 December	49,357	43,187
	<u>259,128</u>	<u>265,298</u>

Investment property comprises building that is leased to a third party. The lease contains an initial non-cancellable period of 2 years. Subsequent renewals are negotiated with the lessee annually. No contingent rents are charged.

	GROUP	
	2023	2022
	RM	RM
Rental income	24,000	24,000
Direct operating expenses		
- income generating investment properties	<u>10,027</u>	<u>10,027</u>

As at 31 December 2023, the fair value of the investment property is RM350,000 (2022: RM350,000). The fair value of the Group's investment property was determined by directors' assessment based on the current market value of similar properties in the vicinity.

Fair value information

Level 3 fair value

The investment property of the Group are categorised under the Level 3 fair value. Level 3 fair value is estimated using unobservable input for the investment property.

Valuation method and key input	Significant unobservable input	Relationship of unobservable input and fair value
Information available through internal research and director's best estimate.	Estimated sale price of comparable properties in close proximity.	The higher the estimated sales price, the higher the fair value.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2023 CONT'D

8. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2023 RM	2022 RM
Unquoted shares, at cost		
As at 1 January/31 December	41,612,079	41,612,079
Equity contributions in respect of share-based payment employee expenses		
As at 1 January	3,014,172	2,246,820
Additions	374,676	1,132,499
Forfeited	(83,320)	(365,147)
	3,305,528	3,014,172
As at 31 December	44,917,607	44,626,251

The details of the subsidiaries are as follows:

Name of subsidiaries	Principal place of business/ country of incorporation	Effective equity interest		Principal activities
		2023 %	2022 %	
Subsidiary of the Company				
AIMFLEX Technology Sdn. Bhd.	Malaysia	100	100	Investment holding company
Subsidiaries of AIMFLEX Technology Sdn. Bhd.				
Bizit Systems (M) Sdn. Bhd.	Malaysia	100	100	Distribution of statistical analysis software, wireless communication devices and robotic arms
AIMFLEX Engineering Sdn. Bhd.	Malaysia	100	100	Design and fabrication of precision parts
AIMFLEX Solutions Sdn. Bhd.	Malaysia	100	100	Design, development, manufacturing and integration of modules and components in relation to Industry 4.0
AIMFLEX Systems Sdn. Bhd.	Malaysia	100	100	Manufacturing and modification of specialised automation machines, provision of maintenance and technical support services and supply of spare parts
AIMFLEX Metal Sdn. Bhd.	Malaysia	100	100	Design and fabrication of metal panels and frames

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2023 CONT'D

8. INVESTMENT IN SUBSIDIARIES Cont'd

The details of the subsidiaries are as follows: Cont'd

Name of subsidiaries	Principal place of business/ country of incorporation	Effective equity interest		Principal activities
		2023	2022	
		%	%	
Subsidiaries of AIMFLEX Technology Sdn. Bhd. Cont'd				
Bizit Systems and Solutions Pte. Ltd. *	Singapore	100	100	Retail sale of computer hardware (including handheld computers) and peripheral equipment, and computer software (except games and cybersecurity hardware and software) (software sales, marketing and training) and development of other software and programming activities
AIMFLEX Singapore Pte. Ltd. *	Singapore	100	100	Sales of specialised automation machines
AIMFLEX Philippines Inc. *	Philippines	99	99	Importation, assembly, installation, and commissioning business of specialised automation machines, provision of modifications, maintenance and technical support services
Owin Industrial Sdn. Bhd. *	Malaysia	60	-	Manufacturer of spare parts, accessories and all kind of other general purpose of machinery
Union Tech Automation Sdn. Bhd. *	Malaysia	60	-	Trading of automation parts, precision tooling and machining
Esontech Sdn. Bhd. *	Malaysia	80	-	Design, production, and promotion of automated equipment, testers, systems, and software solutions tailored to cater to the needs of the silicon photonics industries

* Not audited by RSM Malaysia PLT.

(a) The total carrying amount of non-controlling interest ("NCI") and profit allocated to NCI are as follows:-

	GROUP	
	2023 RM	2022 RM
Carrying amount of NCI	894,174	-
Profit allocated to NCI	233,956	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

8. INVESTMENT IN SUBSIDIARIES Cont'd

- (b) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting year are as follows:-

	GROUP	
	2023	2022
	RM	RM
Asset and liabilities		
Non-current assets	5,229,461	-
Current assets	2,658,409	-
Non-current liabilities	(3,476,563)	-
Current liabilities	(2,064,581)	-
Net assets	<u>2,346,726</u>	<u>-</u>
Results		
Revenue	7,432,253	-
Net profit and total comprehensive income for the financial year	<u>595,956</u>	<u>-</u>
Cash flows		
Cash flows generated from/(used in) operating activities	(849,834)	-
Cash flows (used in)/generated from investing activities	(1,290,037)	-
Cash flows generated from financing activities	656,083	-
Net change in cash and cash equivalents	<u>(1,483,788)</u>	<u>-</u>

9. GOODWILL

	GROUP	
	2023	2022
	RM	RM
Cost		
As at 1 January	2,067,965	2,067,965
Addition	3,498,448	-
As at 31 December	<u>5,566,413</u>	<u>2,067,965</u>
Accumulated impairment loss		
As at 1 January/31 December	<u>(1,212,163)</u>	<u>(1,212,163)</u>
	<u>4,354,250</u>	<u>855,802</u>

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2023 CONT'D

9. GOODWILL Cont'd

On an annual basis, the Group undertakes an impairment testing on goodwill using the value in use method. No impairment loss was identified on the carrying amount of goodwill assessed at the reporting date as its recoverable amounts were above its carrying amounts.

Recoverable amount based on value in use

The recoverable amounts of cash-generating units are determined based on value in use calculations. These calculations use pre-tax cash flow projections that have been projected to perpetuity based on a 5 years financial budgets and projections prepared by the management and approved by the Board of Directors. The projected cash flows of cash-generating units were determined based on past business performance and management's expectations on market development. The discount rate used of 8% (2022: 8%) is a pre-tax rate that is applied to the cash flow projections and represents the industry's estimated weighted average cost of capital used.

10. DEFERRED TAX ASSETS/(LIABILITIES)

	GROUP	
	2023	2022
	RM	RM
Balance as at 1 January	(327,103)	1,045,492
Acquisition of subsidiaries	(14,660)	-
Transfer from profit or loss (Note 23)	(490,431)	(1,372,646)
Effect of movements in exchange rates	(701)	51
Balance as at 31 December	<u>(832,895)</u>	<u>(327,103)</u>
Represented by:		
Deferred tax assets	306,728	773,299
Deferred tax liabilities	<u>(1,139,623)</u>	<u>(1,100,402)</u>
Total	<u>(832,895)</u>	<u>(327,103)</u>

The components of deferred tax assets/(liabilities) prior to offsetting are as follows:

	GROUP	
	2023	2022
	RM	RM
Deferred tax assets		
Differences between the net carrying amounts of contract liabilities and their tax base	301,655	766,455
Differences between the net carrying amounts of provision for warranty and their tax base	<u>5,073</u>	<u>6,844</u>
	<u>306,728</u>	<u>773,299</u>
Deferred tax liabilities		
Differences between the net carrying amounts of property, plant and equipment and their tax base	<u>(1,139,623)</u>	<u>(1,100,402)</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

11. INVENTORIES

	GROUP	
	2023	2023
	RM	RM
<u>At cost</u>		
Raw materials	3,977,532	2,978,625
Work-in-progress	8,209,545	7,858,685
Finished goods	474,307	55,780
Trading goods	369,927	949,494
	<u>13,031,311</u>	<u>11,842,584</u>
Inventories recognised as cost of sales	<u>56,106,494</u>	<u>58,238,191</u>

12. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM	RM	RM	RM
Trade				
Third parties	28,156,329	23,969,149	-	-
Less: Loss allowance	(4,238,502)	(2,139,197)	-	-
	<u>23,917,827</u>	<u>21,829,952</u>	<u>-</u>	<u>-</u>
Non-trade				
Other receivables	658,712	286,103	87,715	5,523
Deposits	275,713	867,458	1,000	1,000
Prepayments	202,327	178,600	7,547	-
	<u>1,136,752</u>	<u>1,332,161</u>	<u>96,262</u>	<u>6,523</u>
	<u>25,054,579</u>	<u>23,162,113</u>	<u>96,262</u>	<u>6,523</u>
Total trade and other receivables (excluding prepayments)	24,852,252	22,983,513	88,715	6,523
Add: Cash and bank balances (Note 13)	38,143,891	26,948,780	3,136,515	11,666,543
Add: Fixed deposits placed with licensed banks (Note 13)	34,122,100	25,221,110	34,000,000	24,000,000
Total financial assets carried at amortised costs	<u>97,118,243</u>	<u>75,153,403</u>	<u>37,225,230</u>	<u>35,673,066</u>

- (a) The trade amounts due from third parties are subject to normal trade terms ranging between 30 days to 120 days (2022: 30 days to 120 days).

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2023 CONT'D

12. TRADE AND OTHER RECEIVABLES Cont'd

(b) The movements in loss allowance are as follows:

	GROUP	
	2023 RM	2022 RM
As at 1 January	2,139,197	473,961
Acquisition of subsidiaries	258,262	-
Loss allowances recognised in profit or loss		
- Reversal of impairment losses over-provided in prior financial years	(153,600)	(440,180)
- Individual impairment losses	1,994,643	2,105,416
As at 31 December	4,238,502	2,139,197

13. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents consist of:

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Cash and bank balances	38,143,891	26,948,780	3,136,515	11,666,543
Fixed deposits placed with licensed banks	34,122,100	25,221,110	34,000,000	24,000,000
Short-term investments	19,041,162	25,476,279	8,196,173	8,896,445
	91,307,153	77,646,169	45,332,688	44,562,988
Less : Fixed deposits pledged with licensed banks	(122,100)	(1,221,110)	-	-
Balance for Statements of Cash Flow purposes as at 31 December	91,185,053	76,425,059	45,332,688	44,562,988

- (a) The fixed deposits placed with licensed banks have maturity period of 31 days to 365 days (2022: 365 days). The weighted average effective interest rates of the fixed deposits range from 2.75% to 4.00% (2022: 1.75% to 4.20%) per annum.
- (b) The fixed deposits placed with licensed banks have been pledged as security for banking facilities amounting to RM120,000 (2022: RM3,120,000) granted to the Group.
- (c) Short-term investments represent the funds invested in money market instruments and thus have minimum exposure to changes in market value. There is no maturity period for money market funds as these monies are callable on demand. The money market funds were carried at fair value. The fair value hierarchy for money market funds is classified as Level 1 as described in Note 3(v) to the financial statements.

Short-term investments represent total financial assets measured at fair value through profit or loss ("FVPL").

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

14. SHARE CAPITAL

	GROUP AND COMPANY			
	2023		2022	
	Amount RM	No. of shares	Amount RM	No. of shares
Issued and fully paid				
As at 1 January	86,365,131	1,468,945,200	55,345,930	1,224,121,200
Issued for cash under ESOS	666,373	3,797,000	-	-
Issued for cash under private placement	-	-	31,019,201	244,824,000
Transfer from share options reserve	319,707	-	-	-
As at 31 December	<u>87,351,211</u>	<u>1,472,742,200</u>	<u>86,365,131</u>	<u>1,468,945,200</u>

During the financial year, the Company issued 3,797,000 ordinary shares for cash totalling RM666,373 arising from the exercise of employees' share options at an exercise price of RM0.1755 per ordinary share.

15. RESERVES

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM	RM	RM	RM
Merger reserve	(16,628,339)	(16,628,339)	-	-
Share options reserve	2,741,068	2,750,036	2,741,068	2,750,036
Translation reserve	1,509,991	1,063,775	-	-
	<u>(12,377,280)</u>	<u>(12,814,528)</u>	<u>2,741,068</u>	<u>2,750,036</u>

Merger reserve

The merger reserve arises from the difference between the nominal value of shares issued by the Company and the nominal value of shares of the subsidiaries acquired under the merger method of accounting.

Share options reserve

The share options reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share capital. When the share options expire, the amount from the share option reserve is transferred to retained earnings. Share option is disclosed in Note 16 to the financial statements.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2023 CONT'D

16. SHARE-BASED PAYMENTS FOR ESOS

Share option programme (equity settled)

On 29 December 2020, the Group granted the share options to eligible directors and employees to purchase shares in the Company under the ESOS approved by the shareholders of the Company. In accordance with these programmes, holders of vested options are entitled to purchase shares at the market price of the shares at the date of grant.

The terms and conditions related to the grants of the share option programmes are as follows; all options are to be settled by physical delivery of shares:

Grant date/ employee entitled	Number of options	Vesting conditions	Contractual life of options
Tranche 1, option granted to eligible directors and employees of the Group on 29 December 2020	13,605,000	No vesting conditions	8 years
Tranche 2, option granted to eligible directors and employees of the Group on 29 December 2020	19,953,000	2 years of service	8 years
Tranche 3, option granted to eligible directors and employees of the Group on 1 September 2021	15,347,000	2 years of service	7 years
Tranche 4, option granted to eligible directors and employees of the Group on 1 December 2023	13,780,000	2 years of service	6.75 years
Total share options	62,685,000		

The number and weighted average exercise price of share options are as follows:

	2023		2022	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding as at 1 January	RM0.1998	32,792,600	RM0.2004	39,071,600
Granted during the financial year	RM0.1841	13,780,000	-	-
Exercised during the financial year	RM0.1755	(3,797,000)	-	-
Forfeited during the financial year	RM0.2001	(990,000)	RM0.2033	(6,279,000)
Outstanding as at 31 December	RM0.1968	41,785,600	RM0.1998	32,792,600
Exercisable as at 31 December	RM0.2031	28,005,600	RM0.2139	20,775,600

The options outstanding as at 31 December 2023 have an exercise price in the range of RM0.1755 to RM0.2139 (2022: RM0.1755 to RM0.2139) and a weighted average contractual life of 5.3 years (2022: 7 years).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

16. SHARE-BASED PAYMENTS FOR ESOS Cont'd

During the financial year, 3,797,000 share options were exercised at RM0.1755 (2022: no share options were exercised) per ordinary share.

During the financial year, 990,000 share options were forfeited at RM0.2001 (2022: 6,279,000 at RM0.2033) per ordinary share.

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial option pricing model, with the following inputs:

	2023
Fair value of share options and assumptions	
Fair value per option at grant date	<u>RM0.1163</u>
Weighted average share price	RM0.1841
Share price at grant date	RM0.1800
Expected volatility (weighted average volatility)	63.60%
Option life (expected weighted average life)	6.7 years
Expected dividends	0.00%
Risk-free interest rate (based on Malaysian government bonds)	<u>3.60%</u>
Value of employee services received for issue of share options:	

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM	RM	RM	RM
Share options granted in the financial year and total expenses recognised as share-based payments (Note 22)	<u>393,571</u>	<u>1,132,259</u>	<u>19,383</u>	<u>-</u>

17. LEASE LIABILITIES

	GROUP	
	2023	2022
	RM	RM
Future lease payment payable:		
- payable within one (1) year	647,309	94,518
- later than one (1) year and not later than five (5) years	<u>497,453</u>	<u>23,630</u>
	1,144,762	118,148
Less: Future interest charges	<u>(74,491)</u>	<u>(2,483)</u>
	<u>1,070,271</u>	<u>115,665</u>

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2023 CONT'D

17. LEASE LIABILITIES Cont'd

	GROUP	
	2023 RM	2022 RM
Repayable as follows:		
Current		
- not later than one (1) year	599,291	92,161
Non-current		
- later than one (1) year and not later than five (5) years	470,980	23,504
	<u>1,070,271</u>	<u>115,665</u>

(a) The movement of lease liabilities during the financial year are as follows:

	GROUP	
	2023 RM	2022 RM
At 1 January	115,665	224,485
Acquisition of subsidiaries	515,781	-
Addition	1,074,183	-
Lease payments	(581,952)	(108,320)
Interest charged for the year	47,933	4,753
Derecognition	(102,865)	(17,423)
Effect of movements in exchange rate	1,526	12,170
At 31 December	<u>1,070,271</u>	<u>115,665</u>

(b) Cash outflows for leases as a lessee

	GROUP	
	2023 RM	2022 RM
Included in net cash generated from/(used in) operating activities		
- Payment relating to short-term leases	273,340	68,179
Included in net cash generated from financial activities		
- Interest paid in relation to lease liabilities	47,933	4,753
- Payment of principal portion of lease liabilities	581,952	108,320
At 31 December	<u>903,225</u>	<u>181,252</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

17. LEASE LIABILITIES Cont'd

The lease liabilities of the Group at the end of the reporting period bear effective interest rates range from of 2.47% to 7.00% (2022: 3.20%) per annum. The interest rate is fixed at the inception of the lease liabilities arrangements.

18. LOANS AND BORROWINGS

	GROUP	
	2023	2022
	RM	RM
Non-current		
Secured:		
Term loans	3,061,503	-
Unsecured:		
Term loan	48,374	-
	<u>3,109,877</u>	<u>-</u>
Current		
Secured:		
Term loans	121,853	-
Unsecured:		
Term loan	15,346	-
	<u>137,199</u>	<u>-</u>
	<u>3,247,076</u>	<u>-</u>

The interest rates are as follows:

	GROUP	
	2023	2022
	%	%
Secured:		
Term loans	3.50 - 4.35	-
Unsecured:		
Term loan	<u>10.55</u>	<u>-</u>

The secured term loans are secured over the Group's freehold building, and jointly and severally guaranteed by certain directors of the Group.

The unsecured term loan obtained from a licensed bank is jointly and severally guaranteed by certain directors of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

18. LOANS AND BORROWINGS Cont'd

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Term loans	Lease liabilities	Total
	RM	RM	RM
GROUP			
As at 1 January 2022	-	224,485	224,485
Repayment	-	(108,320)	(108,320)
Interest paid	-	4,753	4,753
Lease derecognition	-	(17,423)	(17,423)
Effect of movements in exchange rate	-	12,170	12,170
As at 31 December 2022/ 1 January 2023	-	115,665	115,665
Addition through acquisition of subsidiaries	2,872,373	515,781	3,388,154
Addition	487,500	1,074,183	1,561,683
Repayment	(247,262)	(581,952)	(694,749)
Interest paid	134,465	47,933	47,933
Lease derecognition	-	(102,865)	(102,865)
Effect of movements in exchange rate	-	1,526	1,526
As at 31 December 2023	3,247,076	1,070,271	4,317,347

19. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM	RM	RM	RM
Trade				
Third parties	6,635,857	4,136,161	-	-
Non-trade				
Third parties	1,533,821	582,993	4,680	33,324
Accruals	5,259,744	5,161,778	265,693	247,291
Deposit payables	7,100	7,100	-	-
Contract liabilities	9,977,679	3,593,679	-	-
Provision for warranty	21,137	28,517	-	-
Amount due to a director related company	14,834	-	-	-
Amount due to a subsidiary	-	-	2,150	-
	16,814,315	9,374,067	272,523	280,615
	23,450,172	13,510,228	272,523	280,615

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2023 CONT'D

19. TRADE AND OTHER PAYABLES Cont'd

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM	RM	RM	RM
Trade and other payables (exclude provision for warranty and contract liabilities)	13,451,356	9,888,032	272,523	280,615
Add: Lease liabilities (Note 17)	1,070,271	115,665	-	-
Add: Loans and borrowings (Note 18)	3,247,076	-	-	-
Total financial liabilities carried at amortised cost	<u>17,768,703</u>	<u>10,003,697</u>	<u>272,523</u>	<u>280,615</u>

- (a) Trade payables are normally settled on 30 to 90 days (2022: 30 to 90 days) terms.
- (b) The contract liabilities primarily relate to the advance consideration received from customers, in which revenue is recognised at a point in time at which point the performance obligations are satisfied. The revenue will be recognised within 12 months from the end of the reporting period.
- (c) The provision for warranty relates mainly to goods sold during the financial years ended 31 December 2023 and 2022. The provision is based on estimates made from historical warranty data associated with similar products and services. The movement of the provision for warranty are as follows:

	GROUP	
	2023	2022
	RM	RM
As at 1 January	28,517	31,313
Provision made during the financial year	15,276	75,154
Provision used during the financial year	(22,656)	(77,950)
As at 31 December	<u>21,137</u>	<u>28,517</u>

- (d) The non-trade amount due to a director related company and a subsidiary is unsecured, interest free and repayable on demand.

20. REVENUE

	GROUP	
	2023	2022
	RM	RM
Revenue from contracts with customers:		
Sale of goods	73,373,578	83,622,854
Distribution	11,686,372	8,114,144
	<u>85,059,950</u>	<u>91,736,998</u>
Timing of revenue:		
At a point in time	<u>85,059,950</u>	<u>91,736,998</u>

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2023 CONT'D

21. FINANCE COSTS

	GROUP	
	2023 RM	2022 RM
Finance costs in respect of:		
- interest expenses	5,982	2,447
- lease liabilities	47,933	4,753
- loans and borrowings	134,465	-
	<u>188,380</u>	<u>7,200</u>

22. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is stated after charging/(crediting):

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Auditors' remuneration				
- RSM Malaysia PLT	87,000	74,500	24,000	18,000
- RSM Malaysia PLT (under provided in prior year)	-	6,500	-	1,000
- Firm other than member firm of RSM International Ltd.	39,669	28,021	-	-
- Firm other than member firm of RSM International Ltd. (under provided in prior year)	-	1,898	-	-
- others:				
- RSM Malaysia PLT	3,000	2,500	3,000	2,500
Bad debts written off	3,807	-	-	-
Depreciation of:				
- investment property	6,170	6,169	-	-
- property, plant and equipment	2,006,244	1,708,115	106,360	106,760
- right-of-use assets	450,134	219,720	-	-
Directors' remuneration (Note 28)	3,153,920	2,231,245	1,195,915	889,913
Dividend income	(3,881)	(92,617)	(1,592)	(88,763)
Fair value gain from short-term investments	(761,002)	(330,488)	-	-
Gain on disposal of property, plant and equipment	(36,049)	(53,000)	-	-
(Gain)/Loss on foreign exchange				
- realised	(392,591)	(853,501)	-	-
- unrealised	29,006	111,188	-	-
Impairment loss on trade receivables	1,994,643	2,105,416	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

22. PROFIT/(LOSS) BEFORE TAXATION Cont'd

Profit/(Loss) before taxation is stated after charging/(crediting): Cont'd

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM	RM	RM	RM
Interest income	(1,721,875)	(482,672)	(1,402,955)	(439,834)
Property, plant and equipment written off	42,247	39,524	-	24,174
Provision for warranty	15,276	75,154	-	-
Rental income	(27,600)	(27,600)	-	-
Rental of equipment	78,007	1,459	-	-
Rental of premises	195,333	66,720	-	-
Reversal of impairment loss on trade receivables	(153,600)	(440,180)	-	-
Share-based payments for ESOS (Note 16)	393,571	1,132,259	19,383	-
Staff costs (excludes directors' remuneration) (Note 24)	22,656,468	21,443,541	-	-
Wage subsidy and grant income	-	(6,834)	-	-

23. TAXATION

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM	RM	RM	RM
Current financial year				
- income tax expense	1,946,456	2,107,291	31,178	-
- deferred taxation (Note 10)	(39,671)	1,362,170	-	-
- foreign tax	123,445	129,057	-	-
- withholding tax	426,780	100,987	-	-
	2,457,010	3,699,505	31,178	-
(Over)/Under provision in prior financial years				
- income tax expense	(136,547)	(51,110)	-	101
- deferred taxation (Note 10)	530,102	10,476	-	-
- foreign tax	17,348	48,315	-	-
	410,903	7,681	-	101
	2,867,913	3,707,186	31,178	101

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

23. TAXATION Cont'd

A reconciliation of income tax expense on profit/(loss) before taxation with the applicable statutory income tax rate is as follows:

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Profit/(Loss) before taxation	12,217,930	16,925,588	100,318	(794,489)
Income tax at tax rate of 24% (2022: 24%)	2,932,303	4,062,141	24,076	(190,677)
Tax effects in respect of:				
Non-allowable expenses	1,544,573	1,903,404	78,655	211,980
Non-taxable income	(908,278)	(748,794)	(71,553)	(21,303)
Income tax exemption under Pioneer Status	(1,321,219)	(1,524,214)	-	-
Different tax rates in foreign jurisdictions	(96,234)	(93,466)	-	-
Statutory tax exemption in Singapore	(124,323)	(143,307)	-	-
Foreign withholding tax	426,780	100,987	-	-
Deferred tax assets not recognised	3,408	142,754	-	-
(Over)/under provision in prior financial years				
- income tax expense	(136,547)	(51,110)	-	101
- deferred taxation	530,102	10,476	-	-
- foreign tax	17,348	48,315	-	-
	2,867,913	3,707,186	31,178	101

A subsidiary has been granted the Pioneer Status incentive under the Promotion of Investments Act 1986. The subsidiary will enjoy exemption from income tax on its statutory income from pioneer activities for a period of 10 years from 7 February 2022 to 6 February 2032.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

23. TAXATION Cont'd

As at 31 December 2023, the Group has the following deferred tax assets which are not recognised in the financial statements due to uncertainty in the availability of future taxable income:

	GROUP	
	2023	2022
	RM	RM
Deductible temporary differences of property, plant and equipment	(2,297)	(2,354)
Unabsorbed tax losses	274,808	273,901
Unabsorbed capital allowances	7,820	5,376
	<u>280,331</u>	<u>276,923</u>

As at 31 December 2023, the Group has unabsorbed tax losses and unabsorbed capital allowances of approximately RM1,145,000 (2022: RM1,141,000) and RM33,000 (2022: RM22,000) respectively, which are available to be set off against future chargeable income.

With effect from year of assessment ("YA") 2019, unabsorbed tax losses can only be carried forward for a maximum period of 10 consecutive YAs to be utilised against income from any business source. Any amount which is not utilised at the end of the period of 10 YAs will be disregarded.

The unabsorbed tax losses amounted to RM1,145,000 (2022: RM1,141,000) will expire in the following financial years:

	2023	2022
	RM	RM
Year of assessment		
2031	557,000	557,000
2032	588,000	584,000
	<u>1,145,000</u>	<u>1,141,000</u>

There is no expiry date for the carried forward of unabsorbed capital allowances.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

24. STAFF COSTS

	GROUP	
	2023	2022
	RM	RM
Salaries, wages, allowances and bonuses	20,213,245	19,107,364
Defined contribution plan - EPF contributions	2,208,015	2,108,177
Social security costs - SOCSO contributions	206,669	177,015
Employee insurance system - EIS contributions	22,478	19,555
Others	6,061	31,430
Total staff costs (excludes directors' remuneration)	<u>22,656,468</u>	<u>21,443,541</u>

25. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Company for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	GROUP	
	2023	2022
	RM	RM
Profit attributable to owners of the Company	<u>9,116,061</u>	<u>13,218,402</u>
Weighted average number of ordinary shares at 31 December	<u>1,470,075,947</u>	<u>1,366,320,345</u>
Basic earnings per ordinary shares (in sen)	<u>0.62</u>	<u>0.97</u>

(b) Diluted earnings per share

The basic and diluted earnings per share are the same as the exercise of the Group's exercisable ESOS will not have material impact to the diluted earnings per share for the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

26. CAPITAL COMMITMENTS

	GROUP	
	2023	2022
	RM	RM
Acquisition of property, plant and equipment:		
Contracted but not provided for	-	3,647,248
Approved but not contracted for	6,800,000	6,800,000
	<u>6,800,000</u>	<u>10,447,248</u>

27. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with regulatory requirements and debt covenants.

The debt-to-equity ratios as at 31 December 2023 and at 31 December 2022 are as follows:

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM	RM	RM	RM
Lease liabilities	1,070,271	115,665	-	-
Loans and borrowings	3,247,076	-	-	-
Less: Cash and cash equivalents	(91,307,153)	(77,646,169)	(45,332,688)	(44,562,988)
Net debt	<u>(86,989,806)</u>	<u>(77,530,504)</u>	<u>(45,332,688)</u>	<u>(44,562,988)</u>
Total equity	<u>134,899,113</u>	<u>123,382,230</u>	<u>90,312,348</u>	<u>82,266,096</u>
Debt-to-equity ratio	<u>N/A*</u>	<u>N/A*</u>	<u>N/A*</u>	<u>N/A*</u>

*N/A = not applicable as net cash position

28. RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group and certain members of senior management of the Group.

The Group has related party relationship with its directors and key management personnel.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2023 CONT'D

28. RELATED PARTY DISCLOSURES Cont'd

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group are as follows:

	GROUP	
	2023	2022
	RM	RM
Director		
Legal and professional fees	-	43,395

The significant outstanding balances of the related companies together with their terms and conditions are disclosed in the respective notes to the financial statements.

Compensation of Key Management Personnel

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Group and of the Company and certain members of senior management of the Group and of the Company.

The key management personnel compensation during the financial year are as follows:

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM	RM	RM	RM
Directors				
<u>Directors of the Company</u>				
- fees	210,000	288,000	210,000	288,000
- salaries, bonuses and other benefits	881,817	839,721	881,817	540,939
- defined contribution plan	104,098	93,275	104,098	60,974
	<u>1,195,915</u>	<u>1,220,996</u>	<u>1,195,915</u>	<u>889,913</u>
<u>Directors of the subsidiaries</u>				
- salaries, bonuses and other benefits	1,857,537	944,962	-	-
- defined contribution plan	100,468	65,287	-	-
	<u>1,958,005</u>	<u>1,010,249</u>	<u>-</u>	<u>-</u>
Total directors' remuneration	<u>3,153,920</u>	<u>2,231,245</u>	<u>1,195,915</u>	<u>889,913</u>
<u>Share based payments for ESOS</u>				
- directors of the Company	19,383	-	19,383	-
- directors of the subsidiaries	20,567	66,640	-	-
	<u>39,950</u>	<u>66,640</u>	<u>19,383</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

28. RELATED PARTY DISCLOSURES Cont'd

Compensation of Key Management Personnel Cont'd

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM	RM	RM	RM
Other key management personnel				
- salaries, bonuses and other benefits	840,366	780,795	-	-
- defined contribution plan	100,467	93,460	-	-
Total compensation for other key management personnel	940,833	874,255	-	-
Share based payments for ESOS	23,485	64,305	-	-

Other key management personnel comprise persons other than the executive directors of the Group and of the Company, having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

The estimated monetary value of benefits-in-kind provided to the directors are RM48,586 (2022: RM48,168).

29. ACQUISITION OF SUBSIDIARIES

On 19 January 2023, AIMFLEX Technology Sdn. Bhd. ("AFT"), a subsidiary of the Company, completed the acquisition of 261,000 ordinary shares, representing 60% equity interest in Owin Industrial Sdn. Bhd.. The purchase consideration was by way of cash payment of RM1,200,000 and balance payment of RM300,000 with profit guarantee as stated in Share Sale Agreement.

On 31 January 2023, AFT completed the acquisition of 24,001 ordinary shares, representing 60% equity interest in Union Tech Automation Sdn. Bhd.. The purchase consideration was by way of cash payment of RM900,000 and balance payment of RM459,000 with profit guarantee as stated in Share Sale Agreement.

On 11 October 2023, AFT completed the acquisition of 240,000 ordinary shares, representing 80% equity interest in Esontech Sdn. Bhd.. The purchase consideration was by way of cash payment of RM1,730,000

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 transferred

	GROUP 2023 RM
Cash and cash equivalents	3,830,000
Contingent consideration	759,000
	4,589,000

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2023 CONT'D

29. ACQUISITION OF SUBSIDIARIES Cont'd

(b) Identifiable assets acquired and liabilities assumed

	GROUP 2023 RM
Property, plant and equipment	3,723,767
Inventories	27,502
Trade and other receivables	1,478,877
Cash and cash equivalents	2,057,632
Trade and other payables	(2,050,387)
Lease liabilities	(515,781)
Loans and borrowings	(2,872,373)
Deferred tax liabilities	(14,660)
Current tax liabilities	(83,807)
Total identifiable assets and liabilities	<u>1,750,770</u>

(c) Net cash outflow arising from acquisition of subsidiary

	GROUP 2023 RM
Purchase consideration settled in cash and cash equivalents	(3,830,000)
Cash and cash equivalents acquired	2,057,632
Net cash outflow	<u>(1,772,368)</u>

(d) Goodwill

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

	GROUP 2023 RM
Total consideration transferred	4,589,000
Fair value of identifiable net assets	(1,750,770)
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	<u>660,218</u>
Goodwill	<u>3,498,448</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

30. OPERATING SEGMENTS

Three reportable segments, as described below, are the Group's strategic business units. For each of the strategic business units, the Group's Managing Director who is the Group's Chief Operating Decision Maker ("CODM") reviews internal management reports on at least a quarterly basis. The following summary describes the operation in each of the Group's reportable segments:

Manufacturing and trading	-	manufacturing and sale of automation machines and precision parts
Distribution	-	distribution of manufacturing automation hardware and software
Others	-	investment activities

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Managing Director in his/her capacity as the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets (excluding investment properties and goodwill) of a segment. Segment total assets is used to measure the return of assets of each segment.

Segment liabilities

The total of segment liabilities is measured based on all liabilities of a segment. Segment total liabilities is used to measure the liabilities of each segment.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

30. OPERATING SEGMENTS Cont'd

	GROUP					
	Manufacturing		Distribution		Others	
	2023	2022	2023	2022	2023	2022
	RM	RM	RM	RM	RM	RM
External revenue						
- Within Malaysia	36,097,884	39,259,973	6,055,466	4,592,062	-	-
- Outside Malaysia	37,275,694	44,362,881	5,630,906	3,522,082	-	-
Total external revenue	73,373,578	83,622,854	11,686,372	8,114,144	-	-
Inter-segment revenue	15,493,512	12,249,377	4,752,840	3,425,707	-	-
Total segment revenue	88,867,090	95,872,231	16,439,212	11,539,851	-	-
Segment profit/(loss)	10,879,474	17,189,233	749,805	330,288	777,031	(586,733)
Finance costs					(188,380)	(7,200)
Profit before taxation					12,217,930	16,925,588
Taxation					(2,867,913)	(3,707,186)
Profit for the financial year					9,350,017	13,218,402
Assets						
Segment assets	100,321,375	80,358,332	11,780,464	8,716,279	-	-
Unallocated assets					51,983,456	49,033,914
Total assets					164,085,295	138,108,525
Liabilities						
Segment liabilities	25,451,324	13,603,744	2,702,162	835,913	-	-
Unallocated liabilities					1,032,696	286,638
Total liabilities					29,186,182	14,726,295

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2023 CONT'D

30. OPERATING SEGMENTS Cont'd

(a) Geographical information

Segment revenue is based on geographical location from which the sale transactions originated.

	GROUP	
	2023	2022
	RM	RM
Malaysia	42,153,350	43,852,034
Singapore	18,886,715	34,482,001
Philippines	21,125,995	8,206,398
Others	2,893,890	5,196,565
	<u>85,059,950</u>	<u>91,736,998</u>

(b) Major customers

The following are major customers with revenue equal or more than 10 percent of Group's revenue:

	2023	2022	Segment
	RM	RM	
All common control companies of:			
- Customer A	40,483,973	55,638,820	Manufacturing and trading

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

Trade and other receivables (excluding prepayments), cash and bank balances and fixed deposits placed with licensed banks are categorised as financial assets carried at amortised cost (Note 12) while trade and other payables (excluding provision for warranty and contract liabilities) and lease liabilities are categorised as financial liabilities carried at amortised cost (Note 19).

Financial Risk Management

The Group and the Company are exposed to the following risks from its use of financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

(a) Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and investment in debt securities. The Company's exposure to credit risk arises principally from financial guarantees given to banks for credit facilities granted to subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

31. FINANCIAL INSTRUMENTS Cont'd

Financial Risk Management Cont'd

(a) Credit risk Cont'd

Receivables

The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount. Based on the credit evaluation, the customers are rated into three risk categories, namely low risk, medium risk and high risk.

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group.

For significant receivables that are not individually credit-impaired and all other receivables, the Group uses a provision matrix that categorises the different risk classes (low risk, medium risk and high risk) and the ageing profiles. The collective lifetime ECLs are measured based on the Group's past lost rate experiences, time value of money, current conditions and forecast of future economic conditions. The past lost rates are adjusted upward in the measurement in worsening current conditions and forecasts of future macroeconomic conditions.

A receivable is written off only if there is no reasonable expectation of recovery. This is when an account is 270 days past due or the customer is experiencing significant financial difficulties, undertaking financial reorganisation or has gone bankrupt.

Concentration of credit risk

The Group assesses concentrations of credit risk by exposure to single-large customers, industry sectors and overseas jurisdictions.

The exposure to credit risk for trade receivables by geographical region is as follows:

	2023 RM	2022 RM
Primary geographical markets		
Malaysia	9,578,933	15,014,864
Philippines	1,935,899	1,757,985
Singapore	10,013,671	3,939,710
Others	2,389,324	1,117,393
	<u>23,917,827</u>	<u>21,829,952</u>

Approximately 48% (2022: 61%) of the Group's product sales were to a group of customers, and approximately 42% (2022: 49%) of the Group's accounts receivables were derived from these customers. The Group determines concentration of risk by monitoring its trade receivable individually on an ongoing basis.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

30. FINANCIAL INSTRUMENTS Cont'd

Financial Risk Management Cont'd

(a) Credit risk Cont'd

Concentration of credit risk Cont'd

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including their geographic location and trading history with the Group and existence of previous financial difficulties.

The Group is monitoring the economic environment in countries in which customers operate and is taking actions to limit its exposure to customers in countries experiencing particular economic volatility.

A summary of the Group's exposure to credit risk for trade receivables is as follows:

	2023		2022	
	Not credit- impairment	Credit- impairment	Not credit- impairment	Credit- impairment
	RM	RM	RM	RM
Major customers	10,065,341	-	10,800,818	-
Other customers:	13,852,486	4,238,502	11,029,134	2,139,197
Total gross carrying amount	23,917,827	4,238,502	21,829,952	2,139,197
Less: Allowance for impairment losses	-	(4,238,502)	-	(2,139,197)
	<u>23,917,827</u>	<u>-</u>	<u>21,829,952</u>	<u>-</u>

The Group's sales to customers are on credit terms of 30 to 120 days. When an account is more than 30 days past due, the credit risk is considered to have increased significantly since the initial recognition. The Group identifies as a default account if it is more than 150 days past due and the customer is having significant financial difficulties (analysed by financial measures of reported losses, negative cash flows, and qualitative evaluation of the customer's characteristics). The Group classifies an impaired receivable when a customer is in default, in liquidation or other financial reorganisation.

For each significant receivable that is credit-impaired, individual lifetime ECL is recognised using the probability of default technique. The inputs used are: (i) the percent chance of default, and (ii) the expected cash shortfalls. The lifetime ECL is measured at the probability-weighted expected cash shortfalls by reference to the Group's past experience, time value of money, current conditions and forecast of future economic benefits.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

31. FINANCIAL INSTRUMENTS Cont'd

Financial Risk Management Cont'd

(a) Credit risk Cont'd

Concentration of credit risk Cont'd

The aging analysis of trade receivables as at the end of the reporting period was:

GROUP	Gross amount RM	Individual impairment RM	Collective impairment RM	Net amount RM
31 December 2023				
Not past due	16,519,525	-	-	16,519,525
Past due 1-30 days	4,906,933	-	-	4,906,933
Past due 31-120 days	2,246,727	-	-	2,246,727
Past due more than 120 days	4,483,144	(4,238,502)	-	244,642
Total past due	11,636,804	(4,238,502)	-	7,398,302
	<u>28,156,329</u>	<u>(4,238,502)</u>	<u>-</u>	<u>23,917,827</u>
31 December 2022				
Not past due	9,496,053	-	-	9,496,053
Past due 1 - 30 days	6,648,921	-	-	6,648,921
Past due 31 - 120 days	3,430,610	(18,597)	-	3,412,013
Past due more than 120 days	4,393,565	(2,120,600)	-	2,272,965
Total past due	14,473,096	(2,139,197)	-	12,333,899
	<u>23,969,149</u>	<u>(2,139,197)</u>	<u>-</u>	<u>21,829,952</u>

Credit risk arising from financial guarantees

The maximum exposure to credit risk in relation to the financial guarantees given amounts to RM8,300,000 (2022: RM8,500,000) representing the available bank facilities of the subsidiary as at the end of financial year. The subsidiary has not utilised the facilities at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

31. FINANCIAL INSTRUMENTS Cont'd

Financial Risk Management Cont'd

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arise principally from its various payables.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The table below summarises the maturity profile of the Group's and Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

GROUP	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year			1-5 years		More than 5 year	
	RM	%	RM	RM	RM	RM	RM	RM	RM	RM
2023										
<i>Non-derivative financial liabilities</i>										
Trade and other payables (Note 19)	13,451,356	-	13,451,356	13,451,356	-	-	-	-	-	-
Lease liabilities (Note 17)	1,070,271	2.47 - 7.00	1,144,762	647,309	497,453	-	-	-	-	-
Loans and borrowings (Note 18)	3,247,076	3.50 - 10.55	5,338,052	276,472	1,075,294	3,986,286	-	-	-	-
	<u>17,768,703</u>		<u>19,934,170</u>	<u>14,375,137</u>	<u>1,572,747</u>	<u>3,986,286</u>				
2022										
<i>Non-derivative financial liabilities</i>										
Trade and other payables (Note 18)	9,888,032	-	9,888,032	9,888,032	-	-	-	-	-	-
Lease liabilities (Note 17)	115,665	3.20	118,148	94,518	23,630	-	-	-	-	-
	<u>10,003,697</u>		<u>10,006,180</u>	<u>9,982,550</u>	<u>23,630</u>	<u>-</u>				

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

31. FINANCIAL INSTRUMENTS Cont'd

Financial Risk Management Cont'd

(b) Liquidity risk Cont'd

The table below summarises the maturity profile of the Group's and Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments: (continued)

COMPANY	Carrying amount	Contractual interest rate	Contractual cash flows		Under 1 year
	RM	%	RM	RM	
2023					
Non-derivative financial liabilities					
Other payables (Note 19)	272,523	-	272,523		272,523
2022					
Non-derivative financial liabilities					
Other payables (Note 19)	280,615	-	280,615		280,615

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

31. FINANCIAL INSTRUMENTS Cont'd

Financial Risk Management Cont'd

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's and the Company's financial position or cash flows.

(i) Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily Euro ("EURO"), Singapore Dollar ("SGD") and U.S. Dollar ("USD").

	GROUP					
	2023			2022		
	Denominated in			Denominated in		
	EURO	SGD	USD	EURO	SGD	USD
	RM	RM	RM	RM	RM	RM
Trade and other receivables	-	6,058,484	8,935,259	-	4,034,540	2,949,923
Cash and cash equivalents	-	7,222,990	16,740,269	-	2,829,488	5,430,186
Trade and other payables	-	(6,996,311)	(3,729,143)	(275,461)	(1,319,981)	(667,645)
Lease liabilities	-	(200,704)	-	-	(115,665)	-
Net exposure	-	(6,084,459)	21,946,385	(275,461)	5,428,382	7,712,464

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

31. FINANCIAL INSTRUMENTS Cont'd

Financial Risk Management Cont'd

(c) Market risk Cont'd

(i) Foreign currency risk Cont'd

A 10% (2022: 10%) strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	GROUP Profit or (Loss) after taxation	
	2023 RM	2022 RM
EURO	-	20,935
SGD	462,419	(412,557)
USD	(1,667,925)	(586,147)
	<u>(1,205,506)</u>	<u>(977,769)</u>

A 10% (2022: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

(ii) Interest rate 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 exposure to interest risk arises primarily from cash and cash equivalents and lease liabilities. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts in a cost-efficient manner.

The following table sets out the carrying amount of the Group's financial instruments that are exposed to interest rate risk:

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
<u>Fixed rate instruments:</u>				
Financial assets	34,122,100	25,221,110	34,000,000	24,000,000
Lease liabilities	(1,516,129)	(115,665)	-	-
	<u>32,605,971</u>	<u>25,105,445</u>	<u>34,000,000</u>	<u>24,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

31. FINANCIAL INSTRUMENTS Cont'd

Financial Risk Management Cont'd

(c) Market risk Cont'd

(ii) Interest rate risk Cont'd

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM	RM	RM	RM
Floating rate instruments:				
Financial liabilities	(2,801,218)	-	-	-
	<u>(2,801,218)</u>	<u>-</u>	<u>-</u>	<u>-</u>

Fair value sensitivity analysis for fixed rate instruments

Interest on financial instruments at fixed rates is fixed until the maturity of the instruments. The other financial instruments of the Group and the Company that are not included in the above table are not subject to interest rate risks.

Cash flow sensitivity analysis for variable rate instruments

At the reporting date, if interest rates had been 100 basis points lower/ higher, with all other variables held constant, the Group's profit after taxation would have been RM21,289 (2022: NIL) higher/lower, arising mainly as a result of lower/higher interest expense from financial instruments. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(iii) Fair value of financial instruments

The carrying amount of cash and cash equivalents, short term receivables and payables approximate fair values due to the relatively short term nature of these financial instruments.

The following are the classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of the fair value:

	Note
Trade and other receivables	12
Lease liabilities	17
Loans and borrowings	18
Trade and other payables	<u>19</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 CONT'D

32. OTHER INFORMATION

- (a) The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the ACE Market of Bursa Malaysia Securities Berhad.
- (b) The registered office of the Company is situated at:

Level 5, Tower 8, Avenue 5, Horizon 2,
Bangsar South City,
59200 Kuala Lumpur
- (c) The principal place of business of the Company is situated at:

No. 12-2, Jalan Persiaran Teknologi
Taman Teknologi Johor
81400 Senai
Johor Darul Takzim
- (d) The financial statements are presented in Ringgit Malaysia, which is also the Group's functional currency.

33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 25 April 2024.

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, the undersigned, being two of the directors of **AIMFLEX BERHAD (Registration No. 201801011135 (1273151-K))** do hereby state that, in the opinion of the directors, the financial statements set out on pages 72 to 142 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023 and of their financial performance and the cash flows of the Group and of the Company for the financial year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

CHUAH CHONG EWE

CHUAH CHONG SAN

25 April 2024

STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, **CHUAH CHERN YANG** (MIA No.: 50485), being the officer primarily responsible for the financial management of **AIMFLEX BERHAD (Registration No. 201801011135 (1273151-K))** do solemnly and sincerely declare that the financial statements set out on pages 72 to 142 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

CHUAH CHERN YANG
(MIA No.: 50485)

Subscribed and solemnly declared
by the abovenamed at Johor Bahru
in the state of Johor on 25 April 2024

Before me

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIMFLEX BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AIMFLEX Berhad, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of material accounting policy information, as set out on pages 72 to 142.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023 and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<u>Revenue recognition</u> Refer to Note 3(q) and Note 20 to the financial statements. The revenue recognition from the sale of manufactured goods and distribution depends on the nature of the contractual arrangements with customers and could affect the point of control is transferred and service is rendered to the customers. We have identified revenue recognition as a key audit matter as there is higher risk of material misstatement from the perspective of timing of revenue recognition based on different contractual arrangements with customers.	Our audit procedures included the following: - Obtained an understanding of the Group's revenue recognition process and their application and thereafter performed test of controls on the occurrence of revenue. - On sampling basis, we have performed substantive testing to verify that revenue recognition criteria have been properly applied. - Assessed the correct period for revenue recognised by testing cut-off through assessing sales transactions taking place at either side of the end of reporting period as well as reviewing credit notes and sales return issued after the reporting period.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIMFLEX BERHAD CONT'D

Report on the Audit of the Financial Statements Cont'd

Key Audit Matters Cont'd

Key audit matters	How our audit addressed the key audit matters
<u>Recoverability of Trade Receivables</u> <i>Refer to Note 5(c) and Note 12 to the financial statements.</i> The recoverability of trade receivables and allowance for impairment of trade receivables are considered to be significant risk due to the pervasive nature of these balances to the financial statements and may affect the working capital management of the business.	Our audit procedures included the following: - Recomputed the probability of default using historical data and forward-looking information applied by the Group; - Scrutinised trade receivables ageing and investigated trends and conditions that may indicate objective evidence of impairment; - Reviewed long outstanding trade receivables and discussed with management on the recoverability; and - Reviewed the appropriateness and reasonableness of the assumptions applied in the management's assessment of the expected credit loss, taking into account specific known receivables' circumstances.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIMFLEX BERHAD CONT'D

Report on the Audit of the Financial Statements Cont'd

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, 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 and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIMFLEX BERHAD CONT'D

Report on the Audit of the Financial Statements Cont'd

Auditors' Responsibilities for the Audit of the Financial Statements Cont'd

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

- 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 or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company 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 auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements 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 communicate 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 8 to the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIMFLEX BERHAD CONT'D

Report on the Audit of the Financial Statements Cont'd

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

RSM Malaysia PLT

202206000002 (LLP0030276-LCA) & AF 0768
Chartered Accountants

Johor Bahru

25 April 2024

Wong Cheng Pin

03611/11/2025 J
Chartered Accountant

LIST OF PROPERTIES AS AT 31 DECEMBER 2023

No.	Registered owner/ Title details/ Postal address	Category of land use/Expiry of lease	Age of building	Description of property/ Existing use	Date of Acquisition	Land area/Built up area sq m	Net book value (RM)
(a)	AIMFLEX Systems Sdn. Bhd. HS(D) 50239, PTD 87654, Mukim of Senai, District of Kulai, Johor bearing the postal address of 12-2, Jalan Persiaran Teknologi, Taman Teknologi Johor 81400 Senai, Johor.	Building/ Leasehold, 60 years (expiring on 1 April 2068)	7 years	1 storey factory with a 2-storey office building used as our centralised main office and manufacturing space of our Group Leasehold land	22 Nov 2018	18,840/ 6,169	13,457,022
(b)	AIMFLEX Systems Sdn. Bhd. HS(D) 50240, PTD 87663, Mukim of Senai, District of Kulai, Johor bearing the postal address of 12-2, Jalan Persiaran Teknologi, Taman Teknologi Johor 81400 Senai, Johor.	Industrial/ Leasehold, 60 years (expiring on 1 April 2068)	N/A	Vacant land Leasehold	22 Nov 2018	2,860	299,279
(c)	AIMFLEX Technology Sdn. Bhd. Master Lot No. 21393, Strata Title No. GRN 102261/M1/17/ 49, Johor Bahru, Johor. No. 17-06, Level 17, Menara MSC Cyberport, Jalan Bukit Meldrum, 80300 Johor Bahru, Johor.	Building/ Freehold	23 years	Office unit located on the 17 th floor of a commercial building Office premise of Bizit Systems Malaysia	13 Nov 2014	N/A 128	452,063
(d)	AIMFLEX Technology Sdn. Bhd. Master Lot No. 21393, Strata Title No. GRN 102261/M1/17/ 50, Johor Bahru, Johor. No. 17-07, Level 17, Menara MSC Cyberport, Jalan Bukit Meldrum, 80300 Johor Bahru, Johor.	Building/ Freehold	23 years	Office unit located on the 17 th floor of a commercial building Vacant	5 Oct 2016	N/A 128	449,664
(e)	AIMFLEX Technology Sdn. Bhd. GRN 75551 Lot 20000 (formerly held under HS(D)117437, PT 462) Seksyen 90, Kuala Lumpur No. 8-23A, Block V03, Sunway Velocity Designer Office, Lingkaran SV, Off Jalan Peel 55100 Kuala Lumpur	Building/ Freehold	8 years	Office unit located on the 8 th floor of a commercial building Office premise of Bizit Systems Malaysia	30 Sept 2012	N/A 88.5	596,138

LIST OF PROPERTIES AS AT 31 DECEMBER 2023 CONT'D

No.	Registered owner/ Title details/ Postal address	Category of land use/Expiry of lease	Age of building	Description of property/ Existing use	Date of Acquisition	Land area/Built up area sq m	Net book value (RM)
(f)	AIMFLEX Solutions Sdn. Bhd. Master Lot No. 21393, Strata Title No. GRN 102261/ M1/18/61, Johor Bahru, Johor. No. 18-09, Level 18, Menara MSC Cyberport, Jalan Bukit Meldrum, 80300 Johor Bahru, Johor.	Building/ Freehold Building/ Freehold	23 years	Office unit located on the 18 th floor of a commercial building Rented out as office premises	6 Oct 2016	N/A/82	259,128
(g)	Union Tech Sdn. Bhd. HSM 4077, Lot 72791 Mukim 12, Bayan Lepas, District of Barat Daya, Pulau Pinang bearing postal address at No.2 Lintang Beringin, 11960 Bayan Lepas, Pulau Pinang.	Building / Freehold	1 year	2 Storey Factory 1 st Floor Office Use Ground Floor Manufacturing Space	23 Mar 2022	27080mm X 6670mm 308 m ²	3,250,000

ANALYSIS OF SHAREHOLDINGS AS AT 3 APRIL 2024

Share Capital

Number of Issued Shares	1,472,742,200
Class of Shares	Ordinary Shares
Voting Rights:	One Vote per ordinary share held

Distribution of Shareholdings

Size of Holdings	No. of Shares	%	No. of Shares	%
1 - 99	6	0.063	198	0.000
100 - 1,000	645	6.775	352,801	0.023
1,001 - 10,000	2,707	28.434	18,580,400	1.261
10,001 - 100,000	4,713	49.506	199,022,201	13.514
100,001 - 73,637,109 (*)	1, 447	15.199	941,633,186	63.938
73,637,110 AND ABOVE (**)	2	0.021	313,153,414	21.264
Total	9,520	100.000	1,472,742,200	100.000

REMARK : * - LESS THAN 5% OF ISSUED SHARES

** - 5% AND ABOVE OF ISSUED SHARES

List of Thirty Largest Shareholders

	Name of Shareholders	No. of Shares	% of Shares
1	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR LUSTER INDUSTRIES BHD (SMART)	181,576,707	12.329
2	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUAH CHONG EWE	131,576,707	8.934
3	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT SHARIAH PROGRESS FUND	38,779,200	2.633
4	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR CHUAH CHONG EWE (SMART)	30,000,000	2.037
5	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR AHAM AIIMAN GROWTH FUND	29,805,700	2.023
6	CHAN SAI KONG	26,705,000	1.813
7	RESOLUTE ACCOMPLISHMENT SDN BHD	25,000,000	1.697
8	NG NGOON WENG	20,722,346	1.407
9	NG KOK KHENG	20,000,000	1.358
10	LOW LAY PING	15,000,000	1.018
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHUAH CHENG PENG	13,000,000	0.882

ANALYSIS OF SHAREHOLDINGS AS AT 3 APRIL 2024 CONT'D

Thirty Largest Shareholders Cont'd

	Name of Shareholders	No. of Shares	% of Shares
12	CGS INTERNATIONAL NOMINEES MALAYSIA (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE KHENG LIANG (MP0475)	11,422,100	0.775
13	CHAI KIM CHONG	11,000,000	0.746
14	ONG KENG SENG	11,000,000	0.746
15	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RESOLUTE ACCOMPLISHMENT SDN BHD	10,318,000	0.700
16	WONG KOK TOON	10,000,000	0.679
17	NG WYMIN	8,000,000	0.543
18	SLOW KIM WEE	7,500,000	0.509
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR KENANGA ONEPRS GROWTH FUND (420119)	7,494,800	0.508
20	AMANAHRAYA TRUSTEES BERHAD AHAM GROWTH FUND	6,964,900	0.472
21	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AHAM ASSET MGT BHD (T)	6,500,000	0.441
22	AMANAHRAYA TRUSTEES BERHAD AHAM AIIMAN QUANTUM FUND	5,513,000	0.374
23	AMANAHRAYA TRUSTEES BERHAD AHAM PRINCIPLED GROWTH FUND	5,282,200	0.358
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR AHAM EQUITY FUND (930090)	5,196,000	0.352
25	WONG YOKE FONG @ WONG NYOK FING	5,100,000	0.346
26	RESOURCEFUL MEANS SDN BHD	5,000,000	0.339
27	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD AIIMAN ASSET MANAGEMENT SDN BHD FOR KERAJAAN NEGERI PERAK	4,658,700	0.316
28	TASEC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR TA INVESTMENT MANAGEMENT BERHAD (CLIENTS)	4,645,500	0.315
29	LOH CHOON HONG	4,450,000	0.302
30	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOAY YI JIA (E-BBB)	4,400,000	0.298

ANALYSIS OF SHAREHOLDINGS AS AT 3 APRIL 2024 CONT'D

List of Substantial Shareholders

Name of Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	% of Shares	No. of Shares	% of Shares
Luster Industries Bhd	181,576,707	12.329	-	-
Chuah Chong Ewe	162,206,707	11.014	25,000,000	1.698

Directors' Shareholdings

Directors	Direct Interest		Indirect Interest	
	No. of Shares	% of Shares	No. of Shares	% of Shares
Chuah Chong Ewe	162,206,707	11.014	25,000,000	1.698
Chuah Chong San	-	-	-	-
Law Lee Yen	-	-	-	-
Professor Dato' Ir. Ts. Dr. Ruzairi Bin Hj Abdul Rahim	120,800	0.008	-	-
Khoo Boo Keong	-	-	-	-

NOTICE OF 6TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixth (6th) Annual General Meeting ("AGM") of AIMFLEX Berhad ("the Company") will be held on a fully virtual basis through live streaming and online remote meeting platform of TIIH Online provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its website at <https://tiih.online> or <https://tiih.com.my> (Domain Registration number with MYNIC: D1A282781) on Tuesday, 25 June 2024 at 10.00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS:

- | | | |
|----|--|---|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2023 together with the Reports of the Directors and Auditors thereon. | <i>Please refer to Explanatory Note (a)</i> |
| 2. | To re-elect the following Director who retires pursuant to Article 131 of the Company's Constitution:-
(i) Law Lee Yen | Resolution 1 |
| 3. | To elect the following Director who retires pursuant to Article 116 of the Company's Constitution:-
(i) Khoo Boo Keong | Resolution 2 |
| 4. | To approve the payment of Directors' fees of up to RM300,000.00 and benefits of up to RM20,000.00 from 2024 Annual General Meeting until the next Annual General Meeting of the Company. | Resolution 3
<i>Please refer to Explanatory Note (b)</i> |
| 5. | To re-appoint Messrs. RSM Malaysia PLT as Auditors of the Company for the ensuing financial year, and to authorise the Directors to fix their remuneration. | Resolution 4 |

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following ordinary resolution, with or without modifications:-

- | | | |
|----|---|---|
| 6. | Authority to Issue Shares

"THAT subject always to Sections 75 and 76 of the Companies Act 2016 ("the Act"), the Constitution of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, where such approval is necessary, the Directors of the Company be and are hereby authorised to issue not more than ten per centum (10%) of the total number of issued shares of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company and that the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof. | Resolution 5
<i>Please refer to Explanatory Note (c)</i> |
|----|---|---|

NOTICE OF 6TH ANNUAL GENERAL MEETING CONT'D

AS SPECIAL BUSINESS: Cont'd

AND FURTHER THAT pursuant to Section 85 of the Act read together with Rule 76 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares ranking equally to the existing issued shares arising from any issuance of new shares pursuant to this mandate."

7. **Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions of a Revenue or Trading Nature**

Resolution 6
Please refer to
Explanatory Note (d)

"THAT approval be and is hereby given to the Company and its subsidiary(ies) ("Group") to enter into and give effect to the Recurrent Related Party Transactions of a revenue or trading nature particulars with the specified classes of related parties as specified in Section 2.7 of the Circular / Statement to Shareholders dated 30 April 2024, provided that:

- (a) such arrangements and/or transactions are necessary for the Group's day-to-day operations;
- (b) such arrangements and/or transactions undertaken are in the ordinary course of business, at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to third party;
- (c) such arrangements and/or transactions are not detrimental to the minority shareholders of the Company; and
- (d) the disclosure is made in the annual report on the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year in relation to:
 - (i) the related transacting parties and their respective relationship with the Company; and
 - (ii) the nature of the recurrent transactions.

THAT such authority shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the AGM at which such mandate was passed, at which time it will lapse, unless the authority is renewed by a resolution passed at the AGM whereby the authority is renewed; or
- (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but will not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
- (c) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting.

whichever is the earlier.

NOTICE OF 6TH ANNUAL GENERAL MEETING CONT'D

AS SPECIAL BUSINESS: Cont'd

AND THAT the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the Proposed Renewal of Shareholders' Mandate."

8. **Proposed Share Buy-Back of up to ten percent (10%) of the total number of issued shares of the Company ("Proposed New Share Buy-Back")**

Resolution 7
Please refer to
Explanatory Note (e)

"THAT subject always to compliance with the Companies Act 2016 ("the Act"), the Constitution of the Company, the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") or any other regulatory authorities and all other applicable rules, regulations, guidelines or approval for the time being in force or as may be amended from time to time, the Directors be and are hereby authorised to make purchases of ordinary shares in the Company's issued share capital as may be determined by the Directors from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interest of the Company, provided that:

- (a) the aggregate number of ordinary shares which may be purchased and/or held by the Company as treasury shares shall not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being;
- (b) the maximum funds to be allocated by the Company for the purpose of purchasing its shares shall not exceed the total retained earnings of the Company at the time of the said purchase(s); and
- (c) the authority conferred by this resolution shall commence immediately upon the passing of this ordinary resolution and shall continue to be in force until:
 - (i) the conclusion of the next AGM of the Company following the forthcoming 6th AGM, at which the ordinary resolution for the Proposed New Share Buy-Back is passed, at which time it shall lapse, unless the authority is renewed by a resolution passed at the next AGM; or
 - (ii) the expiration of the period within which the next AGM of the Company after that date it is required by law to be held pursuant to Section 340(2) of the Act [(but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act)]; or
 - (iii) revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever is earlier;

NOTICE OF 6TH ANNUAL GENERAL MEETING CONT'D

AS SPECIAL BUSINESS: Cont'd

AND THAT upon completion of the purchase by the Company of its own shares, the Directors be and are hereby authorised to deal with the shares purchased in their absolute discretion in the following manner:

- (a) cancel the Company's shares so purchased; and/or
- (b) retain the Company's shares so purchased as Treasury Shares; and/or
- (c) retain part of the Company's Shares so purchased as Treasury Shares and cancel the remainder;

and in any other manner as prescribed by the Act, rules and regulations made pursuant to the Act and ACE Market Listing Requirements of Bursa Securities and any other relevant authorities for the time being in force;

AND THAT authority be and is hereby given to the Directors and/ or anyone of them to complete and do all such acts and things as they may consider necessary or expedient in the best interest of the Company, including executing all such documents as may be required or necessary and with full powers to assent to any modifications, variations and/or amendments as the Directors in their discretion deem fit and expedient to give effect to the aforesaid purchase(s) contemplated and/ or authorised by this Ordinary Resolution."

9. To transact any other business for which due notice shall have been given.

By Order of the Board

NG HENG HOOI (MAICSA 7048492) (PC No. 202008002923)

WONG MEE KIAT (MAICSA 7058813) (PC No. 202008001958)

WONG MEE CHING (LS 9014) (PC No. 202008001420)

Company Secretaries

Kuala Lumpur

Dated: 30 April 2024

Notes:-

1. *The AGM of the Company will be conducted entirely on a virtual basis through live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities provided by Tricor Investor & Issuing House Services Sdn Bhd on its website at <https://tiih.online>. Please follow the procedures set out in the Administrative Guide for the 6th AGM which is available on the Company's website at <https://www.aimflex.com.my> to register, participate and vote remotely via the RPV.*

According to the Revised Guidance Note and FAQs, an online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Act provided that the online platform is located in Malaysia and all meeting participants of a fully virtual general meeting are to participate in the meeting online.

NOTICE OF 6TH ANNUAL GENERAL MEETING CONT'D

Notes:- Cont'd

2. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 18 June 2024 shall be eligible to attend the Meeting.*
3. *A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one (1) or more proxies to attend, participate, speak and vote in his stead. A member may appoint more than one (1) proxy in relation to the Meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy.*
4. *A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to attend, participate, speak and vote at the Meeting.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.*
6. *Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
7. *The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur. Alternatively, the Form of Proxy may also be lodged electronically via the TIIH Online at <https://tiih.online> not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof, resolutions set out above are to be voted by poll. Kindly refer to the Administrative Guide for the 6th AGM for further information on the electronic lodgement of proxy form.*

A member who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at this AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at <https://tiih.online>. Kindly refer to the Procedures for RPV as set out in the Administrative Guide for the 6th AGM.

Explanatory Notes

(a) Audited Financial Statements and Reports of Directors and Auditors

The Audited Financial Statements under Agenda 1 are meant for discussion only in accordance with the provisions of Section 340(1) of the Companies Act 2016 ("the Act"), and it does not require a formal approval of the shareholders. Hence, this agenda will not be put forward for voting.

(b) Directors' fees and benefits

Pursuant to Section 230(1) of the Act, fees and benefits ("Remuneration") payable to the Directors of the Company will have to be approved by the shareholders at a general meeting. The Company is requesting shareholders' approval for the payment of Remuneration for the period from this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company in 2025. The Remuneration comprises of fees and meeting allowances payable to directors.

NOTICE OF 6TH ANNUAL GENERAL MEETING CONT'D

Explanatory Notes Cont'd

(c) Authority to Issue Shares

The proposed Ordinary Resolution 5, if passed, will authorise the Directors to issue not more than ten per centum (10%) of the total number of issued shares of the Company subject to the approvals of all relevant governmental/regulatory bodies.

This is the renewal of the mandate obtained from the members at the last Annual General Meeting ("the previous mandate"). The previous mandate was not utilized and accordingly no proceeds were raised.

The purpose of the renewal of the mandate is for further possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

The approval of the issuance and allotment of the new shares under Sections 75 and 76 of the Companies Act 2016 ("the Act") shall have the effect of the shareholders having agreed to waive their statutory pre-emptive rights pursuant to Section 85 of the Act and Rule 76 of the Constitution of the Company, pertaining to the issuance and allotment of new shares under Sections 75 and 76 of the Act, which will result in a dilution to their shareholding percentage in the Company.

(d) Proposed Renewal Shareholders' Mandate for Existing Recurrent Related Party Transactions of a Revenue or Trading Nature

The Proposed Ordinary Resolution 6, if passed, will enable the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Company and/or its subsidiaries, subject to the transactions being carried out in the ordinary course of business of the Company and/or its subsidiaries and on normal commercial terms which are generally available to the public and not detrimental to the minority shareholders of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next annual general meeting of the Company. For more information, please refer to the Circular to Shareholders dated 30 April 2024 accompanying the Annual Report of the Company for the financial year ended 31 December 2023.

(e) Proposed Share Buy-Back of up to ten percent (10%) of the total number of issued shares of the Company ("Proposed New Share Buy-Back")

The Proposed Ordinary Resolution 7, if passed, will empower the Company to purchase and/or hold up to ten percent (10%) of the issued and paid-up share capital of the Company by utilising the funds allocated which shall not exceed the total retained earnings of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next annual general meeting of the Company. For more information, please refer to the Circular to Shareholders dated 30 April 2024 accompanying the Annual Report of the Company for the financial year ended 31 December 2023.

Notes in Notice of Meeting & Proxy Form

The appointment of a proxy may be made in hard copy form or by electronic form. In the case of an appointment made in hard copy form, the proxy form must be deposited with the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. In the case of electronic appointment, the proxy form must be deposited via TIIH Online at <https://tiih.online>. Please refer to the Administrative Guide for further information on electronic submission. All proxy form submitted must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote.

STATEMENT ACCOMPANYING THE NOTICE OF THE ANNUAL GENERAL MEETING

Statement accompanying the notice of the Annual General Meeting pursuant to Pursuant to Rule 8.29 (2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

The details of the Director seeking election and his nature and extent of any conflict of interest/ potential conflict of interest that he has with the Company or its subsidiaries (if any) is set out in the respective profile which appears in the Directors' Profiles on pages 6 to 10 of this Annual Report.

The details of his interest in the securities of the Company are set out in the Analysis of Shareholdings which appear on the pages 151 and 152 of this Annual Report.

Number of Shares Held	
CDS Account No.	

I/We, _____ NRIC/Passport No. _____
(FULL NAME IN BLOCK LETTERS)

of _____
(FULL ADDRESS)

contact no. _____ email address _____ being a member/ members of **Aimflex Berhad** ("Aimflex" or the "Company") hereby appoint the person(s) below as my/our proxy(ies) to vote for me/us and on my/our behalf at the **Sixth (6th) Annual General Meeting ("AGM")** to be held on a fully virtual basis through live streaming and online remote meeting platform of TIH Online provided by Tricor Investor & Issuing House Services Sdn Bhd via its website at <https://tiah.online> or <https://tiah.com.my> (Domain Registration number with MYNIC: D1A282781) on **Tuesday, 25 June 2024 at 10.00 a.m.**

IMPORTANT NOTE:

Please (i) tick [☐] either **ONE** of the option (a) or (b) for the number of proxy which you wish to appoint, (ii) complete the details of your proxy/proxies and the proportion of your shareholding to be represented (if applicable), (iii) please tick [☐] option (c) if you would like to appoint the Chairman of the AGM as the proxy or failing the proxy to vote on your behalf and (iv) sign or execute this form.

Option	Name of proxy(ies)	NRIC/ Registration No.	Email Address & Phone Number	Proportion of shareholding to be represented
(a)	Appoint ONE proxy only (Please complete details of proxy below)			
				100%
(b)	Appoint MORE THAN ONE proxy (Please complete details of proxies below)			
Proxy 1				%
Proxy 2				%
				100%
(c)	The Chairman of the AGM as my/our proxy and/or failing the above proxy to vote for me/us on my/our behalf			

*My/our *proxy/proxies shall vote as follows :-

Please indicate with an "X" in the space provided below how you wish your votes to be casted. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain for voting at his/her discretion.

NO.	RESOLUTIONS	FOR	AGAINST
1.	RE-ELECTION OF MS. LAW LEE YEN AS DIRECTOR		
2.	ELECTION OF MR. KHOO BOO KEONG AS DIRECTOR		
3.	PAYMENT OF DIRECTORS' FEES AND BENEFITS FROM THIS AGM UNTIL THE NEXT AGM		
4.	RE-APPOINTMENT OF MESSRS. RSM MALAYSIA PLT AS AUDITORS		
5.	AUTHORITY TO ISSUE SHARES		
6.	PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR EXISTING RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE		
7.	PROPOSED NEW SHARE BUY-BACK OF UP TO TEN PERCENT (10%) OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY		

Dated this _____ day of _____ 2024

Signature / Common Seal of Shareholder

Notes:-

1. The AGM of the Company will be conducted entirely on a virtual basis through live streaming and online remote voting via Remote Participation and Voting ("**RPV**") facilities provided by Tricor Investor & Issuing House Services Sdn Bhd on its website at <https://tiih.online>. Please follow the procedures set out in the Administrative Guide for the 6th AGM which is available on the Company's website at <https://www.aimflex.com.my> to register, participate and vote remotely via the RPV.

According to the Revised Guidance Note and FAQs, an online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Act provided that the online platform is located in Malaysia and all meeting participants of a fully virtual general meeting are to participate in the meeting online.

2. In respect of deposited securities, only members whose names appear in the Record of Depositors on 18 June 2024 shall be eligible to attend the Meeting.
3. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one (1) or more proxies to attend, participate, speak and vote in his stead. A member may appoint more than one (1) proxy in relation to the Meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy.
4. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to attend, participate, speak and vote at the Meeting.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.
6. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("**SICDA**") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
7. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur. Alternatively, the Form of Proxy may also be lodged electronically via the TIIH Online at <https://tiih.online> not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof, resolutions set out above are to be voted by poll. Kindly refer to the Administrative Guide for the 6th AGM for further information on the electronic lodgement of proxy form.

A member who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at this AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at <https://tiih.online>. Kindly refer to the Procedures for RPV as set out in the Administrative Guide for the 6th AGM.

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AFFIX
STAMP

**THE SHARE REGISTRAR OF
AIMFLEX BERHAD**
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

Please fold here



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