AIMFLEX

ANNUAL REPORT 2022

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' (Dr.) Ts. Awang Daud Bin Awang Putera
Non-Independent Non-Executive Chairman

Chuah Chong Ewe
Group Managing Director

Chuah Chong San
Executive Director

Professor Dr. Ruzairi Bin Hj Abdul Rahim
Independent Non-Executive Director

Law Lee Yen
Independent Non-Executive Director

Siti Zaleha Binti Sulaiman
Independent Non-Executive Director

AUDIT & RISK MANAGEMENT COMMITTEE

Law Lee Yen
Chairperson /Independent Non-Executive Director

Professor Dr. Ruzairi Bin Hj Abdul Rahim
Member /Independent Non-Executive Director

Siti Zaleha Binti Sulaiman
Member/Independent Non-Executive Director

AIMFLEX

REMUNERATION COMMITTEE

Siti Zaleha Binti Sulaiman
Chairperson /Independent Non-Executive Director

Law Lee Yen
Member /Independent Non-Executive Director

Professor Dr. Ruzairi Bin Hj Abdul Rahim
Member /Independent Non-Executive Director

NOMINATION COMMITTEE

Siti Zaleha Binti Sulaiman
Chairperson /Independent Non-Executive Director

Law Lee Yen
Member /Independent Non-Executive Director

Professor Dr. Ruzairi Bin Hj Abdul Rahim
Member /Independent Non-Executive Director

EMPLOYEES SHARE OPTION SCHEME COMMITTEE

Professor Dr. Ruzairi Bin Hj Abdul Rahim
Chairman, Independent Non-Executive Director

Chuah Chong Ewe
Member / Group Managing Director

Chuah Chong San
Member / Executive Director

Hing Fook Sern
Member / Key Senior Management

Ong Soo Lid
Member / Key Senior Management

INVESTMENT COMMITTEE

Dato' (Dr.) Ts. Awang Daud Bin Awang Putera
Chairman / Non-Independent Non-Executive Chairman

Chuah Chong Ewe
Member / Group Managing Director

Law Lee Yen
Member / Independent Non-Executive Director

CORPORATE INFORMATION

COMPANY SECRETARIES

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

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

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

CORPORATE WEBSITE

www.aimflex.com.my

CORPORATE OFFICE

12-2, Jalan Persiaran Teknologi
Taman Teknologi Johor
81400 Senai
Johor Darul Ta'zim
Tel: +607-595 5545
Fax: +607-595 5543

REGISTERED OFFICE

Level 5, Tower 8,
Avenue 5, Horizon 2,
Bangsar South City,
59200 Kuala Lumpur
Tel: +603-2280 6388
Fax: +603-2280 6399

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
Fax: +607-276 2832

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 : +607-353 5581

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

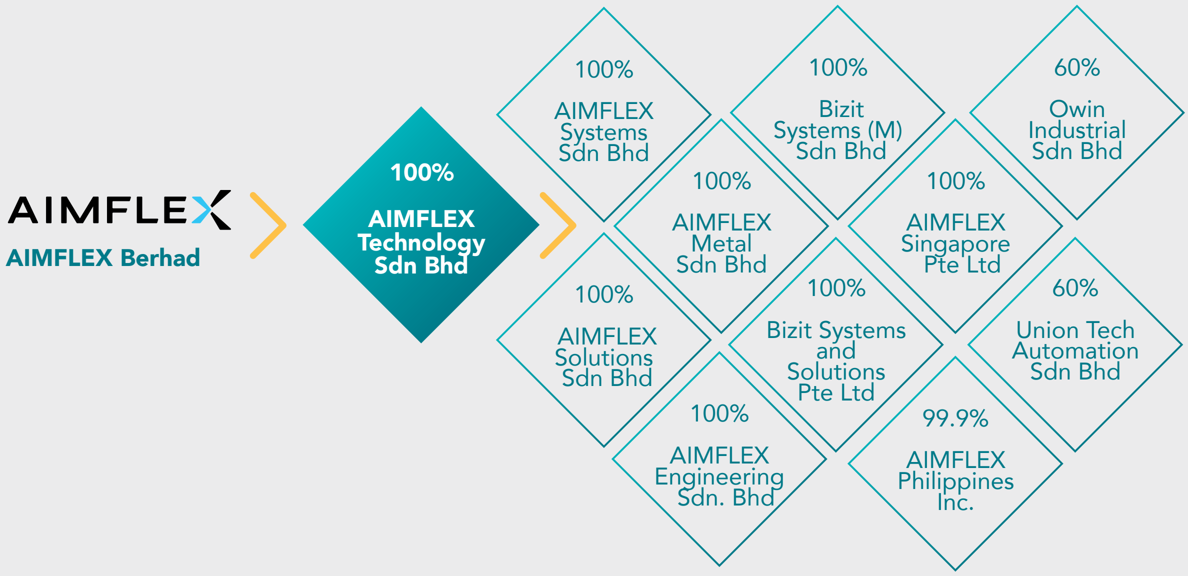
SHARE REGISTRAR

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
Tel: +603-2783 9299
Fax: +603-2783 9222

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
– Ace Market
Stock Code: 0209

CORPORATE STRUCTURE



Corporation	**Date / Place of Incorporation**	**Effective Equity Interest %**	**Principal Activities**
AIMFLEX Berhad	22 March 2018 / Malaysia	Public issue	Investment Holding

Subsidiaries of AIMFLEX

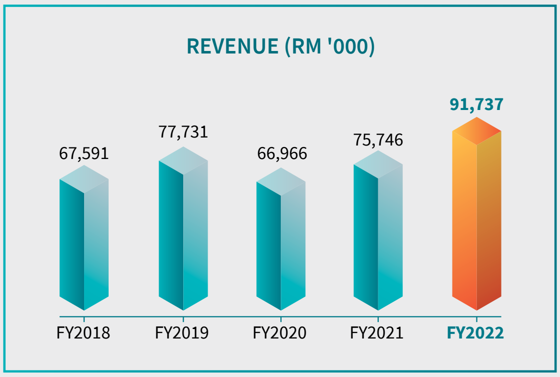
Subsidiaries	**Date / Place of Incorporation**	**Effective Equity Interest %**	**Principal Activities**
AIMFLEX Technology Sdn Bhd	29 January 2007 / Malaysia	100.0	Investment holding company
AIMFLEX Systems Sdn Bhd	2 December 2015 / Malaysia	100.0	Manufacturing and modification of specialised automation machines, provision of maintenance and technical support services and supply of spare parts
AIMFLEX Solutions Sdn Bhd	21 May 2013 / Malaysia	100.0	Design, development, manufacturing and integration of modules and components in relation to Industry 4.0
AIMFLEX Metal Sdn Bhd	1 July 1996 / Malaysia	100.0	Design and fabrication of metal panels and frames
AIMFLEX Engineering Sdn. Bhd	23 April 2008 / Malaysia	100.0	Design and fabrication of precision parts
Bizit Systems (M) Sdn Bhd	23 April 2007 / Malaysia	100.0	Distribution of statistical analysis software, wireless communication devices and robotic arms
Bizit Systems and Solutions Pte Ltd	30 May 2011 / Singapore	100.0	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	1 March 2013 / Singapore	100.0	Sales of specialised automation machines
AIMFLEX Philippines Inc.	12 December 2022 / Philippines	99.9	Importation, assembly, installation, and commissioning business of specialised automation machines and provision of modifications, maintenance, and technical support of specialised automation machines.
Owin Industrial Sdn Bhd (Acquired on 19 January 2023)	11 December 2017 / Malaysia	60.0	Manufacturer of spare parts, accessories and all kind of other general purpose of machinery.
Union Tech Automation Sdn Bhd (Acquired on 31 January 2023)	28 August 2007 / Malaysia	60.0	Trading of automation parts, precision tooling and machining.

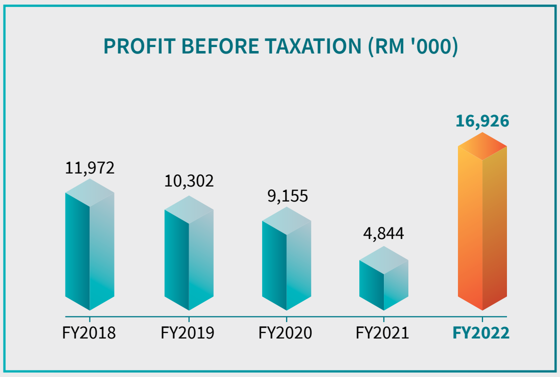
FINANCIAL HIGHLIGHTS

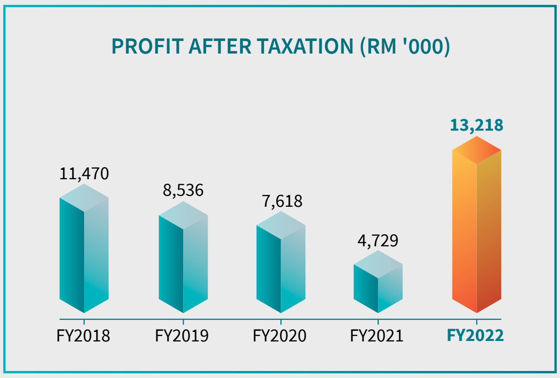
	FY2018[1] RM '000	FY2019 RM '000	FY2020 RM '000	FY2021 RM '000	FY2022 RM '000
Revenue	67,591	77,731	66,966	75,746	91,737
Profit before Taxation	11,972	10,302	9,155	4,844	16,926
Profit After Taxation	11,470	8,536	7,618	4,729	13,218
Shareholders' Equity	22,096	65,283	71,286	77,650	123,382
Earnings Before Interests, Taxation, Depreciation and Amortisation	13,111	12,187	10,674	6,601	18,383
Earning per Share (sen)	1.15	1.10	0.62	0.39	0.97
Net Assets per Share (RM)	0.02	0.05	0.06	0.06	0.08

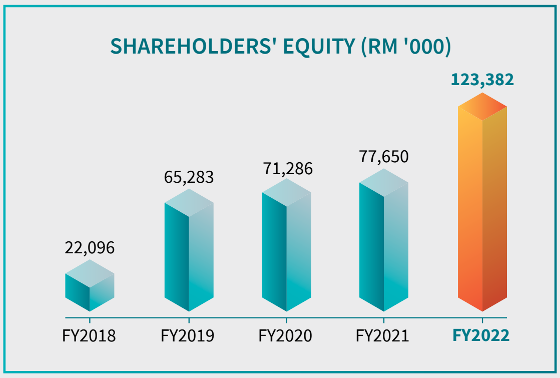
Note:

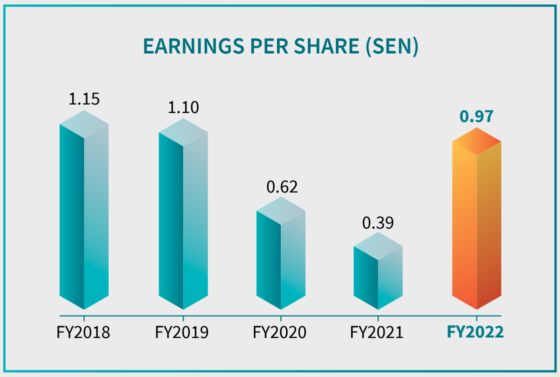
(1) The Group was only formed on 2 May 2019. The financial information for FY2018 was presented based on the historical combined financial statements of the subsidiaries as disclosed in the prospectus of the Company dated 21 June 2019.

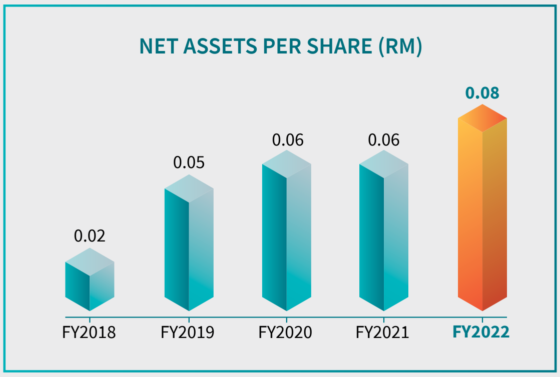












Dato' (Dr.) Ts. Awang Daud Bin Awang Putera

Non-Independent
Non- Executive Chairman

- 62 years of age
- Male
- Malaysian

Dato' (Dr.) Ts. Awang Daud Bin Awang Putera was appointed to the Board as the Non-Independent Non-Executive Chairman on 19 August 2020. He was subsequently redesignated as the Executive Chairman on 16 February 2021 and on 25 January 2022 to Non-Independent Non-Executive Chairman. He is also the Chairman of our Investment Committee.

Dato' (Dr.) Ts. Awang Daud Bin Awang Putera obtained an intermediate certificate for Mechanical Fitter and General Mechanic in 1980 from MARA Vocational Institute Malaysia and subsequently completed his Bachelor of Science in Mechanical Engineering in 1994 from the University of the East, Philippines. He later completed his Master's in Mechanical Engineering in 2007 from Universitas Pancasila, Jakarta, Indonesia. In 2018, he was conferred the highest professional qualification of Chartered Fellow, which carries the post of nominal FCILT from The Chartered Institute of Logistics and Transport Malaysia (CILTM). In 2020, he received an Honorary Doctorate in Technology from Geomatika University College.

Dato' (Dr.) Ts. Awang Daud Bin Awang Putera has over 40 years of experience in the field of mechanical engineering. He began his career with Syarikat Jengka Pahang Sdn Bhd as an apprentice in 1978, where he was trained in repair and overhaul of rotating equipment such as electric motor, multi centrifugal pumps, rotary pumps boiler and driers. Subsequently in 1983, he joined Malaysia LNG Sdn Bhd and was a part of the pioneer group which set up the mechanical workshop for the first product of LNG in the Engineering department.

In 1994, he co-founded Serba Dinamik Sdn Bhd and was appointed as the Managing Director to oversee field supervision, coordination and managing of various projects, construction, fabrication tasks, planning and tendering, negotiations and handling managerial portfolios.

He is a promoter of Serba Dinamik Holdings Berhad and holds the Deputy Managing Director position and Non-Independent and Executive Director since 2016. He was redesignated as Non-Independent and Non- Executive Director in 2019.

Currently, he also holds the position as Executive Chairman in Minetech Resources Berhad.

Chuah Chong Ewe

Group Managing Director

- 56 years of age
- Male
- Malaysian

Chuah Chong Ewe was appointed to the Board as Executive Director on 25 January 2022 and subsequently as Group Managing Director on 30 September 2022. His main responsibilities are to lead the strategic business direction of the Group and assist in Corporate Governance matters to ensure adequate and efficient system for the benefit of the Group. He is also a member of our Investment Committee and Employees' Share Option Scheme Committee.

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.

Chuah Chong San

Executive Director

- 59 years of age
- Male
- Malaysian

Chuah Chong San was appointed to the Board as Executive Director on 25 January 2022. He is responsible to lead and participate in technical matters. He is also a member of our Employees' Share Option Scheme Committee.

He graduated in 1989, as per AR 2021 and Bursa announcement on his appointment 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 had the opportunity in 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.

Law Lee Yen

Independent Non-Executive Director

- 38 years of age
- Female
- Malaysian

Law Lee Yen was appointed to the Board as Independent Non-Executive Director on 1 October 2018. She is also the Chairperson of our Audit and Risk Management Committee and a member of our Nomination Committee and Remuneration Committee.

She graduated from the University of Melbourne, Australia in 2006 with a Bachelor of Commerce. She has been a member of the Malaysian Institute of Accountants since August 2010 and a member of CPA Australia since April 2010. She is also a member of Chartered Tax Institute of Malaysia since October 2012. She has more than 13 years of working experiences 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 (a non-audit firm in which her brother was Partner) as a Manager, responsible for tax advisory services. She was promoted as Partner of the firm in 2011, where she was responsible for providing tax advisory services. 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 and with that, she was responsible for providing audit and tax advisory services under her new firm. Her tenure in Terry Law & Co. from January to May 2017 was a transitional arrangement to facilitate the transfer of tax clientele from Terry Law & Co. to LY Law & Associates. In May 2017, she resigned as a partner of Terry Law & Co.

Currently, she also serves as a Director for BCB Berhad.

Siti Zaleha Binti Sulaiman

Independent Non-Executive Director

- 59 years of age
- Female
- Malaysian

Siti Zaleha Binti Sulaiman was appointed to the Board as the Independent Non-Executive Director on 2 October 2020. She is also the Chairperson of our Remuneration Committee and Nomination Committee as well as a member of our Audit and Risk Management Committee.

She completed both her Bachelor of Science in Computer Science and Master of Science in Computer Science from State University of New York, USA and University of Miami, USA respectively. She has more than 20 years of experience in the corporate industry.

She started her career in 1989 as the Administration Officer of Bank Negara Malaysia where she provided information systems and technology (IS/IT) audits to all financial institutions under the purview of Bank Negara Malaysia. In 1995, she joined Bursa Malaysia Berhad as the Head of IS/IT Audit Department.

In 2011, she was promoted to the Head of Corporate Risk Management and Acting Head of Group Internal Audit of Bursa Malaysia Berhad, to spearhead both the Corporate Risk Management and Group Internal Audit divisions. Subsequently, she became the Head of Compliance of the Risk and Compliance in 2016 to be responsible for the Compliance Department, in which her scopes covering the identification of legal and regulatory requirements for Bursa Malaysia Berhad, providing guidance, establishing operating procedures as well as instilling awareness on risk and compliance related matters for Bursa Malaysia Berhad.

Professor Dr. Ruzairi Bin Hj Abdul Rahim

Independent Non-Executive Director

- 56 years of age
- Male
- Malaysian

Professor Dr. Ruzairi Bin Hj Abdul Rahim was appointed to the Board as Independent Non-Executive Director on 1 November 2018. He is the Chairman of the Employees' Share Option Scheme Committee, member for our Audit and Risk Management Committee, Remuneration Committee and Nomination Committee respectively.

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 Professional Technologist by Malaysia Board of Technologists in 2018 and has over 25 years of experience in the field of R&D management.

He started his career in Universiti Teknologi Malaysia (UTM) in 1992 as a Tutor at the Department of Control & Instrumentation Engineering in the Faculty of Electrical Engineering. He was 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 appointed 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, he was promoted as the Professor of UTM and appointed as 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 which is 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 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, he was appointed as the Professor for the School of Electrical Engineering, Faculty of Engineering at UTM. Subsequently, he was appointed as Dean of Faculty Engineering UTM since July 2021 to June 2024.

During his service at UTM, he has received 45 awards in recognition of his excellence. Among the awards, there 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 until today.

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.
4. Save as disclosed, none of the Directors holds any directorship in public companies and listed corporation.
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.

Soo Choon Siong

Head of Finance

- 49 years of age
- Male
- Malaysian

Soo Choon Siong is the Head of Finance and is responsible for the Group's overall financial and accounting operations.

He obtained a Bachelor of Commerce in 1996 from the University of Otago, New Zealand. He is a Chartered Accountant of Malaysian Institute of Accountants and Chartered Accountants Australia and New Zealand. He is also an Associate Member of the Chartered Tax Institute of Malaysia.

He began his career as an audit assistant with KPMG Johor Bahru in 1997 and was involved in the audits of clients in various industries. In 2001, he left the audit profession and began his journey in the commercial sectors. His first employment was with a Multinational Corporation (MNC) involved in the production of oleochemicals as its Accountant. In 2002, he left to join a Bursa Malaysia Main Board listed ceramic tile manufacturer as Finance Manager and was subsequently offered to join its Board as Finance Director.

In 2014, he was the Group Financial Controller of an automotive leather manufacturer before joining a Biopharmaceutical manufacturer MNC as Senior Director, Finance in 2016.

Between 2017 and February 2021, he was attached to an aerosol paint manufacturer listed on the Catalist Board of Singapore Exchange as Chief Financial Officer and a property developer as Finance Director.

In February 2021, he joined AIMFLEX and assumes the current role.

Hing Fook Sern

Key Senior Management

- 53 years of age
- Male
- Malaysian

Hing Fook Sern is the Managing Director of our subsidiaries, Bizit Systems (M) Sdn Bhd and Bizit Systems and Solutions Pte Ltd. He is also a member of the Employees' Share Option Scheme Committee.

In 1993, he graduated with a Bachelor of Science (with distinction) in Industrial Engineering from University of Nebraska – Lincoln, United States of America and has more than 28 years of experience throughout his career with a strong track record in business, engineering functions, sales and marketing planning.

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 Sales Manager and was subsequently promoted to Sales Director in 2014. Prior to holding a Sales post, his 18 years 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.

In 2018, he was appointed as the Managing Director to lead the distribution arm of AIMFLEX.

KEY SENIOR MANAGEMENT PROFILES

Ong Soo Lid

Key Senior Management

- 41 years of age
- Male
- Malaysian

Ong Soo Lid currently holds the positions of Managing Director of AIMFLEX Singapore Pte Ltd and as Vice President of Sales and Operations at AIMFLEX Systems Sdn Bhd. He was appointed to the positions in January 2021 and June 2022 respectively.

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

After graduation in 2003, he joined 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 for 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.

Lau Karn Hwa

Key Senior Management

- 42 years of age
- Male
- Malaysian

Lau Karn Hwa joined AIMFLEX in October 2019. In January 2021, he was appointed as the Senior R&D Manager to lead the R&D team in data acquisition, machine vision, motion controls and machine learning. Currently he holds the post of Vice President of Engineering, appointed in June 2022 to spearhead the Engineering Division.

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

He started his career in 2003 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 and wafer level equipment developments.

From 2007 to 2017, he had 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 Keysight bench top oscilloscopes. Working together with the 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 joined Avnet Asia Pte Ltd (Xilinx Distribution Channel) in Singapore as Senior Consultant. His key roles included business development activities driving demand creation for Xilinx SOC and Computer Hardware Accelerator targeting customers in Aerospace & Defence, 4G/5G Radio Communications, High Performance Computing Data Centre and Machine Vison/Machine Learning domains. He then left Avnet Asia Pte Ltd to join AIMFLEX.

Notes:

1. None of the Key Senior Management has any family relationship with any Director and/or major shareholder of the Company.
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 corporation.

Dear Shareholders,

On behalf of the Board of Directors of AIMFLEX Berhad, we are pleased to present our Annual Report and Consolidated Financial Reports of the Group for the financial year ended 31 December 2022 ("FY2022").

After two years of the COVID-19 outbreak (FY2020 and FY2021), the world has gradually returned to normalcy, albeit with heightened personal hygiene and self care. Businesses accelerated with international and regional travel increased at the quickest rate since the pandemic's onset.

The year 2022, on the other hand, was not without difficulties. Russia invaded Ukraine in February 2022, triggering a Domino effect, hence the waves of price inflation for practically all commodities, including oil, metals, and even food. To combat inflationary pressures, the World's central banks, headed by the Federal Reserve of the United States of America, embarked on a series of aggressive interest rate hikes.

On the back of those challenges, AIMFLEX had been able to weather the market uncertainties and were able to achieve a record revenue of RM91.7 million for the fiscal year ending 31 December 2022 ("FY2022") (FY2021: RM75.7 million) mainly attibuted to our manufacturing segment with a revenue increase of 30.3%.

Gross profit improved by RM13.9 million or 71.7%, owing mostly to higher product profit margins. Other incomes on the other hand had also surged by RM0.91 million or 95.4% mostly due to foreign currency gains from the rise of the USD and SGD respectively..

In tandem with the increase in revenue, we also saw an increase in distribution, administrative and other expenditures by RM2.76 million or 17.8%, due to increased export-related and travel expenses and increased impairment loss on trade receivables. Despite those increases, AIMFLEX had a much greater consolidated profit after tax of RM13.2 million (FY2021: RM4.7million).

BUSINESS AND OPERATIONS

Despite the challenging business environment, we remain focused on developing and expanding our business. We have: -

1. On 11 January 2022, AIMFLEX Berhad (the "Company") announced that it would undertake a proposed subscription exercise of up to 244,824,000 Subscription Shares at the subscription price of RM0.1267 per Subscription Share, representing up to 20% of the enlarged number of issued and paid-up shares of the Company. On 3 June 2022, the Company announced that 244,824,000 new Subscription Shares issued and quoted on the ACE Market of Bursa Securities, which marked the completion of the Subscription.
2. The Group has established a Penang office at 1-2-46, Elit Avenue, Jalan Mayang Pasir 3, 11950 Bayan Baru, Penang. The office houses AIMFLEX's technical and business development personnel in order to establish a presence in the Northern part of Peninsular Malaysia.
3. On 12 December 2022, we incorporated a new subsidiary, AIMFLEX Philippines Inc in the Philippines to better serve our customers in the country.
4. 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.
5. On 19 January 2023, we acquired a 60% stake in Owin Industrial Sdn Bhd ("Owin").
6. On 31 January 2023, we acquired a 60% stake in Union Tech Automation Sdn Bhd ("Union Tech").
7. In terms of personnel development, we have organised a total of 71 training sessions for our employees, of which 22 were in-house training and 49 were external training sessions.
8. As part of the Group's Human Capital Development agenda, we had fully sponsored 10 employees for various Bachelors, Masters and PhD programmes.

MARKET OUTLOOK AND FUTURE PROSPECT

While the chance of another significant COVID-19 breakout has diminished, the growth of the global economy is hampered by geopolitical conflicts, price inflationary pressures and rising interest rates.

On a more positive note, the Group has also taken advantage of the possibilities presented by the current economic uncertainties. The Group had recently completed two acquisitions, namely Owin and Union Tech.

The two new subsidiaries are located in the Northern part of Peninsular Malaysia with Owin being responsible for the design and fabrication of precision parts, whilst Union Tech manufactures automation equipment. The investments in these companies enables the Group to penetrate the thriving electrical and electronics ecosystem of the northern corridor, which is home to several multinational firms and supported by thousands of small and medium-sized enterprises. By purchasing the additional businesses, the Group may expand its client base to include the healthcare and automotive industries.

The Group will continue to seek smart and strategic acquisitions as part of its continued growth agenda. The Group will also strengthen its own product development capabilities and implement stringent cost controls to combat inflation and its after effects.

Based on the above and barring any unexpected events, our Board is hopeful about the future of our Group.

ACKNOWLEDGEMENTS

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

Additionally, we would like to thank all employees and the Management team for their undivided commitment and devotion to the Group.

Dato' (Dr.) Ts. Awang Daud Bin Awang Putera
Non-Independent Non-Executive Chairman

Chuah Chong Ewe
Group Managing Director

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 two subsidiaries in January 2023 as mentioned in the Letter To Shareholders (page 12).

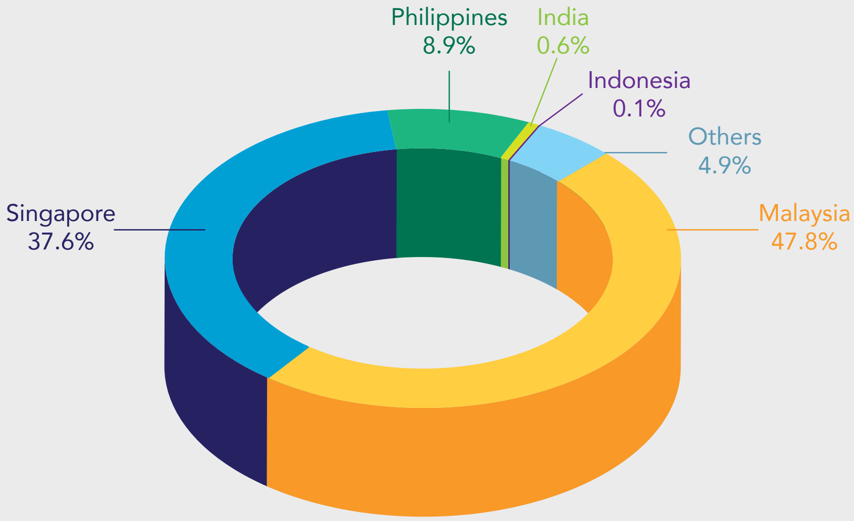
The Board and Management Team are committed to achieve the highest standards in quality, safety and environment within its operation, production, and engineering processes. To this end, three of the Company's subsidiaries, namely AIMFLEX Systems Sdn Bhd, AIMFLEX Metal Sdn Bhd and AIMFLEX Engineering 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 2022 ("FY2022") and financial year ended 31 December 2021 ("FY2021") is illustrated as follows:

	FY2022	FY2021	Variance	
	RM'000	RM'000	RM'000	%
Revenue	91,737	75,746	15,991	21.1
Gross profit ("GP")	33,393	19,450	13,943	71.7
Other income	1,855	949	906	95.5
Distribution, administrative and other expenses	(18,315)	(15,554)	2,761	17.8
Finance costs	(7)	(1)	6	600.0
Profit before taxation ("PBT")	16,926	4,844	12,082	249.4
Profit after taxation ("PAT")	13,218	4,729	8,489	179.5
GP margin (%)	36.4	25.7	-	41.6
PBT margin (%)	18.5	6.4	-	189.1
PAT margin (%)	14.4	6.2	-	132.3

Revenue



Overall Geographical Markets

	FY2022	FY2021	Variance	
	RM'000	RM'000	RM'000	%
Manufacturing	**83,623**	**64,164**	**19,459**	**30.3**
Malaysia	39,260	47,808		
Philippines	8,206	7,330		
Singapore	31,798	8,408		
Others	4,359	618		
Distribution	**8,114**	**11,582**	**(3,468)**	**(29.9)**
Malaysia	4,592	6,790		
Singapore	2,684	2,462		
India	594	465		
Philippines	-	1,241		
Indonesia	94	161		
Others	150	463		
Grand Total	**91,737**	**75,746**		

Our Group has recorded a higher revenue of RM91.74 million in FY2022 compared to RM75.75 million in FY2021. Revenue from manufacturing segment improved by 30.3% from RM64.16 million to RM83.62 million in FY2022. By geographical location, the increase in revenue from our manufacturing segment was mainly attributable to Singapore, which improved by 278.2% in FY2022, mitigated by the decrease in revenue from Malaysia.

Revenue from our distribution segment, however, decreased by 29.9% from RM11.58 million in FY2021 to RM8.11 million in FY2022. The decrease in revenue from our distribution segment was mainly attributable to the drop in the revenue of statistical analysis software which contributed 66.8% of distribution segment's revenue in FY2022 (FY2021: 75.3%).

Overall, Malaysia remained our Group's largest revenue contributor in FY2022, representing 47.8% (FY2021: 72.1%) of our total revenue, followed by Singapore at 37.6% (FY2021: 14.4%) and Philippines at 8.9% (FY2021: 11.3%).

Gross Profit

	Manufacturing			Distribution			Total		
	FY2022	FY2021	Variance	FY2022	FY2021	Variance	FY2022	FY2021	Variance
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	83,623	64,164	30.3	8,114	11,582	(29.9)	91,737	75,746	21.1
Cost of sales	52,854	48,399	9.2	5,490	7,897	(30.5)	58,344	56,296	3.6
GP	30,769	15,765	95.2	2,624	3,685	(28.8)	33,393	19,450	71.7
GP margin (%)	36.8	24.6	49.6	32.3	31.8	1.6	36.4	25.7	41.6

Gross profit increased 71.7% from RM19.45 million in FY2021 to RM33.39 million in FY2022 mainly resulted from higher gross profit recorded in the manufacturing segment which was mainly attributable to higher revenue and improved profit margin from the products sold.

Other Income

Higher other income of RM1.86 million was recorded in FY2022 (FY2021: RM0.95 million) mainly attributable to higher realised foreign exchange gain amounting by RM0.80 million (FY2022: RM0.85 million; FY2021: RM0.05 million) and higher income from interest and dividend by RM0.25 million (FY2022: RM0.57 million; FY2021: RM0.32 million) from financial institutions.

Operating Expenses

Higher distribution, administrative and other expenses of RM18.31 million was recorded in FY2022 (FY2021: RM15.55 million) mainly due to higher traveling expenses by RM0.66 million, higher export related expenses by RM0.49 million and higher impairment loss on trade receivables by RM1.63 million.

Profit and Tax

Our PBT increased by RM12.08 million from RM4.84 million to RM16.93 million was in line with the higher revenue, gross profit and other income albeit higher distribution, administrative and other expenses as explained above.

The Group's overall tax expense has increased from RM0.12 million in FY2021 to RM3.71 million in FY2022 mainly due to higher 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.

Financial Position Review

	FY2022 RM'000	FY2021 RM'000	Variance RM'000	Variance %
Assets				
Non-current assets	24,815	27,024	(2,209)	(8.2)
Current assets	113,293	72,663	40,630	55.9
Total assets	**138,108**	**99,687**		
Liabilities				
Non-current liabilities	1,124	1,042	82	7.9
Current liabilities	13,602	20,995	(7,393)	(35.2)
Total liabilities	**14,726**	**22,037**		
Equity	123,382	77,650	45,732	58.9

Non-current assets

Our non-current assets mainly comprised property, plant and equipment ("PPE") of RM22.92 million (FY2021: RM23.92 million) and deferred tax assets of RM0.77 million (FY2021: RM1.97 million). The decrease in PPE was mainly due to depreciation of PPE amounting to RM1.71 million, offset by purchase of PPE amounting to RM0.97 million. Deferred tax assets were recognised mainly due to the contract liabilities. The contract liabilities primarily relate to the advance consideration received from customers, which revenue is recognised at a point in time at which the performance obligations are satisfied whereas the income tax is payable in the period in which the advance consideration was received. Deferred tax assets decreased from RM1.97 million in FY2021 to RM0.77 million in FY2022, in line with the reduction in contract liabilities from RM8.42 million in FY2021 to RM3.59 million in FY2022.

Current assets

Current assets have increased from RM72.66 million in FY2021 to RM113.29 million in FY2022. The increase was mainly contributed by higher cash and cash equivalents from RM22.39 million in FY2021 to RM77.65 million in FY2022. The Group derived higher cash and cash equivalents mainly from the Placement exercise that took place during the current financial year under review amounting to RM31.02 million as well as higher PAT achieved.

Current and Non-Current Liabilities

Non-current liabilities increased mainly due to increase in deferred tax liabilities from RM0.93 million in FY2021 to RM1.10 million in FY2022 arising from property, plant and equipment. On the other hand, current liabilities decreased from RM21.00 million in FY2021 to RM13.60 million in FY2022 mainly due to decrease in the contract liabilities from RM8.42 million in FY2021 to RM3.59 million in FY2022.

Liquidity and capital reserves

The net cash inflow of the Group for FY2022 was RM54.74 million. This was attributable by:

a) Net cash inflow of RM24.77 million from operating activities mainly caused by higher PBT from RM4.84 million in FY2021 to RM16.93 million in FY2022;
b) Net cash outflow of RM0.93 million from investing activities mainly caused by the purchase of property, plant and equipment amounting to RM0.97 million; and
c) Net cash inflow of RM30.91 million from financing activities arising mainly from the issuance of ordinary shares pursuant to the Placement exercise that took place during the current financial year under review amounting to RM31.02 million.

As of 31 December 2022, the Group's cash and cash equivalents stood at RM76.43 million.

Share Price Performance

The share price of AIMFLEX closed at RM0.145 on 31 December 2022, with a total market capitalisation of RM213.00 million. The year's high stood at RM0.19 while the year's low stood at RM0.11.

Operational and financial risks with mitigating strategies

Risk of dependence on our major customers

Approximately 61% (2020: 42%) 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

Even the international borders are now largely open, the World economy is not out of the wood. 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 focus on prioritising the efforts on operational efficiency and rigorous cost rationalisation.

Forward Looking Statement

On the back of the uncertainties addressed in the Market Risk above, the Group remains excited about our business. In January 2023, the Group made its maiden company acquisition post-IPO to broaden our market presence and to build a stronger pool of technical talents. By acquiring the new subsidiaries, the Group will be able to broaden our customer portfolio to sectors such as in the healthcare and automotive industries.

The Group will continue to look for strategic acquisitions to grow our business and will also beef up our internal strength in product development and embark on rigorous cost controls to counter the effects of inflation.

Barring any unforeseen circumstances and premised on the above, our Board is optimistic of our Group's prospects.

SUSTAINABILITY GOVERNANCE

AIMFLEX is committed in developing its expertise in Specialised Automation Machines. Through this, we are always seeking opportunities for long-term sustainable growth to create value and positive impacts for our stakeholders. As we continue to generate financial growth, we strive to ensure that sustainability is part of that agenda.

The Board of Directors provides direction and guidance to ensure the sustainable development of the business strategies and risk management within the group. This includes the promotion of sustainability agendas with respect to the Environment, Economic and Social aspects.

The Group Management which comprises the Group Managing Director, Executive Director, Senior Management and the various Heads of Department are tasked to formulate sustainability strategies, objectives, goals and practices relevant to the organisation.

At the operational level, the Quality, Environment, Safety & Health and the Management System Committees led by the Managing Director and Executive Director and also the appointed Management Representatives for overall implementation, awareness and stakeholder engagements.

SUSTAINABILITY POLICIES

AIMFLEX has come a long way since the start of our sustainability journey. At present, our sustainability direction is governed by three (3) main published policies namely the Environment Management System Policy, Quality Management System Policy and Occupational Safety & Health Policy all of which are available on our website at www.aimflex.com.my.

These policies are implemented and reviewed periodically to enable the group to uphold its sustainable commitments.

We adopt and support the Universal Declaration of Human Rights which is also enshrined in the Federal Constitution of Malaysia by giving employees fair treatment irrespective of gender, nationality, race, religion and culture wherever they may be employed.

GRIEVANCE MECHANISMS

Grievance Procedure
A grievance procedure was adopted in 2018 which allows any personnel to lodge any grievance to the respective Supervisor or Head of Department. All grievances should be answered within five (5) to twelve (12) working days subject to the severity of the complaint.

Whistleblower Policy & Procedure
The Whistleblower Policy and Procedure was implemented in 2020 to allow all stakeholders to lodge any concern or inappropriate conduct within the Group. This policy provides a communication channel (whistleblowing@aimflex.com.my) for anyone to report against the Group.

Code of Conduct
The Group's Code of Conduct ensures that employees adhere to ethical and responsible business practices based on the laws and regulations. In February 2022, it was revised emphasising on the importance of governance and good business conduct.

The Group's Code of Conduct spells out 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 COMMITMENTS AND TARGETS

AIMFLEX is dedicated to a sustainable future and to enhancing the community's social, economic and environmental well-being in the communities in which we do business.

The Group has matched its sustainability goals with the Sustainable Development Goals of the United Nations (UNSDG) as follows:

UNSDG OBJECTIVES	TARGET	STATUS
	1. All employees to be paid in accordance to the Minimum Wage Order. 2. Create employment	1. Conformance to the Minimum Wage Order for all levels of employees. 2. AIMFLEX creates employment for both locals and foreign nationals through our various employment initiatives.
	1. Appropriate Personal Protective Equipment (PPE) are provided free of charge to all employees. 2. To minimise occupational hazards in the workplace. 3. Training in regards to Emergency Response and First Aid. 4. Provide medical benefits to employees.	1. All personnel are provided with free PPE free of charge. 2. Conducting awareness programmes and identifying risks. 3. All personnel are required to attend the relevant Emergency Response and First Aid Trainings which are conducted at least once a year. 4. Conduct monitoring for high-risk areas such as Noise Risk Assessment, Audiometric Testing, Boundary Noise and Chemical Exposure Monitoring. 5. Drinking Water monitoring based on Food Act 1983. 6. 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.
	1. Provide scholarships for higher education purposes. 2. Training and Development.	1. Eligible employees are encouraged to further studies in related fields from accredited Universities. In 2022, ten (10) personnel were fully sponsored scholarships to pursue their Bachelors, Masters and PhD's. 2. 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.
	1. Paid maternity and paternity leave. 2. Zero tolerance to Sexual Harassment.	1. All mothers and fathers are allocated paid maternity and paternity leave. 2. Implementation of the Code of Conduct including Grievance procedure.

SUSTAINABILITY COMMITMENTS AND TARGETS Cont'd

UNSDG OBJECTIVES	TARGET	STATUS
8 DECENT WORK AND ECONOMIC GROWTH	1. Sustainability and Certification.	1. Certified Quality Management System ISO 9001:2015 and Environment Management System ISO 14001:2015.
	2. Equal pay for work of equal value.	2. AIMFLEX practices equal pay without discriminating on background. Salaries are based on set guidelines, this includes education level, skills and experience.
	3. Prohibition and elimination of child and forced labour.	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.
		2. Workers staying at Company Dormitories are provided with Free Wifi Connectivity.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	1. Reduce waste generation through prevention, reduction, recycling and reuse.	1. Recyclable wastes generated are disposed off through an appointed Recycling company. In 2022, AIMFLEX had recycled 9.36mt of wastes consisting of paper, cardboard boxes, steel, acrylics, aluminium and metals.
	2. Use of Battery Powered machines in replacement of Diesel engines.	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. Reduce usage of paper.	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. Use of more energy efficient equipment and lightings.	4. The use or more energy efficient air conditioners and LED lightings.

STAKEHOLDER ENGAGEMENT

Engagement of stakeholders is one of the means through which we generate sustained value as stakeholders' expectations are in a constant state of flux. This is especially relevant when the complexity and difficulty of the corporate environment continues to arise. Owing to the evolution of our business environment, stakeholders' engagement will play an increasingly vital role in ensuring that our stakeholders are fully informed of our initiatives for addressing business-impacting problems and disruptions. We truly believe that stakeholder involvement forms an essential component of our commitment to transparency.

STAKEHOLDER ENGAGEMENT Cont'd

We interact with our key stakeholders often and consistently throughout our operations, finding insights that help define our strategic goals and match our stakeholders' interests and expectations with those of the Group.

These include:

Customers

Expectations & Concerns
- Quality products with competitive pricing
- On time delivery
- After Sales Services
- Manufacturing capability and capacity, technology and innovation
- Comply to customer Corporate Social Environment Responsibility (CSER) requirements
- Health and Safety requirements

Our Responses:
- Establish manufacturing Quality Management System.
- Good project management practices.
- Continuous learning and improvements.
- Exhibitions
- Customer feedback surveys
- Compliance to customer CSER expectations.
- Compliance to related Safety & Health laws and regulations including taking proactive measures as far as practicable.

Methods of Engagement
- Face-to-face meeting with customers.
- Customer satisfaction Survey.
- Virtual Meeting Support.
- Customer Audit.
- On-Site Visits.

Impact on the Group
- Encourages customer retention for the overall sustainability of the business.

Employees

Expectations & Concerns
- Respect human rights
- A safe and secure working environment
- Career and talent development
- Competitive remuneration and employee benefit
- Work-life balance

Our Responses:
- Encourage employee feedbacks
- Individual and department Objectives and Key Results (OKR) measurements.
- Integrated training Reward and appreciation.
- Pandemic precaution measures.
- Reinforced focus on safety and Environmental Social Governance (ESG)

Methods of Engagement
- Company organised events.
- Formal meetings and discussions.
- Direct communication channel.
- Performance appraisal.
- Training and development.
- Social events with Employees.
- Conflict of Interest Policies.
- Personal Data Protection Act Policy.
- Employee Non-Disclosure Agreement.
- Employee Satisfaction Survey.

Impact on the Group
- Creates competent, efficient and encourages employees retention and in turn add value to the Group.

STAKEHOLDER ENGAGEMENT Cont'd

Senior Management

Expectations & Concerns
- Short and medium term business growth plan
- Financial and operational performance

Our Responses:
- Senior Management Objectives and Key Results (OKR) measurements.
- Review of the performance of the senior management in addressing the company's material sustainability risks and opportunities.

Methods of Engagement
- Monthly Management Meeting.
- Quarterly financial results.
- Ad-hoc meetings and correspondence.

Impact on the Group
- A Senior Management that is engaged and is aligned to the direction of the Group.

Shareholders

Expectations & Concerns
- Long term business growth plan
- Financial performance
- Return on investment
- Corporate sustainability

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

Methods of Engagement
- Quarterly analyst briefings.
- Quarterly financial results.
- Annual & Extraordinary General Meetings.
- Announcements.
- Annual report.
- Ad-hoc meetings and correspondence.
- Corporate website.

Impact on the Group
- Growing revenue couple with managing costs effectively for a sustainable return.

Vendors, Suppliers and Contractors

Expectations & Concerns
- Product quality
- Competitive pricing
- Business continuity
- Long-term business relationship

Our Responses
- Assessment on supply deliverables.
- Supplier qualification plan.
- Supplier Audit.
- Reinforced focus on safety and Environmental Social Governance (ESG).
- Health Declaration Form.
- Pandemic SOP.

Methods of Engagement
- Suppliers' performance evaluation.
- Regular feedback on performance.
- Visitor Non-Disclosure Agreement.

Impact on the Group
- Building trust and close relationships with our supply chain will lead to better value creation outcome.

STAKEHOLDER ENGAGEMENT Cont'd

Government and Regulatory Authorities

Expectations & Concerns
- Regulatory compliances

Our Responses
- Full compliance with regulatory requirements (i.e. but not limited to MITI, DOSH, DOE, BOMBA).
- Continuous monitoring of Compliances by practicing the highest standards of governance and ethics.

Methods of Engagement
- Participating in social programme and exhibition.
- Attend seminar related to new standards, Acts and regulations.
- Announcement and Report submission to regulators.

Impact on the Group
- Business continuity.

Local Community

Expectations & Concerns
- Employment and business opportunities

Our Responses
- Giving priority to locals in employment.
- Ensuring safe operations with regular environmental monitoring and effective waste management.
- Conduct Corporate Social Responsibility (CSR) programmes.

Methods of Engagement
- Industrial Training
- Employment drive in collaboration with Local Universities.

Impact on the Group
- Increase standing of the Group as a caring, responsible and preferred employer.

MATERIAL ASSESSMENT

Material issues are the economic, environmental and social factors that have a substantial impact on AIMFLEX's capacity to produce value for our stakeholders. By knowing the requirements and interests of our stakeholders, we can determine and prioritise the issues that are of the utmost relevance to our stakeholders and the company.

The Group's material issues for FY2022 are comparable to those disclosed for FY2021, when the Group completed an internal materiality study. In FY2022, the Group did not conduct a materiality assessment, but plans to do so in FY2023.

In identifying matters material to the Group, we were guided by the Sustainability Reporting Guide by Bursa Malaysia Securities Berhad.

Throughout the research process, pertinent worldwide industry trends and best practises of selected industry organisations were also considered.

MATERIAL ASSESSMENT Cont'd

ECONOMICS

AIMFLEX is committed to conduct its business in compliance with the applicable laws, rules and regulations in accordance to the highest standards.

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 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	Customers, Employees, Shareholders, Vendors, Suppliers, Contractors
Legal & Regulatory Compliances	**Reputation**	• Adherence to the relevant regulatory requirements. • Engagement with the Government on the renewal of licenses.	Customers, Employees, Shareholders, Vendors, Suppliers, Contractors, Government & Regulatory Authorities
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

ECONOMICS Cont'd

Material Matter	Impact on AIMFLEX	AIMFLEX's Response to the Matter	Stakeholder Groups Affected
Commitment towards Quality	**Consistently conform 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 (Department of Standards Malaysia). • Implementation of the 5S philosophy (Seiri, Seiton, Seiso, Seiketsu, Shitsuke)	Employees, Vendors, Suppliers, Contractors,

ENVIRONMENT

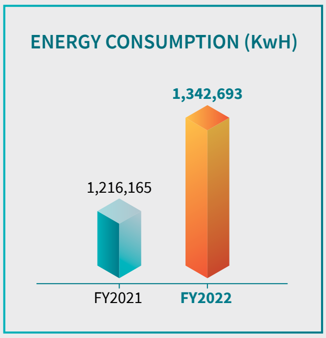
The Group is conscious of its environmental responsibilities and the effects of its activities. Understanding the aspect and impact of such activities can assist us in mitigating future problems and managing sustainability more effectively.

Material Matter	Impact on AIMFLEX	AIMFLEX's Response to the Matter	Stakeholder Groups Affected
Environmental Monitoring	**Compliance to the Environment Quality Act**	• Implementation of yearly monitoring conducted at AIMFLEX's factory in Senai, Johor: i. Stormwater monitoring ii. Boundary noise monitoring iii. Stack Monitoring • A Environment Impact Assessment is carried out once in three (3) years	Customers, Employees, Shareholders, Vendors, Suppliers, Contractors
Commitment towards the Environment	**Conformance to the Sustainability of the business through implementation of Environmental Management System**	• Maintenance of the Environmental Management Systems ISO 14001:2015 under UKAS (The United Kingdom Accreditation Service) and DSM (Department of Standards Malaysia). • Integration of environmental concerns an impacts into the Group decision making and activities.	Employees, Vendors, Suppliers, Contractors, Government & Regulatory Authorities
Legal & Regulatory Compliance	**Reputation**	• Compliance to the relevant Environmental regulatory requirements. • Engagement with the relevant government departments such as: i. Department of Environment (DOE) ii. Department of Occupational Safety & Health (DOSH) iii. BOMBA iv. Local Governments i.e. Majlis Bandaraya Iskandar Puteri, Majlis Perbandaran Kulai and Majlis Bandaraya Johor Bahru	Customers, Employees, Shareholders, Vendors, Suppliers, Contractors, Government & Regulatory Authorities

Energy and Water

The Group realises the importance of conserving energy and water. AIMFLEX has taken various initiatives to:

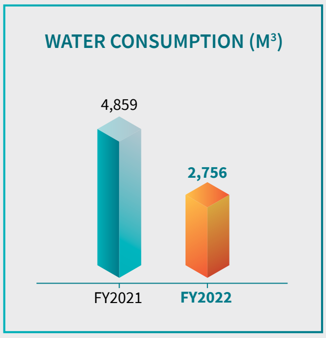
- Improve awareness among employees to turn off the lights, computers, air-conditioning and other electrical appliances during lunch hours, out of office and after working hours.
- Use of more energy efficient appliances and LED bulbs.
- Employee awareness on water savings, reusability and reduce use for purpose of cleaning.
- Installing on and off timers for appliances such as lightings and air-conditioning.
- Monitoring monthly usage of utilities.



However, due to the opening up of the economy and operations back in full swing, energy consumption for 2022 has seen an increase.

AIMFLEX is also cognizant of the need of effective water management in our business operations to guarantee ongoing conservation of water supplies despite the fact that water consumption does not constitute a significant portion of the manufacturing costs spent by our business operations.

This can be clearly reflected in the reduced water consumption for 2022.



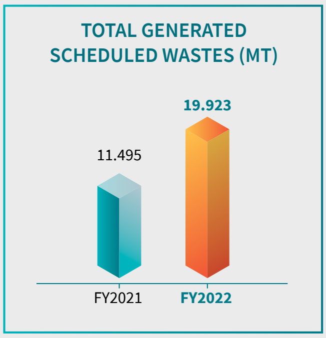
Waste Management

Scheduled Wastes

The Group generates a reasonable amount of Scheduled Wastes of which shall be disposed of periodically in accordance to the ambits of 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 Parts
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

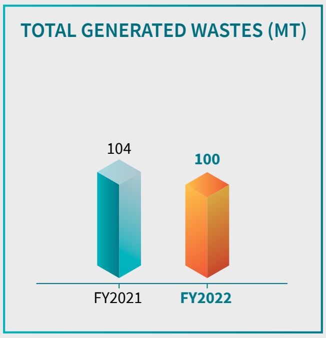


The increase was primarily due to the increase in business activities in FY2022 in comparison to FY2021 of which COVID-19 shutdowns and operation restrictions were in place.

General Wastes

Non-recyclable wastes are generated on a daily basis. General wastes produced in 2022 had seen a decrease in comparison to 2021 by 4 metric tonnes.

AIMFLEX is committed to further reduce general wastes generated as part of the Groups Environmental Objective for 2023. This can be achieved by leveraging on various existing and new initiatives such as increase in recycling activities, reduce usage of single usage containers, go paperless and print smarter.

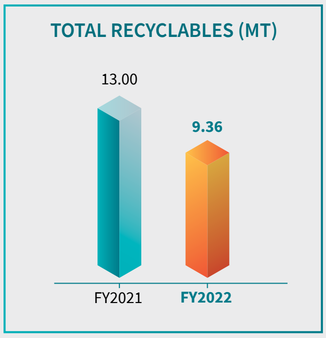


Recycling Programmes

As part of AIMFLEX's sustainability and goals, all recyclable wastes generated shall be segregated and recycled. The disposal is done through an appointed recycling company and collection is done periodically.

The Group's recyclable items are:

Paper
Cardboard boxes
Steel
Acrylics
Aluminium
Metals



The Group saw a slight decrease in recyclables for 2022 due to the reduced usage of recyclable items. The Group has included Recycling as part of its Environment Objective for 2023.

SOCIAL

AIMFLEX understands the need to balance out the various components that make up the social aspect of our Sustainability journey. This can be seen as we centers our objectives and actions on leadership, diversity, equity and inclusion, human rights, teaming, community, and maintaining a safe and healthy corporate culture as prescribed below:

Material Matter	Impact on AIMFLEX	AIMFLEX's Response to the Matter	Stakeholder Groups Affected
Occupational Safety & Health	**Compliance to the Occupational Safety & Health Act and related regulations**	• Implementation of yearly monitoring conducted at AIMFLEX's factory in Senai, Johor: i. Drinking Water monitoring based on Food Act 1983 ii. Local Exhaust Ventilation (LEV) monitoring iii. Noise Risk Assessment iv. Audiometric Testing v. Chemical Exposure Monitoring • Conducting periodical Chemical Health Risk Assessment (CHRA). Next assessment is scheduled in FY2023.	Customers, Employees, Shareholders, Vendors, Suppliers, Contractors
Fair Employment Practices	**Reputation**	• AIMFLEX provides equal employment regardless of gender, race, disability, nationality, religion or age as mentioned in the AIMFLEX Code of Conduct	Customers, Employees, Vendors, Suppliers, Contractors, Government & Regulatory Authorities
Training and Development	**Upskilling and Staff Retention**	• Employing Department Skills Matrix • Setting Training Targets for all levels of personnel.	Employees
Responsible Supply Chain	**Corporate Social Environment Responsibilities**	• Implementation of AIMFLEX Code of Conduct which includes Zero Tolerance to Sexual Harassment, Forced Labour, Discrimination and Harassment. • Implement Anti-Bribery and Corruption, Young Worker, Child Labour & Remediation policies.	Customers, Employees, Shareholders, Vendors, Suppliers, Contractors, Government & Regulatory Authorities

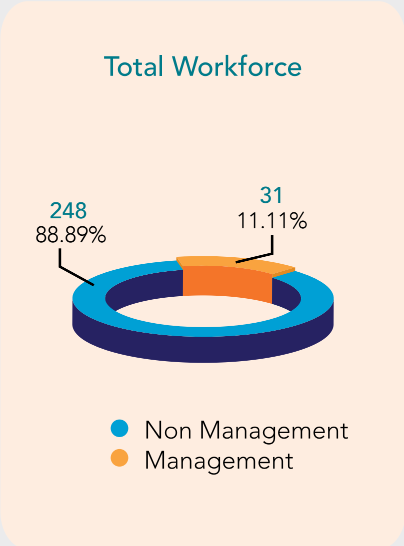
Employees

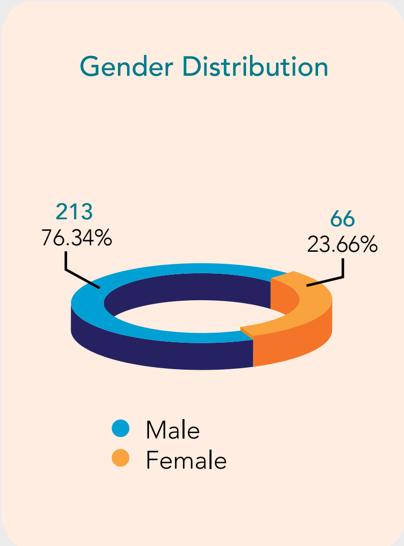
AIMFLEX understands the importance of maintaining a committed and skilled personnel through a positive work environment in order to achieve its goals.

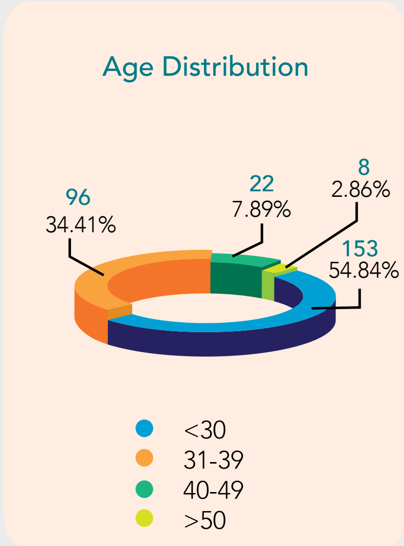
Everyone, regardless of gender, ethnicity, religion or nationality has an equal chance of finding work within the Group based on their experience and performance.

The existing remuneration plan was developed with the intention of luring in fresh minds and keeping the best employees around. Those who seek to develop their expertise in a certain area might take advantage of training programmes and possibilities.

Below is the AIMFLEX employee distribution till 31 December 2022.







Occupational Health & Safety

One of the goals of the Group is to create a working environment that is conducive, safe and healthy. To protect its workforce and reduce the likelihood of workplace mishaps, the Group adheres scrupulously to the Occupational Health & Safety (OHS) management principles, the Occupational Safety and Health Act, and all other applicable Safety and Health Regulations.

The Senior Management actively contributes to the achievement of this objective by means of the execution of the Safety and Health Policy, Risk Assessments and also periodical review of the Hazard Identification, Risk Assessment, and Risk Control (HIRARC) tool.

The Group has constituted various committees such as the Safety and Health Committee, Environment Management System Committee and the Emergency Response Committee. Each committee have been charged with the responsibility of supervising, monitoring and proposing improvements on all areas of Safety, Health and Environment.

AIMFLEX has also established response teams during emergencies namely the Emergency Response Team, First Aid Team and Fire Fighting Team. Our Standard Operating Procedure for Emergency Management is evaluated periodically in Order to Satisfy All Mandatory Safety Regulations.

Talent Training & Development Programmes

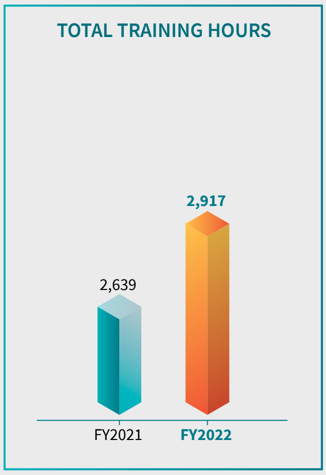
Workers are corporate assets and are essential to the success and continuation of the firm. The organisation acknowledges the significant desire of its workers to increase their knowledge, technical abilities, and soft skills. The Company organises internal and external training for workers so that they may obtain job-related information and skills.

In 2022, the Group has organised and approved 71 training sessions totalling 2,917 training hours to departmental staff.

The Group encourages qualified workers to pursue part-time undergraduate, graduate, or even doctoral degree programmes by granting scholarships.

In 2022, ten (10) workers were sponsored.

Collaborations with regional institutions on internship placement schemes successfully placed nineteen (19) undergraduate students.



Corporate Social Responsibility (CSR)

1. Cash Donations to One Hope Charity & Welfare.
2. Cash and Donations in Kind to TECEN Confinement Home.
3. Sharing session on Industrial Placements with the Faculty of Electric and Electronic Engineering, University Tun Hussein Onn Malaysia (UTHM).
4. Hosting 1st year Electric and Electronic Engineering, University Teknologi Malaysia students for an industrial visit.
5. Labview programming sharing with Universiti Teknologi Malaysia (UTM) lecturers, in preparation for their certification exam.
6. Funding for Electrical Engineering Capstone Showcase (EECS2022) program to support Universiti Teknologi Malaysia (UTM) students to develop and exhibit their creativity in designing products based on specified themes.

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 2022 ("FY2022") 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.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS Cont'd

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

For details of its composition and activities during the FY2022, please refer to the ARMC Report on page 55 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
Siti Zaleha Binti Sulaiman	Chairperson - Independent Non-Executive Director
Law Lee Yen	Member - Independent Non-Executive Director
Professor Dr. Ruzairi Bin Hj Abdul Rahim	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 the FY2022, the RC convened two (2) meetings 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.

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 FY2022 are categorised as follows:-

Company

	Fee	Salaries, emoluments and statutory contribution (i)	Bonuses	Benefits in-kind (ii)	Total
	RM	RM	RM	RM	RM
Independent Non-Executive Directors:					
Siti Zaleha Binti Sulaiman	60,000	4,000	-	-	64,000
Professor Dr. Ruzairi Bin Hj Abdul Rahim	48,000	4,000	-	-	52,000
Law Lee Yen	48,000	4,000	-	-	52,000
Non-Independent Non-Executive Director:					
Dato' (Dr.) Ts. Awang Daud Bin Awang Putera	132,000	28,211	-	-	160,211
Executive Directors:					
Chuah Chong Ewe	-	247,518	33,333	18,668	299,519
Chuah Chong San	-	247,518	33,333	2,333	283,184
Tee Sook Sing (resigned on 30.09.2022)	-	-	-	-	-
Lo Ling (resigned on 25.01.2022)	-	-	-	-	-
Emma Yazmeen Yip Binti Mohd Jeffrey Yip (resigned on 25.01.2022)	-	-	-	-	-
	288,000	535,247	66,666	21,001	910,914

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 FY2022 are categorised as follows:-

Group

	Fee	Salaries, emoluments and statutory contribution (i)	Bonuses	Benefits in-kind (ii)	Total
	RM	RM	RM	RM	RM
Independent Non-Executive Directors:					
Siti Zaleha Binti Sulaiman	60,000	4,000	-	-	64,000
Professor Dr. Ruzairi Bin Hj Abdul Rahim	48,000	4,000	-	-	52,000
Law Lee Yen	48,000	4,000	-	-	52,000
Non-Independent Non-Executive Director:					
Dato' (Dr.) Ts. Awang Daud Bin Awang Putera	132,000	28,211	-	-	160,211
Executive Directors:					
Chuah Chong Ewe	-	247,518	33,333	18,668	299,519
Chuah Chong San	-	247,518	33,333	2,333	283,184
Tee Sook Sing (resigned on 30.09.2022)	-	225,211	12,250	4,657	242,118
Lo Ling (resigned on 25.01.2022)	-	45,066	-	-	45,066
Emma Yazmeen Yip Binti Mohd Jeffrey Yip (resigned on 25.01.2022)	-	48,556	-	2,333	50,889
	288,000	854,080	78,916	27,991	1,248,987

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).

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
Siti Zaleha Binti Sulaiman	Chairperson - Independent Non-Executive Director
Law Lee Yen	Member - Independent Non-Executive Director
Professor Dr. Ruzairi Bin Hj Abdul Rahim	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 the FY2022, the NC convened one (1) meeting 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 Dr. Ruzairi Bin Hj Abdul Rahim	Chairman - Independent Non-Executive Director
Chuah Chong Ewe (appointed on 27.05.2022)	Member - Group Managing Director
Chuah Chong San (appointed on 27.05.2022)	Member - Executive Director
Tee Sook Sing (resigned on 30.09.2022)	Member - Managing Director
Lo Ling (resigned on 25.01.2022)	Member - Executive Director
Hing Fook Sern	Member - Key Senior Management
Ong Soo Lid	Member - Key Senior Management

The EC meets whenever necessary. For the financial year ended 31 December 2022, the EC did not hold any meeting as there was no new tranche offered.

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
Dato' (Dr.) Ts. Awang Daud Bin Awang Putera	Chairman - Non-Independent Non-Executive Chairman
Chuah Chong Ewe (appointed on 25.02.2022)	Member - Group Managing Director
Law Lee Yen	Member - Independent Non-Executive Director
Lo Ling (resigned on 25.01.2022)	Member - Executive Director

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

Roles of the Chairman and Managing Director

There is a clear segregation of responsibilities between the Chairman and 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 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 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.

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.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS Cont'd

Access to Information and Advice Cont'd

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.

Board Composition and Independence

The Board currently has six (6) members, comprising the Non-Independent Non-Executive Chairman, 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 9 of the Annual Report.

Tenure of Independent Directors

As at the date of this Statement, none of the Independent Directors has reached nine (9) years of service since their appointment as Directors.

In line with Practice 5.3 of the MCCG, the Board has put in place the policy where the tenure of an Independent Director does not exceed a term limit of nine (9) years. Upon completion of the nine (9) years, the Independent Director may continue to serve on the Board as a Non-Independent Director. In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board will provide Justification on the decision and will seek annual shareholders' approval through a two-tier voting process. Under the two-tier voting process, shareholders' votes will be cast in the following manner at the same shareholders' meeting:

i) Tier 1: Only the Large Shareholder(s) of the company votes; and
ii) Tier 2: Shareholders other than Large Shareholders votes.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS Cont'd

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.

Anti-Bribery and Corruption Policy

The Group is committed to conduct business in an ethical and honest manner while upholding zero-tolerance position on bribery and corruption and hence has adopted an Anti-Bribery and Corruption Policy. The Anti-Bribery and Corruption Policy is available on the Company's website at www.aimflex.com.my.

Governing Sustainability

The Board has taken steps to integrate sustainability issues as core of its strategic formulation. The Board is supported by the Key Senior Managements, which enables the Board to assess and ensure that sustainability governance is structured and functioning through the various level of management.

The Board has acknowledged the Group's adoption in materiality assessment process, which is guided by Bursa Securities' Sustainability Reporting Guide and Toolkits, and has ensured the stakeholder communication methods are regularly assessed, through information requests, as it is to ensure transparency and effectiveness in the communication.

The Group's Risk Management Framework sets out the approach of identification, analysing, responding, monitoring, and reporting of risks. The performance against the risk tolerance limits will be regularly reviewed by the Board. ARMC has brief the Board on the risks highlighted and ensured that the Key Senior Management are aware with the actions that should be taken while mitigating the risks, in order to maintain the risk exposures within an acceptable range as approved by the Board.

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 two (2) women Directors. The women Directors are holding the positions of Chairperson of our ARMC, Chairperson of our Remuneration Committee and Nomination Committee.

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 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 at www.aimflex.com.my.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS Cont'd

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. 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.

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 the FY2022, the Board met on five 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 FY2022 is contained in the table below:-

Members	Attendance
Dato' (Dr.) Ts. Awang Daud Bin Awang Putera	3/5
Chuah Chong Ewe	5/5
Chuah Chong San	5/5
Siti Zaleha Binti Sulaiman	5/5
Professor Dr. Ruzairi Bin Hj Abdul Rahim	5/5
Law Lee Yen	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
Dato' (Dr.) Ts. Awang Daud Bin Awang Putera	17A MACC Act Talk	06 January 2022	1 Day
Chuah Chong Ewe	MACC Act 2009, Section 17A, Corporate Liability & Whistle Blowing	12 May 2022	1 Day
	Emerging Giants in Asia Pacific	28 September 2022	1 Day
Chuah Chong San	Emerging Giants in Asia Pacific	28 September 2022	1 Day

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS Cont'd

Directors' Training Cont'd

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:- Cont'd

Name	Programmes/ Seminar Attended	Dated Attended	Duration
Siti Zaleha Binti Sulaiman	AOB Training - Conversation with Audit Committees	27 April 2022	3 Hours
	Personal Liabilities of Directors, the Adequate Response to Individual Liability	21 July 2022	2.5 Hours
	Corporate Governance: Values as a Source of Competitive Advantage	28 July 2022	1.5 Hours
	AOB Training - Conversation with Audit Committees	17 November 2022	3 Hours
Professor Dr. Ruzairi Bin Hj Abdul Rahim	BURSA Malaysia Academy : Complimentary Invitation For Author's Talk - Be Your Own Fund Manager	15 June 2022	1 Hour
	Complimentary MIRA Webinar: What Should Investor Relations Know About Section 17A - MACC Act 2009	17 August 2022	1.5 Hours
	Supply Chain Issues & Development	30 September 2022	1.5 Hours
	The Prospects of Manufacturing Based TVET Education	02 November 2022	3 Hours
	Industry 4.0 Leadership, Skills & Strategy	2-3 December 2022	2 Days
Law Lee Yen	BURSA Malaysia Academy : Complimentary Invitation For Author's Talk - Be Your Own Fund Manager	15 June 2022	1 Hour
	National Tax Conference 2022	2-3 August 2022	2 Days
	MFRS / IFRS Technical update 2022	12 October 2022	1 Day
	Compliance, tax knowledge, tax complexity	15 November 2022	1 Day
	Taxpayers & LHDN expectations in tax audits - A Guide for tax practitioners	16 December 2022	1 Day

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.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT Cont'd

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 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 and Risk Management Framework and Key Risk Report.

The Statement on Risk Management and Internal Control set out on pages 47 to 54 of this Annual Report provides an overview of the state of internal controls within the Group.

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 44 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.

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

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 27 April 2023.

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 48 months
Capital expenditures	5,200	2,433	2,767	• Within 48 months#
Working capital requirements	5,905	5,905	-	• Within 36 months
Listing expenses	3,500	3,500	-	• Within 1 month
	39,087	29,520	9,567	

The Board of Directors has approved the extension of timeframe for the utilisation of the remaining unutilised IPO Proceeds earmarked for "Process and product development" and "Capital expenditures" for an additional 24 months of up to 48 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 upon listing
Business / Investment opportunities	6,000	715	5,285	• Within 24 months
Working capital requirements	24,924	8,881	16,043	• Within 24 months
Listing expenses	95	95	-	• Upon completion
	31,019	9,691	21,328	

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

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 2022 were RM18,000 and RM102,521 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 2022 were RM2,500. 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 and its subsidiaries did not have any recurrent related party transactions which requires shareholder's mandate during FY2022.

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:-

	Number of Options (Since commencement of ESOS to 31 December 2022)	
Description	**All Eligible Employees including Directors**	**Directors**
(a) Total options granted	48,905,000	4,463,700
(b) Total options exercised	2,644,000	440,000
(c) Total options cancelled	13,468,400	2,485,000
(d) Total options outstanding	32,792,600	1,538,700

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 2022, 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 2022. 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 to establish 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 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.

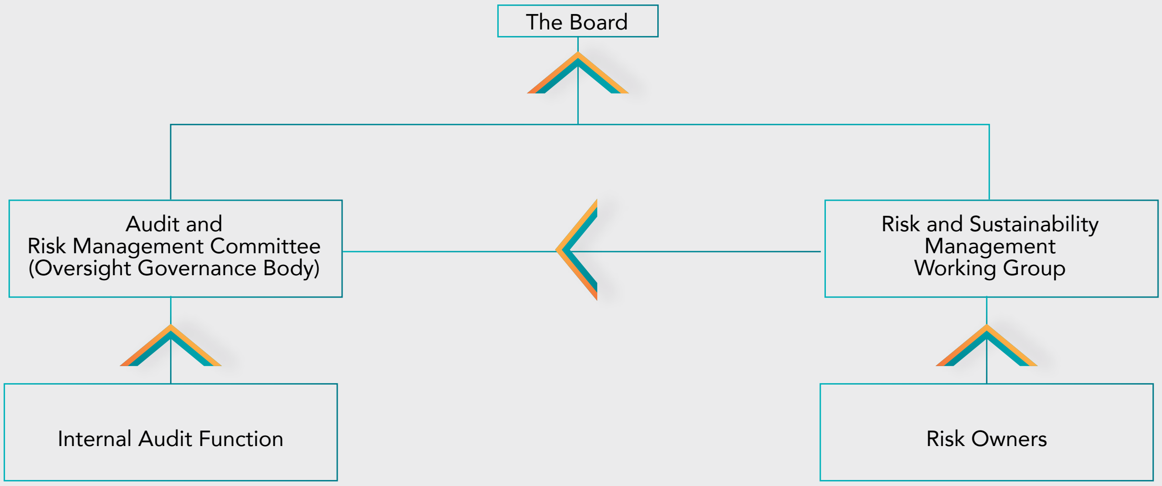
RISK MANAGEMENT

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. The duties for the identification, evaluation and management of the key business risks and opportunities are delegated to the RSMWG which consist of 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.

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:-

(a) implement the Group Risk Management Framework approved by the Board;
(b) 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;
(c) 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;
(d) 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;
(e) 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
(f) 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 area of expertise, are delegated with operational responsibilities with the following roles and responsibilities:-

(a) manage the risks of the business processes under his/her control;
(b) 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;
(c) 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.
(d) to assist with the development of the management action plans and implement these action plans;
(e) assist the RSMWG with the yearly update of the changes in the Key Risks Register, management action plans and the status of these plans;
(f) 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
(g) ensure adequacy of training for staff on risk and opportunity management.

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 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, 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.

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) 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.

  Code of Conduct 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 requirement of the key control points are stated in the Group's policies and standard operating procedures.

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 and bribery risk as well as sustainability risk and opportunity) is performed by risk owners at scheduled interval 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.

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 contains key financial results is 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 is reporting to the ARMC directly 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 during the financial year under review. 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) manager and assisted by at least one (1) senior consultant and one (1) consultant per one (1) engagement with oversight performed by the director.

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 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 2022 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 in relation to ISO certification (for Quality Control and Environmental) 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 cycles 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, 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 structures, control structures 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 2022, the outsourced internal audit function conducted reviews for procurement management of its major operating subsidiaries based in Malaysia and anti-bribery and corruption management of the Company and its major operating subsidiaries.

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 were presented via the Action Plan Progress Follow Up Report tabled at subsequent ARMC meeting for review and deliberation.

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 2022 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 2022 ("FY2022").

MEMBERSHIP AND MEETINGS

Members

The present members of the ARMC consists of:-
Law Lee Yen – Chairperson, Independent Non-Executive Director
Professor Dr. Ruzairi Bin Hj Abdul Rahim – Member, Independent Non-Executive Director
Siti Zaleha Binti Sulaiman – Member, Independent Non-Executive Director

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 five (5) ARMC meetings were held during the FY2022. At the invitation of the ARMC, the Executive Directors, External Auditors and Internal Auditors attended the meetings. The Group's External Auditors attended one of the meetings where they were invited to discuss matters related to the statutory audit for the FY2022. The attendance of each member at the ARMC meetings are as follows:-

Members	Attendance
Law Lee Yen	5/5
Professor Dr. Ruzairi Bin Hj Abdul Rahim	5/5
Siti Zaleha Binti Sulaiman	5/5

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 FY2022 and in respect of the financial statements for FY2022:-

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;
3. Reviewed and approved the Internal Audit Plan for FY2022;
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.

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 the FY2022, 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 27 April 2023.

FINANCIAL STATEMENTS

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 2022.

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/(loss) for the financial year	13,218,402	(794,590)

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

Pursuant to the Extraordinary General Meeting held on 20 May 2022, the Company increased its authorised share capital from RM55,345,930 to RM86,365,131 by the creation of an additional 244,824,000 ordinary shares of RM0.1267 each.

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.

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.

OPTIONS GRANTED OVER UNISSUED SHARES Cont'd

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:

			Number of options over ordinary shares				
Date of offer	Expiry date	Exercise price RM	At 1.1.2022	Granted	Exercised	Forfeited	At 31.12.2022
29.12.2020	28.12.2028	0.2139	25,320,600	-	-	(4,545,000)	20,775,600
01.09.2021	31.08.2028	0.1755	13,751,000	-	-	(1,734,000)	12,017,000
			39,071,600	-	-	(6,279,000)	32,792,600

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 Dr. Ruzairi Bin Hj Abdul Rahim	
Dato' (Dr.) Ts. Awang Daud Bin Awang Putera	
Siti Zaleha Binti Sulaiman	
Chuah Chong Ewe	(Appointed on 25 January 2022)
Chuah Chong San	(Appointed on 25 January 2022)
Tee Sook Sing	(Resigned on 30 September 2022)
Emma Yazmeen Yip Binti Mohd Jeffrey Yip (alternate director to Dato' (Dr.) Ts. Awang Daud Bin Awang Putera)	(Resigned on 25 January 2022)
Lo Ling	(Resigned on 25 January 2022)

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	
Chan Kok San	(Resigned on 1 March 2022)

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 2022 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			
DIRECT INTEREST	**At 1.1.2022**	**Acquired**	**(Disposed)**	**At 31.12.2022**
The Company				
Tee Sook Sing	65,039,100	-	(5,000,000)	60,039,100
Chuah Chong Ewe	-	131,576,707	-	131,576,707
Professor Dr. Ruzairi Bin Hj Abdul Rahim	120,800	-	-	120,800
Dato' (Dr.) Ts. Awang Daud Bin Awang Putera	354,614,300	-	(354,614,300)	-
Subsidiary				
Hing Fook Sern	290,000	-	-	290,000

	Number of options over ordinary shares				
ESOS	**At 1.1.2022**	**Granted**	**(Exercised)**	**(Forfeited)**	**At 31.12.2022**
Subsidiary					
Hing Fook Sern	1,021,700	-	-	-	1,021,700
Ong Soo Lid	517,000	-	-	-	517,000

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 follows:

	GROUP 2022 RM	COMPANY 2022 RM
Directors of the Company		
- fees	288,000	288,000
- salaries, bonuses and other benefits	839,721	540,939
- defined contribution plan	93,275	60,974
	1,220,996	889,913
Directors of the subsidiaries		
- salaries, bonuses and other benefits	944,962	-
- defined contribution plan	65,287	-
	1,010,249	-
Total directors' remuneration	2,231,245	889,913

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 RM9,461. 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 2022 RM	COMPANY 2022 RM
Audit Fees	74,500	18,000
Non-audit fees	2,500	2,500
	77,000	20,500

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 there were no known bad debts to be 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 require the write off of bad debts or render 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.

(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.

SIGNIFICANT EVENTS

Details of the significant events are disclosed in Note 30 to the financial statements.

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

27 April 2023

Johor Bahru

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		GROUP		COMPANY	
		2022	2021	2022	2021
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	6	22,920,614	23,922,676	350,933	481,867
Investment property	7	265,298	271,467	-	-
Investment in subsidiaries	8	-	-	44,626,251	43,858,899
Goodwill	9	855,802	855,802	-	-
Deferred tax assets	10	773,299	1,973,894	-	-
		24,815,013	27,023,839	44,977,184	44,340,766
Current assets					
Inventories	11	11,842,584	12,922,982	-	-
Trade and other receivables	12	23,162,113	37,345,666	6,523	88,305
Current tax assets		642,646	-	16	30
Cash and cash equivalents	13	77,646,169	22,393,862	44,562,988	14,047,717
		113,293,512	72,662,510	44,569,527	14,136,052
TOTAL ASSETS		138,108,525	99,686,349	89,546,711	58,476,818
EQUITY AND LIABILITIES					
Equity					
Share capital	14	86,365,131	55,345,930	86,365,131	55,345,930
Reserves	15	(12,814,528)	(13,944,313)	2,750,036	1,982,684
Retained earnings		49,831,627	36,248,078	150,929	945,519
TOTAL EQUITY		123,382,230	77,649,695	89,266,096	58,274,133
Non-current liabilities					
Lease liabilities	17	23,504	113,470	-	-
Deferred tax liabilities	10	1,100,402	928,402	-	-
		1,123,906	1,041,872	-	-
Current liabilities					
Trade and other payables	18	13,510,228	19,972,373	280,615	202,685
Lease liabilities	17	92,161	111,015	-	-
Current tax liabilities		-	911,394	-	-
		13,602,389	20,994,782	280,615	202,685
TOTAL LIABILITIES		14,726,295	22,036,654	280,615	202,685
TOTAL EQUITY AND LIABILITIES		138,108,525	99,686,349	89,546,711	58,476,818

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 2022

		GROUP		COMPANY	
		2022	2021	2022	2021
	Note	RM	RM	RM	RM
REVENUE	19	91,736,998	75,746,062	-	-
COST OF SALES		(58,344,483)	(56,296,382)	-	-
GROSS PROFIT		33,392,515	19,449,680	-	-
OTHER OPERATING INCOME		1,855,122	949,159	680,926	253,280
SELLING AND DISTRIBUTION COSTS		(2,816,141)	(1,540,609)	-	-
ADMINISTRATIVE EXPENSES		(15,346,934)	(13,906,668)	(1,452,144)	(1,121,162)
OTHER OPERATING EXPENSES		(151,774)	(106,460)	(23,271)	(10,263)
RESULTS FROM OPERATING ACTIVITIES		16,932,788	4,845,102	(794,489)	(878,145)
FINANCE COSTS	20	(7,200)	(605)	-	-
PROFIT/(LOSS) BEFORE TAXATION	21	16,925,588	4,844,497	(794,489)	(878,145)
TAXATION	22	(3,707,186)	(115,812)	(101)	(10)
NET PROFIT/(LOSS) FOR THE FINANCIAL YEAR		13,218,402	4,728,685	(794,590)	(878,155)
OTHER COMPREHENSIVE INCOME					
Item that will be reclassified subsequently to profit or loss:					
Exchange translation differences of foreign operations		362,433	68,924	-	-
TOTAL COMPREHENSIVE INCOME/(EXPENSE) ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		13,580,835	4,797,609	(794,590)	(878,155)
EARNINGS PER SHARE					
- Basic (sen)	24	0.97	0.39		
- Diluted (sen)	24	0.97	0.39		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Attributable to owners of the Company					
	Non-distributable					
GROUP	**Share capital RM**	**Merger reserve RM**	**Share options reserve RM**	**Translation reserve RM**	**Retained earnings RM**	**Total equity RM**
Balance as at 1 January 2021	54,516,242	(16,628,339)	1,442,195	632,418	31,323,970	71,286,486
Net profit for the financial year	-	-	-	-	4,728,685	4,728,685
Other comprehensive income for the financial year	-	-	-	68,924	-	68,924
Total comprehensive income for the financial year	-	-	-	68,924	4,728,685	4,797,609
Transactions with owners:						
Share options granted under ESOS (Note 16)	-	-	1,000,048	-	-	1,000,048
Share options forfeited under ESOS (Note 16)	-	-	(195,423)	-	195,423	-
Exercise of ESOS (Note 16)	829,688	-	(264,136)	-	-	565,552
	829,688	-	540,489	-	195,423	1,565,600
Balance as at 31 December 2021	55,345,930	(16,628,339)	1,982,684	701,342	36,248,078	77,649,695
Balance as at 31 December 2021/1 January 2022	55,345,930	(16,628,339)	1,982,684	701,342	36,248,078	77,649,695
Net profit for the financial year	-	-	-	-	13,218,402	13,218,402
Other comprehensive income for the financial year	-	-	-	362,433	-	362,433
Total comprehensive income for the financial year	-	-	-	362,433	13,218,402	13,580,835
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	-	365,147	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

STATEMENTS OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2022

COMPANY	Share capital RM	Share options reserve RM	Retained earnings RM	Total equity RM
Balance as at 1 January 2021	54,516,242	1,442,195	1,823,674	57,782,111
Net loss and total comprehensive expense for the financial year	-	-	(878,155)	(878,155)
Transactions with owners:				
Share options granted under ESOS (Note 16)	-	1,000,048	-	1,000,048
Share options forfeited under ESOS (Note 16)	-	(195,423)	-	(195,423)
Exercise of ESOS (Note 16)	829,688	(264,136)	-	565,552
	829,688	540,489	-	1,370,177
Balance as at 31 December 2021/ 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	86,365,131	2,750,036	150,929	89,266,096

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	16,925,588	4,844,497	(794,489)	(878,145)
Adjustments for:				
Depreciation of				
- investment property	6,169	6,170	-	-
- property, plant and equipment	1,708,115	1,546,904	106,760	74,133
- right-of-use assets	219,720	228,439	-	-
Dividend income	(92,617)	(296,926)	(88,763)	(251,479)
Gain on disposal of property, plant and equipment	(53,000)	(160,727)	-	-
Impairment loss on trade receivables	2,105,416	473,961	-	-
Interest expense	7,200	605	-	-
Interest income	(482,672)	(26,024)	(439,834)	(1,382)
Property, plant and equipment written off	39,524	26,107	24,174	-
Provision for warranty	75,154	10,606	-	-
Rental income	(27,600)	(27,200)	-	-
Reversal of impairment loss on trade receivables	(440,180)	(17,351)	-	-
Share-based payments for ESOS	1,132,259	1,000,048	-	-
Unrealised loss/(gain) on foreign exchange	111,188	(64,650)	-	-
Operating profit/(loss) before working capital changes	21,234,264	7,544,459	(1,192,152)	(1,056,873)
Decrease/(Increase) in inventories	1,080,398	(6,881,423)	-	-
Decrease/(Increase) in trade and other receivables	12,396,741	(10,995,236)	87,305	(11,490)
(Decrease)/Increase in trade and other payables	(6,521,387)	8,897,541	77,930	72,473
Cash generated from/(used in) operations	28,190,016	(1,434,659)	(1,026,917)	(995,890)
Interest paid	(2,447)	(605)	-	-
Interest received	477,149	26,024	434,311	1,382
Tax paid	(3,897,650)	(1,670,270)	(87)	(132)
Net cash generated from/(used in) operating activities	24,767,068	(3,079,510)	(592,693)	(994,640)

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividend income	92,617	296,926	88,763	251,479
Increase in fixed deposits pledged with licensed banks	(137,938)	(18,612)	-	-
Proceeds from disposal of property, plant and equipment	53,000	267,001	-	-
Purchase of property, plant and equipment	(969,780)	(2,768,845)	-	(556,000)
Rental received	27,600	27,200	-	-
Net cash (used in)/generated from investing activities	(934,501)	(2,196,330)	88,763	(304,521)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of share capital	31,019,201	565,552	31,019,201	565,552
Repayment of lease liabilities	(108,320)	(111,375)	-	-
Net cash generated from financing activities	30,910,881	454,177	31,019,201	565,552
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	54,743,448	(4,821,663)	30,515,271	(733,609)
EFFECT OF FOREIGN EXCHANGE DIFFERENCES	370,921	68,851	-	-
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	21,310,690	26,063,502	14,047,717	14,781,326
CASH AND CASH EQUIVALENTS CARRIED FORWARD (NOTE 13)	76,425,059	21,310,690	44,562,988	14,047,717

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

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. SIGNIFICANT ACCOUNTING POLICIES

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES Cont'd

(b) Basis of consolidation Cont'd

(i) Subsidiaries Cont'd

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES Cont'd

(b) Basis of consolidation Cont'd

(iii) Business combinations Cont'd

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES Cont'd

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES Cont'd

(c) Financial instruments Cont'd

(iii) Financial assets Cont'd

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES Cont'd

(c) Financial instruments Cont'd

(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.

(vii) Impairment of financial assets

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.

3. SIGNIFICANT ACCOUNTING POLICIES Cont'd

(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.

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%

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;

3. SIGNIFICANT ACCOUNTING POLICIES Cont'd

(e) Leases Cont'd

(i) Definition of a lease Cont'd

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: Cont'd

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 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 of loss in the period in which the performance or use occurs.

3. SIGNIFICANT ACCOUNTING POLICIES Cont'd

(e) Leases Cont'd

(ii) Recognition and initial measurement Cont'd

1. As a lessee Cont'd

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.

2. As a lessor

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	24 to 36 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.

3. SIGNIFICANT ACCOUNTING POLICIES Cont'd

(e) Leases Cont'd

(iii) Subsequent measurement Cont'd

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 "revenue".

(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

(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%

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.

3. SIGNIFICANT ACCOUNTING POLICIES Cont'd

(g) Investment properties Cont'd

(ii) Reclassification to/from investment property Cont'd

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES 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. For the statements of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statements of financial position.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES 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 ("SOCSO") 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.

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES Cont'd

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

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.

The Group measures revenue from a sale of goods or a service transaction at the fair value of the consideration received or receivables, which is usually the invoice price, net of a trade discounts and volume rebates 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.

3. SIGNIFICANT ACCOUNTING POLICIES Cont'd

(q) Revenue and other income Cont'd

(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 income.

(iv) Dividend income

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

(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 statement 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.

3. SIGNIFICANT ACCOUNTING POLICIES Cont'd

(s) Income taxes Cont'd

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 substantially 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES Cont'd

(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).

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.

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS

4.1 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 2022:

- Amendments to MFRS 3 *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 116 *Property, Plant and Equipment – Property, Plant and Equipment– Proceeds before Intended Use*
- Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts–Cost of Fulfilling a Contract*
- Annual Improvements to MFRS Standards 2018–2020

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

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

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 2023

- 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*

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*
- Amendments to MFRS 101 *Presentation of Financial Statements – Non-current Liabilities with Covenants*

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.

4.3 MFRSs and Amendments to MFRSs not applicable

- MFRS 17 Insurance Contracts, Amendments to MFRS 17 *Insurance Contracts*, and Amendment to MFRS 17 *Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 Financial Instruments – Comparative Information are not expected to be applicable to the Group and the Company.*

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.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS Cont'd

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.

(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.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS Cont'd

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

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.

6. PROPERTY, PLANT AND EQUIPMENT

GROUP	Leasehold land	Buildings	Furniture and equipment	Motor vehicles	Plant and machinery	Renovation	Total
2022	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
At cost							
Own use							
As at 1.1.2022	-	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 31.12.2022	-	11,293,022	4,140,296	1,601,039	5,557,995	2,136,771	24,729,123
Right-of-use							
As at 1.1.2022	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 31.12.2022	5,833,111	270,028	-	-	-	-	6,103,139

6. PROPERTY, PLANT AND EQUIPMENT Cont'd

GROUP 2022	Leasehold land RM	Buildings RM	Furniture and equipment RM	Motor vehicles RM	Plant and machinery RM	Renovation RM	Total RM
Accumulated depreciation							
Own use							
As at 1.1.2022	-	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 31.12.2022	-	1,053,899	1,751,722	834,280	2,844,333	796,131	7,280,365
Right-of-use							
As at 1.1.2022	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 31.12.2022	473,766	157,517	-	-	-	-	631,283

6. PROPERTY, PLANT AND EQUIPMENT Cont'd

GROUP 2021	Leasehold land RM	Buildings RM	Furniture and equipment RM	Motor vehicles RM	Plant and machinery RM	Renovation RM	Total RM
At cost							
Own use							
As at 1.1.2021	-	11,293,022	2,957,540	1,922,037	4,167,402	1,947,318	22,287,319
Additions	-	-	774,450	556,000	1,374,060	64,335	2,768,845
Disposals	-	-	(94,196)	(632,675)	-	-	(726,871)
Written off	-	-	(205,715)	-	(19,062)	(9,200)	(233,977)
Effect of movements in exchange rates	-	-	3,605	-	-	761	4,366
As at 31.12.2021	-	11,293,022	3,435,684	1,845,362	5,522,400	2,003,214	24,099,682
Right-of-use							
As at 1.1.2021	5,833,111	224,417	-	-	-	-	6,057,528
Additions	-	307,608	-	-	-	-	307,608
Derecognition	-	(228,747)	-	-	-	-	(228,747)
Effect of movements in exchange rates	-	4,264	-	-	-	-	4,264
As at 31.12.2021	5,833,111	307,542	-	-	-	-	6,140,653

6. PROPERTY, PLANT AND EQUIPMENT Cont'd

GROUP 2021	Leasehold land RM	Buildings RM	Furniture and equipment RM	Motor vehicles RM	Plant and machinery RM	Renovation RM	Total RM
Accumulated depreciation							
Own use							
As at 1.1.2021	-	602,177	1,099,314	1,076,649	1,982,029	394,681	5,154,850
Charge for the financial year	-	225,860	431,276	306,134	384,690	198,944	1,546,904
Disposals	-	-	(4,710)	(615,887)	-	-	(620,597)
Written off	-	-	(194,148)	-	(11,345)	(2,377)	(207,870)
Effect of movements in exchange rates	-	-	3,164	-	-	145	3,309
As at 31.12.2021	-	828,037	1,334,896	766,896	2,355,374	591,393	5,876,596
Right-of-use							
As at 1.1.2021	236,884	122,379	-	-	-	-	359,263
Charge for the financial year	118,442	109,997	-	-	-	-	228,439
Derecognition	-	(149,174)	-	-	-	-	(149,174)
Effect of movements in exchange rates	-	2,535	-	-	-	-	2,535
As at 31.12.2021	355,326	85,737	-	-	-	-	441,063

6. PROPERTY, PLANT AND EQUIPMENT Cont'd

GROUP	Leasehold land	Buildings	Furniture and equipment	Motor vehicles	Plant and machinery	Renovation	Total
	RM	RM	RM	RM	RM	RM	RM
Net carrying amount							
As at 31.12.2022							
Own use	-	10,239,123	2,388,574	766,759	2,713,662	1,340,640	17,448,758
Right-of-use	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
As at 31.12.2021							
Own use	-	10,464,985	2,100,788	1,078,466	3,167,026	1,411,821	18,223,086
Right-of-use	5,477,785	221,805	-	-	-	-	5,699,590
	5,477,785	10,686,790	2,100,788	1,078,466	3,167,026	1,411,821	23,922,676

6. PROPERTY, PLANT AND EQUIPMENT Cont'd

	COMPANY	
	Motor vehicle	
	2022	2021
	RM	RM
Cost		
As at 1 January	556,000	-
Addition	-	556,000
Written off	(29,600)	-
As at 31 December	526,400	556,000
Accumulated depreciation		
As at 1 January	74,133	-
Charge for the financial year	106,760	74,133
Written off	(5,426)	-
As at 31 December	175,467	74,133
Net carrying amount		
As at 31 December	350,933	481,867

The following property, plant and equipment and right-of-use assets stated at net carrying amount are charged to licensed banks for banking facilities granted to the Group:

	GROUP
	2021
	RM
Leasehold land	5,164,975
Building	8,895,268
	14,060,243

The Group has not utilised the facilities at the end of the reporting period. As at 31 December 2022, the property, plant and equipment and right-of-use assets were discharged by licensed banks for banking facilities granted to the Group.

7. INVESTMENT PROPERTY

	GROUP	
	2022	2021
	RM	RM
Cost		
As at 1 January/31 December	308,485	308,485
Accumulated depreciation		
As at 1 January	37,018	30,848
Charge for the financial year	6,169	6,170
	43,187	37,018
	265,298	271,467

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	
	2022	2021
	RM	RM
Rental income	24,000	24,000
Direct operating expenses		
- income generating investment properties	10,027	10,052

As at 31 December 2022, the fair value of the investment property is RM350,000 (2021: 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 is 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.

8. INVESTMENT IN SUBSIDIARIES

	COMPANY 2022 RM	COMPANY 2021 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	2,246,820	1,442,195
Additions	1,132,499	1,000,048
Forfeited	(365,147)	(195,423)
	3,014,172	2,246,820
As at 31 December	44,626,251	43,858,899

The details of the subsidiaries are as follows:

Name of subsidiaries	Place of incorporation	Effective equity interest 2022 %	Effective equity interest 2021 %	Principal activities
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
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

8. INVESTMENT IN SUBSIDIARIES Cont'd

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

Name of subsidiaries	Place of incorporation	Effective equity interest 2022 %	Effective equity interest 2021 %	Principal activities
Subsidiaries of AIMFLEX Technology Sdn. Bhd. Cont'd				
AIMFLEX Singapore Pte. Ltd. *	Singapore	100	100	Sales of specialised automation machines
AIMFLEX Philippines Inc. (incorporated on 12 December 2022) *	Philippines	99	-	Importation, assembly, installation, and commissioning business of specialised automation machines, provision of modifications, maintenance and technical support services

* Not audited by RSM Malaysia PLT.

9. GOODWILL

	GROUP 2022 RM	GROUP 2021 RM
Cost		
As at 1 January/31 December	2,067,965	2,067,965
Accumulated impairment loss		
As at 1 January/31 December	(1,212,163)	(1,212,163)
	855,802	855,802

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 year 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% (2021: 10%) 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	
	2022 RM	2021 RM
Balance as at 1 January	1,045,492	(699,391)
Transfer from profit or loss (Note 22)	(1,372,646)	1,744,883
Effort of movements in exchange rates	51	-
Balance as at 31 December	(327,103)	1,045,492
Represented by:		
Deferred tax assets	773,299	1,973,894
Deferred tax liabilities	(1,100,402)	(928,402)
Total	(327,103)	1,045,492

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

	GROUP	
	2022 RM	2021 RM
Deferred tax assets		
Differences between the net carrying amounts of contract liabilities and their tax base	766,455	1,966,379
Differences between the net carrying amounts of provision for warranty and their tax base	6,844	7,515
	773,299	1,973,894
Deferred tax liabilities		
Differences between the net carrying amounts of property, plant and equipment and their tax base	(1,100,402)	(928,402)

11. INVENTORIES

	GROUP	
	2022 RM	2021 RM
At cost		
Raw materials	2,978,625	1,497,797
Work-in-progress	7,858,685	10,682,678
Finished goods	55,780	38,684
Trading goods	949,494	703,823
	11,842,584	12,922,982
Inventories recognised as cost of sales	58,238,191	56,228,160

12. TRADE AND OTHER RECEIVABLES

	GROUP 2022 RM	GROUP 2021 RM	COMPANY 2022 RM	COMPANY 2021 RM
Trade				
Third parties	23,969,149	36,324,837	-	-
Less: Loss allowance	(2,139,197)	(473,961)	-	-
	21,829,952	35,850,876	-	-
Non-trade				
Other receivables	286,103	1,046,748	5,523	87,305
Deposits	867,458	144,972	1,000	1,000
Prepayments	178,600	303,070	-	-
	1,332,161	1,494,790	6,523	88,305
	23,162,113	37,345,666	6,523	88,305
Total trade and other receivables (excluding prepayments)	22,983,513	37,042,596	6,523	88,305
Add: Cash and bank balances (Note 13)	26,948,780	7,337,191	11,666,543	274,218
Add: Fixed deposits placed with a licensed bank (Note 13)	25,221,110	1,083,172	24,000,000	-
Add: Short-term investments (Note 13)	25,476,279	13,973,499	8,896,445	13,773,499
Total financial assets carried at amortised costs	100,629,682	59,436,458	44,569,511	14,136,022

(a) The trade amounts due from third parties are subject to normal trade terms ranging between 30 days to 120 days (2021: 30 days to 120 days).

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

	GROUP 2022 RM	GROUP 2021 RM
As at 1 January	473,961	17,351
Loss allowances recognised in profit or loss		
- Reversal of impairment losses over-provided in prior financial years	(440,180)	(17,351)
- Individual impairment losses *	2,105,416	473,961
As at 31 December	2,139,197	473,961

* Included in individual impairment losses is an amount of RM2,000,000 impaired for a debtor in a subsidiary company, AIMFLEX Solutions Sdn Bhd. The remaining balance due from the debtor amounting to RM1,950,000 remains unpaid as at 27 April 2023.

12. TRADE AND OTHER RECEIVABLES Cont'd

(c) Included in other receivables are retention sums amounting to Nil (2021: RM48,932) relating to goods delivered. Retention sums are unsecured, interest free and expected to be collected within 1 year.

13. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents consist of:

	GROUP		COMPANY	
	2022	2021	2022	2021
	RM	RM	RM	RM
Cash and bank balances	26,948,780	7,337,191	11,666,543	274,218
Fixed deposits placed with a licensed bank	25,221,110	1,083,172	24,000,000	-
Short-term investments	25,476,279	13,973,499	8,896,445	13,773,499
	77,646,169	22,393,862	44,562,988	14,047,717
Less : Fixed deposits pledged with a licensed bank	(1,221,110)	(1,083,172)	-	-
Balance for Statements of Cash Flow purposes as at 31 December	76,425,059	21,310,690	44,562,988	14,047,717

(a) The fixed deposits placed with a licensed bank have maturity period of 180 days to 365 days (2021: 365 days). The weighted average effective interest rates of the fixed deposits range from 1.75% to 4.20% (2021: 1.75%) per annum.

(b) The fixed deposits placed with a licensed bank have been pledged as security for banking facilities amounting to RM3,120,000 (2021: RM3,000,000) granted to the Group. The Group has unutilised facilities amounting to RM3,000,000 as at the financial year end.

(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.

14. SHARE CAPITAL

	GROUP AND COMPANY			
	2022		2021	
	Amount RM	No. of shares	Amount RM	No. of shares
Issued and fully paid				
As at 1 January	55,345,930	1,224,121,200	54,516,242	1,221,477,200
Issued for cash under ESOS	-	-	565,552	2,644,000
Issued for cash under private placement	31,019,201	244,824,000	-	-
Transfer from share options reserve	-	-	264,136	-
As at 31 December	86,365,131	1,468,945,200	55,345,930	1,224,121,200

During the financial year, the Company issued 244,824,000 ordinary shares for cash amounting to RM31,019,201 arising from private placement at the subscription price of RM0.1267 per ordinary share.

15. RESERVES

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Merger reserve	(16,628,339)	(16,628,339)	-	-
Share options reserve	2,750,036	1,982,684	2,750,036	1,982,684
Translation reserve	1,063,775	701,342	-	-
	(12,814,528)	(13,944,313)	2,750,036	1,982,684

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.

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
Total share options	48,905,000		

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

	2022		2021	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding as at 1 January	RM0.2004	39,071,600	RM0.2139	33,558,000
Granted during the financial year	-	-	RM0.1755	15,347,000
Exercised during the financial year	-	-	RM0.2139	(2,644,000)
Forfeited during the financial year	RM0.2033	(6,279,000)	RM0.2054	(7,189,400)
Outstanding as at 31 December	RM0.1998	32,792,600	RM0.2004	39,071,600
Exercisable as at 31 December	RM0.2139	20,775,600	RM0.2139	9,163,000

The options outstanding as at 31 December 2022 have an exercise price in the range of RM0.1755 to RM0.2139 (2021: RM0.1755 to RM0.2139) and a weighted average contractual life of 7 years (2021: 7.5 years).

During the financial year, no share options were exercised (2021: 2,644,000 at RM0.2139 per ordinary share).

During the financial year, 6,279,000 share options were forfeited at RM0.2033 (2021: 7,189,400 at RM0.2054) per ordinary share.

16. SHARE-BASED PAYMENTS FOR ESOS Cont'd

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:

	2021
Fair value of share options and assumptions	
Fair value per option at grant date	RM0.0842
Weighted average share price	RM0.1755
Share price at grant date	RM0.1750
Expected volatility (weighted average volatility)	51.78%
Option life (expected weighted average life)	7 years
Expected dividends	1.16%
Risk–free interest rate (based on Malaysian government bonds)	2.89%

Value of employee services received for issue of share options:

	GROUP	
	2022 RM	2021 RM
Share options granted in the financial year and total expenses recognised as share-based payments (Note 21)	1,132,259	1,000,048

17. LEASE LIABILITIES

	GROUP	
	2022 RM	2021 RM
Future lease payment payable:		
- payable within one (1) year	94,518	116,580
- later than one (1) year and not later than five (5) years	23,630	115,825
	118,148	232,405
Less: Future interest charges	(2,483)	(7,920)
	115,665	224,485
Repayable as follows:		
Current		
- not later than one (1) year	92,161	111,015
Non-current		
- later than one (1) year and not later than five (5) years	23,504	113,470
	115,665	224,485

17. LEASE LIABILITIES Cont'd

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

	GROUP	
	2022	2021
	RM	RM
At 1 January	224,485	105,863
Addition	-	228,232
Lease payments	(108,320)	(111,980)
Interest charged for the year	4,753	605
Derecognition	(17,423)	-
Effect of movements in exchange rate	12,170	1,765
At 31 December	115,665	224,485

The lease liabilities of the Group at the end of the reporting period bore an effective interest rate of 3.20% (2021: 3.20%) per annum. The interest rate is fixed at the inception of the lease liabilities arrangements.

18. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2022	2021	2022	2021
	RM	RM	RM	RM
Trade				
Third parties	4,136,161	5,385,972	-	-
Non-trade				
Other payables	582,993	1,737,367	33,324	135,029
Accruals	5,161,778	4,391,995	247,291	66,750
Deposit payables	7,100	7,100	-	-
Contract liabilities	3,593,679	8,418,626	-	-
Provision for warranty	28,517	31,313	-	-
Amount due to a subsidiary	-	-	-	906
	9,374,067	14,586,401	280,615	202,685
	13,510,228	19,972,373	280,615	202,685
Trade and other payables (exclude provision for warranty and contract liabilities)	9,888,032	11,522,434	280,615	202,685
Add: Lease liabilities (Note 17)	115,665	224,485	-	-
Total financial liabilities carried at amortised cost	10,003,697	11,746,919	280,615	202,685

18. TRADE AND OTHER PAYABLES Cont'd

(a) Trade payables are normally settled on 30 to 90 days (2021: 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 2021 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	
	2022	2021
	RM	RM
As at 1 January	31,313	29,155
Provision made during the financial year	75,154	10,606
Provision used during the financial year	(77,950)	(8,448)
As at 31 December	28,517	31,313

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

19. REVENUE

	GROUP	
	2022	2021
	RM	RM
Revenue from contracts with customers:		
Sale of goods	83,622,854	64,164,167
Distribution	8,114,144	11,581,895
	91,736,998	75,746,062
Timing of revenue:		
At a point in time	91,736,998	75,746,062

20. FINANCE COSTS

	GROUP	
	2022	2021
	RM	RM
Finance costs in respect of:		
- interest expenses	2,447	-
- lease liabilities	4,753	605
	7,200	605

21. PROFIT/(LOSS) BEFORE TAXATION

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

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Auditors' remuneration				
- RSM Malaysia PLT	74,500	68,000	18,000	17,000
- RSM Malaysia PLT (under provided in prior year)	6,500	-	1,000	-
- Firm other than member firm of RSM International Ltd.	28,021	27,145	-	-
- Firm other than member firm of RSM International Ltd. (under provided in prior year)	1,898	-	-	-
- others:				
- RSM Malaysia PLT	2,500	2,500	2,500	2,500
Depreciation of:				
- investment property	6,169	6,170	-	-
- property, plant and equipment	1,708,115	1,546,904	106,760	74,133
- right-of-use assets	219,720	228,439	-	-
Directors' remuneration (Note 27)	2,231,245	2,576,320	889,913	501,511
Dividend income	(92,617)	(296,926)	(88,763)	(251,479)
Gain on disposal of property, plant and equipment	(53,000)	(160,727)	-	-
(Gain)/Loss on foreign exchange				
- realised	(853,501)	(49,179)	-	-
- unrealised	111,188	(64,650)	-	-
Impairment loss on trade receivables	2,105,416	473,961	-	-
Interest income	(482,672)	(26,024)	(439,834)	(1,382)
Property, plant and equipment written off	39,524	26,107	24,174	-
Provision for warranty	75,154	10,606	-	-
Rental income	(27,600)	(27,200)	-	-
Rental of equipment	1,459	1,584	-	-
Rental of premises	66,720	17,983	-	-
Reversal of impairment loss on trade receivables	(440,180)	(17,351)	-	-
Share-based payments for ESOS (Note 16)	1,132,259	1,000,048	-	-
Staff costs (excludes directors' remuneration) (Note 23)	21,443,541	18,476,429	-	-
Wage subsidy and grant income	(6,834)	(312,944)	-	-

22. TAXATION

	GROUP 2022 RM	GROUP 2021 RM	COMPANY 2022 RM	COMPANY 2021 RM
Current financial year				
- income tax expense	2,107,291	1,607,105	-	-
- deferred taxation (Note 10)	1,362,170	(1,606,383)	-	-
- foreign tax	129,057	81,633	-	-
- withholding tax	100,987	18,043	-	-
	3,699,505	100,398	-	-
Under/(Over) provision in prior financial years				
- income tax expense	(51,110)	139,846	101	10
- deferred taxation (Note 10)	10,476	(138,500)	-	-
- foreign tax	48,315	14,068	-	-
	7,681	15,414	101	10
	3,707,186	115,812	101	10

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

	GROUP 2022 RM	GROUP 2021 RM	COMPANY 2022 RM	COMPANY 2021 RM
Profit/(Loss) before taxation	16,925,588	4,844,497	(794,489)	(878,145)
Income tax at tax rate of 24% (2021: 24%)	4,062,141	1,162,679	(190,677)	(210,755)
Tax effects in respect of:				
Non-allowable expenses	1,903,404	639,996	211,980	271,110
Non-taxable income	(748,794)	(120,058)	(21,303)	(60,355)
Income tax exemption under Pioneer Status	(1,524,214)	(1,573,353)	-	-
Different tax rates in foreign jurisdictions	(93,466)	(73,579)	-	-
Statutory tax exemption in Singapore	(143,307)	(96,361)	-	-
Foreign withholding tax	100,987	18,043	-	-
Deferred tax assets not recognised	142,754	170,447	-	-
Utilisation of deferred tax assets previously not recognised	-	(27,416)	-	-
	3,699,505	100,398	-	-

22. TAXATION Cont'd

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.

As at 31 December 2022, 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	
	2022	2021
	RM	RM
Deductible temporary differences of property, plant and equipment	(2,354)	(2,580)
Unabsorbed tax losses	273,901	133,819
Unabsorbed capital allowances	5,376	2,930
	276,923	134,169

As at 31 December 2022, the Group has unabsorbed tax losses and unabsorbed capital allowances of approximately RM1,141,000 (2021: RM558,000) and RM22,000 (2021: RM12,000) respectively, which are available to be set off against future chargeable income.

23. STAFF COSTS

	GROUP	
	2022	2021
	RM	RM
Salaries, wages, allowances and bonuses	19,107,364	16,529,301
Defined contribution plan - EPF contributions	2,108,177	1,765,708
Social security costs - SOCSO contributions	177,015	163,357
Employee insurance system - EIS contributions	19,555	18,063
Others	31,430	-
Total staff costs (excludes directors' remuneration)	21,443,541	18,476,429

24. 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	
	2022	2021
	RM	RM
Profit attributable to owners of the Company	13,218,402	4,728,685
Weighted average number of ordinary shares at 31 December	1,366,320,345	1,223,644,833
Basic earnings per ordinary shares (in sen)	0.97	0.39

(a) 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.

25. CAPITAL COMMITMENTS

	GROUP	
	2022	2021
	RM	RM
Acquisition of property, plant and equipment:		
Contracted but not provided for	3,647,248	432,688
Approved but not contracted for	6,800,000	7,400,000
	10,447,248	7,832,688

26. 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.

26. CAPITAL MANAGEMENT Cont'd

The debt-to-equity ratios as at 31 December 2022 and at 31 December 2021 are as follows:

	GROUP	
	2022	2021
	RM	RM
Lease liabilities	115,665	224,485
Less: Cash and bank balances	(77,646,169)	(22,393,862)
Net debt	(77,530,504)	(22,169,377)
Total equity	123,382,230	77,649,695
Debt-to-equity ratio	N/A*	N/A*

*N/A = not applicable as net cash position

There was no change in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

27. 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.

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	
	2022	2021
	RM	RM
Director		
Legal and professional fees	43,395	259,031

27. RELATED PARTY DISCLOSURES Cont'd

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	
	2022	2021	2022	2021
	RM	RM	RM	RM
Directors				
Directors of the Company				
- fees	288,000	163,679	288,000	163,679
- salaries, bonuses and other benefits	839,721	1,371,863	540,939	325,272
- defined contribution plan	93,275	89,816	60,974	12,560
	1,220,996	1,625,358	889,913	501,511
Directors of the subsidiaries				
- salaries, bonuses and other benefits	944,962	901,366	-	-
- defined contribution plan	65,287	49,596	-	-
	1,010,249	950,962	-	-
Total directors' remuneration	2,231,245	2,576,320	889,913	501,511
Share based payments for ESOS				
- directors of the Company	-	29,719	-	-
- directors of the subsidiaries	66,640	39,720	-	-
	66,640	69,439	-	-
Other key management personnel				
- salaries, bonuses and other benefits	780,795	925,120	-	-
- defined contribution plan	93,460	109,469	-	-
Total compensation for other key management personnel	874,255	1,034,589	-	-
Share based payments for ESOS	64,305	79,997	-	-

27. RELATED PARTY DISCLOSURES Cont'd

Compensation of Key Management Personnel Cont'd

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 RM48,168 (2021: RM69,290).

28. 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.

28. OPERATING SEGMENTS Cont'd

	GROUP							
	Manufacturing		Distribution		Others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	RM	RM	RM	RM	RM	RM	RM	RM
External revenue								
- Within Malaysia	39,259,973	47,807,565	4,592,062	6,790,273	-	-	43,852,035	54,597,838
- Outside Malaysia	44,362,881	16,356,602	3,522,082	4,791,622	-	-	47,884,963	21,148,224
Total external revenue	83,622,854	64,164,167	8,114,144	11,581,895	-	-	91,736,998	75,746,062
Inter-segment revenue	12,249,377	8,664,247	3,425,707	6,049,807	-	-	15,675,084	14,714,054
Total segment revenue	95,872,231	72,828,414	11,539,851	17,631,702	-	-	107,412,082	90,460,116
Segment profit/(loss)	17,189,233	4,450,239	330,288	1,121,913	(586,733)	(727,050)	16,932,788	4,845,102
Finance costs							(7,200)	(605)
Profit before taxation							16,925,588	4,844,497
Taxation							(3,707,186)	(115,812)
Profit for the financial year							13,218,402	4,728,685
Assets								
Segment assets	80,358,332	73,259,574	8,716,279	8,167,743	-	-	89,074,611	81,427,317
Unallocated assets							49,033,914	18,259,032
Total assets							138,108,525	99,686,349
Liabilities								
Segment liabilities	13,603,744	19,527,903	835,913	1,368,450	-	-	14,439,657	20,896,353
Unallocated liabilities							286,638	1,140,301
Total liabilities							14,726,295	22,036,654

28. OPERATING SEGMENTS Cont'd

(a) Geographical information

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

	GROUP	
	2022	2021
	RM	RM
Malaysia	43,852,034	54,597,838
Singapore	34,482,001	10,870,102
Indonesia	-	243,015
Philippines	8,206,398	8,570,792
Others *	5,196,565	1,464,315
	91,736,998	75,746,062

* Revenue derived from Indonesia has been classified into Others in the current financial year.

(b) Major customers

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

	2022	2021	Segment
	RM	RM	
All common control companies of:			
- Customer A	55,638,820	29,304,482	Manufacturing and trading
- Customer B	-	2,515,531	Manufacturing and trading

29. FINANCIAL INSTRUMENTS

Categories of financial instruments

Trade and other receivables (excluding prepayments) and cash and cash equivalents are categorised as financial assets carried at amortised cost (Note 12) while trade and other payables (exclude provision for warranty and contract liabilities) and lease liabilities are categorised as financial liabilities carried at amortised cost (Note 18).

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.

29. 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 categories 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:

	2022 RM	2021 RM
Primary geographical markets		
Malaysia	15,014,864	25,957,763
Philippines	1,757,985	4,792,368
Singapore	3,939,710	4,619,542
Others	1,117,393	481,203
	21,829,952	35,850,876

Approximately 61% (2021: 42%) of the Group's product sales were to a group of customers, and approximately 49% (2021: 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.

29. FINANCIAL INSTRUMENTS Cont'd

Financial Risk Management Cont'd

(a) Credit risk Cont'd

Concentration of credit risk Cont'd

More than 66% (2021: 64%) of the Group's customers have been transacting with the Group for over four years. 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 limits 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:

	2022		2021	
	Not credit-impairment RM	Credit-impairment RM	Not credit-impairment RM	Credit-impairment RM
Major customers	10,800,818	-	17,539,232	-
Other customers:				
- Four or more years of trading history with the Group	3,625,985	116,968	5,309,583	452,145
- Less than four years of trading history with the Group	7,403,149	2,022,229	13,002,061	21,816
Total gross carrying amount	21,829,952	2,139,197	35,850,876	473,961
Less: Allowance for impairment losses	-	(2,139,197)	-	(473,961)
	21,829,952	-	35,850,876	-

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.

29. 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 2022				
Not past due	9,496,053	-	-	9,496,053
Past due 0-30 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
	23,969,149	(2,139,197)	-	21,829,952
31 December 2021				
Not past due	19,396,777	-	-	19,396,777
Past due 0 - 30 days	5,561,471	-	-	5,561,471
Past due 31 - 120 days	2,764,832	(5,500)	-	2,759,332
Past due more than 120 days	8,601,757	(468,461)	-	8,133,296
Total past due	16,928,060	(473,961)	-	16,454,099
	36,324,837	(473,961)	-	35,850,876

Credit risk arising from financial guarantees

The maximum exposure to credit risk in relation to the financial guarantees given amounts to RM8,500,000 (2021: RM8,000,000) 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.

29. 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	1-2 years
	RM	%	RM	RM	RM
2022					
Non-derivative financial liabilities					
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
	10,003,697		10,006,180	9,982,550	23,630
2021					
Non-derivative financial liabilities					
Trade and other payables (Note 18)	11,522,434	-	11,522,434	11,522,434	-
Lease liabilities (Note 17)	224,485	3.20	232,405	116,580	115,825
	11,746,919		11,754,839	11,639,014	115,825

29. 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: Cont'd

COMPANY	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1-2 years RM
2022					
Non-derivative financial liabilities					
Other payables (Note 18)	280,615	-	280,615	280,615	-
2021					
Non-derivative financial liabilities					
Other payables (Note 18)	202,685	-	202,685	202,685	-

29. 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					
	2022			2021		
	Denominated in			Denominated in		
	EURO	SGD	USD	EURO	SGD	USD
	RM	RM	RM	RM	RM	RM
Trade and other receivables	-	4,034,540	2,949,923	-	4,462,521	6,104,634
Cash and cash equivalents	-	2,829,488	5,430,186	-	1,206,655	1,100,075
Trade and other payables	(275,461)	(1,319,981)	(667,645)	(726)	(6,058,799)	(1,400,097)
Lease liabilities	-	(115,665)	-	-	(192,920)	-
Net exposure	(275,461)	5,428,382	7,712,464	(726)	(582,543)	5,804,612

29. FINANCIAL INSTRUMENTS Cont'd

Financial Risk Management Cont'd

(c) Market risk Cont'd

(i) Foreign currency risk Cont'd

A 10% (2021: 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)	
	2022	2021
	RM	RM
EURO	20,935	55
SGD	(412,557)	44,273
USD	(586,147)	(441,151)
	(977,769)	(396,823)

A 10% (2021: 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	
	2022	2021	2022	2021
	RM	RM	RM	RM
Fixed rate instruments:				
Financial assets	25,221,110	1,083,172	-	-
Lease liabilities	(115,665)	(224,485)	-	-
	25,105,445	858,687	-	-

29. FINANCIAL INSTRUMENTS Cont'd

Financial Risk Management Cont'd

(c) Market risk Cont'd

(ii) Interest rate risk Cont'd

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.

Sensitivity analysis for interest rate risk

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 tax would have been NIL (2021: 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
Trade and other payables	18

30. SIGNIFICANT EVENTS

(a) Acquisition of Owin Industrial Sdn. Bhd. ("Owin")

On 21 December 2022, a subsidiary of the Company, AIMFLEX Technology Sdn Bhd ("AFT") has entered into an agreement to acquire a total of 261,000 ordinary shares of RM1.00 each in Owin, representing 60% of the total issued and paid-up share capital of Owin for a total consideration of RM2,400,000 which was satisfied as follows:

(i) upfront payment of RM400,000 upon completion of the Share Sale Agreement on 21 December 2022;
(ii) RM800,000 within one month from the date of the Share Sale Agreement;
(iii) RM400,000 shall only be paid to the Vendor subject to Owin achieving profit before tax of at least RM1,750,000 for the financial year 2023;
(iv) RM400,000 shall only be paid to the Vendor subject to Owin achieving profit before tax of at least RM2,450,000 for the financial year 2024;
(v) RM400,000 shall only be paid to the Vendor subject to Owin achieving profit before tax of at least RM3,150,000 for the financial year 2025;
(vi) In the event that the profit guarantee hereinafter mentioned cannot be achieved due to force majeure and/or economic downturn despite of the vendor's best efforts, RM1,200,000 only shall be proportionally reduced based on the amount of the profit achieved for the respective financial year vis-à-vis of RM1,200,000 only as illustrated; and
(vii) AFT shall pay to the vendor the balance Purchase Price (RM1,200,000 less after the payment of the reduced amount) after the Company achieved the profit equivalent of the short fall of the three (3) years profit guarantee by 2026.

30. SIGNIFICANT EVENTS Cont'd

(b) Acquisition of Union Tech Automation Sdn. Bhd. ("Union")

On 21 December 2022, a subsidiary of the Company, AIMFLEX Technology Sdn Bhd ("AFT") has entered into an agreement to acquire a total of 24,001 ordinary shares of RM1.00 each in Union, representing 60% of the total issued and paid-up share capital of Union for a total consideration of RM1,800,000 which was satisfied as follows:

(i) upfront payment of RM300,000 upon completion of the Share Sale Agreement on 21 December 2022;
(ii) RM600,000 within one month from the date of the Share Sale Agreement;
(iii) RM300,000 shall only be paid to the Vendor subject to Union achieving profit before tax of at least RM900,000 for the financial year 2023;
(iv) RM300,000 shall only be paid to the Vendor subject to Union achieving profit before tax of at least RM1,050,000 for the financial year 2024;
(v) RM300,000 shall only be paid to the Vendor subject to Union achieving profit before tax of at least RM1,200,000 for the financial year 2025;
(vi) In the event that the profit guarantee hereinafter mentioned cannot be achieved due to force majeure and/or economic downturn despite of the vendor's best efforts, RM900,000 only shall be proportionally reduced based on the amount of the profit achieved for the respective financial year vis-à-vis of RM900,000 only as illustrated; and
(vii) AFT shall pay to the vendor the balance Purchase Price (RM900,000 less after the payment of the reduced amount) after the Company achieved the profit equivalent of the short fall of the three (3) years profit guarantee by 2026.

31. 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 Ta'zim

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

32. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 27 April 2023.

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 64 to 124 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 state of affairs of the Group and of the Company as at 31 December 2022 and of the financial results 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

27 April 2023

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, **SOO CHOON SIONG** (MIA No.: 16981), 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 64 to 124 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.

SOO CHOON SIONG
(MIA No.: 16981)

Subscribed and solemnly declared
by the abovenamed at Johor Bahru
in the state of Johor on 27 April 2023

Before me

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 2022 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 significant accounting policies, as set out on pages 64 to 124.

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 2022 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
Revenue recognition *Refer to Note 3(q) and Note 19 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

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
Recoverability of Trade Receivables *Refer to Note 5(c) and Note 12 to the financial statements.* 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.

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.

Report on the Audit of the Financial Statements Cont'd

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.

- 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.

Report on the Audit of the Financial Statements Cont'd

Auditors' Responsibilities for the Audit of the Financial Statements Cont'd

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.

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

Victor Cheong Chi Hau
03536/11/2024 J
Chartered Accountant

Johor Bahru

27 April 2023

LIST OF PROPERTIES
AS AT 31 DECEMBER 2022

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	13,758,632
(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	306,045
(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 17th floor of a commercial building Office premise of Bizit Systems Malaysia	13 Nov 2014	N/A 128	463,089
(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 17th floor of a commercial building Vacant	5 Oct 2016	N/A 128	460,370
(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 8th floor of a commercial building Office premise of Bizit Systems Malaysia	30 Sept 2012	N/A 88.5	610,332
(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 18th floor of a commercial building Rented out as office premises	6 Oct 2016	N/A/82	265,298

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2023

Share Capital

Number of Issued Shares	1,468,945,200 Ordinary Shares
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	%
Less than 100	6	0.053	198	0.000
100 - 1,000	665	5.933	385,401	0.026
1,001 - 10,000	3,203	28.577	22,047,200	1.500
10,001 - 100,000	5,810	51.837	244,088,101	16.616
100,001 - less than 5% of issued shares	1, 522	13.579	889,270,886	60.538
5% and above of issued shares	2	0.017	313,153,414	21.318
Total	11,208	100.000	1,468,945,200	100.000

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	12.361
2	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUAH CHONG EWE	131,576,707	8.957
3	TEE SOOK SING	34,961,900	2.380
4	CHAN SAI KONG	30,000,000	2.042
5	RESOLUTE ACCOMPLISHMENT SDN. BHD.	25,000,000	1.701
6	NG NGOON WENG	24,500,000	1.667
7	NG KOK KHENG	20,000,000	1.361
8	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHUAH CHENG PENG	17,500,000	1.191
9	TEOH TIAN WEN	16,000,000	1.089
10	ONG KENG SENG	14,000,000	0.953
11	LOW LAY PING	13,000,000	0.884
12	WONG YOKE FONG @ WONG NYOK FING	11,380,300	0.774
13	ONG KHYE SIANG	11,222,346	0.763
14	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RESOLUTE ACCOMPLISHMENT SDN BHD	10,318,000	0.702
15	WONG KOK TOON	10,000,000	0.680
16	NG WYMIN	8,000,000	0.544
17	SIOW KIM WEE	7,500,000	0.510

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2023

Thirty Largest Shareholders Cont'd

	Name of Shareholders	No. of Shares	% of Shares
18	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR NG WYMIN (M09)	6,000,000	0.408
19	CHAN KOK SAN	6,000,000	0.408
20	GIM KANG TIMBER SDN. BHD.	6,000,000	0.408
21	WONG YOKE FONG @ WONG NYOK FING	5,100,000	0.347
22	PHILLIP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH CHOON KIM	5,000,000	0.340
23	WONG SIU CHUNG	4,200,000	0.285
24	OOI ENG BEE	4,000,000	0.272
25	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN JIN THAI (SS2 PJ-CL)	3,600,000	0.245
26	TEE AH SWEE	3,600,000	0.245
27	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR THUN YEN SONG	3,500,000	0.238
28	TAN SIANG LING	3,500,000	0.238
29	LLH HOLDINGS SDN BHD	3,410,700	0.232
30	CHONG CHIEW YANG	3,170,000	0.215

List of Substantial Shareholders

	Direct Interest		Indirect Interest	
Name of Shareholders	No. of Shares	% of Shares	No. of Shares	% of Shares
Luster Industries Bhd	181,576,707	12.361	-	-
Chuah Chong Ewe	131,576,707	8.957	-	-

Directors' Shareholdings

	Direct Interest		Indirect Interest	
Directors	No. of Shares	% of Shares	No. of Shares	% of Shares
Dato' (Dr.) Ts. Awang Daud Bin Awang Putera	-	-	-	-
Chuah Chong Ewe	131,576,707	8.957	-	-
Chuah Chong San	-	-	-	-
Law Lee Yen	-	-	-	-
Professor Dr Ruzairi Bin Hj Abdul Rahim	120,800	0.008	-	-
Siti Zaleha Sulaiman	-	-	-	-

NOTICE OF 5TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifth (5th) 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 Thursday, 22 June 2023 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 2022 together with the Reports of the Directors and Auditors thereon.	*Please refer to Explanatory Note (a)*
2.	To re-elect the following Directors who retire pursuant to Article 131 of the Company's Constitution:-	
	(i) Dato' (Dr.) Ts. Awang Daud Bin Awang Putera	Resolution 1
	(ii) Puan Siti Zaleha Binti Sulaiman	Resolution 2
3.	To approve the payment of Directors' fees of up to RM300,000.00 and benefits of up to RM20,000.00 from 2023 Annual General Meeting until the next Annual General Meeting of the Company.	Resolution 3 *Please refer to Explanatory Note (b)*
4.	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:-

5. **Authority to Issue Shares** — Resolution 5 *Please refer to Explanatory Note (c)*

"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.

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."

AS SPECIAL BUSINESS: Cont'd

To consider and if thought fit, to pass the following ordinary resolution, with or without modifications:- Cont'd

6. **Proposed New Shareholders' Mandate for 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 to Shareholders dated 28 April 2023, 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"), unless the authority is renewed by a resolution passed at the next AGM; 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.

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 transactions contemplated and/or authorised by this Ordinary Resolution."

AS SPECIAL BUSINESS: Cont'd

To consider and if thought fit, to pass the following ordinary resolution, with or without modifications:- Cont'd

7. 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: 28 April 2023

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 5th 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 15 June 2023 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.*

Notes:- Cont'd

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 5th 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 5th 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 2024. The Remuneration comprises of fees and meeting allowances payable to directors.

(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.

Explanatory Notes Cont'd

(d) Proposed New Shareholders' Mandate for 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 28 April 2023 accompanying the Annual Report of the Company for the financial year ended 31 December 2022.

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.

AIMFLEX BERHAD
(Formerly known as I-Stone Group Berhad)
Registration No.: 201801011135 (1273151-K)
(Incorporated in Malaysia)

FORM OF PROXY

Number of Shares held	
CDS Account No.	

I/We,____NRIC/PassportNo.____________________
(FULL NAME IN BLOCK LETTERS)
of____
(FULL ADDRESS)
contactno.__________________emailaddress______________________beingamember/membersof **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 **Fifth (5th) Annual General Meeting ("AGM")** to 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 **Thursday, 22 June 2023 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 forvoting at his(her) discretion.

NO.	**RESOLUTIONS**	**FOR**	**AGAINST**
1.	RE-ELECTION OF DATO' (DR.) TS. AWANG DAUD BIN AWANG PUTERA AS DIRECTOR		
2.	RE-ELECTION OF PUAN SITI ZALEHA BINTI SULAIMAN 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 NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE		

Dated this _____ day of ___________ 2023

____
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 5th 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 15 June 2023 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 5th 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 5th AGM.

Please Fold Along This Line

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 Along This Line

AIMFLEX BERHAD (1273151-K)
12-2, Jalan Persiaran Teknologi,
Taman Teknologi Johor, 81400 Senai,
Johor, Malaysia
Email: sales@aimflex.com.my
Phone: +607 595 5545
Fax: +607 595 5543

WWW.AIMFLEX.COM.MY