



ENGINEERED FOR A **BRIGHTER &** **SUSTAINABLE FUTURE**

ANNUAL REPORT 2022



ABOUT THIS REPORT



COVER RATIONALE

ENGINEERED FOR A BRIGHTER & SUSTAINABLE FUTURE

Pekat Group Berhad reached a significant milestone by securing a 10MWac large-scale solar project in the first half of 2022. This step represents a pivotal moment for the Group as we expand our solar energy reach. Our expertise as an EPCC, an earthing and lightning protection expert and solar photovoltaic solutions provider is becoming increasingly relevant at a time where organisations are becoming more aware of the environment and are seeking to adopt clean, renewable energy.

The Group's growth and impeccable track record over the last two decades is an achievement that empowers us to amplify our support for the enforcement of safety for businesses, protection for people and property from lightning strikes and the adoption of renewable energy.

We continue to be committed to the innovation of our products and services, including capitalising on digitalisation to create a better customer experience, as we entrench sustainability across our business's economic, social, governance, and environmental aspects.

ENGINEERED FOR A BRIGHTER AND SUSTAINABLE FUTURE. We built Pekat on a foundation based on providing protection, and we are unwavering in our commitment to safeguarding our planet for future generations.

BASIS OF THIS REPORT

This Annual Report ("AR") and Audited Consolidated Financial Statements of Pekat Group Berhad ("Pekat" or "the Company") and its subsidiaries ("the Group") for the financial year ended 31 December 2022 ("FY2022") is developed to narrate both our financial and non-financial performance.

REPORTING PHILOSOPHY

This report reflects the decision-making undertaken in pursuing our "Engineered for a Brighter and Sustainable Future" vision in our bid to play a nation-building role that will benefit future generations. This AR presents a view of the Group's case for investment and commentaries on our strategy, business performance, governance and prospects in a balanced and transparent manner so that our stakeholders can make informed assessments.

SCOPE AND BOUNDARY

The information presented in this AR pertains to our fundamental business activities, which involve the provision of solar photovoltaic ("PV") systems, earthing and lightning protection ("ELP") systems, as well as the distribution of electrical products and accessories. Unless indicated otherwise, this AR encompasses data internally compiled from 1 January 2022 to 31 December 2022. Historical data from the previous year has been incorporated, where appropriate and available, for comparison purposes.

MATERIAL MATTERS

The Group's sustainable developments are based on economic, environmental and social pillars. The formulation of our sustainability strategy is anchored on the identification of material matters. Through a materiality assessment, we determined the issues that significantly impact our business operations and stakeholders. These matters reflect the Group's commitment to enhancing our economic, environmental, social and governance performance. For more information about our materiality assessment, please turn to page 22 of this AR.

ASSURANCE

Our financial statements are independently audited, while a robust internal process and good governance practices support the development of our non-financial reports.

FORWARD-LOOKING STATEMENTS

Our AR contains certain forward-looking statements with respect to the Group's financial position, results, operations and businesses, which we believe to be realistic at the time this AR is issued. Hence, these forward-looking statements are, by their nature, uncertain and there are various factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements.

GUIDELINES AND STANDARDS

Throughout the preparation of this Report, we have been guided by best practices as prescribed by international integrated reporting frameworks. Locally, we have adhered to:

- Malaysian Code on Corporate Governance ("MCCG")
- Bursa Malaysia Securities Berhad's ("Bursa Securities") ACE Market Listing Requirements
- Bursa Securities Corporate Governance Guide
- Companies Act 2016
- Malaysian Financial Reporting Standards
- International Financial Reporting Standards and other regulatory requirements as applicable

In the area of sustainability, we have developed our Sustainability Statement in line with key sustainability guidelines and standards such as:

- Bursa Securities Sustainability Reporting Guide
- United Nations Sustainable Development Goals ("SDGs")

Kok Kong Chin

Kok Kong Chin

Independent, Non-Executive Chairman
Pekat Group Berhad

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COMMITTED TO STRONG GOVERNANCE

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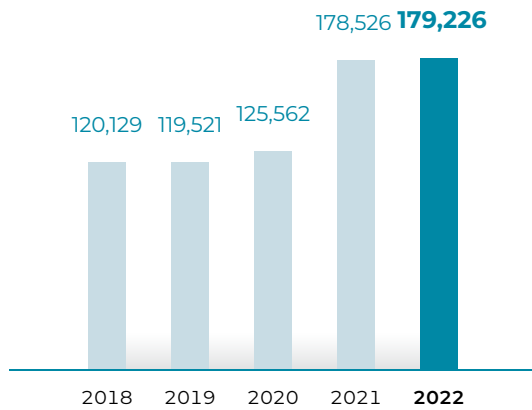
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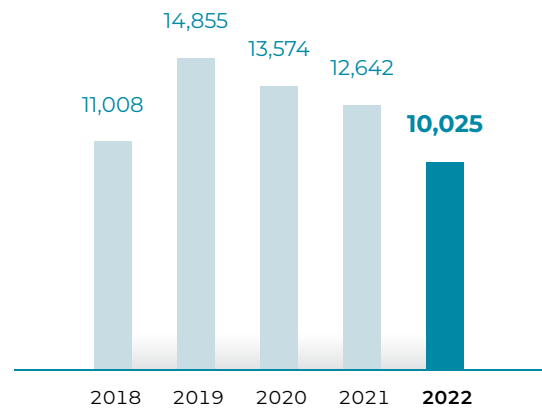
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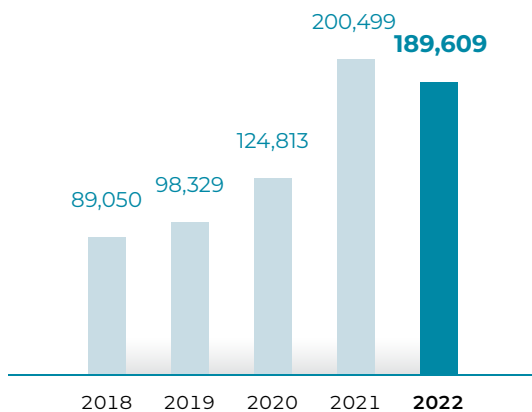
REVENUE (RM'000)



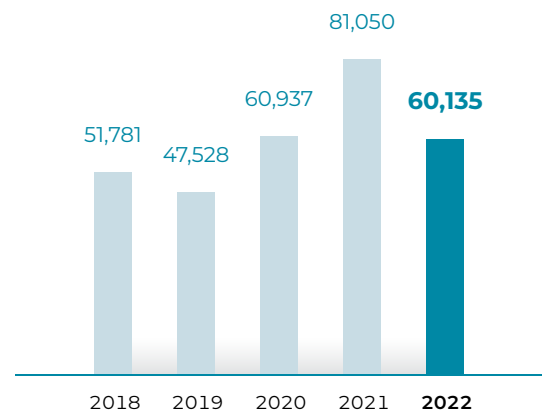
PROFIT AFTER TAX (RM'000)



TOTAL ASSETS (RM'000)



TOTAL LIABILITIES (RM'000)



For the Financial Year Ended 31 December	2022 RM'000	2021 RM'000	2020 RM'000	2019 RM'000	2018 RM'000
Earnings Before Interest, Tax, Depreciation and Amortisation	17,496	19,059	19,793	20,860	16,561
Shareholders' Equity	129,474	119,449	63,876	50,802	37,269
Total Borrowings	24,032	28,972	27,702	20,925	23,028
Basic Earnings Per Share (sen)*	1.56	1.96	2.10	2.29	1.72
Net Asset Per Share (RM)*	0.20	0.19	0.10	0.08	0.06
Debt to Equity (times)	0.19	0.24	0.43	0.41	0.62

* For comparison purposes, all figures have been adjusted and computed based on the total number of shares in issue after public issue in conjunction with the Company's listing on ACE Market of Bursa Malaysia Securities Berhad.

WHO WE ARE

In the year 1999, just before the world ushered in the much-awaited arrival of a new millennium, Pekat was formed. Driven by a team of deeply passionate and relentless young engineers, Pekat quickly evolved within a span of one year from a distributor of surge protection devices to a specialist in providing Earthing and Lightning Protection (“ELP”) devices.

Our distribution business evolved into a significant pillar for Pekat Group as a Trading division when we secured the authorised distributorship for Furse ELP products in Malaysia and when we launched our own Pekat brand in the year 2008. Our ELP division in the meantime continued to solidify itself as a CIDB G7 license contractor with the ability to provide complete ELP solutions according to customers’ requirements for commercial and industrial buildings, mixed developments and infrastructure.


Propelled by our desire to grow and realising existential role of renewable energy, we decided to embark on a path of providing design, supply and installation of solar photovoltaic (“PV”) systems in the year 2010. We were one of the first to receive accreditation with respect to “Solar PV Grid Connected System” from Pusat Tenaga Malaysia (which was replaced by SEDA in 2014) and conferred by the Malaysian Book of Records to be the First Solar Photovoltaic installer to receive “ISO 50001:2011 Certification of Energy Management System”.

ENGINEERED FOR A BRIGHTER AND SUSTAINABLE FUTURE

Pekat continuously grows through the synergistic relationship of our 3 divisions to provide clean energy through our Solar division, protecting people and physical properties through our ELP division and providing internationally acclaimed as well as high quality products and accessories for solar PV and ELP systems through our Trading division.

Pekat was successfully listed on the ACE Market of Bursa Malaysia Securities Berhad on 23 June 2021 backed by an outstanding 76 times over-subscription for the shares offered to the public.

OUR CORE VALUES



EXCELLENCE


We are committed to providing excellence and delivering high quality products and services in our businesses.






INTEGRITY


We conduct ourselves in an honest and professional manner at all times.





PERSEVERANCE

We have the inner strength to be dedicated to a purpose or mission. Our patience in working hard and moving forward with a positive attitude are what sets us apart.

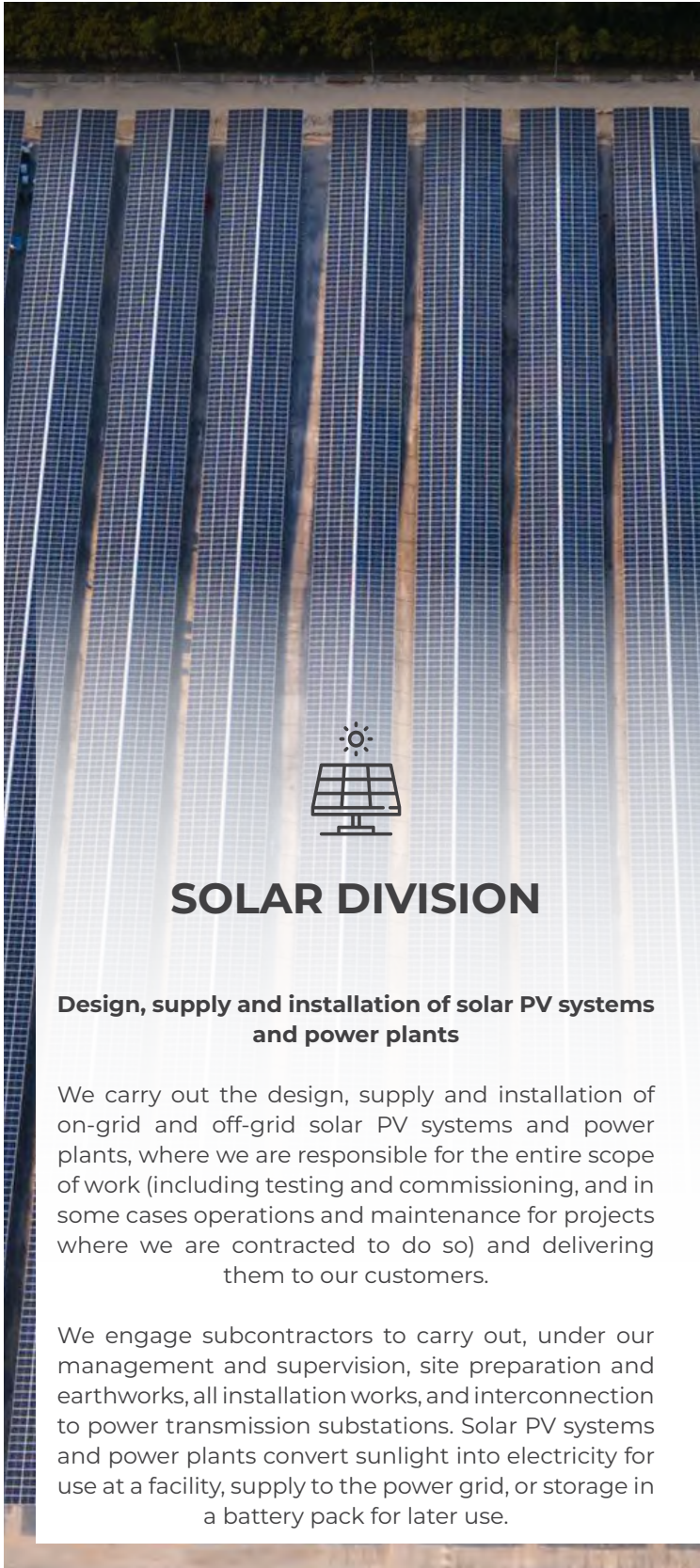




WHAT WE DO

SECTION 1

OUR INVESTMENT CASE

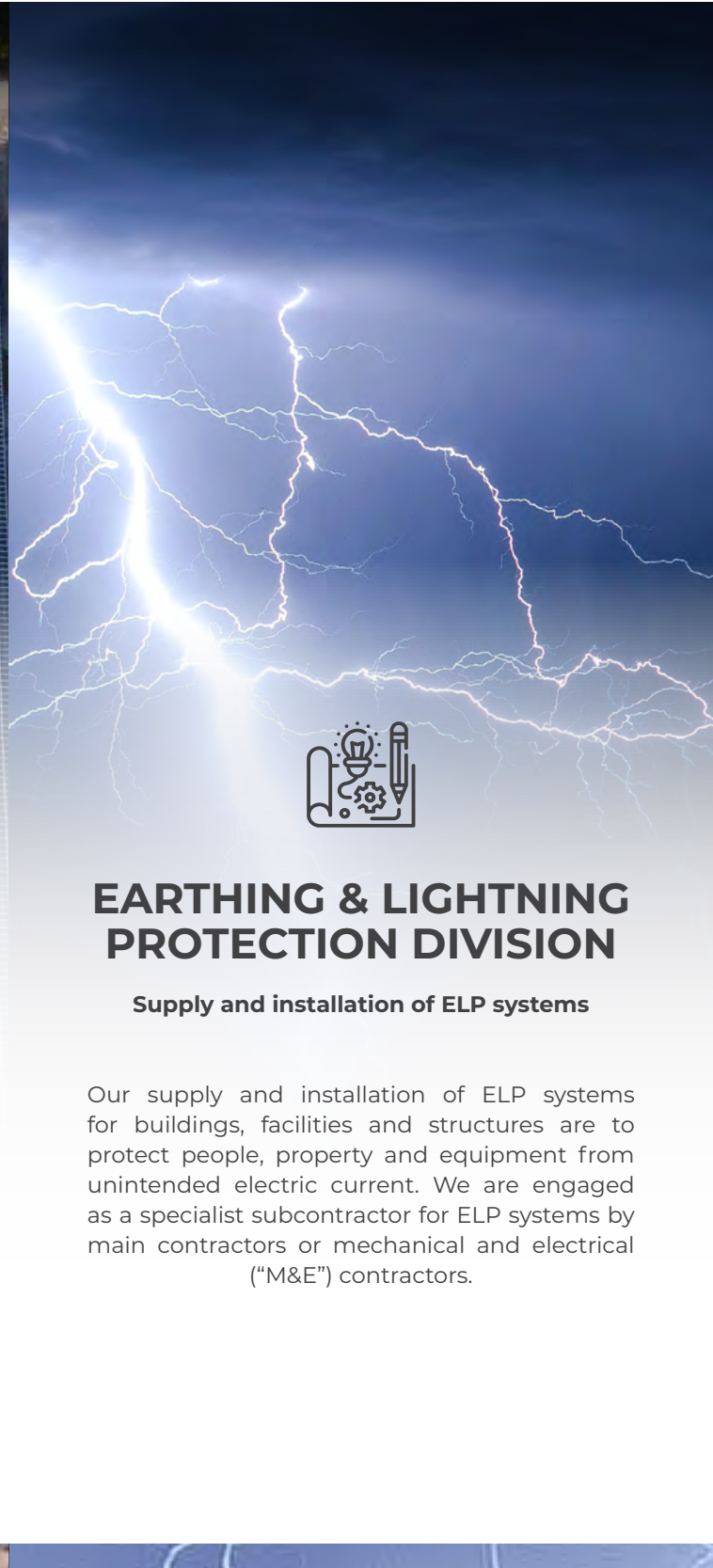


SOLAR DIVISION

Design, supply and installation of solar PV systems and power plants

We carry out the design, supply and installation of on-grid and off-grid solar PV systems and power plants, where we are responsible for the entire scope of work (including testing and commissioning, and in some cases operations and maintenance for projects where we are contracted to do so) and delivering them to our customers.

We engage subcontractors to carry out, under our management and supervision, site preparation and earthworks, all installation works, and interconnection to power transmission substations. Solar PV systems and power plants convert sunlight into electricity for use at a facility, supply to the power grid, or storage in a battery pack for later use.



EARTHING & LIGHTNING PROTECTION DIVISION

Supply and installation of ELP systems

Our supply and installation of ELP systems for buildings, facilities and structures are to protect people, property and equipment from unintended electric current. We are engaged as a specialist subcontractor for ELP systems by main contractors or mechanical and electrical ("M&E") contractors.



TRADING DIVISION

Distribution of electrical products and accessories

The distribution of electrical products and accessories involve the sales and marketing of our own brands and third party brands of electrical products and accessories, namely ELP products and accessories, solar PV related products, surge protection devices and aviation warning light systems.

OUR KEY STRENGTHS

DEEPLY ROOTED EXPERIENCE

backed by long established track records & uncompromising drive for excellence

SYNERGISTIC BUSINESSES

that complement each other

AUTHORISED DISTRIBUTORSHIP

for internationally acclaimed & own brand ELP products

DIVERSIFIED REVENUE STREAMS

(SOLAR, ELP & TRADING) which branches across all sectors, industrial, commercial, residential, infrastructure & community properties



in the design, supply & installation of solar PV systems



in the supply & installation of ELP systems



in the distribution of electrical products & accessories

CORPORATE STRUCTURE

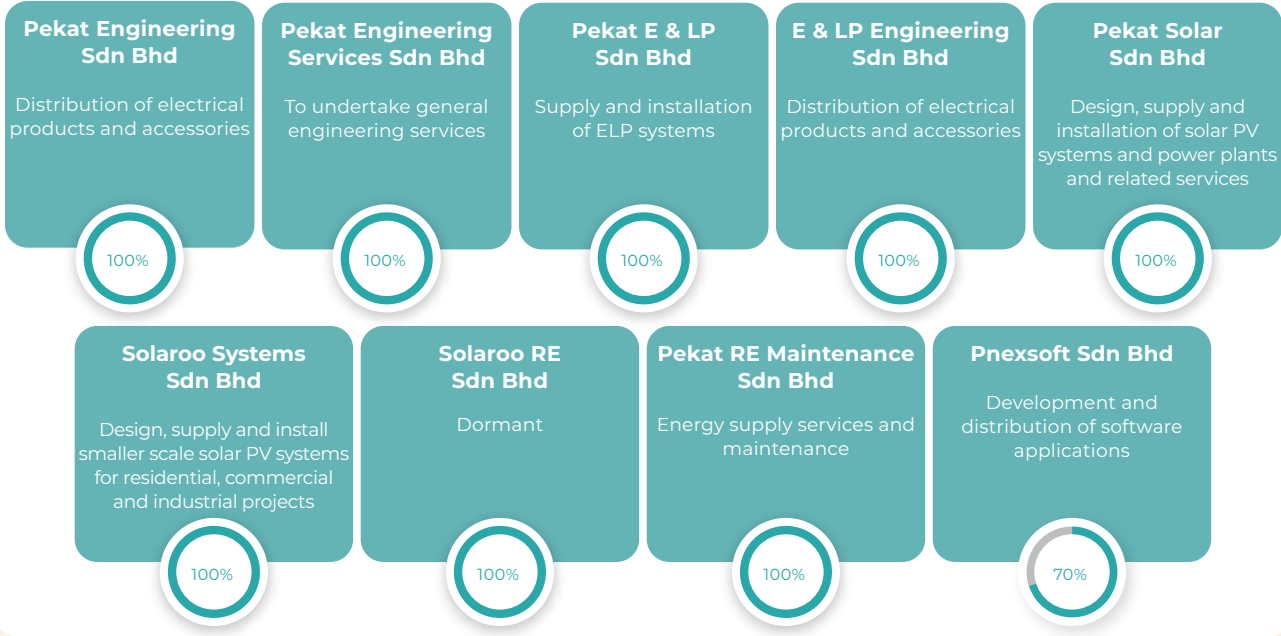


Pekati Teknologi

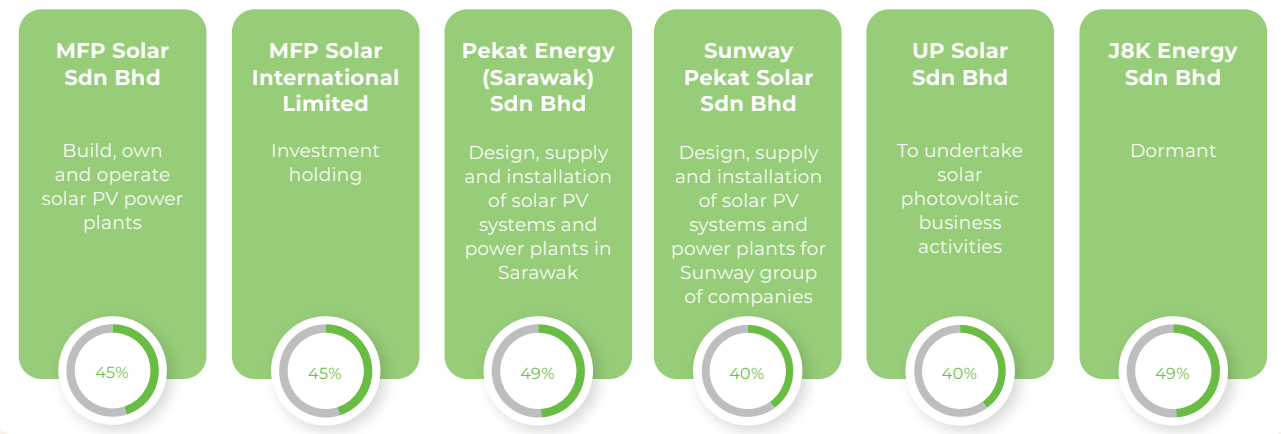
Investment holding and trading of electrical engineering products and operates as a general contractor

100%

Subsidiaries



Associates



SECTION 1



OUR INVESTMENT CASE

CORPORATE INFORMATION

Board of Directors

Kok Kong Chin
Independent Non-Executive
Chairman

Chin Soo Mau
Executive Director
(Redesignated with effect from 1 January 2023)

Datin Shelina Binti Razaly Wahi
Independent Non-Executive Director

Tai Yee Chee
Executive Director &
Chief Executive Officer
(Redesignated with effect from 1 January 2023)

Ong Keng Siew
Independent Non-Executive Director

Ooi Youk Lan
Non-Independent Non-Executive
Director
(Appointed on 22 June 2022)

Wee Chek Aik
Executive Director &
Chief Executive Officer

Yeong Siew Lee
Independent Non-Executive Director

Teh Li King
Non-Independent Non-Executive Director
(Resigned on 22 June 2022)

Audit And Risk Management Committee

Ong Keng Siew
Chairman

Member
Datin Shelina Binti Razaly Wahi
Yeong Siew Lee

Registered Office

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia
Tel. No.: +603 2783 9191
Fax. No.: +603 2783 9111

Principal Bankers

- Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
- CIMB Bank Berhad
- Citibank Berhad
- Hong Leong Bank Berhad
- Public Bank Berhad
- Public Investment Bank Berhad
- United Overseas Bank (Malaysia) Berhad

Nominating Committee

Datin Shelina Binti Razaly Wahi
Chairperson

Member
Yeong Siew Lee
Ong Keng Siew

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
Malaysia
Tel. No.: +603 2783 9299
Fax. No.: +603 2783 9222
Email:
is.enquiry@my.tricorglobal.com

Sponsor

M&A Securities Sdn Bhd

No. 45-11, The Boulevard
Mid Valley City
Lingkar Syed Putra
59200 Kuala Lumpur
Tel. No.: +603 2284 2911

Remuneration Committee

Yeong Siew Lee
Chairperson

Member
Datin Shelina Binti Razaly Wahi
Ong Keng Siew

Stock Exchange

Listed on ACE Market of
Bursa Malaysia Securities
Berhad on 23 June 2021
Stock Name: PEKAT
Stock Code: 0233

Company Secretaries

Ong Wai Leng
(License No.: MAICSA 7065544)
(SSM PC No.: 202208000633)

Choo Sook Fun
(License No.: LS 0009607)
(SSM PC No.: 202008000567)

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A MESSAGE FROM OUR CHAIRMAN



KOK KONG CHIN

*Independent Non-Executive
Chairman*

DEAR ESTEEMED SHAREHOLDERS,

On behalf of the Board of Directors (“the Board”), I am delighted to present the Annual Report and Audited Consolidated Financial Statements of Pekat Group Berhad (“Pekat” or “the Company”) and its subsidiaries (“the Group”) for the financial year ended 31 December 2022 (“FY2022”).

Reflecting on FY2022, the COVID-19 pandemic and the conflict in Ukraine have impacted the global economy significantly, particularly the surge in inflation due to rising energy prices. To curb inflation, central banks worldwide implemented tighter monetary policies, which affected global growth and the complex interplay between supply and demand. In addition, the Group is facing ongoing challenges in rising material prices and foreign currency fluctuations.

A MESSAGE FROM OUR CHAIRMAN

PERFORMANCE REVIEW

Amidst all this, the Group remained resilient and achieved a slightly higher revenue of RM179.2 million as compared to RM178.5 million in financial year ended 31 December 2021 (“FY2021”). This growth can be attributed to industry-specific prospects and increased customer demand, particularly in the earthing and lightning protection (“ELP”) and trading divisions, which experienced significant growth, mitigating the less satisfactory results of the solar division due to project execution disruptions.

As for the bottom line, the Group recorded a lower after-tax profit of RM10.0 million in FY2022, compared to RM12.6 million in FY2021, mainly due to higher staff costs and finance costs. The Group continued its hiring process in FY2022 to enhance our production capacity, with the aim of expanding our coverage to a wider geographical area in Malaysia and undertaking more concurrent

projects. During the financial year, the Group also utilised more trade financing facilities for purchases of materials from abroad, resulting in higher finance costs compared to FY2021.

In view of the tough operating environment, it is crucial for us to be diligent in operational management going forward by effective hedging, cost optimisation and cash flow management to reduce reliance on trade financing facilities, to maintain our profitability and target for better financial results.

The Group’s unwavering commitment to entrepreneurial excellence has also been acknowledged by the prestigious Asia Pacific Enterprise Awards (“APEA”). In May 2022, our main subsidiaries, Pekat Solar Sdn. Bhd. and Pekat E & LP Sdn. Bhd., which have been spearheading the Group’s solar energy and ELP segments respectively, were recognised with the highly-coveted Corporate Excellence awards in the APEA 2022.

We take pride in this momentous achievement and remain steadfast in our resolve to deliver exceptional results to all our stakeholders.

During the financial year under review, we continued to work hard on cultivating sustainability across our business chains. From the economic perspective, our focus was on promoting business growth and development in our community. This was done by exploring partnerships with other companies to expand our market share locally, before paving the way for us to eventually tap into the foreign market.



The Group achieved revenue of

RM179.2 million

slightly higher revenue as compared to financial year ended 31 December 2021



Asia Pacific Enterprise Awards

**Corporate
Excellence
Award**

- Pekat Solar Sdn. Bhd.
- Pekat E & LP Sdn. Bhd.



A MESSAGE FROM OUR CHAIRMAN

SUSTAINABILITY

The Board reiterates its commitment to responsible business practices, prioritising sustainability and good corporate governance. In 2022, there was a surge in sustainability legislation, particularly in Europe with the introduction of the Green Taxonomy and the European Union Regulation on Deforestation-Free Supply Chains.

In Malaysia, Bursa Malaysia Securities Berhad ("Bursa Malaysia") also recently enhanced the sustainability reporting framework with new climate change reporting which is to be complied with by listed companies in several phases, with the aim of elevating the sustainability practices and disclosures. This marks a shift towards obligatory regulations, replacing voluntary initiatives, and necessitating companies to comply with stricter standards and demonstrate increased transparency regarding their environmental, social, and governance ("ESG") commitments. The Group is closely observing these developments and is committed to integrating sustainability into our business operations based on the current circumstances.

I am pleased to see the Group's ongoing commitment to sustainability through our dedicated investments and initiatives. As a solar energy business, Pekat inherently supports sustainability and the Group extends our efforts beyond our core activities to address other ESG areas. In the meantime, the Group is working towards complying with Bursa Malaysia's new climate change reporting requirements in the coming financial years.

For more information on our sustainability initiatives and commitments, please refer to our Sustainability Statement from pages 18 to 34 in this Annual Report.

OUTLOOK AND PROSPECTS

The Group faced a tough operating environment in FY2022 with higher material prices and rising interest rates as a result of the tighter monetary policy worldwide. Despite these obstacles, the Group remains optimistic as all three sectors (Solar, ELP and Trading) will see better growth prospects.

In April 2022, the Group achieved a significant milestone by securing a large-scale solar ("LSS") project from Sun Estates Sdn. Bhd., which involves a 10MWac capacity project located at Batang Padang, Perak. This represented a pivotal moment for the Group as it strengthens our track record in the LSS market, allowing the Group to compete in future LSS tenders. The Group has also signed a Memorandum of Understanding with Proton Global Services Sdn. Bhd., a subsidiary of DRB-HICOM Berhad, to promote the adoption of solar PV systems amongst Proton's ecosystem and employees, which opens up new avenues for expanding the Group's solar energy reach. Unsatisfied with the current achievements, the Group will constantly identify new partnership opportunities with industry leaders.



Learn more about ELP

Importance of Earthing & Lightning Protection for Your Building

Earthing and Lightning protection are crucial for any building. Without proper grounding and protection, a building and its occupants are vulnerable to the devastating effects of lightning strikes, which can cause fires, damage equipment, and even endanger lives.

Buildings are critical assets that require protection from electrical faults and lightning strikes. Earthing and lightning protection work together to provide a comprehensive system of protection that ensures the safety of the building's occupants and contents.

Without these systems in place, a building is at risk of damage, fires, and even fatalities. It is essential to have earthing and lightning protection installed by qualified professionals who can ensure that the systems are designed and installed to the highest standards.

For more information, please visit our website:

<https://www.pekat.com.my/blog/importance-of-earthing-lightning-protection/>

A MESSAGE FROM OUR CHAIRMAN



At the same time, Malaysia's commitment in promoting renewable energy is reflected in supportive government policies and initiatives that bode well for the solar energy industry. The country's tropical climate creates a need for earthing and lightning protection, which is expected to gain momentum in view of tighter safety regulations enforced. The electrical products industry is also promising as the demand for energy-efficient products and technologies continues to rise.

With these factors in mind, the Group is well-positioned to navigate the challenges and capitalise on the opportunities that lie ahead.

APPRECIATION

I would like to express my gratitude to the Directors for their dedication, contribution, and guidance throughout the year. On behalf of the Board, I would like to extend our sincere appreciation to Mr Teh Li King, who decided to resign as a Board Member on 22 June 2022 due to other personal commitments, after serving the Company for close to 2 years with unwavering commitment and constructive contributions.

We warmly welcome Ms Ooi Youk Lan ("Ms Ooi"), who joined the Board effective from 22 June 2022. Ms Ooi has over 30 years of experience in audit, taxation, finance, accounting, treasury, and corporate exercises across various industries for both public and private companies in Malaysia. We are confident that she will bring invaluable insights and knowledge to the Board. Accordingly, the Company has adhered to the best practice of the Malaysian Code on Corporate Governance 2021 to have more than 30% women directors on Board.

In closing and on behalf of the Board, I would also like to take this opportunity to express our heartfelt appreciation to the Group's customers, business partners, advisors, suppliers, banks, governmental authorities, regulatory authorities, and shareholders for their unwavering support throughout these challenging times.

Kok Kong Chin

Independent Non-Executive Chairman

MANAGEMENT DISCUSSION & ANALYSIS



SECTION 2

KEY MESSAGES

TAI YEE CHEE

Executive Director & CEO

Despite a challenging year, the Group remains steadfast in our efforts to navigate through difficult market conditions. The solar industry was fiercely competitive, and the Group faced rising material prices and foreign currency fluctuations. Given the circumstances, the Group has maneuvered through the difficulties to ensure the sustainability of business and uphold our track record of delivering consistent results.

EXECUTIVE SUMMARY

The Group's performance for the financial year ended 31 December 2022 ("FY2022") demonstrated our resilience to challenging market conditions. Steady growth in our earthing and lightning protection ("ELP") and trading businesses were the main drivers of the Group's performance. The Group's ability to adapt to the rapidly changing market conditions, coupled with strong leadership and operational excellence, enabled us to navigate through uncertainties caused by the COVID-19 pandemic.

MANAGEMENT DISCUSSION & ANALYSIS



Solaroo Systems Sdn. Bhd. recorded a

234.3%

increase in revenue.



The Group secured a

10MWac

large-scale solar photovoltaic project in Batang Padang, Perak.



Pekat E&LP Sdn. Bhd. demonstrated an upsurge of

16.6%

in revenue.



Despite the reopening of the economy, the Group faced challenges due to weak market sentiments in FY2022. The Company took a bold step of reallocating RM18.0 million gross proceeds from our initial public offering (“Proposed Variation”), initially reserved for construction of new headquarters in Elmina, Shah Alam, to working capital purposes. Following the Board of Directors’ proposal, an Extraordinary General Meeting of the Company was held on 9 June 2022 and the ordinary resolution for the approval of the aforesaid Proposed Variation was duly approved by the shareholders. The effort provided the Group with ample resources to overcome the challenges and instil stability.

FY2022 saw the Group onboarding noteworthy projects to bolster our track record. The ELP division added to its portfolio the Johor Bahru-Singapore Rapid Transit System and the Light Rapid Transit Line 3, whilst the solar division secured a large-scale solar project in Batang Padang, Perak.

Additionally, our commitment to innovation remained steadfast as we continued our research and development efforts to introduce new products. To set us apart and ahead of the competition, the Group has also developed strategic partnerships with financial institutions to provide customers with attractive financing packages to encourage the use of renewable energy.

Several subsidiaries came into full operations in FY2022 with impressive results. Solaroo Systems Sdn. Bhd. recorded a 234.3% increase in revenue compared to the financial year ended 31 December 2021 (“FY2021”). Pekat

RE Maintenance Sdn. Bhd., which recently commenced operations in the fourth quarter of 2022, successfully secured clientele for its operations and maintenance services. The strong performances of our subsidiaries demonstrate the Group’s commitment to strategic growth initiatives that leverage our operational strengths and diversified business portfolio.

Inevitably, certain risks will persist during the course of our business operations and the Group takes requisite measures and actions to mitigate the impact. We continue to safeguard shareholder interest by vigilantly monitoring the emergence of potential risks that could impinge our business ventures.

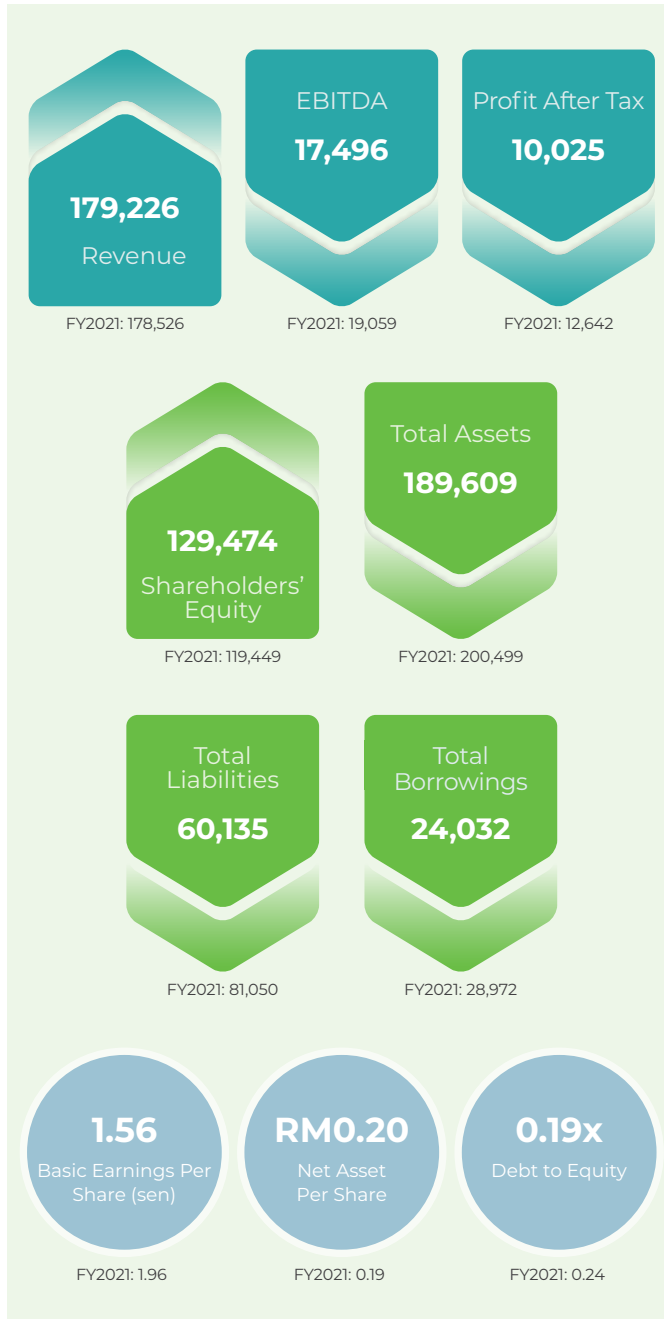
GROUP FINANCIAL REVIEW

The Group accomplished revenue of RM179.2 million in FY2022, exhibiting a slight improvement of 0.4% compared to RM178.5 million in FY2021. The Group’s ability to maintain a steady growth trajectory over the years is displayed by its compound annual growth rate of 10.5% since FY2018, which attests to the Group’s effective business strategy. Nevertheless, the Group’s Profit After Tax (“PAT”) for FY2022 declined 20.7%, from RM12.6 million in FY2021 to RM10.0 million in FY2022.

The decrease was due to the escalation of administrative expenses due to increased headcount to enhance the production capacity, soaring material prices and foreign currency fluctuations resulting from the weakening of the Malaysian Ringgit, circumstances that reduced projects’ profit margins especially for the solar division.

MANAGEMENT DISCUSSION & ANALYSIS

GROUP FINANCIAL NUMBERS FOR FY2022 (RM'000)



The Group's solar division, spearheaded by Pekat Solar Sdn. Bhd., experienced a decline in revenue, registering RM108.4 million in FY2022 from RM116.7 million in FY2021. The drop was predominantly due to interruptions in project execution during the financial year, which reduced project implementation and hence lowered project revenue.

The segment also relied heavily on trade financing facilities to finance overseas material purchases such as solar panels, resulting in higher finance costs for the Group compared to FY2021. Therefore, the Group aims to vigilantly oversee cash flows and customer collections to curb reliance on trade financing facilities in the next financial year.

In contrast, the ELP segment, led by Pekat E & LP Sdn. Bhd., demonstrated robust growth, with revenue of RM33.8 million in FY2022, an upsurge of 16.6% from RM29.0 million in FY2021. The segment secured more contracts due to the mandatory enforcement of safety standards on lightning protection systems issued by the Energy Commission of Malaysia which invites more prospects for the Group's ELP business.

The trading segment, headed by Pekat Engineering Sdn. Bhd., also experienced growth, with revenue of RM37.1 million in FY2022, reflecting an upswing of 12.8% from RM32.9 million in FY2021. The segment's growth was propelled by increased orders from customers spurred by growing demand for electrical, ELP, and solar-related products.

Based on the Group's PAT of RM10.0 million for FY2022, the Group's earnings per share is at 1.56 sen. While the Group's financial performance for FY2022 was satisfactory, specific segments hold the potential for improvement, and the Group continues to monitor and adjust its strategies to ensure consistent future growth.

STRONG FOUNDATIONS

The Group's shareholders' equity has steadily grown since its listing on the ACE Market of Bursa Malaysia Securities Berhad. The growth from RM119.4 million as of 31 December 2021 to RM129.5 million as of 31 December 2022, represents an 8.5% increase. This steady growth is a testament to the Group's ability to generate returns for its shareholders. At the end of FY2022, the net assets per ordinary share amounted to RM0.20.

The decline in total assets from RM200.5 million at the end of FY2021 to RM189.6 million at the end of FY2022 represented a decrease of 5.4%, mainly due to the utilisation of cash equivalents including other investments to repay trade payables and borrowings.

However, trade receivables, contract assets, and the amount due from associates increased by RM8.7 million, RM4.9 million, and RM6.7 million respectively over FY2021, due to slower collections in FY2022.

MANAGEMENT DISCUSSION & ANALYSIS

Nonetheless, the Group places significant emphasis on customer collections to maintain healthy cash reserves and financial stability.

Total liabilities correspondingly decreased with the decrease in total assets, from RM81.1 million at the end of FY2021 to RM60.1 million at the end of FY2022, reflect a reduction of 25.9% due to repayment of trade payables and borrowings. This is evidenced by the decrease in trade payables from RM34.8 million to RM9.2 million.

The reduction in total borrowings from RM29.0 million at the end of FY2021 to RM24.0 million at the end of FY2022 resulted in a healthier gearing ratio of 0.19, compared to 0.24 in FY2021. The Group is resolved in keeping a healthy gearing ratio to enhance its borrowing capacity for future capital expenditure.

In terms of liquidity, the Group has made significant improvements in FY2022, with the current ratio increasing from 2.20 times to 2.77 times and the quick ratio increasing from 1.76 times to 2.31 times.

OPERATIONAL REVIEW

SOLAR DIVISION

The solar division remained the Group's predominant business and primary source of revenue. In FY2022, the division accounted for 60.5 percent of the total group revenue. The commercial and industrial market segments, primarily led by Pekat Solar Sdn. Bhd., recorded a lower revenue of RM96.5 million in FY2022, compared to RM113.2 million in FY2021, due to disruptions in project execution. In contrast, the residential market under Solaroo Systems Sdn. Bhd. achieved RM11.7 million in revenue in FY2022, an increase of 234.3% from RM3.5 million in FY2021. The growth is a result of effective marketing activities including roadshows, exhibitions, and word-of-mouth recommendations.

In FY2022, the Group attained a notable achievement when it secured a 10MWac large-scale solar photovoltaic ("LSSPV") project in Batang Padang, Perak, worth RM38.3 million. Upon completion, the project will serve as a benchmark and invites further opportunities for future LSSPV tenders.

Solaroo Systems Sdn. Bhd. has entered into a two-year Memorandum of Understanding with Proton Global Services Sdn. Bhd., a subsidiary of DRB-HICOM Berhad, to promote the adoption of sustainability initiatives in the Proton's ecosystem. The collaboration leverages

both parties' strengths and resources and allows the Group to expand its reach locally in the field of solar energy.

Through the Group's associated company, MFP Solar Sdn. Bhd., Pekat maintains a recurring revenue stream from Power Purchase Agreements ("PPAs"). Proton's manufacturing facility at Tanjung Malim, VAT Manufacturing Malaysia Sdn. Bhd.'s facility at Penang, and Indah Water Konsortium Sdn. Bhd.'s sewerage treatment plants throughout Malaysia are among the significant PPAs secured by the associated company. Additional PPAs have been obtained during FY2022 and the associate's solar power plant capacity now exceeds 35MWp. Once all plants are in operation, it is estimated that the sale of solar energy will contribute over RM10 million in annual revenue to the associated company.

The Group engages in strategic collaborations with different financing partners, including reputable banks and insurance companies, to design attractive financing packages in the form of Easy Payment Plans and insurance bundles to encourage the adoption of solar energy systems.

From an operational standpoint, the Group strategically segregated its products and services into separate entities, enabling each subsidiary's management to concentrate on their core business activities in order to optimise procedural efficiency and to refine the overall workflow.

For instance, Pekat Solar Sdn. Bhd. is responsible for managing larger commercial and industrial customers, while Solaroo Systems Sdn. Bhd. caters to the smaller commercial and residential clientele. Pekat RE Maintenance Sdn. Bhd., on the other hand, is entrusted with providing post-installation repair and maintenance services. Given our impeccable track record, this strategy has proven effective as the Group remains as the candidate of choice in providing customers with a comprehensive suite of products and services.

EARTHING AND LIGHTNING PROTECTION DIVISION

FY2022 has been a relatively uninterrupted year for the ELP division, evidenced by the surge in revenue compared to FY2021. The execution of projects within the ELP division encountered fewer hindrances in FY2022, thus contributing to higher revenue.

In addition to its well-established track record, the division has constantly secured new contracts, which

MANAGEMENT DISCUSSION & ANALYSIS

included significant projects in Malaysia's northern and southern regions. These include the Johor Bahru-Singapore Rapid Transit System, Light Rapid Transit Line 3, a semiconductor fabrication facility, a semiconductor manufacturing plant and a few sizeable data centres.

The division has made considerable progress with the 100MWac LSSPV in Merchang, Terengganu and the 60MWac floating PV system in Pasir Mas, Kelantan, secured in FY2021, and subsequently contributed to the division's revenue in FY2022.

Moving forward, it is the Group's direction to explore more fast-track sizeable projects to reduce the overall project execution time frame and to accelerate revenue contribution to the Group.

TRADING DIVISION

The revenue growth observed in the trading division during FY2022 was contributed by the increased clientele demand. This demand is closely tied to solar energy and ELP market performance as the division trades in primarily ELP and solar energy-related products such as ELP conductors and inverters.

The division offers a range of other electrical products such as surge protection devices, aviation warning lighting systems, and accessories, while continuously identifying new products to complement its existing product range, such as lightning early warning systems.

Simultaneously, the division endeavours to establish a local assembly facility for surge protection devices to reduce costs and provide a more competitive product to our customers.

As we continue to develop our trading division, we place an unwavering emphasis to ensure that our products are always up to standards. We achieve this by certifying our products through reputable professional bodies, such as SIRIM, TÜV Rheinland, and Intertek, thus providing our customers with products of exceptional quality.

MANAGING RISKS TO SUPPORT GROWTH

Pekat is exposed to a range of risks common to most businesses as well as industry-specific risks. These risks include rising costs of raw materials that could negatively impact profit margins, potential disruptions to the supply of raw materials, risk of foreign exchange rate fluctuations, human capital risk and intense competition within the industries in which the Group operates.

Shortage of Raw Materials and Rising Costs

The Group employs a flexible pricing structure and constantly identifies areas for cost-efficiency improvements to manage fluctuations in raw material costs. The Group often buy raw materials in bulk such as solar panels and copper tapes for economies of scale and works towards building long-term relationships with suppliers. Additionally, the Group manages its inventory levels carefully to reduce the risk of supply chain disruptions.

Foreign Exchange Rate Fluctuations

The Group constantly monitors foreign exchange rates and stays updated on global developments in foreign currency strategies, such as entering into forward contracts to hedge against the risk of foreign exchange rate fluctuations. The Group also takes proactive measures to limit its exposure to foreign currency exchange risks through procurement and purchasing arrangements with local and foreign suppliers.

Human Capital

Pekat acknowledges the value of our employees. They are our most valuable resource and we recognise that the talent, diligence and merit provided by our management and technical staff are vital to the Group's sustained success.

To mitigate the risk of losing key management and technical staff and to address the necessity for succession planning and staff retention strategies, Pekat makes significant investments in the professional development of our employees through regular reviews on the effectiveness of our recruitment process, assessing employee compensation and benefits packages, ensuring compliance with human and labour rights, and upholding a secure and healthy working environment that attracts, develops, and retains a talented workforce.

Competitive Industry Environment

The Group is also committed to consistently identifying and capitalising new business opportunities as we explore geographically diverse regions within our capabilities. This proactive approach helps reduce the impact of competitive forces within the Group's industries. By staying attuned to emerging markets and assessing our strengths, we maintain a competitive edge and position ourselves for continued growth and success.

MANAGEMENT DISCUSSION & ANALYSIS

As for risks beyond the Group's control, we count on our diligent and committed employees to minimise risks by delivering end results and growing the Group's order book. Alongside these initiatives are ongoing efforts to develop cutting-edge products and services for our customers.

INNOVATION TO STAY AHEAD

At Pekat, innovation is the essence of our developmental strategy as we strive to maintain our competitive edge. We pursue research and development activities to upgrade and innovate our portfolio of products. Our unwavering commitment to innovation has yielded a continuous stream of in-house inventions and new products.

In FY2022, our subsidiary, Pnexsoft Sdn. Bhd. had successfully devised a solar residential client management system for Solaroo Systems Sdn. Bhd. to improve its operational efficiency in managing large numbers of residential customers. The system's real-time functionality enables a streamlined process that reduces errors and delays, and enhances customer experience, as it caters to soaring demands for services.

Drawing on our proficiencies in ELP solutions, the Group has launched an ELP Monitoring System for real-time monitoring of direct and indirect lightning strikes and earth resistance to ensure safety for occupants and equipment housed within a building. The system captures the magnitude and count data and transmits the information to the cloud for analysis. Users can access the data at their convenience and receive alerts for system anomalies, thus ensuring that the system remains accessible to minimise downtime.

In fortifying current initiatives, the Group continues to explore innovations to optimise operational efficiency, enhance profitability, and deliver the best value to our stakeholders.

KNOWN TRENDS AND EVENTS

Addressing climate change is an essential aspect of the broader Environmental, Social and Governance ("ESG") and sustainability agenda. The failure to incorporate sustainability elements into operations may bring challenges for corporations in securing equity and debt financing in the future. Additionally, corporations might be compelled to pay increased insurance premiums for projects or face difficulties recruiting qualified individuals who prioritise ESG considerations to propel their business forward.

For Pekat, the business in renewable energy inherently incorporates the case for sustainability and a reciprocated commitment augurs favourably for the Group to capitalise on opportunities at home and regionally.

FUTURE OUTLOOK

The Malaysian government remains committed to achieving the 2012 Paris Agreement targets and has introduced initiatives to promote renewable energy to reach net-zero greenhouse gas emissions by 2050. As such, the solar industry prospects are promising. Looking forward, the Group envisages a more favourable financial performance for the financial year ending 31 December 2023 ("FY2023").

The Group regards the execution and completion of the LSSPV project at Batang Padang, Perak, in FY2023 as being of utmost importance, as it will strengthen the Group's project reference for future tenders. For the longer term, Pekat is looking to expand its reach in the solar energy sector, particularly in the untapped Asian market.

The mandatory enforcement of safety standards on ELP systems by the Energy Commission of Malaysia is ready to foster growth for the Group, considering Malaysia's ranking as one of the most lightning-prone countries globally. It is also the Group's plan to pursue SIRIM accreditation, which would enable us to extend our engineering services to the ELP industry.

For FY2023, the Group will remain committed in various aspects: enhancing system designs, implementing cost optimisation initiatives, reducing reliance on trade banking facilities, and monitoring the cash flow of the Group.

Given the highly competitive nature of the industries in which the Group operates, the Group will increase efforts to pursue new business opportunities that are aligned with our expertise and capabilities.

DIVIDEND

In respect of the FY2022, the Board did not recommend any dividend payout due to the need of cash conservation during challenging times and to ensure adequate reserves for future growth. Nevertheless, the Group remains committed in strengthening our business to allow our shareholders to participate in the profits of the Group going forward and to create greater values for our shareholders.

SUSTAINABILITY STATEMENT

Since our Inception, Pekat Group Berhad and its Subsidiaries (hereafter referred to as “Pekat” or “the Group”) have evolved in character, capacity and reach to make a mark in Malaysia and beyond. Over the years, the synergistic relationship between our three divisions has empowered the Group to provide clean energy through the Solar Division; people and property protection through the Earthing And Lightning Protection (“ELP”) Division; and high-quality internationally-acclaimed products and accessories for solar photovoltaic (“PV”) and ELP systems through the Trading Division.



The history of the Group began in 1999 with the incorporation of Pekat Teknologi Sdn. Bhd. (“Pekat Teknologi”) to distribute surge protection devices.

In 2000, Pekat Teknologi expanded its business to provide complete ELP solutions. The year 2010 marked the Group’s entry into the design, supply and installation of on-grid PV systems. Pekat was successfully listed on the ACE Market of Bursa Securities on 23 June 2021.

ABOUT THIS SUSTAINABILITY REPORT

Pekat acknowledges the importance of driving sustainability developments throughout our business operations. We remain committed to conducting our business operations responsibly and sustainably. This Second Sustainability Statement of the Group informs our stakeholders on the Group’s sustainability performance for the financial year ended 31 December 2022 (“FY2022”).

OUR COMMITMENT TO SUSTAINABILITY

At Pekat, sustainability is a core aspect of our organisational culture. We recognise the importance of achieving growth through safe, caring, and sustainable business operations. Our commitment is reflected through a sustainability governance structure and corporate responsibilities that ensure the risks and opportunities of our business are properly and sustainably managed.

Our commitment to sustainability is underscored by a high priority on exacting and maintaining strong governance standards across our business operations. Pekat’s governance framework is designed to promote transparency, accountability, and ethical behaviour at all levels of the organisation. The framework guides and makes certain that sustainability strategies are aligned with corporate objectives and orientated to materiality matters that are pertinent to stakeholders.

3 Pillars of Our Sustainable Development



SUSTAINABILITY STATEMENT



SECTION 2

KEY MESSAGES

OUR SUSTAINABILITY APPROACH

The Group's sustainability imperatives in FY2022 remained centred on a triple-bottom-line approach: manage environmental impacts, meet social needs, and ultimately contribute to realising economic and financial values for Pekat and its stakeholders. This approach is underscored by our sustainability reporting commitment to transparency and accountability as we strengthen stakeholder relationships and manage risks and opportunities.

As part of this process, we engaged with our stakeholders to better understand their expectations and concerns, followed by a materiality assessment to determine the material matters that are most important to them. In doing so, we are better positioned to create long-term sustainable value by addressing matters that are important and relevant to the business and our stakeholders.

SUSTAINABILITY GOVERNANCE

We believe that sustainable development is a critical aspect of our business operations and is driven by our commitment to good governance and responsible business practices. To this end, we adopt a "tone from the top" approach to sustainability, with the Board of Directors ("the Board") providing oversight and guidance in setting the overall sustainability strategy and executing sustainability initiatives.

The Board comprises eminent individuals with extensive experience in multi-disciplinary fields. Their diverse backgrounds ensure a variety of perspectives and opinions are taken into account in crafting our sustainability strategies and decision-making processes. By having oversight and direction from the Board, Pekat is well-positioned to integrate sustainability into our long-term business strategy and decision-making processes.

SUSTAINABILITY STATEMENT

The following Board Committees support the Board:

- **Audit and Risk Management Committee**
 - Oversees the Group's financial and operational controls and procedures; and
 - Establishes and maintains internal controls and promotes good corporate governance practices.
- **Nominating Committee**
 - Identifies, assesses, and nominates candidates to the Board; and
 - Ensures that the Board and Board Committees have an effective, balanced and diverse mix of knowledge, skills, experience, qualifications, and backgrounds to discharge their responsibilities effectively.
- **Remuneration Committee**
 - Assesses the performance of each Director against respective key performance indicators; and
 - Designs appropriate and competitive remuneration packages for each Director.
- **Senior Management**

It is the responsibility of the Senior Management to drive and monitor the implementation of sustainability strategies and initiatives:

 - Set up a sustainability working group comprising representatives from the project, supply chain, operation, marketing, human resource and finance departments;
 - Implements sustainability initiatives set by the Board of Directors;
 - Ensures that targets are monitored and achieved for each sustainability matter; and
 - Keeps proper records for activities and outcomes.

BOARD OF DIRECTORS



BOARD COMMITTEES

Audit and Risk
Management Committee

Nominating
Committee

Remuneration
Committee

SENIOR MANAGEMENT

SUSTAINABILITY STATEMENT

STAKEHOLDERS ENGAGEMENT

The Group works closely with internal and external stakeholders in a timely and open manner as we believe that our stakeholders play an integral role in ensuring the sustainability of our business. The Group manages and cultivates strong relationships with stakeholders, allowing us to better understand their interests and concerns so that we can make informed decisions to achieve our sustainability objectives.

Engagement with Stakeholder Groups to Determine Expectations and Concerns

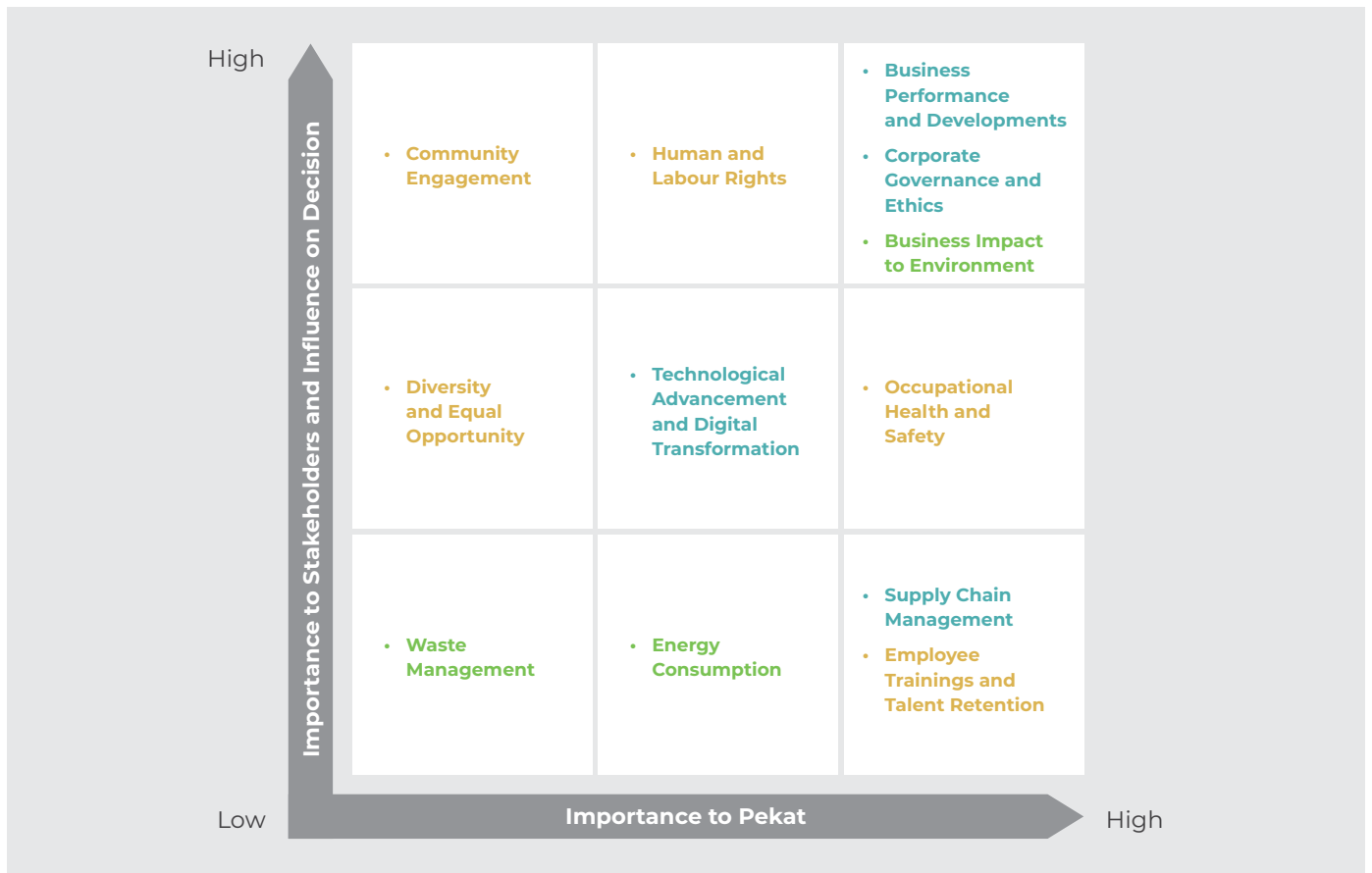
Stakeholder Group	Expectations and Concerns	Mode of Engagement
SHAREHOLDERS	<ul style="list-style-type: none"> • Business performance • Business strategy and plans • Sustainable growth and investment returns • Corporate governance 	<ul style="list-style-type: none"> • Annual General Meeting • Annual Report • Quarterly announcements • Company website • Analyst briefing/roadshows
CUSTOMERS	<ul style="list-style-type: none"> • Product variety • Product pricing and quality • Technological innovation and advancement • Customer experience 	<ul style="list-style-type: none"> • Direct engagements • On-site/virtual meetings • Customer satisfaction surveys • Exhibitions/advertisements • Company website/social media platforms
SUPPLIERS	<ul style="list-style-type: none"> • Relationship management • Favourable terms of payment/contract • Fair and transparent procurement process 	<ul style="list-style-type: none"> • Direct engagements • On-site/virtual meetings
GOVERNMENT/REGULATORY AUTHORITIES	<ul style="list-style-type: none"> • Compliance to legal and regulatory authorities • Licenses and permits • Sustainability practices and reporting 	<ul style="list-style-type: none"> • On-site inspections • Participation in seminars, dialogues, forums organised • Meetings/discussions
EMPLOYEES	<ul style="list-style-type: none"> • Career development and opportunities • Fair employment practices • Workplace conduciveness • Safe and secure working environment • Competitive compensation and benefits 	<ul style="list-style-type: none"> • Learning and development programme • Performance appraisal • Company activities • Internal communications
MEDIA/ANALYST	<ul style="list-style-type: none"> • Business performance • Business developments and strategic plans • Ethical business practices 	<ul style="list-style-type: none"> • Media interview/press releases • Analyst briefings • Corporate events
LOCAL COMMUNITIES	<ul style="list-style-type: none"> • Corporate social responsibilities ("CSR") • Employment and business opportunities 	<ul style="list-style-type: none"> • CSR activities • Sponsorship and welfare programmes

SUSTAINABILITY STATEMENT

MATERIALITY MATTERS

The formulation of our sustainability strategy is anchored on the identification of material matters. Through a materiality assessment, we determined the issues that have the most significant impact on our business operations and stakeholders. The Group’s sustainable developments are guided based on three sustainability pillars: Economic, Environmental and Social. We evaluated the identified material matters, developed a list of relevant issues, and created a corresponding materiality matrix that prioritises the most pertinent matters for the Group and its stakeholders. This matrix was subsequently endorsed by the Board and serves as the guiding framework for planning and executing our sustainability strategies and initiatives.

MATERIALITY MATRIX



Economic

What It Means to Us

1. Corporate Governance and Ethics
2. Business Performance and Developments
3. Technological Advancement and Digital Transformation
4. Supply Chain Management

Environmental

What It Means to Us

5. Business Impact to Environment
6. Waste Management
7. Energy Consumption

Social

What It Means to Us

8. Occupational Health and Safety
9. Employee Trainings and Talent Retention
10. Human and Labour Rights
11. Diversity and Equal Opportunity
12. Community Engagement

SUSTAINABILITY STATEMENT

Each sustainability matter that we have identified is then mapped against their influence on respective stakeholder groups and their respective impact with reference to United Nations Sustainable Development Goals (“SDGs”).

Stakeholder Group	Shareholders	Customers	Suppliers	Government/ Regulatory Authorities	Employees	Media/ Analyst	Local Communities	Contribution to SDGs
Sustainability Matters								
ECONOMIC								
Corporate Governance and Ethics	●	●	●	●	●			
Business Performance and Developments	●	●	●		●	●		
Technological Advancement and Digital Transformation	●	●				●		
Supply Chain Management			●					
ENVIRONMENTAL								
Business Impact to Environment	●	●	●	●	●	●	●	
Waste Management				●			●	
Energy Consumption				●				
SOCIAL								
Occupational Health and Safety	●			●	●	●		
Employee Trainings and Talent Retention					●			
Human and Labour Rights	●	●		●	●	●		
Diversity and Equal Opportunity				●	●		●	
Community Engagement	●	●	●			●	●	

SECTION 2

KEY MESSAGES

SUSTAINABILITY STATEMENT



ECONOMIC SUSTAINABILITY

In 2022, the Group remained resilient and continued to see revenue growth. We explored new markets, developed innovative products, leveraged technology to enhance operational efficiency and instituted strong corporate governance frameworks to spur economic sustainability.

CORPORATE GOVERNANCE AND ETHICS

The Group places great importance on maintaining a strong corporate governance framework and has taken proactive steps to promote ethical conduct within the organisation during business operations as we believe good corporate governance is fundamental to business sustainability. To achieve this goal, we have implemented a comprehensive Code of Conduct and Ethics (“the Code”) as well as an Anti-Bribery and Corruption (“ABC”) Policy. We believe that these policies will help to guide our team members in making sound and ethical decisions while conducting business.

As part of our commitment to transparency, we have established robust reporting structures and channels such as corporate enquiry email, investor relations email as well as a corporate phone line that allow stakeholders to voice their concerns in a timely and professional manner. We believe that open communication is essential to building trust and maintaining strong relationships with our stakeholders.

To support this commitment, we have developed a Whistleblowing Policy that provides clear guidelines and a platform such as a whistleblowing email for stakeholders to report any misconduct that violates the Code, ABC Policy, or any other laws and regulations. We encourage all stakeholders to use this platform to report any concerns they may have, and we take all reports seriously.

We publish the Code and policies on our corporate website. We believe that making these policies easily accessible to our stakeholders demonstrates our commitment to transparency and accountability. We will continue to review and update our policies and procedures as needed to ensure that we maintain the highest standards of corporate governance and ethical conduct.



The Code, ABC Policy and Whistleblowing Policy are available on our corporate website at

 <https://www.pekat.com.my/>

SUSTAINABILITY STATEMENT

BUSINESS PERFORMANCE AND DEVELOPMENTS

The Board's exceptional leadership, supervision, and management, combined with the collective efforts of all Pekat's employees, have led to significant economic growth in recent financial years. The Group's revenue has steadily increased from RM120.1 million in 2018 to RM179.2 million in 2022, representing a compound annual growth rate of 10.5%. This growth is a testament to the Group's relentless pursuit of identifying and capitalising on profitable business opportunities.

Despite recording an impressive growth in revenue, the Group experienced a decline in profit after tax. This can be attributed to various factors such as the intensifying competition in the industry, which has led to lower margins generally. Additionally, the Group has been grappling with rising material prices and foreign currency fluctuations.

Despite the challenging environment, the Group continuously looks for potential business opportunities. During FY2022, the Group undertook the following business developments and growth initiatives:

Large-Scale Solar Photovoltaic Project at Batang Padang, Perak

In April 2022, the Group secured a large-scale solar photovoltaic ("LSSPV") project at Batang Padang, Perak with a contract worth of RM38.3 million. This is a significant milestone for the Group as it strengthens the Group's track records in the LSSPV market. The Group's expansion into this market is a strategic move to increase its market share and order book, having previously focused on commercial, industrial and residential solar PV projects.

When completed, the project serves as a benchmark for future LSSPV tenders. The Batang Padang LSSPV project will showcase the Group's ability to deliver LSSPV projects and demonstrate our dedication to sustainability and innovation. Along with the supply and installation contract, the Group has also signed a 2-year maintenance contract, which will generate recurring income after the project's completion.

Memorandum of Understanding with Proton Global Services Sdn. Bhd.

In August 2022, the Group's subsidiary Solaroo Systems Sdn. Bhd. ("Solaroo") had entered into a two-year Memorandum of Understanding ("MoU") with Proton Global Services Sdn. Bhd., a wholly owned subsidiary of DRB-HICOM Berhad. This partnership is built upon Pekat's successful launch of a 12 megawatt-peak grid-connected solar PV system which spans across 23 acres at Proton's manufacturing plant in Tanjung Malim, Perak. The MoU aims to promote the adoption of solar PV systems among Proton's ecosystem and employees as part of its energy sustainability initiatives.

The MoU will enable both parties to leverage their respective strengths and resources to promote the adoption of solar PV systems, which can result in significant cost savings, reduce carbon footprint and contribute to a cleaner and more sustainable environment. The MoU signifies Pekat's commitment to creating new business opportunities and expanding our reach in the renewable energy space.

Expansion to Overseas Market

The Group's planned expansion into the overseas solar energy market is a strategic move, given the world's increasing transition to clean energy sources. The renewable energy potential worldwide is vast, and the Group aims to tap into this potential through the joint venture with MFP Solar International Ltd.

The joint venture has made significant progress, securing a 10-year solar leasing agreement in Cambodia through its wholly-owned subsidiary. This agreement will provide a recurring income stream for the Group and represents just the beginning of its overseas ventures. Not content with the current accomplishment, the Group continues to explore other solar business opportunities abroad, making the most of our expertise in the renewable energy sector.

SUSTAINABILITY STATEMENT

TECHNOLOGICAL ADVANCEMENT AND DIGITAL TRANSFORMATION

Solar Residential Client Management System

The Group's subsidiary, Pnexsoft Sdn. Bhd. ("Pnexsoft"), has successfully developed a client management system for Solaroo. The system has been designed specifically for managing Solaroo's residential customer portfolio, and is a one-stop, real time platform that allows for seamless management of client data. Developed inhouse by Pnexsoft, the system has been created to maximise customisation potential and utilise internal resources to provide a tailored and effective solution for Solaroo's needs.

With features such as quotation, invoicing, collection monitoring, project management including delivery and installation status, the client management system has the potential to greatly enhance the efficiency of Solaroo's operations, particularly when dealing with a large number of residential customers. The system's real time functionality ensures that Solaroo can keep up with the high demand for their services, providing a streamlined process that minimises errors and delays, ultimately resulting in a better customer experience.

Earthing and Lighting Protection Monitoring System

Malaysia experiences a high incidence of lightning strikes, making it imperative to install ELP systems in buildings for the safety of human lives and property. While having ELP systems in place is crucial, the proper maintenance of these systems is equally essential to ensure they function correctly.

Our ELP Monitoring System provides real-time surveillance for direct and indirect lightning strikes and earth resistance to ensure the safety of the lives and services within a building. The system collects magnitude and counts data from devices, which are then transmitted to the cloud for analysis and storage. The user can view these data at their convenience and receive alerts for system anomalies, ensuring that the status of the protection system is always accessible to minimise downtime of the systems.



SUPPLY CHAIN MANAGEMENT

While we source materials such as copper tapes, solar panels and inverters from overseas suppliers, Pekat also procures materials locally. Our local purchases accounted for 54.7% of the Group's total purchases for FY2022, comprising materials such as cables and accessories. The Group employs an enterprise resource planning software to streamline processes and enhance our supply chain efficiency. This enables us to monitor optimal inventory levels and minimise order lead time to ensure the timely delivery of goods to our customers.

We select suppliers who maintain high standards in key sustainability areas such as ethical conduct, human rights, and environmental management. We perform a preliminary assessment of supplier background, product quality, track record, delivery performance, pricing and terms before we place orders to ensure the Group practices a sustainable and responsible procurement process.

SUSTAINABILITY STATEMENT



SECTION 2

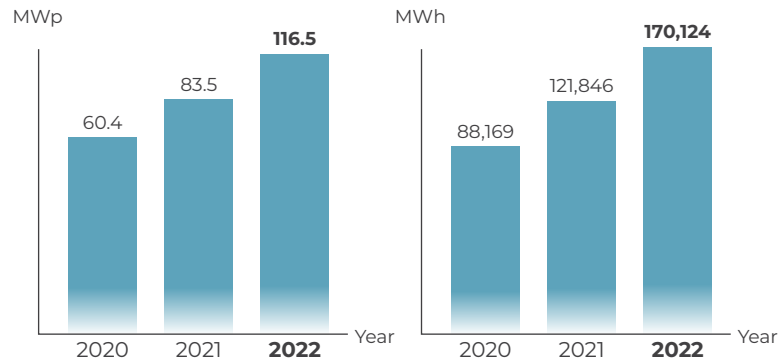
In FY2022, the Group’s commitment to global warming solutions remained focused on environmental stewardship and carbon footprint reduction. We made steps to identify and align responsible measures to improve energy consumption and waste management as we continued to create awareness and adoption among stakeholders.

BUSINESS IMPACT TO ENVIRONMENT

As a responsible public listed company, the Group recognises the vital role it plays in fostering good corporate citizenship. Global warming is a critical issue and the Group has taken proactive steps to address this growing concern. We collaborate with financial institutions to offer financing packages to promote the adoption of solar PV systems and renewable energy.

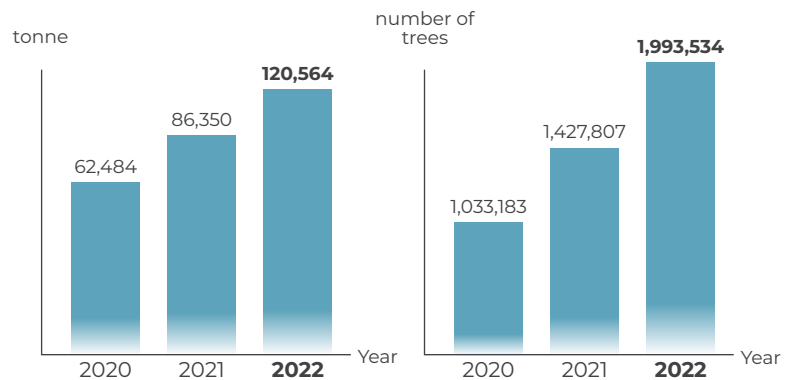
In FY2022, we completed the installation of solar PV systems with a cumulative capacity of 116.5MWp for our customers, from 83.5MWp in FY2021. This has resulted in a reduction of carbon dioxide (“CO₂”) emissions, estimated at 120,564 tonnes per annum. This significant milestone reflects our unwavering commitment to sustainability and our continued efforts to contribute positively to the environment.

Our initiatives to promote the use of renewable energy are just the beginning, and we will continue to explore innovative ways to address challenges posed by climate change. Drawing upon our existing solar PV segment’s order book, we anticipate completing a cumulative capacity of 181.6MWp over the next two financial years. This underscores our ongoing efforts to curb the global carbon footprint and solidify our commitment to sustainable energy solutions.



Cumulative Capacity of Completed Solar PV Systems (MWp)

Estimated Annual Electricity Generated by the Systems (MWh)¹



Avoidance in CO₂ Emission (tonne)²

Number of Tree Seedlings Grown for 10 Years²

¹ Based on estimated annual power generation of 1,460MWh per 1MWp solar PV systems

² Conversion with reference to U.S. Environmental Protection Agency

KEY MESSAGES

SUSTAINABILITY STATEMENT

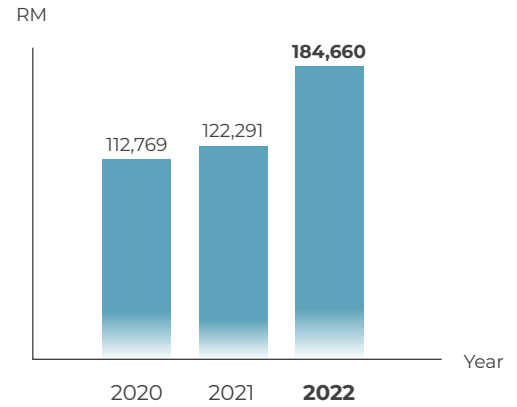
ENERGY CONSUMPTION



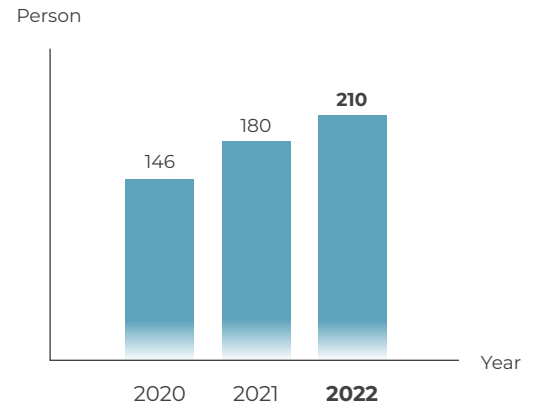
Our office premises have been thoughtfully designed to integrate energy-saving measures and reduce our carbon footprint. We have implemented several eco-friendly initiatives, including the installation of motion sensor lights in certain areas to reduce electricity consumption and the use of energy-efficient LED lights throughout the office premises. We are committed to promoting responsible water usage in our daily operations and we encourage employees to turn off electrical appliances after use.

By taking these small but significant steps, we are confident that we can make a meaningful impact in minimising the harmful effects of unsustainable consumption. Our actions can contribute to reducing CO₂ emissions during electricity generation and conserving clean water supplies.

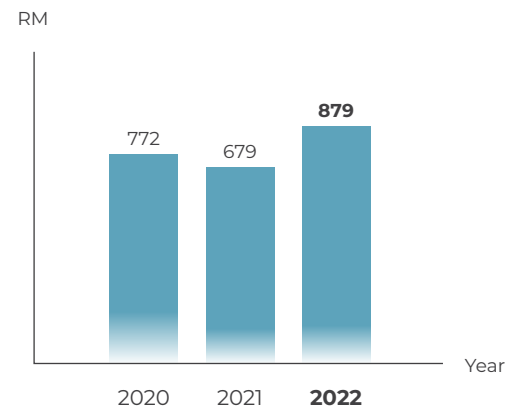
The increase in water and electricity consumption during FY2022 was attributed to the occupation of an additional office building at Cubic Space, Kota Damansara. While we acknowledge this rise due to the occupation of the additional office building, our commitment to promoting eco-friendly practices remains steadfast. We are constantly striving to minimise our environmental impact and will continue to work towards achieving our goals in this regard.



Water and Electricity Consumption



Total Number of Employees



Average Water and Electricity Consumption Per Employee

SUSTAINABILITY STATEMENT

WASTE MANAGEMENT

Pekati is committed to reducing our environmental impact through effective waste management practices. We recognise that waste generated from our daily activities can have a significant impact on the surrounding communities and environment. Therefore, we take a proactive approach to minimise the quantity of waste produced and manage any waste generated with minimal impact.

As part of our waste reduction efforts, we promote the implementation of the 3Rs (reduce, reuse, and recycle) in our offices through an effective waste management plan. Our staff regularly practises waste reduction, reuse, and recycling measures such as substituting disposable food packaging with reusable containers and utilising recyclable bags instead of plastic bags. By adopting these measures, we can significantly reduce the amount of waste generated from our daily activities.

Furthermore, we have implemented a robust waste management system in our offices. Daily waste is sorted based on waste types and securely stored in designated areas before being transported to a third-party waste management facility for appropriate treatment. We ensure that waste is treated according to the highest environmental standards to minimise its impact on the surrounding communities and environment.



Recycle bins placed in pantries and common areas of Pekati

SUSTAINABILITY STATEMENT



SOCIAL SUSTAINABILITY



SECTION 2

KEY MESSAGES

Social sustainability continued to be a high priority for us in FY2022 as we focused on safety, people empowerment and community engagement. Key areas of emphasis include driving ownership of a safety culture, leadership and capability development, adherence to human and labour rights, diversity and equal opportunity principles, and the enrichment of employee well-being.

OCCUPATIONAL HEALTH AND SAFETY

In FY2022, the Group continued to place a strong emphasis on the well-being of our employees. The Safety Committee overseeing Occupational Health and Safety led and organised a Safety & Health Week to create employee awareness of workplace safety and first aid procedures. We are committed to continuously monitoring and improving health and safety initiatives to safeguard the well-being of all employees. During the year, the Group reported only one work-related injury.

Our Safety Committee ensures that all employees are fully aware of the Standard Operating Procedures (“SOPs”) that have been established. These SOPs are regularly updated to ensure that they remain relevant and effective in addressing any potential risks or hazards in the workplace.

Safety & Health Week and complimentary health screening for employees



The Group's Health and Safety Performance FY2022

Type of Work-Related Injuries	FY2022	FY2021	FY2020
Number of fatalities	-	-	-
Number of high consequences of work-related injuries	-	-	-
Number of recordable work-related injuries	1	-	-
	1	-	-

SUSTAINABILITY STATEMENT

EMPLOYEE TRAININGS AND TALENT RETENTION

Pekat is dedicated to offering training programs to support the development of our employees, as we recognise their contributions as fundamental to the Group's growth and success. We believe that sustained and ongoing development is crucial to maintain the competence of our workforce, enabling them to excel in their work. Through the annual employee evaluation process, we identify the training requirements of our staff and collaborate with various organisations and training providers to tailor and design programs that are best suited to their needs. A summary of the training programs provided to our staff during FY2022 is provided below:-

Training Expenses	FY2022	FY2021	FY2020
Training expenses (RM)	103,600	27,968	62,546
Number of employees	210	180	146
Training expenses per employee (RM)	493	155	428

List of Trainings in FY2022	
4U Persuasive Sales Pitch	NIOSH Tenaga Safety Passport
Basic Scaffolding Competency Course	Professional Purchasing Skills
Certified Associate in Project Management	Protection Against Lightning
CIDB Green Card Training	Roles and Responsibilities of Directors in Relation to Financial Statement
Cybersecurity, Business Continuity, Sustainability and Environmental, Social and Governance	Safety Passport
Electric Vehicles: Challenges & Opportunities Virtual Training	Solar PV System – Achieve Immediate Grid Parity with a Modern Solar Power System (Online Learning)
Expressway Operation Safety Passport Remote Learning	Time Management & Work Productivity Strategies
Incident Investigation Technique (22-SHE32)	Traffic Management Supervisor (22-CTP11)
Lightning Protection Technologies, MS IEC 62305 and Common Issues in Lightning Protection	Winning Team Secrets Live 2023
MS2692:2020 Testing & Commissioning of GCPV (SIT28)	Working At Height (WAH) Training

SUSTAINABILITY STATEMENT

HUMAN AND LABOUR RIGHTS

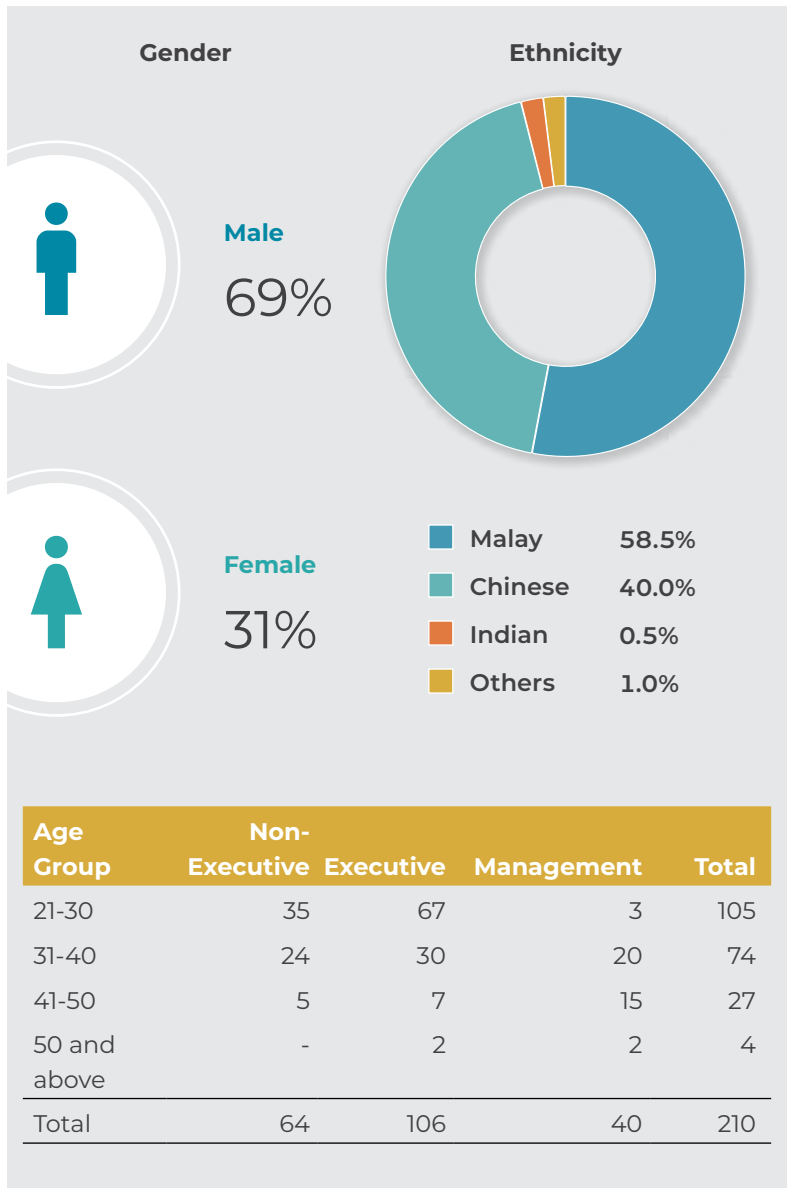
At Pekat, the Human Capital department oversees issues related to human rights to ensure our operations comply with applicable laws and regulations. The Group has zero tolerance for child or forced labour. We adhere to all regulations and local laws of the countries in which we operate. There have been no reports of child labour, forced labour, discrimination, or human rights grievances during FY2022.

DIVERSITY AND EQUAL OPPORTUNITY

The Group recognises that its human capital assets play a critical role in its achievements and is committed to promoting workforce diversity and equity in the workplace. Our primary goal is to establish a favourable work environment that fosters mutual respect and teamwork. As of the conclusion of FY2022, the Group employed 210 individuals from diverse backgrounds.



KEY MESSAGES



SUSTAINABILITY STATEMENT

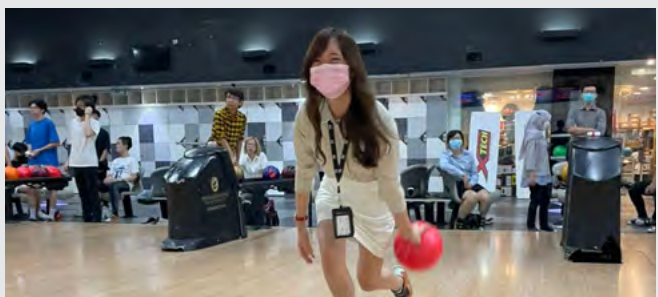
EMPLOYEE ACTIVITIES AND WELLNESS

The Group is steadfast in our commitment to creating a positive work environment that promotes a healthy and balanced lifestyle for employees. In FY2022, we organised several activities to encourage employee health and wellness. These activities included an ATV session at Rinching ATV Adventure Park, bowling and paintball sessions. Additionally, the Group organised a four-week Sweat-a-thon 2022 to encourage employees to observe a healthy lifestyle. Employees who had accumulated the highest cumulative step counts were rewarded.

ATV session at Rinching ATV Adventure Park



Bowling Session



Paintball Session



Winners of Sweat-a-thon 2022



COMMUNITY ENGAGEMENT

In FY2022, the Group continued its commitment to community engagement through various corporate social responsibility initiatives aimed at positively impacting the communities it serves. Pekat is also committed to providing internship opportunities that nurture and mentor bright minds, preparing them for employment in the ELP and solar PV industry.

Spastic Children's Association of Selangor & Federal Territory's 27th Annual Charity Walk at Dataran Merdeka, KL



SUSTAINABILITY STATEMENT

CORPORATE SOCIAL RESPONSIBILITIES ACTIVITIES

- Participated in the Spastic Children's Association of Selangor & Federal Territory's 27th Annual Charity Walk to raise awareness and contributed RM10,000 to the Association;
- Organised a donation drive to provide daily necessities for an orphanage house, underscoring a commitment to supporting vulnerable communities;
- Contributed to flood relief efforts through Bantuan Tunai Banjir Luar Musim for Wat Machimmaram, Kelantan;
- Contributed RM14,000 to Pertubuhan Kebajikan Penggerak Sahabat Pulau Pinang for Misi Bantuan Banjir Di Selangor;
- Delivered an educational talk to Royal Rangers Malaysia on solar renewable energy and helping them to earn their solar science merit badge; and
- Fund contribution for the upkeep of a private dog sanctuary in Pahang for neutered community dogs.

INTERNSHIP PROGRAMME

In FY2022, we have provided internships to two (2) interns within the finance department of the Group. We believe that this hands-on experience allows interns to gain valuable insight into the workings of the industry and helps them develop the skills necessary to excel in their future careers.

Donation to an orphanage house



Bantuan Tunai Banjir Luar Musim for Wat Machimmaram, Kelantan



Educational talk to Royal Rangers Malaysia



BOARD OF DIRECTORS' PROFILE



KOK KONG CHIN

Independent Non-Executive Chairman

Age

57

Gender

Male

Nationality



Date Appointed To Board:

17 September 2020

No. of Board Meetings Attended in the Financial Year:

5/5

Mr. Kok Kong Chin ("Mr Kok") is our Independent Non-Executive Chairman. He was appointed to our Board on 17 September 2020. He graduated from the National University of Malaysia with a Bachelor of Business Administration (Honours) degree and holds a Master of Business Administration from Schulich School of Business, York University, Canada. He has also completed the Advanced Leadership Programme by Judge Business School, University of Cambridge.

Mr. Kok has over 30 years of experience in the areas of strategy, general management, private equity, corporate and investment banking. The key positions he has held include Head of Equity Markets and Derivatives, Co-Head of Investment Banking, Head of International Banking & Transaction Services of CIMB Investment Bank Berhad, Head of Regional Banking of CIMB Investment Bank Berhad, Independent Non-Executive Director of Ping Petroleum Ltd and Group Managing Director of Tropicana Corporation Berhad. Currently, he is an Executive Director of ENRA Group Berhad.

Mr. Kok has attended all five (5) Board meetings held during the financial year under review.

SECTION 3

COMMITTED TO STRONG GOVERNANCE

BOARD OF DIRECTORS' PROFILE



TAI YEE CHEE

Executive Director & Chief Executive Officer

Age

50

Gender

Male

Nationality



Date Appointed To Board:

17 September 2020

No. of Board Meetings Attended in the Financial Year:

5/5

Mr. Tai Yee Chee ("Mr Tai") was appointed to our Board on 17 September 2020. He is our Promoter, Executive Director and Chief Operating Officer ("COO") who is responsible for overseeing the operations of our Earthing and Lightning Protection ("ELP") Division and Trading Division. On 1 January 2023, Mr Tai was redesignated from COO to CEO of the Company. He remains as the Executive Director of the Company.

He graduated with a Bachelor of Engineering (Honours) in Electrical and Electronic at University of Hertfordshire, United Kingdom in July 1996.

Upon graduation, Mr. Tai joined Tokai Engineering (M) Sdn Bhd as a Sales and Project Engineer in July 1996 where he was involved in the marketing and sales of ELP systems and supervising the implementation of the ELP projects. He was promoted to Assistant Sales and Project Manager in August 1997. In April 2000, he left Tokai Engineering (M) Sdn Bhd and joined Pekat Teknologi Sdn Bhd in May 2000 as the Technical Manager where he was involved in sales of surge protection devices.

In June 2006, Mr. Tai was appointed as the Executive Director of Pekat Teknologi Sdn Bhd, a position he continues to hold. He was also appointed as Directors in a number of companies within our Group.

Mr. Tai has attended all five (5) Board meetings held during the financial year under review.

BOARD OF DIRECTORS' PROFILE



WEE CHEK AIK

Executive Director & Chief Commercial Officer

Age

51

Gender

Male

Nationality



Date Appointed To Board:

17 September 2020

No. of Board Meetings Attended in the Financial Year:

5/5

Mr. Wee Chek Aik ("Mr Wee") is also our Promoter, Executive Director and Chief Commercial Officer. He is responsible for overseeing the operations of our Solar Division. He was appointed to our Board on 17 September 2020.

He graduated with a Bachelor of Science (Honours) in Electrical Engineering at Tri-state University (now known as TRINE University), United States of America in May 1997. Upon graduation, Mr. Wee joined Tokai Engineering (M) Sdn Bhd as Sales and Project Engineer in June 1997 where he was involved in the marketing and sales of ELP systems and supervising the implementation of the ELP projects.

In April 2000, he left Tokai Engineering (M) Sdn Bhd and joined Pekat Teknologi Sdn Bhd in May 2000 as the Marketing Manager where he was involved in the marketing of surge protection devices.

In June 2006, Mr. Wee was appointed as the Executive Director of Pekat Teknologi Sdn Bhd, a position he continues to hold. He was also appointed as Directors in a number of companies within our Group.

Mr. Wee has attended all five (5) Board meetings held during the financial year under review.

SECTION 3

COMMITTED TO STRONG GOVERNANCE

BOARD OF DIRECTORS' PROFILE



CHIN SOO MAU
Executive Director

Age
49

Gender
Male

Nationality



Date Appointed To Board:
17 September 2020

No. of Board Meetings Attended in the Financial Year:

5/5

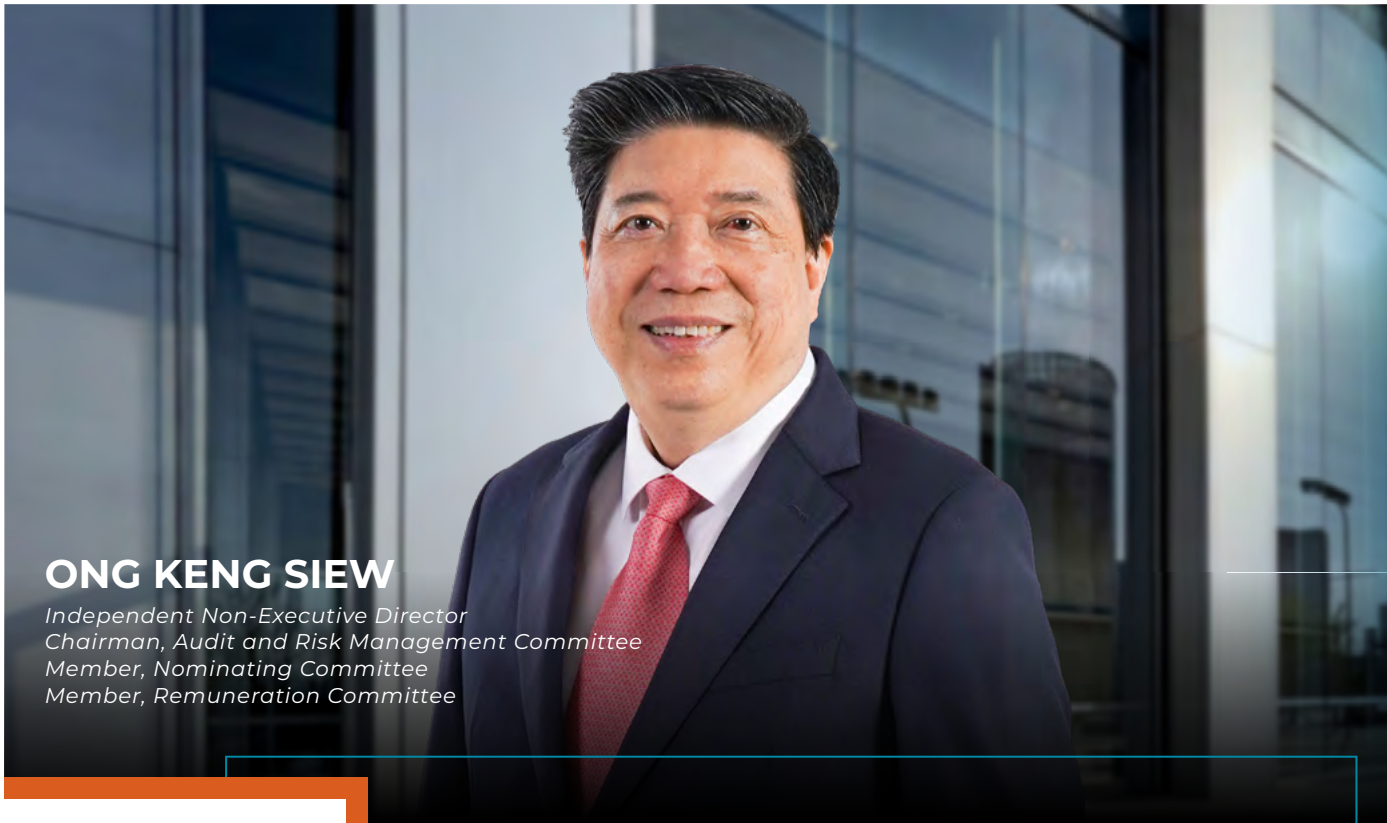
Mr. Chin Soo Mau, ("Mr. Chin") is our Promoter, Managing Director and Chief Executive Officer (CEO) who is responsible for our Group's strategic direction and planning. He was appointed to our Board on 17 September 2020. He was redesignated as Executive Director on 1 January 2023.

In 1995, he obtained a Higher National Diploma in Engineering (Electrical/Electronic) from the Nottingham Trent University, United Kingdom.

Mr. Chin founded Pekat Teknologi in August 1999 and was appointed as the Managing Director of Pekat Teknologi, position he continues to hold till today. Leading the Malaysian Photovoltaic industry Association (MPiA) as Vice-President from 2013 to 2015 and as President from 2017 to 2020. Having in-depth knowledge and experience in solar pv systems, he has made many contributions towards the forming of our nation's solar PV policies and as well as to the development of the industry. He currently retains an advisory role to MPiA.

Mr. Chin has attended all five (5) Board meetings held during the financial year under review.

BOARD OF DIRECTORS' PROFILE



ONG KENG SIEW

*Independent Non-Executive Director
Chairman, Audit and Risk Management Committee
Member, Nominating Committee
Member, Remuneration Committee*

Age

66

Gender

Male

Nationality



Date Appointed To Board:

7 May 2019

No. of Board Meetings Attended in the Financial Year:

5/5

Mr. Ong Keng Siew ("Mr. Ong") was appointed to the Board of Pekat on 7 May 2019. He is a Fellow member of the Association of Chartered Certified Accountants, United Kingdom, and a member of the Malaysian Institute of Accountants (MIA). He has also completed the Wharton Advance Management Program conducted by Wharton Business School, University of Pennsylvania.

Mr. Ong had an impressive career spanning over 30 years at Paramount Corporation Berhad ("Paramount"), a company listed on the Main Market of Bursa Malaysia Securities Berhad. Mr. Ong joined Paramount as an Accountant in 1981 and he rose through the ranks of Finance and Administration Manager and General Manager.

He was appointed to the Board of Paramount on 14 November 1994. He assumed the posts of Deputy Group Managing Director & Deputy Group CEO in 1997 and was appointed as Managing Director & CEO of Paramount on 1 December 2008. Mr. Ong retired as the Managing Director & CEO of Paramount on 18 June 2012.

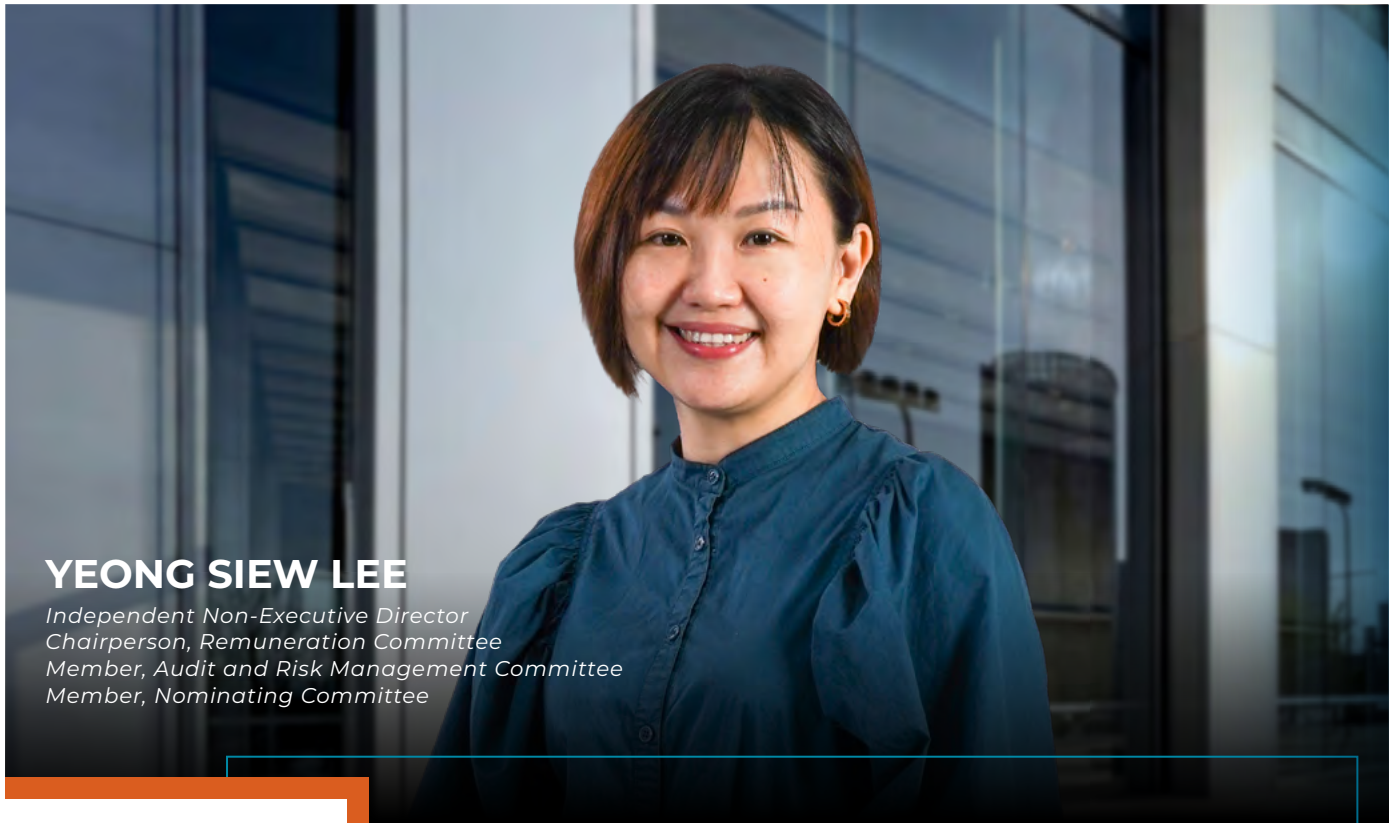
Mr. Ong is also an Independent Non-Executive Director of Paramount Corporation Berhad and United Malacca Berhad. He was recently being appointed as an Independent Non-Executive Director of CI Resources Limited, a company listed on the Australian Securities Exchange.

Mr. Ong has attended all five (5) Board meetings held during the financial year under review.

SECTION 3

COMMITTED TO STRONG GOVERNANCE

BOARD OF DIRECTORS' PROFILE



YEONG SIEW LEE

*Independent Non-Executive Director
Chairperson, Remuneration Committee
Member, Audit and Risk Management Committee
Member, Nominating Committee*

Age

45

Gender

Female

Nationality



Date Appointed To Board:

17 September 2020

No. of Board Meetings Attended in the Financial Year:

5/5

Ms. Yeong Siew Lee ("Ms. Yeong") was appointed to the Board of Pekat on 17 September 2020.

She graduated from University of Wales College (United Kingdom) with a degree of Bachelor of Science (Honours) (Accounting and Finance) in 1999 and completed her Association of Chartered Certified Accountants (United Kingdom) in 2001.

She is a Chartered Accountant and also a member of the Malaysian Institute of Accountants (MIA). She began her career with GHL Systems Berhad ("GHL"), a company listed on the Main Market of Bursa Malaysia Securities Berhad as an Assistant Accountant in 2003 and moved up the ranks and became Head/Assistant General Manager of Finance in 2008 to supervise the company's local and overseas accounting teams. She left GHL in August 2009 to venture into business in the consumer and architectural industry and was working as a finance adviser for SMR HR Group Sdn Bhd.

Ms. Yeong is also an Independent Non-Executive Director of TFP Solutions Berhad, AppAsia Berhad and Sinmah Capital Berhad.

Ms. Yeong has attended all five (5) Board meetings held during the financial year under review.

BOARD OF DIRECTORS' PROFILE

SECTION 3

COMMITTED TO STRONG GOVERNANCE



DATIN SHELINA BINTI RAZALY WAHI

*Independent Non-Executive Director
Chairperson, Nominating Committee
Member, Audit and Risk Management Committee
Member, Remuneration Committee*

Age

49

Gender

Female

Nationality



Date Appointed To Board:

17 September 2020

No. of Board Meetings Attended in the Financial Year:

5/5

Datin Shelina Binti Razaly Wahli ("Datin Shelina") was appointed to the Board of Pekat on 17 September 2020.

She graduated from the University of Bristol with a Bachelor of Laws (Honours). She completed her Bar Vocational course at Lincoln's Inn, London in 1996 and was called to the Malaysian Bar in 1998.

Datin Shelina began her legal career as a litigation lawyer, then moved in-house as corporate counsel with a large multinational oil & gas company, followed by stints at a leading media, content & consumer service provider, a start-up airline and food & beverages start up, before returning to corporate legal practice.

In addition to legal practice, Datin Shelina is currently the founding Secretary of the Malaysia Aerospace Industry Association and assists member companies in their dealings with Government agencies, banks and other industry stakeholders.

Datin Shelina is also an Independent Non-Executive Director of Marine & General Berhad and Alcom Group Berhad, which are both listed entities in Bursa Malaysia Securities Berhad. She is a Non-Independent Non-Executive Director of Lam Soon (M) Berhad, a public company.

Datin Shelina has attended all five (5) Board meetings held during the financial year under review.

BOARD OF DIRECTORS' PROFILE



OOI YOUK LAN

Non-Independent Non-Executive Director

Age
56

Gender
Female

Nationality



Date Appointed To Board:
22 June 2022

No. of Board Meetings Attended in the Financial Year:

2/2

Ms. Ooi Youk Lan was appointed to our Board on 22 June 2022. She is a Fellow member of the Association of Chartered Certified Accountants and a member of Malaysian Institute of Accountants. She has more than 30 years of working experience in audit, taxation, finance, accounting, treasury and corporate exercises covering a variety of industries for both listed and private companies in Malaysia.

In 2012, she joined Hextar Group of Companies as Group Financial Controller, and currently is the Group Chief Financial Officer of Hextar Group of Companies. Her role is to oversee and manage the overall financial and accounting functions, banking relationship, corporate exercise and strategies of Hextar Group of Companies and serving as director of the several private companies.

She is also a Non-Independent Non-Executive Director of Classic Scenic Berhad.

She has attended all two (2) out of two (2) Board meetings held during the financial year under review after her appointment to the Board on 22 June 2022.

Other information in respect of the Directors:

- 1) **Family Relationship with any Director and/or Major Shareholder of the Company:** None of the Directors have any family relationship with any Director and/or major shareholder of the Company.
- 2) **Disclosure of Conflict of Interest with the Company:** None of the Directors have interest for similar business which carry on a similar trade as that of the Group.
- 3) **Conviction for offences within the past 5 years (other than traffic offences, if any) or have any public sanction or penalty imposed on them by any regulatory bodies during the financial year ended 31 December 2022:** None of the Directors have any conviction for offences within the past 5 years (other than traffic offences, if any) or have any public sanction or penalty imposed on them by any regulatory bodies during the financial year ended 31 December 2022.

KEY SENIOR MANAGEMENT'S PROFILE



Age

52

Gender

Male

Nationality

Malaysian

Mr. Oh Keng Jin ("Mr. Oh") is our Chief Financial Officer. He is responsible for all financial, accounting administrative functions of our Group.

He obtained Diploma in Accounting from London of Chamber Commerce and Industry Examination Board in 1990. He was certified as a member of the Association of Chartered Certified Accountants in January 2001 and fellow member of the Association of Chartered Certified Accountants in November 2005. He is a Chartered Accountant and has been a member of Malaysian Institute of Accountants since November 2000.

In December 1994, Mr. Oh joined Thiang & Co as an Audit Junior where he was involved in statutory audit of private and public companies. He then promoted to Audit Senior in December 1995. In June 1997, Mr. Oh left Thiang & Co and joined Star Cruises Administrative Services Sdn Bhd as an Assistant Accountant, and was promoted to Accountant in February 2001, where he was responsible for the management accounting and annual budgeting. In September 2001, he left Star Cruises Administrative Services Sdn Bhd and joined Dumex (Malaysia) Sdn Bhd (now known as Danone Dumex (Malaysia) Sdn Bhd) as an Accountant, and was promoted to Senior Accountant in January 2004, where he was responsible for budget forecasting as well as finance analysis, until April 2005.

In April 2005, Mr. Oh joined F&N Dairies (M) Sdn Bhd ("F&N Dairies"), a wholly-owned subsidiary of Fraser & Neave Holdings Bhd, a company listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") as a Finance Manager. He was responsible for the management accounting and annual budgeting. He then left F&N Dairies in December 2007 to join Dutch Lady Milk Industries Berhad, a company listed on the Main Market of Bursa Malaysia as a Senior Management Accountant for six (6) months before returning to F&N Dairies as Finance Manager in July 2008. In April 2014, Mr. Oh left F&N Dairies and joined Shaklee Products (Malaysia) Sdn Bhd, a company involved in multilevel marketing of health products as Financial, Planning and Analysis Director, where he was responsible for the strategic planning and annual budgeting of the company.

In April 2017, Mr. Oh left Shaklee Products (Malaysia) Sdn Bhd and joined F&N Beverages Marketing Sdn Bhd, also a wholly-owned subsidiary of Fraser & Neave Holdings Bhd as a Commercial Financial Controller, where he was involved in the finance and accounting matters as well as sales planning.

Mr. Oh joined Pekat as Chief Financial Officer in December 2018, a position he continues to hold after he left F&N Beverage Marketing Sdn Bhd.



Age

46

Gender

Male

Nationality

Malaysian

Mr. Chew Teik Siang ("Mr. Chew") is the General Manager and a Director of Pekat Solar. He is responsible for the day-to-day operations of our Solar Division.

Mr. Chew graduated with a Bachelor in Electrical and Electronics Engineering (Honours) from Loughborough University, United Kingdom in July 1998.

Upon graduation, he joined AMP Corporation Sdn Bhd as a System Engineer in September 1998, where he was involved in the maintenance of sea surveillance systems. In June 2000, he left AMP Corporation Sdn Bhd and joined Electcoms Sdn Bhd in July of the same year, as a Supervising Engineer where he supervised the maintenance of base transmitter stations for paging and radio systems.

He then left Electcoms Sdn Bhd in February 2002 to join Huawei Technologies Sdn Bhd in March 2002, as a Technical Support Engineer where he was involved in the coordination work for implementing telecommunication system projects.

In March 2003, Mr. Chew left Huawei Technologies Sdn Bhd and joined Pekat Teknologi in June 2003, as a Sales Engineer where he was involved in the marketing and sales of ELP systems. He was appointed as a Director of Pekat Solar in November 2010. He was subsequently appointed as the General Manager of Pekat Solar in February 2011, a position he continues to hold.

KEY SENIOR MANAGEMENT'S PROFILE



Age 47	Gender Male	Nationality Malaysian
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Mr. Wong Boon Kwang ("Mr. Wong") is the General Manager and a Director of Pekat E & LP. He is responsible for the day-to-day operations of our Earthing and Lightning Protection Division and Trading Division.

He obtained a Diploma of Civil Engineering from the Federal Institute of Technology, Malaysia in December 1997 and graduated with a Bachelor in Civil Engineering (Honours) from University of Portsmouth, United Kingdom in June 1999.

Upon graduation, he joined Perunding Mahareka Sdn Bhd in October 1999 as a Design Engineer where he was involved in the design of civil and structures for residential projects. In February 2000, he left Perunding Mahareka and joined Hoyuen (M) Sdn Bhd in March 2000 as a Project Engineer, where he was involved in a school construction project. He left Hoyuen (M) Sdn Bhd in February 2001 and joined Icomar Jaya Sdn Bhd in March 2001 as a Project Engineer where he was involved in the residential and commercial construction projects.

He left Icomar Jaya Sdn Bhd in February 2002 and joined Jetson Construction Sdn Bhd, a wholly-owned subsidiary of Kumpulan Jetson Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad in April 2002, as a Site Engineer where he was involved in the planning, site coordination and supervision of the Electrified Double Tracking Project and residential construction projects. In March 2004, he left Jetson Construction Sdn Bhd and joined Wira Syukur (M) Sdn Bhd in July 2004, as a Project Engineer, where he was involved in the planning, coordination and supervision of residential construction projects.

In May 2005, he left Wira Syukur (M) Sdn Bhd and joined Cempaka Sdn Bhd in July 2005, as a Resident Engineer where he was involved in the planning, coordination and supervision of commercial construction projects. In June 2007, he left Cempaka Sdn Bhd to join Purcon (M) Sdn Bhd in July 2007, as a Project Manager where he was in charge of the commercial construction projects.

In August 2008, Mr. Wong left Purcon (M) Sdn Bhd and joined Pekat Teknologi in September 2008, as a Project Manager where he was involved in implementing ELP projects. In January 2012, he was transferred to Pekat E & LP where he resumed his position as a Project Manager. In January 2015, he was promoted to General Manager of Pekat E&LP. He was appointed as a Director of Pekat E & LP in May 2020.

Other information in respect of the Key Senior Management ("KSM"):

- 1) None of the KSM have any family relationship with any Director and/or major shareholder of the Company.
- 2) None of the KSM have any conflict of interest with the Company.
- 3) None of the KSM have any conviction for offences within the past 5 years (other than traffic offences, if any) or have any public sanction or penalty imposed on them by any regulatory bodies during the financial year ended 31 December 2022.
- 4) None of the KSM have any directorship in listed or non-listed public companies.

SECTION 3

COMMITTED TO STRONG GOVERNANCE

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“the Board”) of Pekat Group Berhad (“Pekat” or “the Company”) recognises the importance of upholding good corporate governance practices in discharging its duties to deliver sustainable value to its shareholders and safeguarding all stakeholders’ interests.

The Board is committed to ensuring that good corporate governance is practiced in making informed decisions at all levels as well as managing and directing the business of the Company and its subsidiaries (“the Group”) towards continuous progression.

The Board is pleased to present the Corporate Governance Overview Statement (“Statement”) in compliance with the ACE Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad, which summarises the Group’s practices to adopt the principles and guidelines recommended by the Malaysian Code on Corporate Governance (“MCCG”) during the financial year ended 31 December 2022 (“FY2022”). This Statement is to be read together with the Company’s Corporate Governance Report, which is available on the Company’s website at <https://ir2.chartnexus.com/pekat/corporategovernance>.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

PART I – BOARD RESPONSIBILITIES

a) Board Duties and Responsibilities

The Group is led and managed by experienced Board members with a wide range of experiences and qualifications. The Board is collectively responsible for setting and leading the strategic direction and overseeing the overall management of the Group within a framework of effective controls to enable risks to be appropriately assessed and managed.

In order to optimise operational efficiencies, the Board delegated the operational business management of the Group to the Executive Directors and Chief Officers (“the C-Suite Officers”). The delegation is set out in the Company’s Limits of Authority which facilitates how the Executive Directors and the C-Suite Officers discharge their duties and responsibilities within their respective thresholds.

The Board has established the following Board Committees to ensure that the operations of the Company are well supervised and to facilitate the Board in discharging its duties and functions effectively in accordance with their respective Terms of Reference (“TOR”):

- (a) Audit and Risk Management Committee (“ARMC”);
- (b) Nominating Committee (“NC”); and
- (c) Remuneration Committee (“RC”).

The Board Charter and the TOR of the Board Committees, which clearly set out the duties and responsibilities of the Board and the Board Committees, are available on the Company’s website at <https://ir2.chartnexus.com/pekat/corporategovernance>.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

In addition to the duties and responsibilities set forth in the Board Charter and TORs, the Board has undertaken the following activities during the FY2022:

- (i) The Chairman, together with the Board, provides leadership and supervises Management to ensure that the businesses are being properly managed;
- (ii) The Board reviewed and challenged Management's proposals before decisions were made;
- (iii) The Board, with the assistance of the ARMC, ensures that Management has implemented a sound framework for internal controls and risk management, which is reviewed by outsourced Internal Auditors, namely TGS Advisory Sdn Bhd; and
- (iv) The Board ensures that the Company has procedures in place to develop an effective communication channel and mode of engagement with stakeholders.

b) Chairman of the Board & Separation of Roles between Chairman and Chief Executive Officer ("CEO")

The roles and responsibilities of the Chairman and CEO are distinct and separate, and the position is held by different individuals to ensure a balance of power and authority between the two (2) individuals.

Chairman	Chief Executive Officer
<ul style="list-style-type: none"> • Instilling good corporate governance practices within the Group; • Spearheading effective and orderly conduct of the Board; • Providing leadership to the Board in its collective oversight of management; • Responsible for ensuring the Board's effectiveness, and encouraging Board members to provide constructive advice in formulating the strategies and policies and acting in the best interest of the Company; • Allowing dissenting views from the Board members and senior management to be freely expressed; and • Ensuring sufficient time for a thorough discussion of key matters and decisions are made on a sound and well-informed basis. 	<ul style="list-style-type: none"> • Setting and implementing the Company's strategies and policies approved by the Board; • Overseeing the day-to-day operations of Pekat Group; • Setting Pekat vision, mission, and values; • Identifying potential opportunities beneficial to the Group or collaborations with other companies; and • Leading the senior management of the Company in making, implementing and managing day-to-day decisions on the Company's operation, resources and risks involved.

The Chairman of the Board is not a member of the ARMC, NC and RC.

Mr Chin Soo Mau ("Mr Chin") had, on 1 January 2023, been re-designated from CEO and Managing Director to Executive Director, to focus on developing more businesses for Solaroo Systems Sdn Bhd. In view thereof, Mr Tai Yee Chee had been re-designated from Chief Operating Officer to CEO of the Company, succeeding Mr Chin.

The detailed roles and responsibilities were outlined in the Board Charter, which is available on the Company's website at <https://ir2.chartnexus.com/pekat/corporate-governance>.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

c) Qualified and Competent Company Secretaries

The Board was supported by two (2) qualified Company Secretaries who were members of a professional body and were qualified to act as Company Secretaries under Section 235(2) of the Companies Act 2016. The secretarial function of the Group is outsourced to Tricor Corporate Services Sdn Bhd.

The Company Secretaries attended all Board and Board Committee meetings to ensure that meetings are properly convened and all deliberations as well as decisions made by the Board were accurately minuted, recorded and kept. The Company Secretaries provided advisory services to the Board in relation to the corporate disclosures, corporate governance matters, compliance and regulatory requirements. They also kept the Board abreast of the changes in MCCG and Listing Requirements and assist the Board in the adoption of the best corporate governance practices. Further details on the roles and responsibilities of the Company Secretaries are also stated in the Board Charter, which is accessible on the Company's website at <https://ir2.chartnexus.com/pekat/corporategovernance>.

d) Board Meetings, Access to Meeting Materials, Information and Advice

The Board met quarterly to review the business of the Group, including operational and financial performance. Additional Board meetings are held to deliberate urgent matters and the Board's approval is sought, when required.

In order to facilitate robust Board discussions, the Chair of the respective Board Committees, with the assistance of the Company Secretaries, reviewed all agendas set out in the notice of meetings before circulating to the members of Board Committees.

The notices and the relevant meeting papers were circulated via email to all the Directors within five (5) working days from the date of the Board and Board Committees meetings to ensure all Directors have sufficient time to review meeting materials and highlight relevant issues for deliberation and decision-making purposes during the meetings. Management was invited to attend Board and Board Committees meetings to provide explanation on the meeting agenda.

The Board has unrestricted access to all information of the Group and may seek advice from Management when required. The Board is entitled to seek other independent professional advice at the cost of the Company, if necessary, for them to discharge their duties.

The minutes of the respective meetings were circulated to the Board and Board Committees respectively as soon as practicable after meeting for their review and comments prior to tabling at the following meetings for confirmation.

The attendance of individual Directors for the meetings of the Board and Board Committees, for FY2022 is as follows:

Name of Directors	Number of Meetings Attended/Held			
	Board	ARMC	NC	RC
Kok Kong Chin	5/5	-	-	-
Tai Yee Chee	5/5	-	-	-
Chin Soo Mau	5/5	-	-	-
Wee Chek Aik	5/5	-	-	-
Ong Keng Siew	5/5	6/6	2/2	2/2
Yeong Siew Lee	5/5	6/6	2/2	2/2
Datin Shelina Binti Razaly Wahi	5/5	6/6	2/2	2/2
Ooi Youk Lan*	2/2	-	-	-
Teh Li King**	3/3	-	-	-

Notes:

Total number of Board meetings in FY2022: 5

Total number of ARMC meetings in FY2022: 6

Total number of NC meetings in FY2022: 2

Total number of RC meetings in FY2022: 2

* Ms Ooi Youk Lan was appointed as the Non-Independent Non-Executive Director of the Company on 22 June 2022.

** Mr Teh Li King resigned as the Non-Independent Non-Executive Director of the Company on 22 June 2022.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

e) Directors' Training

In accordance with Rule 15.08(3) of the Listing Requirements, the Board members attended various training programmes during the financial year under review as follows, to ensure that all directors are kept abreast with the relevant developments in business updates, accounting standards as well as relevant rules and regulations amended from time to time. New director appointed in FY2022 had completed the Mandatory Accreditation Programme as required by Bursa Malaysia Securities Berhad.

The training programmes attended by the Board for FY2022 are as follows:

Name of Directors	Course/ Programme Attended
Kok Kong Chin	<ul style="list-style-type: none"> • Task Force on Climate-related Financial Disclosure (TFCD) Training Program (101 Session) by UNSSE, IFC in collaboration with Bursa Malaysia • Talk on “Corporate Governance & Remuneration Practices for The ESG World” by The Iclif Executive Education Center • Sustainability Governance, Management & Reporting How Sustainability is Operationalized by Lee Min On • Cybersecurity, Business Continuity, Sustainability & ESG by Tricor Hive Sdn Bhd
Tai Yee Chee	<ul style="list-style-type: none"> • Task Force on Climate-related Financial Disclosure (TFCD) Training Program (101 Session) by UNSSE, IFC in collaboration with Bursa Malaysia • Task Force on Climate-related Financial Disclosure (TFCD) Training Program (102 Session) by UNSSE, IFC in collaboration with Bursa Malaysia • Roles and Responsibilities of Directors in relation to Financial Statements (Training Needs as required by Bursa Securities) by Tricor Hive Sdn Bhd • Agile Leadership Workshop by People Psyence • Cybersecurity, Business Continuity, Sustainability & ESG by Tricor Hive Sdn Bhd
Chin Soo Mau	<ul style="list-style-type: none"> • Roles and Responsibilities of Directors in relation to Financial Statements (Training Needs as required by Bursa Securities) by Tricor Hive Sdn Bhd • Agile Leadership Workshop by People Psyence • Cybersecurity, Business Continuity, Sustainability & ESG by Tricor Hive Sdn Bhd
Wee Chek Aik	<ul style="list-style-type: none"> • Task Force on Climate-related Financial Disclosure (TFCD) Training Program (101 Session) by UNSSE, IFC in collaboration with Bursa Malaysia • Task Force on Climate-related Financial Disclosure (TFCD) Training Program (102 Session) by UNSSE, IFC in collaboration with Bursa Malaysia • Roles and Responsibilities of Directors in relation to Financial Statements (Training Needs as required by Bursa Securities) by Tricor Hive Sdn Bhd • Agile Leadership Workshop by People Psyence • Cybersecurity, Business Continuity, Sustainability & ESG by Tricor Hive Sdn Bhd

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Name of Directors	Course/ Programme Attended
Ong Keng Siew	<ul style="list-style-type: none"> • CEO Series 2022 Annual Property Developers Conference by Rehda Institute • Economic Outlook – Taking Temperature for 2022 and beyond by Securities Industry Development Corporation • Securities Commission Malaysia’s Oversight Board Conversation with Audit Committees • The Board Series – Real World Strategy for Board Members & C-Suite Executives by EY Parthenon Session 3: Changing the Game with Digital Ecosystems • Building Business Resilience through Prioritised Sustainable Development Goals by Companies Commission of Malaysia • Key Amendments to Listing Requirement 2022 by CKM Advisory Sdn Bhd • Related Party Transactions Simplified by CKM Advisory Sdn Bhd • International Conference on Tropical Agricultural Sciences IR 4.0 (ICTA 2022) by Academy of Tropical Agricultural Sciences Association • Roles and Responsibilities of Directors in relation to Financial Statements (Training Needs as required by Bursa Securities) by Tricor Hive Sdn Bhd • Benefit of a Well-Planned Legacy by Mr Lee Woon Shiu, DBS Bank • Peer-To-Peer Financing by Fundaztic • Talk on “Corporate Governance & Remuneration Practices for the ESG World” by The ICLIF Executive Education Center • Board’s Role in Value Creation by ASIA School of Business • Oils and Fats International Congress 2022 by Malaysian Oil Scientist’ & Technologists’ Association • Investing in the Age of Geopolitical Transformation by Tan Sri Andrew Sheng • Cybersecurity, Business Continuity, Sustainability & ESG by Tricor Hive Sdn Bhd
Yeong Siew Lee	<ul style="list-style-type: none"> • Task Force on Climate-related Financial Disclosure (TFCD) Training Program (101 Session) by UNSSE, IFC in collaboration with Bursa Malaysia • Task Force on Climate-related Financial Disclosure (TFCD) Training Program (102 Session) by UNSSE, IFC in collaboration with Bursa Malaysia • Securities Commission Malaysia’s Oversight Board Conversation with Audit Committees • Roles and Responsibilities of Directors in relation to Financial Statements (Training Needs as required by Bursa Securities) by Tricor Hive Sdn Bhd • AOB’s Conversation with Audit Committees (Session 1) • Sustainability Reporting – changes in the Listing Requirements by Galton Advisory PLT • Cybersecurity, Business Continuity, Sustainability & ESG by Tricor Hive Sdn Bhd

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Name of Directors	Course/ Programme Attended
Datin Shelina Binti Razaly Wahy	<ul style="list-style-type: none"> • Asia-Pacific: A Hub for Tomorrow's Technologies by FlightGlobal • SME Financing – Emerging from Covid-19 Pandemic, and Beyond by the British Malaysia Chamber of Commerce • Task Force on Climate-related Financial Disclosure (TCFD) Training Program (102 Session) by UNSSE, IFC in collaboration with Bursa Malaysia • Economic Outlook 2022 by the Swiss Malaysia Chamber of Commerce • Securities Commission Malaysia's Oversight Board Conversation with Audit Committees • Leverage Technology to Build Sustainable Business by CCI France Malaysia • Engagement Session on Financing with Companies in New Growth Areas by Bank Negara Malaysia • Inspiring Women Entrepreneurs Conference by the British Malaysia Chamber of Commerce • Roles and Responsibilities of Directors in relation to Financial Statements (Training Needs as required by Bursa Securities) by Tricor Hive Sdn Bhd • Net Zero for Aviation: An Impossible Target? by IBA Group Ltd • Bursa MMLR – Understanding its requirements by the Malaysian Institute of Corporate Governance • CG Advocacy Programme: Bursa Malaysia Immersive Experience: The Board "Agender" (Session 3) • AOB's Conversation with Audit Committees (Session 2) • Cybersecurity, Business Continuity, Sustainability & ESG by Tricor Hive Sdn Bhd • Training: How to be an effective NED in a disruptive world
Ooi Youk Lan	<ul style="list-style-type: none"> • Roles and Responsibilities of Directors in relation to Financial Statements (Training Needs as required by Bursa Securities) by Tricor Hive Sdn Bhd • Practical Update on Financial Standards, MFRSs by Crowe Malaysia • Cybersecurity, Business Continuity, Sustainability & ESG by Tricor Hive Sdn Bhd

CORPORATE GOVERNANCE OVERVIEW STATEMENT

f) Board Charter

The Company's Board Charter clearly sets out the responsibilities and functions of the Chairman, Managing Director, Individual Directors, Executive and Non-Executive Directors, Senior Independent Directors and lastly the Independent Directors. The Board Charter also clearly define the matters that are specifically reserved for the Board, as detailed below:

BOARD'S MATTERS RESERVED

- Group and divisional strategy, plans, and budgets
- Corporate plans and programmes
- Annual budgets, including major capital commitments
- New ventures
- Material acquisitions and disposals
- Changes to the management and control structure

The Board reviews the Board Charter periodically to ensure that it is updated regularly to be consistent with the Board's objective, the Group's business direction and the applicable laws and practices. The Board Charter is available on the Company's website at <https://ir2.chartnexus.com/pekat/corporate-governance>.

g) Code of Conduct and Ethics for Directors

The Company continues to enforce its Code of Conduct and Ethics ("the Code"), a guideline that sets out the Directors' oversight responsibility in the best interests of the Company within the scope of their authority and fiduciary duties as well as the high standards of corporate governance that are to be observed by the Directors. With a principal objective of protecting shareholders' and stakeholders' interests, the Code governs the business conducts and ethical behaviours of Directors and ensures adherence to the fundamental principles of integrity, objectivity, accountability, openness, honesty, and leadership. The Code of Conduct and Ethics is available on the Company's website at <https://ir2.chartnexus.com/pekat/corporate-governance>.

h) Anti-Bribery and Corruption Policy

The Company has a zero tolerance policy for all forms of bribery and corruption. In order to commit to high standards of business integrity, ethical conduct and accountability following the enforcement of Section 17A of the Malaysian Anti-Corruption Commission (Amendments) Act 2018, the Company's Anti-Bribery and Corruption Policy ("ABC Policy") provides guidance to ensure that the Group's employees and business partners comply with the relevant rules and regulations that prohibit improper solicitation, bribery and other corrupt activities and issues that may arise in the course of business. The ABC Policy is available on the Company's website at <https://ir2.chartnexus.com/pekat/corporate-governance>.

i) Whistleblowing Policy

The Company has adopted a Whistleblowing Policy to facilitate the whistleblowing process by employees, customers, suppliers, and other stakeholders through a proper and confidential channel. Whistle-blowers are encouraged to report any complaints of improper conduct or confidential feedback on a legitimate concern through the independent channel without fear of being interfered with, intimidated, or retaliated against. The Whistleblowing Policy is available on the Company's website at <https://ir2.chartnexus.com/pekat/corporate-governance>.

j) Sustainability Risk & Opportunities

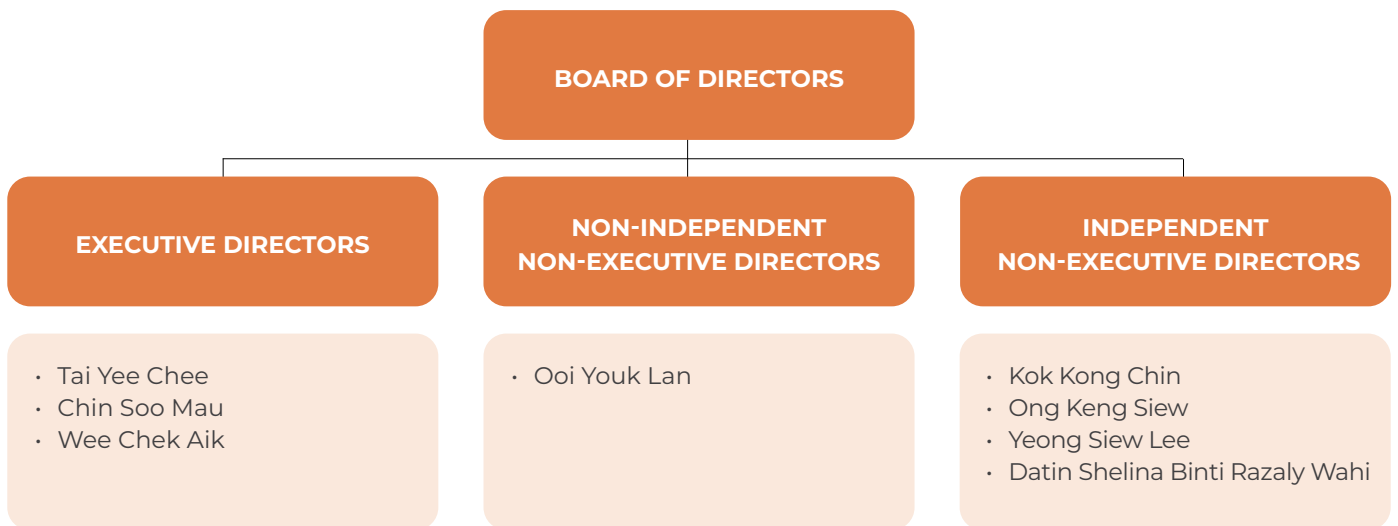
The Board and Management are responsible for the governance of sustainability to ensure that sustainability is integrated into the Group's business strategies, risk management and operations. However, the Group has not adopted Practices 4.1, 4.2 and 4.3 of the MCCG as the Company has yet to set up the Group's sustainability targets and measure the performance of the Board and Management against the targets. Therefore, the Board will set targets and disclose them in the Annual Report and Corporate Governance Report in the coming year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PART II – BOARD COMPOSITION

a) Board Size and Composition

The Board consists of eight (8) Directors, comprising three (3) Executive Directors, one (1) Non-Independent Non-Executive Director, and four (4) Independent Non-Executive Directors. The Board composition complied with Rule 15.02 of Listing Requirements with a minimum two (2) or one-third (1/3) of the Board, whichever is higher, to be Independent Directors. The Company also followed Practice 5.2 of the MCCG that at least half of the Board comprises Independent Directors.



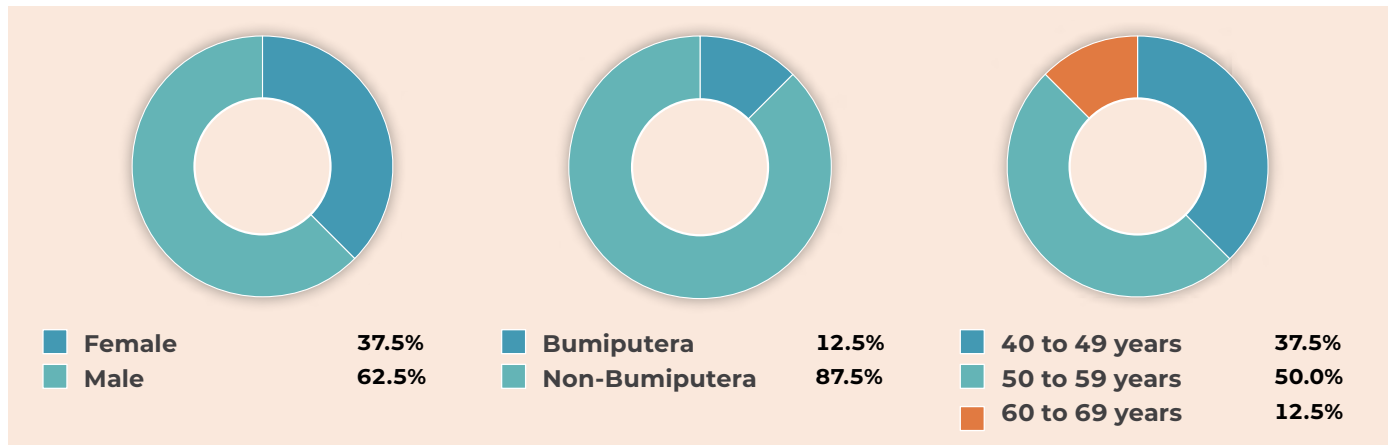
As at 31 December 2022, none of the Independent Directors have served on the Board for more than nine (9) consecutive years. The Company's Board Charter provides that an Independent Director whose term exceeds nine (9) years may continue to serve on the Board as a Non-Independent Director subject to NC's assessment or to remain as Independent Director subject to shareholders' approval having been obtained.

b) Diversity of the Board

The significance of the diversity on the Board in regard to skills, experience, age, cultural background and gender have always been emphasised by the Board to ensure there is variety of professional opinion and where there is value that can be contributed to the growth of the Company.

During the financial year under review, the Company adopted Practice 5.9 of the MCCG for the Board to comprise at least 30% of women directors, by appointing an additional female Non-Independent Non-Executive Director. The new composition of the Board is in line with the Board's objective in support of gender diversity and recognises that a diversified Board could bring greater depth and breadth of perspectives in the decision-making process.

CORPORATE GOVERNANCE OVERVIEW STATEMENT



The current composition of the Board provides an appropriate mix of skills, qualifications, knowledge, and experience to ensure it meets the present scope and nature of the Group's business operations as well as to facilitate effective decision-making and management of the Board. The Board is made up of individuals with diverse backgrounds and experience in the following areas:

Skills and Experience of the Board



Engineering



Sales and marketing



Private equity



Accounting, financial management and taxation



Legal and regulatory requirements



Corporate and investment banking

The profile of the members of the Board can be found on pages 35 to 42.

The Company has established its Gender Diversity Policy to provide a framework for the Company to improve its gender diversity at the Board and Senior Management level. The following approach will be taken into consideration in order to pursue the objectives of gender diversity in the Company:

- i) The NC and the Board shall nominate or appoint a gender diverse Board with a broad spectrum of perspectives;
- ii) The NC is responsible in ensuring that gender diversity objective is adopted in the Board recruitment and succession planning processes;
- iii) The Company shall adopt a more accommodating boardroom culture and environment that is free from discriminations to attract and retain female participation at the Board level;
- iv) The Company will undertake the following strategies to promote its gender diversity at Board and senior management level:
 - recruiting from a diverse pool of candidates for female Directors and Senior Management;
 - reviewing succession plans to ensure an appropriate focus on gender diversity;
 - identifying specific factors to take into account the recruitment and selection processes to encourage gender diversity; and
 - any other strategies the Board may develop from time to time.

The Gender Diversity Policy is available on the Company's website at <https://ir2.chartnexus.com/pekat/corporate-governance>.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

c) Nominating Committee

The NC is entrusted to assist the Board to oversee matters related to the appointment and re-appointment of Directors, review of the required skill sets, and undertake formal and objective annual evaluation to determine the effectiveness of the Board, its committees and each individual director.

The NC consists of three (3) members of the Board, comprising exclusively of Independent Non-Executive Directors, details of which are as described below:

Name of Directors	Designation
Datin Shelina Binti Razaly Wahi (Chairperson)	Independent Non-Executive Director
Ong Keng Siew (Member)	Independent Non-Executive Director
Yeong Siew Lee (Member)	Independent Non-Executive Director

The NC meets at least once a year, and more frequently as necessary, with a quorum established by the presence of two (2) members and at least one (1) member who must be an Independent Director. During FY2022, the Committee met two (2) times with all members in attendance at all meetings.

During the financial year under review, the Company had appointed a Non-Independent Non-Executive Director, namely Ms Ooi Youk Lan ("Ms Ooi"), who was recommended by the major shareholder. A NC meeting was held and led by the Chairperson of the NC, to assess and deliberate in length of Ms Ooi's background, skills and expertise, experiences as well as her potential contributions towards the Company which could strengthen the Board's mix of skills as a whole.

d) Board Assessment

The NC had conducted an annual assessment on the Board's effectiveness as a whole, its Committees, the contribution of each individual Director and the independence of the Independent Directors. Questionnaires and evaluation forms facilitated

by Management were provided to the Board and Board Committees after the financial year ended for completion. The results of the annual assessment were tabled to the NC by Management for deliberation. Thereafter, the Chairperson of the NC shared the results and NC's suggestions with the Board to allow improvements to be undertaken.

Based on the assessment results of the Board's effectiveness for FY2022, Management was recommended to focus on the adoption of the Company's succession planning and strategic plan, including long-term strategies in light of ESG requirements. In addition, the Board had expressed their intention to receive training programmes on digital upskilling, digital disruptions, ESG requirements and renewable energy sustainability issues in FY2023.

The Board, with the recommendation from the NC, had adopted a Fit & Proper Policy on 15 April 2022 as required under Rule 15.01A of the Listing Requirements. This policy is designed to outline the fit and proper criteria for the appointment and re-appointment of Directors on the Board. The Board Effectiveness Assessment and Fit & Proper Assessment ("Fit and Proper Assessment") forms were given to the directors who are due for retirement at the Fourth Annual General Meeting ("AGM") prior to being recommended to the Board. These forms were also given to the C-Suite Officers for completion prior to the re-shuffling of positions towards the end of FY2022.

The NC had assessed the fit and proper criteria as set out in the Company's Fit & Proper Policy. Based on the results of the annual assessment of the Board and Fit and Proper Assessments for FY2022, the Board concurred with the NC's recommendation on the re-election of Mr Kok Kong Chin, Mr Tai Yee Chee, and Ms Ooi Youk Lan who are due to retire at the Fourth AGM in accordance with the Company's Constitution. Their re-election is supported by a statement with reasons clearly stated in the explanatory notes of the resolutions in the Notice of the Fourth AGM and recommended to the shareholders for approval at the said AGM.

All Directors standing for re-election had abstained from deliberations and decisions on their own eligibility to stand for re-election at the Fourth AGM. Their profiles, inclusive of details of their age, gender, working

CORPORATE GOVERNANCE OVERVIEW STATEMENT

experience, any conflict of interest and directorship in other companies were detailed in this Annual Report 2022 as well as in the statement accompanying the notice of AGM to enable shareholders to make an informed decision, as recommended under MCCG.

The NC had also reviewed the training programmes/ courses attended by all Board members for FY2022. Training needs required by the Board as well as Management were also discussed and recommended.

The roles and responsibilities of the NC are governed by the TOR which is available on the Company's website at <https://ir2.chartnexus.com/pekat/corporate-governance>.

PART III – REMUNERATION

a) Remuneration Committee

The Remuneration Committee ("RC") was established to provide overall guidance and to make recommendations to the Board on the remuneration and other benefits for the directors and key senior management of the Group.

The RC consists of three (3) members of the Board, comprising exclusively of Independent Non-Executive Directors, details of which are as described below:

Name of Directors	Designation
Yeong Siew Lee (Chairperson)	Independent Non-Executive Director
Ong Keng Siew (Member)	Independent Non-Executive Director
Datin Shelina Binti Razaly Wahi (Member)	Independent Non-Executive Director

The RC meets at least once a year, and more frequently as necessary, with a quorum established by the presence of two (2) members and at least one (1) member who must be an Independent Director. During FY2022, two (2) RC meetings were held to discuss and review the remuneration packages of the Non-Executive Directors, Executive Directors, and Key Senior Management prior to recommending to the Board for its approval, and if necessary, the Board will recommend the same to the shareholders for approval.

The remuneration package of Executive Directors was assessed by the RC after taking into consideration the Group's performance in terms of operations, finances, risks management and opportunities, business strategies as well as long-term objectives of the Company. The remuneration package for Executive Directors includes basic salary, allowances, bonuses, benefits-in-kind, and other emoluments.

Remuneration package for Non-Executive Directors were based on their respective roles and responsibilities, contributions, including their attendance at Board and Board Committees meetings.

The Company has established its Remuneration Policy which intended to provide a guideline for the Board and the RC in determining the remuneration package of the Board and Senior Management. The Board believes that competitive remunerations enable the Company to attract, retain and motivate the Directors and Senior Management.

The remuneration package will be reviewed once in every three (3) years or as and when necessary, and the Remuneration Policy will be reviewed by the RC on a periodic basis to reflect the current best practices and requirements of the MCCG and any other new requirements.

The directors had abstained from voting on the resolution relating to their remuneration at the Third AGM. They shall continue to abstain from voting on the resolution relating to their remuneration at the Fourth AGM.

The roles and responsibilities of the RC are governed by the TOR which is available on the Company's website at <https://ir2.chartnexus.com/pekat/corporate-governance>.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

b) Details of Directors' Remuneration

The remuneration of the Directors of the Company and the Group for FY2022 are as follows:

Name of Directors	Company (RM'000)						Group (RM'000)						Total (RM'000)
	Fee (RM)	Allowance (RM)	Salary (RM)	Bonus (RM)	Benefits-in-Kind (RM)	Other Emoluments (RM)	Fee (RM)	Allowance (RM)	Salary (RM)	Bonus (RM)	Benefits-in-Kind (RM)	Other Emoluments (RM)	
Kok Kong Chin	66.0	6.5	-	-	-	-	66.0	6.5	-	-	-	-	72.5
Tai Yee Chee	-	30.0	255.9	21.3	-	52.5	15.0	45.0	511.8	21.3	-	103.0	696.1
Chin Soo Mau	-	30.0	267.4	22.3	-	54.8	15.0	45.0	534.8	22.3	-	106.6	723.7
Wee Chek Aik	-	30.0	255.9	21.3	-	52.5	15.0	45.0	511.8	21.3	-	102.5	695.6
Ong Keng Siew	45.0	8.5	-	-	-	-	45.0	8.5	-	-	-	-	53.5
Yeong Siew Lee	43.0	8.5	-	-	-	-	43.0	8.5	-	-	-	-	51.5
Datin Shelina Binti Razaly Wahi	43.0	8.5	-	-	-	-	43.0	8.5	-	-	-	-	51.5
Ooi Youk Lan*	15.0	2.0	-	-	-	-	15.0	2.0	-	-	-	-	17.0
Teh Li King**	15.0	1.5	-	-	-	-	15.0	1.5	-	-	-	-	16.5
Total	227.0	125.5	779.2	64.9	-	159.8	272.0	170.5	1,558.4	64.9	-	312.1	2,377.9

Notes:

* Ms Ooi Youk Lan was appointed as the Non-Independent Non-Executive Director of the Company on 22 June 2022.

** Mr Teh Li King resigned as the Non-Independent Non-Executive Director of the Company on 22 June 2022.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

c) Remuneration of Key Senior Management

On the disclosure on the remuneration of Key Senior Management (“KSM”) on named basis, the Board was of the view that it would not be in the best interests of the Company given the competitive industries that the Group operates in. As such, disclosure may result in adverse recruitment and talent retention matters.

The Board, however, has disclosed the remuneration of KSM of the Group for FY2022, on an aggregated basis as follows:

Range of Remuneration	Number of KSM
RM300,001 to RM350,000	2
RM450,001 to RM500,000	1
Total	3

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

PART I – AUDIT AND RISK MANAGEMENT COMMITTEE

The ARMC comprises three (3) Independent Non-Executive Directors. The Chairman of ARMC and Chairman of the Board are held by two (2) different individuals, thus, it allows the Board to objectively review the ARMC findings and recommendations. None of the ARMC members is a former partner of the external audit firm to the Company.

Name of Directors	Designation
Ong Keng Siew (Chairman)	Independent Non-Executive Director
Yeong Siew Lee (Member)	Independent Non-Executive Director
Datin Shelina Binti Razaly Wahi (Member)	Independent Non-Executive Director

The TOR of the ARMC is available on the Company's website at <https://ir2.chartnexus.com/pekat/corporate-governance>.

The ARMC members have a wide range of skills, expertise and experience in terms of the law, finance, accounts, and commercial experiences from various industries. All members of the ARMC are financially literate, competent and are able to understand matters tabled and deliberated in the meeting including the financial reporting process.

In order for the ARMC to discharge their responsibilities and duties effectively, the members participate in and attend relevant training or courses to keep themselves abreast of any amendments made in the accounting and auditing standards, practices of MCCG, Listing Requirements and other relevant rules and regulations.

External Auditors

During the financial year under review, the ARMC evaluated and assessed the suitability, objectivity and independence of the External Auditors (“EA”) including its audit quality, resources, competence and information presented in the Annual Transparency Report of the Audit Firm. The ARMC was satisfied with the results of the assessment and the EA's performance for FY2022.

The ARMC also reviewed the audit and non-audit fees tabled by the EA. The ARMC acknowledges that at times, the Company may require non-audit related works, but believes that it is important to maintain objectivity and independence of the EA by reducing the EA's involvement in non-audit related works.

The ARMC had obtained written assurance from the EA in confirming that they were and had been independent throughout the audit process in accordance with the relevant professional and regulatory requirements.

Upon recommendation made by the ARMC, the Board agreed to propose to the shareholders for approval of the re-appointment of the Company's EA at the Fourth AGM.

PART II – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The ARMC provides oversight and direction on risk management matters to ensure the adequacy and effectiveness of the risk management and internal control system of the Group. The Company engaged PKF Risk Management Sdn Bhd to review the Group's internal control system. However, on 15 April 2022, the Group's Internal Auditor was replaced by TGS Advisory Sdn Bhd, an independent consultant which will present its internal audit reports to the ARMC on a quarterly basis for review.

The ARMC, together with Management, reviewed all reports and findings prior to presenting the significant matters which require the Board's attention, deliberation and actions to be taken on the mitigating measures. The Board is of the opinion that the Group's risk management and internal control system is adequate and effective to safeguard shareholders' interest and the Group's assets.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The details of the Risk Management and Internal Control Framework are set out in the Statement on Internal Control and Risk Management from pages 64 to 66 of the Annual Report.

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

PART I – ENGAGEMENT WITH STAKEHOLDERS

The Company engages its shareholders and other stakeholders through various platforms such as announcements submitted to Bursa Malaysia Securities Berhad, disclosure on the Company's corporate website, general meetings, media releases as well as briefings to analysts and media.

The Board ensures that all relevant corporate information, financial and material information has been disclosed to the stakeholders on a timely manner.

The Company also provides general line number and general enquiry email address, enquiries@pekatgroup.com for shareholders and stakeholders to directly send in any enquiry, provide feedback and complaints and to communicate with the Company.

Details of the stakeholder engagement for FY2022 are set out in the Sustainability Statement from pages 18 to 34 of the Annual Report 2022.

PART II – CONDUCT OF GENERAL MEETINGS

The general meeting of the Company is another channel of engagement where it serves as a principal forum for the Company and the shareholders to meet and discuss matters related to the Company's financial performance, prospects and growth, and to seek shareholders' approval on resolutions.

As part of the continuous initiative to curb the spread of Coronavirus Disease 2019, the Company's Third AGM and Extraordinary General Meeting ("EGM"), both of which were held on virtual basis through live streaming from the broadcast venue at Tricor Business Centre, Kuala Lumpur, Malaysia on 9 June 2022 in accordance with the Company's Constitution, and Guidance and FAQs on the Conduct of General Meetings for Listed Issuers published by Securities Commission Malaysia. All Board members together with the Company Secretary and Chief Financial Officer were physically present at the broadcast venue whilst the audit partner of Grant Thornton Malaysia PLT, the Company's

external auditors, joined meetings via video conferencing.

In line with the best practice of the MCCG, the notice of AGM was issued at least twenty-eight (28) days before the AGM, enabling shareholders to have ample time to review the financial and operational performance and to consider the resolutions. The notice of EGM, however, was issued at least fourteen (14) days in accordance with the Companies Act 2016. Explanatory notes were also enclosed with the notice of AGM to provide further explanation on each resolution proposed to facilitate informed decision-making by the shareholders.

To encourage active participation and engagement with the shareholders, they were allowed to post questions before and during the AGM via Tricor's TIH Online websites. Any questions posted by shareholders during voting session were also addressed before the declaration of results. This process was also practiced at the EGM held on even date.

The Company's CFO also made a presentation of the Group's financial highlights and business activities for the financial year ended 2021 to provide better perspective of the Company's position to the shareholders.

For the benefits of all shareholders who did not have the opportunity to attend the AGM, the minutes including questions raised and answers replied were uploaded on the Company's website at <https://ir2.chartnexus.com/pekat/agm.php>, within 30 business days after the general meetings.

Statement by the Board on Corporate Governance Overview Statement

The Board is of the view that the Corporate Governance Overview Statement has provided the necessary information to help shareholders of the Company to assess how the principles and best practices of the MCCG have been complied with. The Board remains fully committed to achieve the highest level of integrity and ethical standards in delivering the objectives and sustainable performance of the Group in the long run.

The Company's Corporate Governance Report and Corporate Governance Overview Statement were approved by the Board on 18 April 2023.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

The Directors are required under Rule 15.26(a) of the ACE Listing Requirements of Bursa Malaysia Securities Berhad to issue a statement on its responsibility in the preparation of the annual audited financial statements.

The Directors are responsible for ensuring that the financial statements are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and of the financial performance and cash flows for the financial year ended on that date.

In preparing the Audited Financial Statements, the Directors have:

- i) adopted accounting policies which are appropriate and which have been consistently applied;
- ii) made judgments and estimates which are reasonable and prudent;
- iii) prepared the Audited Financial Statements on the assumption that the Company and the Group will operate as a going concern; and
- iv) ensured that all applicable approved accounting standards have been followed, subject to any material departure being disclosed and explained in the Audited Financial Statements.

The Directors also have a general responsibility to keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy to ensure compliance with the Companies Act 2016 as well as to take reasonable steps to safeguard the assets of the Group and of the Company to prevent and to detect fraud and other irregularities.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Board of Pekat is pleased to present the Audit and Risk Management Committee (“ARMC”) Report for the financial year ended 31 December 2022 (“FY2022”) as follows:

COMPOSITION

The ARMC comprises three (3) members, consisting solely of Independent Non-Executive Directors. All Independent Non-Executive Directors satisfied the test of independence under the Listing Requirements. The ARMC meets the requirements of Rule 15.09(1)(a) and (b) of the Listing Requirements as well as Practice 9.4 of the MCCG. None of the members of the ARMC were former key audit partners of our current External Auditors (“EA”) and no alternate director is appointed as a member of the ARMC.

The Chairman of ARMC, Mr Ong Keng Siew, is a member of the Malaysian Institute of Accountants (“MIA”) and a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom. In this respect, the Company complies with Rule 15.09(1)(c)(i) of the ACE LR. He is also not the Chairman of the Board.

The members of ARMC and their respective designations are as follows:

Name of Directors	Designation
Ong Keng Siew	Chairman (Independent Non-Executive Director)
Yeong Siew Lee	Member (Independent Non-Executive Director)
Datin Shelina Binti Razaly Wahi	Member (Independent Non-Executive Director)

The Board, via the NC, assessed the composition and performance of the ARMC through the Board Effectiveness Assessment (“BEA”). Based on the BEA conducted for FY2022, the NC was of the view that the present composition in the ARMC is appropriate. The NC and the Board, as a whole, were satisfied that the ARMC has effectively discharged its duties and responsibilities in accordance with its TOR and the ARMC had also provided constructive feedback to the Board in making informed decisions and enabling the effective functioning of the Board.

The detailed TOR of the ARMC outlining the authorities, duties, and responsibilities of the ARMC are published and available online on the Company’s website at <https://ir2.chartnexus.com/pekat/corporategovernance>.

MEETINGS

The ARMC held six (6) meetings during the FY2022. The Managing Director/CEO, Executive Directors and Chief Financial Officer (“CFO”) were invited to attend all ARMC meetings to provide clarifications and information on audit issues and relevant issues pertaining to the Groups’ operations.

The EA of the Company, Grant Thornton Malaysia PLT, attended the ARMC meetings to present the audit plan and audit completion memorandum, and provide clarification relating to the audit issues, audited financial statements and other related matters. PKF Risk Management Sdn Bhd and TGS Advisory Sdn Bhd, the Internal Auditors (“IA”) and Risk Management Consultant respectively, attended the ARMC meetings to present the internal audit reports and internal audit follow-up reports.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The details of the attendance records of the ARMC members during the FY2022 are as follow:

Name of Directors	Number of meetings attended/held during the members' term in office
Ong Keng Siew	6/6
Yeong Siew Lee	6/6
Datin Shelina Binti Razaly Wahi	6/6

Subsequent to every ARMC meeting, the ARMC Chairman briefed the Board on all matters discussed and deliberated, and reported to the Board on any matters of significant concern raised by the EA or IA during the meeting. The ARMC Chairman also presented the ARMC's recommendations of the Group's annual financial statements, quarterly financial reports and any proposals that required the approval of the Board.

The company secretary attended all ARMC meetings and recorded all deliberations during the ARMC meeting in the minutes. Minutes of each ARMC meeting were recorded and tabled for confirmation by the ARMC Chairman at the following ARMC meeting.

SUMMARY OF ACTIVITIES

The ARMC had carried out its duties in accordance with its TOR. The summary of works and activities performed by the ARMC during FY2022 comprised the following:

Financial Reporting

The ARMC reviewed all quarterly financial reports and audited financial statements for the FY2022 before recommending the same to the Board for its approval.

The CFO was present at all ARMC meetings to present and explain the financial performance of the Group to the ARMC. The review process by the ARMC was to ensure that the preparation of quarterly and financial reports and audited financial statement were prepared in compliance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards, Listing Requirements, Companies Act 2016 and other relevant regulatory requirements.

Re-appointment of External Auditors

The ARMC recommended to the Board for the re-appointment of Grant Thornton Malaysia PLT as the Company's EA, after the ARMC assessed and were satisfied with the EA's suitability, objectivity, experience and technical knowledge as well as the

quality of the services provided, sufficiency of audit resources and interactions with Management based on the performance of the EA in auditing the Company's financial statements for FY2022. ARMC had also obtained written assurance from the EA on their independence and compliance with ethical requirements.

On 9 June 2022, the re-appointment of Grant Thornton Malaysia PLT as the EA of the Company was approved by the shareholders for the FY2022 at the Third Annual General Meeting.

On 24 August 2022, the ARMC reviewed and approved the Audit Planning Memorandum, which included the scope of work, audit process, key audit matters, audit concepts, engagement team, regulatory compliance and the disclosure requirements of the relevant accounting standards.

The ARMC also held a private discussion on 24 August 2022, with the EA, without the presence of Management, to discuss any audit concerns that need to be highlighted to the ARMC and the level of cooperation received from Management.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

External Audit

The EA presented their Audit Planning Memorandum in relation to the audit of the audited financial statements for the FY2022 on 24 August 2022.

Ms Phon Pooi Yin, the engaging audit partner from Grant Thornton Malaysia PLT, highlighted their engagement team, audit approach and audit procedures taking into consideration the implications of coronavirus disease, key audit matters, audit timeline, and the areas of audit focus in regard to the audit of the audited financial statements for the FY2022. She had enquired of the ARMC on any frauds affecting the Group that were not reported and the ARMC had confirmed that they were unaware of any actual, suspected or alleged fraud affecting the Group that were not reported, instances of breach or non-compliance with laws and regulations, including illegal acts or inquiries, investigations and/ or enforcement actions by regulators that were not reported, litigation and claims for or against the Group and the existence of any other related parties that have significant transactions with the Group that were not included in the list of related parties.

Internal Audit

The Group had outsourced its Internal Audit function to an independent IA, TGS Advisory Sdn Bhd ("TGS") in place of the Group's IA on 15 April 2022. The ARMC, after having considered the scope of work, deliverables, experience of the internal audit engagement team and the proposed fees of TGS, was of the view that TGS with extensive experience could strengthen the Group's internal control system. The IA were engaged to undertake independent and objective review of the effectiveness of the governance, risk management and internal control process of the Group. The IA report directly to the ARMC. The internal audit function provides timely and impartial advice to the ARMC and Management as to whether the internal audit functions reviewed are:

- i) in accordance with the Group's policies and direction;
- ii) in compliance with prescribed laws and regulations; and
- iii) achieving the desired results effectively and efficiently.

The IA Report was presented to the ARMC on a quarterly basis for deliberation and its recommendations were communicated to Management for corrective actions. The IA also provided follow-up audit reports in subsequent ARMC meetings to report on the status of the key audit issues highlighted in the preceding ARMC meetings. All proposals presented by the IA to the ARMC were tabled to the Board for its notation or approval.

The ARMC also held a private discussion on 21 February 2022, with the IA, without the presence of Management, to discuss any internal audit concerns that need to be highlighted to the ARMC and the level of cooperation received from Management.

The total fees incurred for the Group's Internal Audit Function for FY2022 was RM77,000.00.

Internal Audit Function

The Internal Auditors, performed their internal audit function and the following activities during the year:

Internal Audit Reports

During the financial year under review, the ARMC reviewed four (4) IA Reports during the financial year which covered the following areas:



Inventory Management



Human Resources;



Fixed Assets Management;



Sales and Marketing; and



Follow-up status review on previously reported audit findings.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

Prior to the review, recommendations and management action plans for the above key areas were presented to Management for appropriate corrective actions to be taken within the implementation timeframe.

The ARMC reviewed the audit findings and recommendations to improve any weaknesses or non-compliance and the respective management responses thereto. The IA monitored the implementation of management action plan on outstanding issues through follow-up reports to ensure that all key risks and control weaknesses are being properly addressed.

The ARMC also reviewed and approved the Internal Audit Plan for FY2022 to ensure there was adequate scope and comprehensive coverage over the activities of Pekat Group and the significant risk areas identified were audited annually.

The follow-up report was presented at the subsequent ARMC meetings to report on preceding outstanding issues.

Review of Related Party Transactions

The ARMC reviewed quarterly reports on related party transactions reported by Management and possible conflict of interest situations that may arise within the Group including any transactions, procedures or courses of conduct that may give rise to questions on management integrity and to ensure all transactions are carried out at arm's length basis in every quarterly meeting.

The ARMC had ensured that the Company is in compliance and the transactions are on terms and transaction prices not more favourable to the related parties than those generally available to the public and are not detrimental to minority shareholders.

OTHER ACTIVITIES

Established Policies and Procedures

The ARMC had assessed and reviewed the following policies during FY2022 to safeguard the interest of the Company:



Upon recommendation by the ARMC, the Board approved the above policies.

Revision of Whistleblowing Policy and Procedures

The ARMC had on 21 February 2022 discussed and recommended the revised Whistleblowing Policy and Procedures to the Board for approval.

Upon recommendation by the ARMC, the Board has approved the revised Whistleblowing Policy and Procedures.

Review of the reports for the inclusion in this Annual Report

The ARMC has reviewed and recommended the Corporate Governance Overview Statements, ARMC Report, Statement on Risk Management and Internal Control, Management Discussion and Analysis Statement, and the Sustainability Report to the Board for approval, for inclusion in the Annual Report 2022.

This report was reviewed by the ARMC and approved by the Board on 18 April 2023.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors (“the Board”) of Pekat Group Berhad (“the Company”) is pleased to present the Statement on Risk Management and Internal Control of the Company and its subsidiaries (“the Group”) which outlines the nature and scope of risk management and the internal control systems of the Group for the financial year ended 31 December 2022. The Statement is provided pursuant to Paragraph 15.26(b) of ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“AMLR”), Malaysian Code on Corporate Governance and “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers”.

The disclosures in this Statement exclude the risk management and internal control practices of the Group’s associates.

BOARD RESPONSIBILITY

The Board is responsible overall in establishing a sound risk management and internal control system to safeguard shareholders’ interests and the Group’s assets as well as to review its adequacy and effectiveness on a regular basis.

In view of the limitations inherent in any system of risk management and internal control, the system is designed to manage risks and monitor controls rather than to eliminate the risk of failure on the achievement of corporate objectives. Accordingly, it provides reasonable but not absolute assurance against material misstatements or losses.

The Audit and Risk Management Committee (“ARMC”) supports the Board in implementing the Group’s risk management and internal control practices. This includes an ongoing process of identifying, evaluating, managing, and monitoring significant risks faced by the Company in achieving its business objectives and where appropriate, the Management is required to implement pertinent controls to address emerging issues and areas of control deficiencies. The Board affirms that this process was in place for the financial year under review and up to date for the inclusion in the Annual Report.

RISK MANAGEMENT

The Board acknowledges the critical role of risk management in sustaining business operations, and has implemented a comprehensive risk management framework within the Group. This framework is a continuous process designed to identify, evaluate, manage and monitor significant risks that the Group

may face. The framework includes detailed information on the Group’s risk profile, risk register, and appropriate control measures for risk mitigation. To effectively manage the identified risks within specific parameters and standards, the Management and Heads of Department constantly update the corporate risk register.

The process of identifying risks involves a comprehensive evaluation of potential risk exposure resulting from both external business environment and internal operating conditions. The analysis and measurement of risks are conducted by employing both quantitative and qualitative measures, based on the likelihood and potential impact of each risk. Following this analysis, risk control measures are implemented and prioritised based on the risk evaluation conducted. To ensure timely responses to emerging risks, the Group continually monitors and reviews risks affecting the organisation.

The ARMC, together with the Group Managing Director and Executive Directors, have held six (6) meetings in the financial year ended 31 December 2022 to discuss key risks and the relevant mitigating controls on a quarterly basis. Outcome of ARMC meetings is subsequently tabled to the Board for notation. The Board is of the view that there is a risk management system in place within the Group to manage the risks affecting the achievement of its business objectives throughout the financial year and up to the date of approval of the Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL AUDIT FUNCTION

The responsibility of the internal audit function, which involves evaluating the adequacy and effectiveness of the Group's internal control system, has been outsourced to an external service provider ("Internal Auditors"). The Internal Auditors report their findings directly to the ARMC on a quarterly basis. The scope and responsibilities of the function include the evaluation of adequacy and effectiveness of risk management and internal control system. The Internal Auditors are free from any relationship or conflict of interest that could impair their objectivity and independence as Internal Auditors.

The internal audit reviews were conducted in accordance with the Internal Audit Plan, which had been approved by the ARMC. The development of this plan involved a risk-based approach that was consistent with the Group's direction. The Internal Audit Plan will be assessed quarterly to ensure alignment with the Group's business operations and risk environment.

During FY2022, four (4) internal audit reviews were conducted on Inventory Management, Human Resources, Sales and Marketing and Fixed Assets Management of the Group's major subsidiaries as well as follow-ups on previous audit matters. All audit findings were presented by the Internal Auditors, together with Management's response and recommendations for improvement, to the ARMC during the quarterly ARMC meetings.

INTERNAL CONTROL

The Group's internal controls are an integral part of the operational policies and procedures of its business functions. The internal controls are designed to mitigate potential risks and ensure ethical and behavioral conduct within the organisation. The following components make up the Group's internal controls:

- The Board of Directors is supported by several committees, including the Nominating Committee, Remuneration Committee, and ARMC. Regular meetings are held to discuss business, financial, and operational matters, including potential risks and control mitigants;

- Anti-Bribery and Corruption Policy and Whistleblowing Policy, which serve as primary guidance in shaping ethical and behavioral conduct within the Group;
- Organisational structure with clearly defined lines of responsibility and delegated authority that align with business and operational requirements. The Executive Directors are responsible for strategic business direction, while Heads of Department manage respective business functions;
- Defined Limits of Authority to set out the approval limits that have been assigned and delegated to each approving authority within the Group;
- Standard Operating Procedures and policies to serve as a guiding principle for daily operations. These procedures and policies are reviewed as necessary to reflect changing business and operational requirements or to resolve any operational deficiencies;
- Regular Group Management meetings to address concerns, review progress, resolve operational and management issues, and assess financial performance against business plans, targets, and budgets for each operating unit. Periodic visits by Senior Personnel or the Management team to ensure proper functioning;
- Major assets are insured and regularly reviewed to align with the Group's risk appetite, while physical security measures are also implemented to safeguard the major assets;
- Continuous cybersecurity assessment by an independent third-party professional to protect our corporate information and information systems from cyber threats; and
- Continuous training and development programs to ensure competitiveness of employees in adaptation to the changing environment. Continuous identification of training needs is performed through employees' performance evaluation processes.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

REVIEW OF THIS STATEMENT BY THE EXTERNAL AUDITORS

As required by Paragraph 15.23 of the AMLR, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Company for the financial year ended 31 December 2022 and have reported to the Board that nothing has come to their attention that cause them to believe that this Statement is inconsistent with their understanding of the process that the Board has adopted in the review of the adequacy and integrity of the systems of internal control of the Group.

Audit and Assurance Practice Guide (“AAPG”) 3, Guidance for Auditors on Engagement to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants does not require the external auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group’s risk and control procedures.

ASSURANCE FROM MANAGEMENT

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the Group’s risk management and internal control system is operating effectively, in all material aspects for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report under review and up to the date of approval of this Statement for inclusion in the Annual Report.

CONCLUSION

The Board through the ARMC has reviewed the adequacy and effectiveness of the risk management and internal control system for the financial year ended 31 December 2022 and is of the view that the controls are operating adequately and effectively in all material aspects. The Board will continue to monitor all risks affecting the Group and take necessary measures to mitigate them and continue to enhance the adequacy and effectiveness of the risk management and internal control systems of the Group.

ADDITIONAL COMPLIANCE INFORMATION

UTILISATION OF PROCEEDS RAISED FROM INITIAL PUBLIC OFFERING (“IPO”)

Peklat Group Berhad (“the Company”) was listed on the ACE Market of Bursa Malaysia Securities Berhad on 23 June 2021 (“Listing”). In conjunction with the Listing, the Company undertook a public issue of 138,668,000 new ordinary shares at an issue price of RM0.32 per share, raising gross proceeds of approximately RM44.4 million (“IPO Proceeds”). The status of the utilisation of the IPO Proceeds for the FY2022 is as follows:

Details of the Utilisation of Proceeds	Original Utilisation of Proceeds as per Prospectus		Reallocation of the Utilisation of Proceeds ⁽¹⁾	Proceeds Utilised as at 31 December 2022	Balance Unutilised	Timeframe for use from the date of EGM ⁽¹⁾
	(RM'000)	Deviation (RM'000)				
Construction of new head office and operational facility	18,000	-	(18,000)	-	-	-
Working capital	12,674	173	18,000	(30,124)	723	Within 12 months
Repayment of bank borrowings	10,000	-	-	(10,000)	-	Fully utilised
Listing expenses	3,700	(173)	-	(3,527)	-	Fully utilised
TOTAL	44,374	-	-	(43,651)	723	

Note:

(1) The shareholders have approved the reallocation for the utilisation of IPO Proceeds at the Company's Extraordinary General Meeting held on 9 June 2022. The re-allocation of RM18 million from the construction of new head office and operational facility to working capital was to benefit the following:

- The Group was able to further expand its business via the increase in funds available for the purchase of project materials. In addition, the Group managed to achieve greater cost savings due to the larger volume of purchases expected; and
- Additional funds available enabled the Group to tender for additional projects as well as to execute additional projects concurrently.

The utilisation of proceeds as disclosed above should be read in conjunction with the Company's Prospectus dated 2 June 2021 and Circular to Shareholders in relation to proposed variation to the utilisation of proceeds raised from the initial public offering of Peklat dated 23 May 2022.

AUDIT & NON-AUDIT FEES

The amount of fees paid/payable to Grant Thornton Malaysia PLT, the Group's External Auditors, and its member firm and affiliate for the audit and non-audit services rendered to the Company and its subsidiaries (“Group”) for the FY2022 are as follows:

Type of Service	Group 2022 RM'000	Company 2022 RM'000
Statutory audit	134	22
Non-statutory audit	2	2
Total Fees	136	24

ADDITIONAL COMPLIANCE INFORMATION

The non-statutory audit fees include services performed in connection with the Company's review of Statement on Risk Management and Internal Control.

MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving the interests of the Director, Chief Executive Officer and/or major shareholders during the FY2022 or still subsisting at the end of the FY2022.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

There was no ESOS established since the date of listing.

RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

The aggregate values of the RRPTs made during the FY2022, pursuant to the shareholders' mandate obtained at the Third Annual General Meeting of the Company held on 9 June 2022 are as follows:

Nature of RRPT	Transacting Related Parties	Interested Directors, Major Shareholders and Persons Connected	Value of RRPTs (RM'000)
Provision of consultancy and EPCC services for design, supply and installation of solar PV systems and power plants (solar PV facilities) including supply and installation of earthing and lightning protection system, and related electrical products and accessories by Pekat Group to all transacting parties.	Hextar Global Group	Hextar Holdings	733
	Hextar Industries Group	Dato' Ong Choo Meng Dato' Ong Soon Ho	-
	Hextar Holdings Group	Datin Teoh Siew Yoke @ Teoh Siew Chin Teh Li King	19
	SWS Capital Group	Dato' Ong Choo Meng Teh Li King	-
	Classic Scenic Group	Dato' Ong Choo Meng Ooi Youk Lan	2,170
	KIP REIT Group	Hextar Rubber Dato' Ong Choo Meng Teh Li King	-
Provision of operation and maintenance services for solar PV facilities by Pekat Group to all transacting parties.	Hextar Healthcare Group	Hextar Rubber Dato' Ong Choo Meng Teh Li King	-
	Classic Scenic Group	Dato' Ong Choo Meng Ooi Youk Lan	-
	Hextar Global Group	Hextar Holdings	-
	Hextar Industries Group	Dato' Ong Choo Meng Dato' Ong Soon Ho	-
	Hextar Holdings Group	Datin Teoh Siew Yoke @ Teoh Siew Chin Teh Li King	-
KIP REIT Group	Hextar Rubber Dato' Ong Choo Meng Teh Li King	18	



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CORPORATE INFORMATION

DIRECTORS

Kok Kong Chin (Independent Non-Executive Chairman)

Chin Soo Mau (Non-Independent Executive Director)

Tai Yee Chee (Non-Independent Executive Director)

Wee Chek Aik (Non-Independent Executive Director)

Ong Keng Siew (Independent Non-Executive Director)

Yeong Siew Lee (Independent Non-Executive Director)

Datin Shelina Binti Razaly Wahi (Independent Non-Executive Director)

Ooi Youk Lan (Non-Independent Non-Executive Director)
(Appointed on 22 June 2022)

Teh Li King (Non-Independent Non-Executive Director)
(Resigned on 22 June 2022)

AUDIT AND RISK MANAGEMENT COMMITTEE

Ong Keng Siew (Chairman)

Yeong Siew Lee

Datin Shelina Binti Razaly Wahi

SECRETARIES

Choo Sook Fun

Ong Wai Leng

AUDITORS

Grant Thornton Malaysia PLT
(Member Firm of Grant Thornton International Ltd.)
Chartered Accountants
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

REGISTERED OFFICE

Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South
No. 8, Jalan Kerinchi 59200 Kuala Lumpur

PRINCIPAL PLACE OF BUSINESS

3A, 5 & 6 Teknologi Kubik, No. 6, Jalan Teknologi 3/4, Taman Sains Selangor 1
Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan

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

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with 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 investment holding activities. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiaries during the financial year.

FINANCIAL RESULTS

	Group	Company
	RM	RM
Profit/(Loss) for the financial year	10,025,283	(120,626)
Attributable to:-		
Owners of the Company	10,036,694	(120,626)
Non-controlling interests	(11,411)	-
	10,025,283	(120,626)

DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

DIRECTORS' REPORT

DIRECTORS

The name of the Directors of the Company and its subsidiaries in office during the financial year and during the period commencing from the end of the financial year to the date of this report are as follows:-

Kok Kong Chin
 Chin Soo Mau*
 Tai Yee Chee*
 Wee Chek Aik*
 Ong Keng Siew
 Yeong Siew Lee
 Datin Shelina Binti Razaly Wah
 Ooi Youk Lan (Appointed on 22 June 2022)
 Teh Li King (Resigned on 22 June 2022)

* *Directors of the Company and certain subsidiaries.*

In accordance with Clause 128 of the Company's Constitution, Kok Kong Chin, Tai Yee Chee and Ooi Youk Lan will retire from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The Directors of the subsidiaries since the beginning of the financial year to date of this report, not including those Directors listed above are as follows:-

Chew Teik Siang
 Chong Lena
 Wong Boon Kwang
 Johann Sze Wei Qiang
 Teh Li King
 Yong Boon Chuan
 See Heng Chun (Appointed on 30 June 2022)
 Tan Kwang San (Appointed on 30 June 2022)
 Tong Pau Liong (Appointed on 30 June 2022)

DIRECTORS' REMUNERATIONS

During the financial year, the remunerations received and receivables by the Directors of the Company and its subsidiaries are as follows:-

	Incurred by the Company RM	Incurred by the subsidiaries RM	Total RM
Directors' fee	227,000	45,000	272,000
Salaries and other emoluments	969,655	1,975,748	2,945,403
Defined contribution plan	157,248	265,623	422,871
Social security contribution	2,503	8,243	10,746
	1,356,406	2,294,614	3,651,020

DIRECTORS' REPORT

DIRECTORS' REMUNERATIONS (CONT'D)

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016 in Malaysia, the interests and deemed interests in the ordinary shares of the Company and its related corporations of those who were Directors as at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) are as follows:-

	Number of ordinary shares		
	At 1.1.2022	Bought	Sold At 31.12.2022
Interests in the Company			
<u>Direct interests</u>			
Kok Kong Chin	150,000	-	150,000
Chin Soo Mau	225,061,800	-	225,061,800
Tai Yee Chee	66,776,900	-	66,776,900
Wee Chek Aik	55,638,300	-	55,638,300
Ooi Youk Lan	550,000	-	550,000
Ong Keng Siew	100,000	-	100,000
Yeong Siew Lee	100,000	-	100,000
Datin Shelina Binti Razaly Wah	100,000	-	100,000
<u>Deemed interest</u>			
Wee Chek Aik*	609,000	-	609,000

* Deemed interest by virtue of his shareholdings in Best Shine Avenue Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 in Malaysia.

By virtue of the direct interest of Chin Soo Mau in the Company, he is also deemed to have interest in the shares of all the subsidiaries during the financial year to the extent that the Company has an interest under Section 8 of the Companies Act 2016 in Malaysia.

Except as disclosed, none of the other Directors in office at the end of the financial year held any interest in shares of the Company or its any related corporations during the financial year.

DIRECTORS' REPORT

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains Directors' and Officers' liabilities insurance for the purpose of Section 289 of the Companies Act 2016 in Malaysia, throughout the financial year which provides appropriate insurance coverage for the Directors and Officers of the Company and its subsidiaries. The amount of indemnity coverage and insurance premium paid during the financial year were RM10,000,000 and RM8,500 respectively.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid-up capital and no issuance of debentures during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-

- (a) 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 satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

- (a) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONT'D)

At the date of this report, there does not exist:-

- (a) 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 liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

In the opinion of the Directors:-

- (a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the year 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;
- (b) the results of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the current financial year in which this report is made.

SUBSEQUENT EVENT

The subsequent event during the financial year is disclosed in Note 35 to the financial statements.

DIRECTORS' REPORT

AUDITORS

The Auditors, Grant Thornton Malaysia PLT have expressed their willingness to continue in office.

The amount of audit and other fees paid or payable to the Auditors, Grant Thornton Malaysia PLT, by the Group and the Company for the financial year ended 31 December 2022 are RM136,000 and RM24,000 respectively. Further details are disclosed in Note 26 to the financial statements.

The Group and the Company have agreed to indemnify the Auditors, Grant Thornton Malaysia PLT to the extent permissible under the provision of the Companies Act 2016 in Malaysia. However, no payment has been made arising from this indemnity for the financial year.

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

.....)	
TAI YEE CHEE)	
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)	DIRECTORS
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.....)	
CHIN SOO MAU)	

Kuala Lumpur
18 April 2023

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 83 to 171 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and of their financial performance and their cash flows for the financial year then ended.

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

.....
TAI YEE CHEE

.....
CHIN SOO MAU

Kuala Lumpur
18 April 2023

SECTION 4

FINANCIAL STATEMENTS

STATUTORY DECLARATION

I, Oh Keng Jin, being the Officer primarily responsible for the financial management of Pekat Group Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 83 to 171 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in)
the Federal Territory this day of)
18 April 2023)
OH KENG JIN
(MIA NO: 16866)

Before me:

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PEKAT GROUP BERHAD (Incorporated in Malaysia)
Registration No: 201901011563 (1320891-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Pekat Group 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 83 to 171.

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 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.

Impairment Losses on Trade Receivables and Contract Assets

The Risk

The key risk associated with the Group's trade receivables and contract assets is their recoverability. Assessing expected credit losses of trade receivables and contract assets requires management's judgement and the use of estimation in determining the probability of default occurring by considering the ageing of receivables and contract assets, historical loss experience and forward-looking information.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PEKAT GROUP BERHAD (Incorporated in Malaysia)
Registration No: 201901011563 (1320891-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (cont'd)

Impairment Losses on Trade Receivables and Contract Assets (cont'd)

The Risk (cont'd)

We have identified allowance for expected credit losses of trade receivables and contract assets as key audit matter due to the significance of trade receivables and contract assets and the significant estimation involved in determining the allowance for expected credit losses. Refer to Notes 11, 12 and 32.2.1 for the disclosures of trade receivables and contract assets.

Our Response

We have reviewed the ageing of trade receivables in comparison to previous years, testing the integrity of ageing by calculating the due date for a sample of invoices and reviewing the level of bad debts written off in the current year against the prior years. Besides, we have reviewed the ageing of the contract assets in comparison to previous years and reviewed the reversal of contract assets in the current year and prior years. We had also assessed the reasonableness of assumptions and judgements made by the management regarding the expected credit losses rates through examination of subsequent collections, subsequent billings and tested the operating effectiveness of the relevant control procedures that management has in place.

Inventories - Valuation Net

The Risk

The inventories as disclosed in Note 10 to the financial statements are significant to the total assets of the Group. The inventories are subject to a risk that the inventories become slow-moving or obsolete, such that they could not be sold or only be sold for selling prices that are less than the carrying value. There is inherent subjectivity and estimation required in determining the accuracy of inventory obsolescence provision and in making an assessment of its adequacy due to risks such as inventories prices not valid and inventories not stated at the lower of cost and net realisable value.

Our Response

We tested the methodology for calculating the provisions, challenged the appropriateness and consistency of judgements and assumptions, and considered the nature and suitability of historic data used in estimating the provisions. In doing so, we obtained understanding on the ageing profile of inventories, the process for identifying specific problem inventories and historic loss rates.

Revenue Recognition

The Risk

Referring to Note 23 to the financial statements. There are significant accounting judgements involved including determining the stage of completion, the timing of revenue recognition and the calculation under the percentage of completion method made by management in applying the Group's revenue recognition policies to installation contract entered into by the Group.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PEKAT GROUP BERHAD (Incorporated in Malaysia)
Registration No: 201901011563 (1320891-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (cont'd)

Revenue Recognition (cont'd)

The Risk (cont'd)

Contract revenue should include the amount agreed in the initial contract, plus revenue from alterations in the original contract work and plus claims that are expected to be collected and that can be measured reliably.

Our Response

We performed a range of audit procedures including obtained a sample of contracts or letter of awards, reviewed variation orders, reviewed estimated profit and costs to complete and enquired key personnel regarding adjustments for job costing and potential contract losses.

There is no key audit matter to be communicated in respect of the audit of the financial statements of the Company.

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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PEKAT GROUP BERHAD (Incorporated in Malaysia)
Registration No: 201901011563 (1320891-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Responsibilities of the Directors for the Financial Statements (cont'd)

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and of the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of 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 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 represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PEKAT GROUP BERHAD (Incorporated in Malaysia)
Registration No: 201901011563 (1320891-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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

- 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 communicated with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

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 threat or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

GRANT THORNTON MALAYSIA PLT
(201906003682 & LLP0022494-LCA)
CHARTERED ACCOUNTANTS (AF 0737)

PHON POOI YIN
(NO: 03654/04/2024 J)
CHARTERED ACCOUNTANT

Kuala Lumpur
18 April 2023

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	23,329,178	20,839,311	-	-
Investment property	5	147,200	150,400	-	-
Intangible assets	6	321,952	443,292	-	-
Investment in subsidiaries	7	-	-	79,139,980	79,139,980
Investment in associates	8	10,049,047	8,588,881	-	-
Amount due from a subsidiary	7	-	-	10,900,000	4,725,000
Amount due from an associate	8	1,270,583	-	-	-
Total non-current assets		35,117,960	30,021,884	90,039,980	83,864,980
Current assets					
Other investments	9	4,617,737	21,517,809	-	-
Inventories	10	25,595,597	34,276,476	-	-
Trade receivables	11	41,831,014	33,146,208	-	-
Contract assets	12	38,692,296	33,838,140	-	-
Other receivables	13	6,024,803	2,230,116	69,375	6,750
Amount due from subsidiaries	7	-	-	868,420	-
Amount due from associates	8	7,629,245	2,152,789	-	-
Tax recoverable		979,427	412,739	-	-
Fixed deposits with licensed banks	14	14,906,727	14,703,701	-	-
Cash and bank balances		14,214,436	28,198,911	424,695	7,457,840
Total current assets		154,491,282	170,476,889	1,362,490	7,464,590
TOTAL ASSETS		189,609,242	200,498,773	91,402,470	91,329,570

SECTION 4

FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company					
Share capital	15	93,515,918	93,515,918	93,515,918	93,515,918
Merger deficit	16	(50,079,980)	(50,079,980)	-	-
Retained earnings/(Accumulated losses)		85,951,374	75,914,680	(2,520,835)	(2,400,209)
		129,387,312	119,350,618	90,995,083	91,115,709
Non-controlling interests		87,121	98,532	-	-
TOTAL EQUITY		129,474,433	119,449,150	90,995,083	91,115,709
LIABILITIES					
Non-current liabilities					
Lease liabilities	17	2,439,065	899,194	-	-
Borrowings	18	1,555,804	2,468,483	-	-
Deferred tax liabilities	19	293,000	263,000	-	-
Total non-current liabilities		4,287,869	3,630,677	-	-
Current liabilities					
Trade payables	20	9,153,051	34,790,924	-	-
Contract liabilities	12	20,296,355	10,628,115	-	-
Other payables	21	5,341,927	4,887,043	226,887	213,861
Amount due to a related party	22	-	20,250	-	-
Lease liabilities	17	611,625	300,952	-	-
Borrowings	18	19,425,409	25,303,021	-	-
Tax payable		1,018,573	1,488,641	180,500	-
Total current liabilities		55,846,940	77,418,946	407,387	213,861
TOTAL LIABILITIES		60,134,809	81,049,623	407,387	213,861
TOTAL EQUITY AND LIABILITIES		189,609,242	200,498,773	91,402,470	91,329,570

The accompanying 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

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
Revenue	23	179,226,348	178,526,053	-	-
Cost of sales		(134,405,336)	(133,039,100)	-	-
Gross profit		44,821,012	45,486,953	-	-
Other income		1,778,895	1,970,884	1,932,000	29,932
Administration expenses		(30,023,973)	(28,295,585)	(2,240,068)	(2,475,488)
Net impairment gain/(loss) on financial assets		103,825	(774,040)	-	-
Other expenses		(837,036)	(808,626)	-	-
Operating profit/(loss)		15,842,723	17,579,586	(308,068)	(2,445,556)
Finance income	24	420,118	350,234	430,300	83,134
Finance costs	25	(1,803,706)	(980,466)	(858)	-
Share of (loss)/profit of associates	8	(24,834)	487,498	-	-
Profit/(Loss) before tax	26	14,434,301	17,436,852	121,374	(2,362,422)
Tax expense	27	(4,409,018)	(4,794,356)	(242,000)	-
Profit/(Loss) for the financial year		10,025,283	12,642,496	(120,626)	(2,362,422)
Other comprehensive income for the financial year, net of tax		-	-	-	-
Total comprehensive income/(loss) for the financial year		10,025,283	12,642,496	(120,626)	(2,362,422)

SECTION 4

FINANCIAL STATEMENTS

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
Profit/(Loss) for the financial year attributable to:-					
Owners of the Company		10,036,694	12,659,061	(120,626)	(2,362,422)
Non-controlling interests		(11,411)	(16,565)	-	-
		10,025,283	12,642,496	(120,626)	(2,362,422)
Total comprehensive income/(loss) attributable to:-					
Owners of the Company		10,036,694	12,659,061	(120,626)	(2,362,422)
Non-controlling interests		(11,411)	(16,565)	-	-
		10,025,283	12,642,496	(120,626)	(2,362,422)
Earnings per share					
Basic/Diluted earnings per share (sen)	28	1.56	2.66		

The accompanying 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					Total equity RM
	Non-distributable	Share capital RM	Merger deficit RM	Retained earnings RM	Non-controlling interests RM	
Group						
At 1 January 2021	550,040	-	63,255,619	63,805,659	70,097	63,875,756
Transactions with owners:-						
Shares issued pursuant to acquisition of subsidiaries under common control	50,630,000	(50,079,980)	-	550,020	-	550,020
Adjustment on the acquisition of subsidiaries	(550,020)	-	-	(550,020)	-	(550,020)
Issuance of shares	44,373,760	-	-	44,373,760	-	44,373,760
Subscription of shares in a subsidiary by non-controlling interests	-	-	-	-	45,000	45,000
Total transactions with owners	94,453,740	(50,079,980)	-	44,373,760	45,000	44,418,760
Share issuance expenses	(1,487,862)	-	-	(1,487,862)	-	(1,487,862)
Total comprehensive income/(loss) for the financial year	-	-	12,659,061	12,659,061	(16,565)	12,642,496
At 31 December 2021	93,515,918	(50,079,980)	75,914,680	119,350,618	98,532	119,449,150
Total comprehensive income/(loss) for the financial year	-	-	10,036,694	10,036,694	(11,411)	10,025,283
At 31 December 2022	93,515,918	(50,079,980)	85,951,374	129,387,312	87,121	129,474,433

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Share capital RM	Accumulated losses RM	Total RM
Company			
At 1 January 2021	20	(37,787)	(37,767)
Transactions with owners:-			
Shares issued pursuant to acquisition of subsidiaries under common control	50,630,000	-	50,630,000
Issuance of shares	44,373,760	-	44,373,760
Total transactions with owners	95,003,760	-	95,003,760
Share issuance expenses	(1,487,862)	-	(1,487,862)
Total comprehensive loss for the financial year	-	(2,362,422)	(2,362,422)
At 31 December 2021	93,515,918	(2,400,209)	91,115,709
Total comprehensive loss for the financial year	-	(120,626)	(120,626)
At 31 December 2022	93,515,918	(2,520,835)	90,995,083

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
OPERATING ACTIVITIES					
Profit/(Loss) before tax		14,434,301	17,436,852	121,374	(2,362,422)
Adjustments for:-					
Amortisation of intangible assets		152,606	192,828	-	-
Bad debts written off		56,167	192,469	-	-
Depreciation of investment property		3,200	-	-	-
Depreciation of property, plant and equipment		1,521,872	799,133	-	-
Dividend income		(18,552)	(345,563)	-	(29,932)
Fair value gain on other investment		(181,376)	(953)	-	-
Gain on disposal of property, plant and equipment		(25,695)	-	-	-
Gain on termination of lease contracts		(17,097)	-	-	-
Impairment loss on contract assets		365,695	412,862	-	-
Impairment loss on intangible assets		-	92,750	-	-
Impairment loss on other receivables		900	-	-	-
Impairment loss on trade receivables		1,482,203	1,491,462	-	-
Interest expenses		1,803,706	980,466	858	-
Interest income		(420,118)	(350,234)	(430,300)	(83,134)
Inventories written down		286,439	565	-	-
Property, plant and equipment written off		464	-	-	-
Reversal of impairment loss on contract assets		(219,605)	(413,641)	-	-
Reversal of impairment loss on trade receivables		(1,586,928)	(717,422)	-	-
Reversal of inventories written down		(184,976)	(110,622)	-	-
Reversal of provision for foreseeable losses		(15,176)	(410,139)	-	-
Share of loss/(profit) of associates		24,834	(487,498)	-	-
Unrealised loss/(gain) on foreign exchange		142,770	(172,478)	-	-
Operating profit/(loss) before working capital changes		17,605,634	18,590,837	(308,068)	(2,475,488)
Changes in working capital:-					
Inventories		8,579,416	(23,147,477)	-	-
Receivables		(12,558,348)	(3,773,416)	(62,625)	(390)
Payables		(25,158,415)	16,786,269	13,026	169,714
Contract assets/liabilities		4,683,170	(7,544,690)	-	-
Associates		(6,733,050)	7,311,353	-	-
Cash (used in)/generated from operations		(13,581,593)	8,222,876	(357,667)	(2,306,164)
Interest received		88,525	27,833	539	12,300
Tax refunded		586,903	-	-	-
Tax paid		(6,002,677)	(5,031,007)	(61,500)	-
Net cash (used in)/from operating activities		(18,908,842)	3,219,702	(418,628)	(2,293,864)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
INVESTING ACTIVITIES					
Acquisition of a subsidiary, net of cash		-	-	-	(79,139,980)
Acquisition of associates		-	(1,001,904)	-	-
Additional investment in an associate		(1,485,000)	(4,950,000)	-	-
Advances to a subsidiary		-	-	(7,043,420)	(4,725,000)
Advances to associates		(13,989)	(223,606)	-	-
Dividend received		18,552	345,563	-	29,932
Interest received		63,467	63,006	429,761	70,834
Proceeds from disposal of other investment		17,081,448	-	-	-
Proceeds from disposal of property, plant and equipment		841,000	-	-	-
Purchase of intangible assets		(31,266)	(88,462)	-	-
Purchase of other investment		-	(20,358,268)	-	-
Purchase of property, plant and equipment	A	(1,579,848)	(779,067)	-	-
Subscription of shares in a subsidiary by non-controlling interests		-	45,000	-	-
Net cash from/(used in) investing activities		14,894,364	(26,947,738)	(6,613,659)	(83,764,214)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
FINANCING ACTIVITIES					
Drawdown of bankers' acceptance		66,259,550	64,893,020	-	-
Drawdown of term loan		-	50,374	-	-
Drawdown of trust receipt		1,392,000	1,922,000	-	-
Fixed deposits pledged with licensed banks		(203,026)	(5,568,623)	-	-
Interest paid		(1,803,706)	(980,466)	(858)	-
Interest received		227,295	160,984	-	-
Proceeds from issue of share capital, net of share issuance expense		-	42,885,898	-	93,515,898
Repayment of bankers' acceptance		(70,973,366)	(54,895,848)	-	-
Repayment of lease liabilities		(1,380,019)	(389,533)	-	-
Repayment of term loan		(854,475)	(10,547,158)	-	-
Repayment of trust receipt		(2,614,000)	(700,000)	-	-
(Repayment to)/Advances from a related party		(20,250)	20,250	-	-
Net cash (used in)/from financing activities		(9,969,997)	36,850,898	(858)	93,515,898
CASH AND CASH EQUIVALENTS					
Net changes		(13,984,475)	13,122,862	(7,033,145)	7,457,820
Brought forward		28,198,911	15,076,049	7,457,840	20
Carried forward	B	14,214,436	28,198,911	424,695	7,457,840

SECTION 4

FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

NOTES TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Total purchase of property, plant and equipment	4,948,427	1,715,967	-	-
Less: Financed by lease liabilities	(3,368,579)	(936,900)	-	-
	1,579,848	779,067	-	-

B. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Cash and bank balances	14,214,436	28,198,911	424,695	7,457,840
Fixed deposits with licensed banks	14,906,727	14,703,701	-	-
	29,121,163	42,902,612	424,695	7,457,840
Less: Fixed deposits pledged with licensed banks	(14,906,727)	(14,703,701)	-	-
	14,214,436	28,198,911	424,695	7,457,840

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2022 RM	Drawdown RM	Repayment RM	Termination RM	31 December 2022 RM
Group					
Amount due to a related party	20,250	-	(20,250)	-	-
Bankers' acceptance	23,222,449	66,259,550	(70,973,366)	-	18,508,633
Lease liabilities	1,200,146	3,368,579	(1,380,019)	(138,016)	3,050,690
Term loan	3,327,055	-	(854,475)	-	2,472,580
Trust receipt	1,222,000	1,392,000	(2,614,000)	-	-
	28,991,900	71,020,129	(75,842,110)	(138,016)	24,031,903

	1 January 2021 RM	Drawdown RM	Repayment RM	Termination RM	31 December 2021 RM
Group					
Amount due to a related party	-	20,250	-	-	20,250
Bankers' acceptance	13,225,277	64,893,020	(54,895,848)	-	23,222,449
Lease liabilities	652,779	936,900	(389,533)	-	1,200,146
Term loan	13,823,839	50,374	(10,547,158)	-	3,327,055
Trust receipt	-	1,922,000	(700,000)	-	1,222,000
	27,701,895	67,822,544	(66,532,539)	-	28,991,900

SECTION 4

FINANCIAL STATEMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

1. GENERAL INFORMATION

The Company is a public limited company, incorporated and domiciled in Malaysia and is listed on the ACE Market of the Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

The principal place of business of the Company is located at 3A, 5 & 6 Teknologi Kubik, No. 6, Jalan Teknologi 3/4, Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan.

The Company is principally engaged in investment holding activities. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year.

The financial statements were authorised for issue by the Directors in accordance with a resolution of the Board of Directors on 18 April 2023.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of Companies Act 2016 in Malaysia.

2.2 Basis of measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention, except for equity financial assets that have been measured at fair value.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. BASIS OF PREPARATION (CONT'D)

2.2 Basis of measurement (cont'd)

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

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

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

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

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

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

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

2.3 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. BASIS OF PREPARATION (CONT'D)

2.4 Adoption of new standards/amendments/improvements to MFRSs

The Group and the Company have consistently applied the accounting policies set out in Note 3 to the financial statements to all periods presented in these financial statements.

At the beginning of the current financial year, the Group and the Company adopted new standards/amendments/improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2022.

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

2.5 Standards issued but not yet effective

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

Effective for the financial period beginning on or after 1 January 2023:-

MFRS 17 ^{**} and amendments to MFRS 17 ^{**}	Insurance Contracts
Amendments to MFRS 17 ^{**}	Initial Application of MFRS 17 and MFRS 9: Comparative Information
Amendments to MFRS 101	Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current
Amendments to MFRS 101	Presentation of Financial Statements: Disclosure of Accounting Policies
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
Amendments to MFRS 112	Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Effective for the financial period beginning on or after 1 January 2024:-

Amendments to MFRS 16	Leases: Lease Liability in a Sale and Leaseback
Amendments to MFRS 101	Presentation of Financial Statements: Non-current Liabilities with Covenants

Effective date deferred indefinitely:-

Amendments to MFRS 10 [*] and MFRS 128 [*]	Consolidated Financial Statements and Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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* Not applicable to the Company.

Not applicable to the Group.

The initial application of the accounting standards, interpretations and amendments are not expected to have any material financial impact to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements

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

2.6.1 Key sources of estimation uncertainty

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

Useful lives of depreciable assets

The management assesses that the useful lives represent the expected utility of the assets to the Group. The management estimates the useful lives of the property, plant and equipment and right-of-use assets to be within 3 to 50 years and reviews the useful lives of the depreciable assets at the end of each reporting year. Actual results, however, may vary due to change in the expected level of usage and technological developments which resulting the adjustment to the Group's assets.

Amortisation of intangible assets

The software licenses are amortised on a straight-line basis over their useful lives of 5 years. The Group assesses annually the useful lives of the intangible assets and if the expectation differs from the original estimate, such difference will impact the amortisation expenses in the period in which such estimate had been changed.

Inventories

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

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

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Key sources of estimation uncertainty (cont'd)

Provision for expected credit losses ("ECLs") of trade receivables and contract assets (cont'd)

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

Impairment of non-financial assets

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

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

Revenue from contracts with customers

Revenue is recognised when or as the control of the asset is transferred to our customers and, depending on the terms of the contract and the applicable laws governing the contract, control of the asset may transfer over time or at a point in time. If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress, based on the physical proportion of contract work-to-date certified by the Group and the customers.

Significant judgment is required in determining the progress based on the certified work-to-date corroborated by the level of completion of the construction and installation based on actual costs incurred to-date over the estimated total construction and installation costs. The total estimated costs are based on approved budgets, which require assessments and judgments to be made on changes in, for example, work scope, changes in costs and costs to completion. In making these judgments, management relies on past experience and the work of specialists. A change in the estimates will directly affect the revenue to be recognised.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Key sources of estimation uncertainty (cont'd)

Income taxes/Deferred tax liabilities

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters result is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets

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

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

2.6.2 Significant management judgement

The following are significant management judgements made in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies, as summarised below, consistently throughout all periods presented in the financial statements, unless otherwise stated.

3.1 Consolidation

3.1.1 Subsidiaries

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

Investment in subsidiaries is stated at cost less any impairment losses in the Company's financial position, unless the investment is held for sale or distribution. The cost of investments includes transaction costs. Where an indication of impairment exist, the carrying amount of the subsidiaries is assessed and written down immediately to their recoverable amount.

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

3.1.2 Basis of consolidation

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in asset, such as inventory and property, plant and equipment) are eliminated in full in preparing the consolidated financial statements. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Temporary differences arising from the elimination of profits and losses resulting from intragroup transactions will be treated in accordance to Note 3.14 of the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.2 Basis of consolidation (cont'd)

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

3.1.3 Merger method

A business combination involving entities under common control is a business combination in which all the combining entities or business are ultimately controlled by same party or parties both before or after the business combination, and that control is not transitory. The acquisition of Pekat Teknologi Sdn. Bhd. and its subsidiaries resulted in a business involving common control entities since the management of all the entities which took part in the acquisition were controlled by common Directors and under common shareholders before and immediately after the acquisition, and accordingly the accounting treatment is outside the scope of MFRS 3. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the consolidated financial statements. The merger method of accounting on a retrospective basis and restated its comparative as if the consolidation had taken place before the state of the earliest period presented in the financial statements.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current year. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholders at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any 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.

3.1.4 Loss of control

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.5 Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statements of financial position and statements of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statements of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the financial year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interest even if that results in a deficit balance.

3.1.6 Eliminations on consolidation

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated on consolidation.

3.1.7 Associates

Associates are entities in which the Group has significant influence, but no control, over their financial and operating policies.

The Group's investments in associates are accounted for using the equity method. Under the equity method, investment in an associate is carried in the statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The share of the result of an associate is reflected in profit or loss. This is the profit attributable to equity holders of the associate and therefore is the profit after tax and non-controlling interests in the subsidiaries of the associate. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investment is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Where there has been a change recognised directly in the equity of an associate, the Group recognises its share of any changes and discloses this, when applicable, in the statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associates are prepared as of the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies of the associates in line with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.7 Associates (cont'd)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates. The Group determines at each end of the reporting period whether there is any objective evidence that the investments in the associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and their carrying value, then recognises the amount in the "share of profit of investments accounted for using the equity method" in profit or loss.

Upon loss of significant influence over an associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

3.2 Foreign currency transactions and balances

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

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

All differences are taken to the profit or loss.

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

3.3 Property, plant and equipment

Property, plant and equipment are initially stated at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

All property, plant and equipment are subsequently stated at cost less accumulated depreciation and less any impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bring the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised on the straight-line method in order to write off the cost of each asset over its estimated useful life. All property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Leased buildings	17% - 33%
Leasehold building	2%
Solar systems	4% - 20%
Furniture and fittings	20%
Office equipment	20%
Plant and machinery	20%
Renovation	20%
Motor vehicles	20%

Freehold land is not depreciated but is subject to impairment test if there is indication of impairment.

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

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

3.4 Investment properties

Investment properties are properties which are owned or held under a freehold interest to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Investment properties (cont'd)

Investment properties are initially measured at cost. The cost of investment properties includes expenditure that is directly attributable to the acquisition of the assets. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of building is provided for on a straight line basis to write off the cost over its estimated useful life at 2% per annum.

Investment properties are derecognised when either they have been disposed off or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on retirement or disposal of an investment property are recognised in the statements of profit or loss in the financial year in which they arise.

3.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The useful life of intangible assets is assessed to be either finite or indefinite. Intangible assets with finite life are amortised on straight-line basis over the estimated economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by charging the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful life is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Gain or losses arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

3.5.1 Software licenses

Software licences that is embedded in computer-controlled equipment, including operating system that cannot operate without that specific software is an integral part of the related hardware and is treated as property, plant and equipment.

Application software that is being used on a computer that is generally easily replaced and is not an integral part of the related hardware is classified as intangible asset.

Due to the risk of technological changes, the useful lives of all software licences are generally assessed to be finite. Software licences that are classified as intangible assets are amortised on a straight-line basis over its estimated useful life of 5 years.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases

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

3.6.1 As a lessee

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

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:-

Leased buildings	17% - 33%
Motor vehicles	20%

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

The right-of-use assets are also subject to impairment. The accounting policies for impairment of non-financial assets is set out in Note 3.7 to the financial statements.

Lease liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases (cont'd)

3.6.1 As a lessee (cont'd)

Lease liabilities (cont'd)

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of plant, machinery, equipment and premises (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.6.2 As a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statements of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.7 Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and 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. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment of non-financial assets (cont'd)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

An impairment loss is recognised as expense in profit or loss immediately.

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

3.8 Financial instruments

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

3.8.1 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Financial instruments (cont'd)

3.8.1 Financial assets (cont'd)

Initial recognition and measurement (cont'd)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:-

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at fair value through profit or loss.

At the reporting date, the Group and the Company only have financial assets at amortised cost and financial assets at fair value through profit or loss.

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's and the Company's financial assets at amortised cost include trade receivables, most of other receivables, amount due from subsidiaries/ associates, fixed deposits with licensed banks and cash and bank balances.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Financial instruments (cont'd)

3.8.1 Financial assets (cont'd)

Subsequent measurement (cont'd)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the statements of profit or loss.

This category includes listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statements of profit or loss when the right of payment has been established.

The Group's equity instruments at fair value through profit or loss includes other investments.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:-

- The rights to receive cash flows from the asset have expired; or
- The Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Financial instruments (cont'd)

3.8.1 Financial assets (cont'd)

Impairment

The Group and the Company recognise an allowance for ECLs on financial assets measured at amortised cost and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether the financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of financial assets have occurred.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Financial instruments (cont'd)

3.8.1 Financial assets (cont'd)

Impairment (cont'd)

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

3.8.2 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:-

- Financial liabilities at fair value through profit or loss; or
- Financial liabilities at amortised cost.

Financial liabilities at amortised cost

Payables and borrowings are recognised initially at fair value plus transaction costs and thereafter, at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the profit or loss.

Financial liabilities are classified as current liabilities for those having maturity dates of not more than 12 months after the reporting date, and the balance is classified as non-current.

The Group's and the Company's financial liabilities at amortised cost included trade payables, most of other payables, amount due to a related party and borrowings.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Financial instruments (cont'd)

3.8.2 Financial liabilities (cont'd)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statements of profit or loss.

3.8.3 Offsetting of financial instruments

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

3.8.4 Financial guarantee contracts

Financial guarantee contracts issued by the Group and the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specific debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

3.9 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on weighted average basis and includes invoices of goods purchased and expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Write-down to net realisable value and inventory losses are recognised as expense when it occurred and any reversal is recognised in the profit or loss in the year in which it occurs.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Cash and cash equivalents

Cash and cash equivalents comprise fixed deposits with licensed banks, cash in hand and bank balances which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of pledged deposits.

3.11 Equity, reserves and distribution to owners

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

Retained earnings/(Accumulated losses) include all current year's and prior years' profits/accumulated losses.

Interim dividends are recognised in equity in the periods in which they are declared.

Final dividends proposed by the Directors are not accounted for in shareholders' equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

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

3.12 Revenue and other income

3.12.1 Sales of goods

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group and the Company recognise revenue when (or as) it transfers control over a product or services to the customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group and the Company transfer control of a good or service at a point in time unless one of the following overtime criteria is met:-

- (a) the customer simultaneously receives and consumes the benefits provided as the Group and the Company perform;
- (b) the Group's and the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's and the Company's performance do not create an asset with an alternative use and the Group and the Company have an enforceable right to payment for performance completed to date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Revenue and other income (cont'd)

3.12.2 Installation and maintenance services

Revenue from the installation and maintenance of on-grid and off-grid photovoltaic systems and earthing and lighting protection system is recognised by reference to the stage of completion. Stage of completion is measured by reference to actual cost incurred to date as a percentage of total budgeted cost for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

3.12.3 Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

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

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

3.12.4 Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

3.12.5 Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

3.12.6 Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which is in the case of quoted securities is the ex-dividend date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Revenue and other income (cont'd)

3.12.7 Management fee income

Management fees are recognised when services are rendered.

3.13 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

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

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

3.14 Tax expense

Tax expense comprises current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

3.14.1 Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the financial year, using tax rates enacted or substantively enacted by the end of the reporting year, and any adjustment to tax payable in respect of previous financial years.

Current tax for current and prior periods is recognised in the statements of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).

3.14.2 Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Tax expense (cont'd)

3.14.2 Deferred tax (cont'd)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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

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

3.15 Sales and service tax ("SST")

Expenses and assets are recognised net of the amount of SST, except:

- When the SST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the SST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of SST included.

The net amount of payable to the taxation authority is included as part of payables in the statements of financial position.

3.16 Employee benefits

3.16.1 Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year, 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 leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Employee benefits (cont'd)

3.16.2 Defined contribution plans

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

Such contributions are recognised as expenses in the profit or loss incurred. As required by law, the Company makes such contributions to the Employees Provident Fund ("EPF").

3.17 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group and the Company expect some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the profit or loss net of any reimbursement.

If the effect of the time of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.18 Contingencies

3.18.1 Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.18.2 Contingent assets

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the board of directors that makes strategic decisions.

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, results, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, results, assets and liabilities are determined after elimination of intragroup balances and intragroup transactions as part of the consolidation process.

3.20 Earnings per ordinary share

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company based on the weighted average number of ordinary shares in issue during the financial year.

Diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company over on the weighted average number of shares in issue, for the effects of all dilutive potential ordinary shares during the financial year.

3.21 Related parties

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

- (a) A person or a close member of that person's family is related to the Group and the Company if that person:-
- (i) Has control or joint control over the Group and the Company;
 - (ii) Has significant influence over the Group and the Company; or
 - (iii) Is a member of the key management personnel of the corporate shareholders of the Group or the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 Related parties (cont'd)

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Leasehold building RM	Solar systems RM	Furniture and fittings RM	Office equipment RM	Plant and machinery RM	Renovation RM	Leased buildings RM	Motor vehicles RM	Total RM
At 1 January 2021	17,821,681	160,000	1,554,714	385,061	1,580,709	250,321	3,198,422	264,472	2,430,917	27,646,297
Additions	-	-	-	31,989	431,021	-	107,825	-	1,145,132	1,715,967
Transfer to investment property	-	(160,000)	-	-	-	-	-	-	-	(160,000)
At 31 December 2021	17,821,681	-	1,554,714	417,050	2,011,730	250,321	3,306,247	264,472	3,576,049	29,202,264
Additions	-	-	-	177,358	830,058	-	418,893	2,380,479	1,141,639	4,948,427
Disposals	-	-	-	-	-	-	-	-	(1,236,086)	(1,236,086)
Written off	-	-	-	(48,217)	(35,807)	-	-	-	-	(84,024)
Termination of lease contracts	-	-	-	-	-	-	-	(264,472)	-	(264,472)
At 31 December 2022	17,821,681	-	1,554,714	546,191	2,805,981	250,321	3,725,140	2,380,479	3,481,602	32,566,109
Accumulated depreciation										
At 1 January 2021	-	6,400	1,429,603	337,470	847,080	6,400	2,945,087	82,678	1,918,702	7,573,420
Charge for the financial year	-	3,200	5,274	20,364	275,368	51,036	96,747	44,079	303,065	799,133
Transfer to investment property	-	(9,600)	-	-	-	-	-	-	-	(9,600)
At 31 December 2021	-	-	1,434,877	357,834	1,122,448	57,436	3,041,834	126,757	2,221,767	8,362,953
Charge for the financial year	-	-	5,273	43,634	412,665	11,664	150,736	427,835	470,065	1,521,872
Disposals	-	-	-	-	-	-	-	-	(420,781)	(420,781)
Written off	-	-	-	(48,217)	(35,343)	-	-	-	-	(83,560)
Termination of lease contracts	-	-	-	-	-	-	-	(143,553)	-	(143,553)
At 31 December 2022	-	-	1,440,150	353,251	1,499,770	69,100	3,192,570	411,039	2,271,051	9,236,931
Net carrying amount										
At 31 December 2022	17,821,681	-	1,144,564	192,940	1,306,211	181,221	532,570	1,969,440	1,210,551	23,329,178
At 31 December 2021	17,821,681	-	1,198,337	59,216	889,282	192,885	264,413	137,715	1,354,282	20,839,311

The freehold land is pledged to a licensed bank for banking facilities granted to the Group as disclosed in Note 18 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

Leased assets

Included in the net carrying amount of property, plant and equipment are right-of-use assets as below:-

	Leasehold building RM	Leased buildings RM	Motor vehicles RM	Total RM
Group				
Cost				
At 1 January 2021	160,000	264,472	1,802,700	2,227,172
Additions	-	-	1,100,132	1,100,132
Transfer to investment property	(160,000)	-	-	(160,000)
Transfer to property, plant and equipment	-	-	(789,951)	(789,951)
At 31 December 2021	-	264,472	2,112,881	2,377,353
Additions	-	2,380,479	1,132,839	3,513,318
Disposals	-	-	(1,019,132)	(1,019,132)
Termination of lease contracts	-	(264,472)	-	(264,472)
Transfer to property, plant and equipment	-	-	(82,679)	(82,679)
At 31 December 2022	-	2,380,479	2,143,909	4,524,388
Accumulated depreciation				
At 1 January 2021	6,400	82,678	1,304,296	1,393,374
Charge for the financial year	3,200	44,079	290,856	338,135
Transfer to investment property	(9,600)	-	-	(9,600)
Transfer to property, plant and equipment	-	-	(739,758)	(739,758)
At 31 December 2021	-	126,757	855,394	982,151
Charge for the financial year	-	427,835	457,098	884,933
Disposals	-	-	(203,826)	(203,826)
Termination of lease contracts	-	(143,553)	-	(143,553)
Transfer to property, plant and equipment	-	-	(82,678)	(82,678)
At 31 December 2022	-	411,039	1,025,988	1,437,027
Net carrying amount				
At 31 December 2022	-	1,969,440	1,117,921	3,087,361
At 31 December 2021	-	137,715	1,257,487	1,395,202

The above motor vehicles are under finance lease arrangement and are pledged as security for the related lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

5. INVESTMENT PROPERTY

	Leasehold building RM
Group	
Cost	
At 1 January 2021	-
Transfer from property, plant and equipment	160,000
At 31 December 2021/At 31 December 2022	160,000
Accumulated depreciation	
At 1 January 2021	-
Transfer from property, plant and equipment	9,600
At 31 December 2021	9,600
Charge for the financial year	3,200
At 31 December 2022	12,800
Net carrying amount	
At 31 December 2022	147,200
At 31 December 2021	150,400

In the prior financial year, a property had been transferred from property, plant and equipment to investment property, as the leasehold building was no longer used by the Group and leased to a third party.

Fair value information

The fair value of investment property of the Group is categorised as follows:-

	Group	
	Level 3 2022 RM	Level 3 2021 RM
Leasehold building	154,000	180,000

The fair value of investment property of the Group as at 31 December 2022 and 31 December 2021 was based on information available through internet research and the Directors' best estimate by reference to indicative market price of similar properties in the vicinity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

5. INVESTMENT PROPERTY (CONT'D)

Income and expenses recognised in profit or loss

	Group	
	2022 RM	2021 RM
Rental income from investment property	3,600	3,600
Direct operating expenses:		
- Income generating investment property	571	1,144

6. INTANGIBLE ASSETS

	Software licenses RM
Group	
Cost	
At 1 January 2021	917,154
Additions	88,462
At 31 December 2021	1,005,616
Additions	31,266
At 31 December 2022	1,036,882
Accumulated amortisation	
At 1 January 2021	276,746
Amortisation for the financial year	192,828
At 31 December 2021	469,574
Amortisation for the financial year	152,606
At 31 December 2022	622,180
Accumulated impairment loss	
At 1 January 2021	-
Impairment loss for the financial year	92,750
At 31 December 2021/At 31 December 2022	92,750
Net carrying amount	
At 31 December 2022	321,952
At 31 December 2021	443,292

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

6. INTANGIBLE ASSETS (CONT'D)

Impairment loss on intangible assets of the Group had been recognised due to the recoverable amount of the intangible assets was lower than the carrying amount.

The recoverable amount of the intangible assets is assessed based on value-in-use and compared to the carrying amount of the intangible assets to determine whether any impairment exists.

7. SUBSIDIARIES

Investment in subsidiaries

	Company	
	2022 RM	2021 RM
Unquoted shares, at cost	79,139,980	79,139,980

Details of the subsidiaries are as follows:-

Name of company	Principal place of business	Effective interest		Principal activities
		2022 %	2021 %	
Held by the Company:-				
Pekat Teknologi Sdn. Bhd.	Malaysia	100	100	Investment holding and trading of electrical engineering products and operates as a general contractor.
Held by Pekat Teknologi Sdn. Bhd.:-				
Solaroo Systems Sdn. Bhd.	Malaysia	100	100	Design, supply and install smaller scale solar PV systems for residential and commercial and industrial projects.
E & LP Engineering Sdn. Bhd.	Malaysia	100	100	Distribution of electrical products and accessories.
Pekat Solar Sdn. Bhd.	Malaysia	100	100	Design, supply and installation of solar PV system and power plants and related services.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

7. SUBSIDIARIES (CONT'D)

Investment in subsidiaries (cont'd)

Details of the subsidiaries are as follows (cont'd):-

Name of company	Principal place of business	Effective interest		Principal activities
		2022 %	2021 %	
Held by Pekat Teknologi Sdn. Bhd. (cont'd):-				
Pekat Engineering Sdn. Bhd.	Malaysia	100	100	Distribution of electrical products and accessories.
Pekat E & LP Sdn. Bhd.	Malaysia	100	100	Supply and installation of ELP systems.
Solaroo RE Sdn. Bhd.	Malaysia	100	100	Dormant.
Pnexsoft Sdn. Bhd.	Malaysia	70	70	Development and distribution of software applications.
Pekat RE Maintenance Sdn. Bhd.	Malaysia	100	100	Energy supply services and maintenance.

2021

Acquisition of subsidiaries

- (a) On 17 March 2021, the Company had acquired 506,300,000 ordinary shares representing 100% equity interest in Pekat Teknologi Sdn. Bhd., for a total cash consideration of RM50,630,000. After the acquisition, Pekat Teknologi Sdn. Bhd. become a wholly-owned subsidiary of the Company.
- (b) On 12 May 2021, a subsidiary of Pekat Teknologi Sdn. Bhd., Pnexsoft Sdn. Bhd. issue 105,000 new ordinary shares which was acquired by Pekat Teknologi Sdn. Bhd. for a cash consideration of RM105,000.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

7. SUBSIDIARIES (CONT'D)

2021 (cont'd)

Acquisition of subsidiaries (cont'd)

- (c) On 14 July 2021, a wholly-owned subsidiary of the Company, Pekat Teknologi Sdn. Bhd. issue 28,509,980 new ordinary shares which was acquired by the Company for a cash consideration of RM28,509,980.
- (d) On 10 September 2021, a wholly-owned subsidiary of the Company, Pekat Teknologi Sdn. Bhd. incorporated a wholly-owned subsidiary, Solaroo RE Sdn. Bhd., with cash subscription of RM10.
- (e) On 30 September 2021, a wholly-owned subsidiary of Pekat Teknologi Sdn. Bhd., Solaroo Systems Sdn. Bhd. issue 200,000 new ordinary shares which was acquired by Pekat Teknologi Sdn. Bhd. for a cash consideration of RM200,000.
- (f) On 30 September 2021, a wholly-owned subsidiary of Pekat Teknologi Sdn. Bhd., Solaroo RE Sdn. Bhd. issue 1,999,990 new ordinary shares which was acquired by Pekat Teknologi Sdn. Bhd. for a cash consideration of RM1,999,990.
- (g) On 28 December 2021, a wholly-owned subsidiary of the Company, Pekat Teknologi Sdn. Bhd. incorporated a wholly-owned subsidiary, Pekat RE Maintenance Sdn. Bhd., with cash subscription of RM10.

The consolidated financial statements have been prepared using the merger method to account for the acquisition of Pekat Teknologi Sdn. Bhd. and its subsidiaries. Merger reserve or deficit are determined as the difference between the cost of merger and nominal value of the share capital of the subsidiaries acquired and recognised in statements of financial position.

Impact of the acquisition on the consolidated statements of profit or loss and other comprehensive income

In the financial period when the merger took place, the subsidiaries' profits are included in the Group's profits for the full financial period, regardless of the effective date of merger.

Non-controlling interests in a subsidiary

The Group's subsidiary that has non-controlling interests is as follow:-

	Group	
	Pnexsoft Sdn. Bhd.	
	2022	2021
Percentage of ownership interest and voting interest (%)	30	30
Carrying amount of non-controlling interest (RM)	87,121	98,532
Total comprehensive loss allocated to non-controlling interests (RM)	(11,411)	(16,565)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

7. SUBSIDIARIES (CONT'D)

Non-controlling interests in a subsidiary (cont'd)

The summary of financial information before intra-group elimination for the Group's subsidiary that have material non-controlling interests is as below:-

	Group	
	2022 RM	2021 RM
Summary of financial position as at 31 December		
Non-current assets	5,378	7,334
Current assets	438,148	545,053
Current liabilities	(153,124)	(223,949)
Equity attributable to owners of the Company	290,402	328,438
Non-controlling interests	87,121	98,532
Revenue	692,573	667,542
Expense	(730,609)	(722,760)
Loss for the financial year/Total comprehensive loss	(38,036)	(55,218)
Loss and other comprehensive loss attributable to owners of the Company	(26,625)	(38,653)
Loss and other comprehensive loss attributable to non-controlling interest	(11,411)	(16,565)
Loss and other comprehensive loss for the financial year	(38,036)	(55,218)
Summary of cash flows for the financial year ended 31 December		
Net cash flows used in operating activities	(70,849)	(111,888)
Net cash flows used in investing activities	-	(4,399)
Net cash flows from financing activities	4,584	150,000
Net cash (outflows)/inflows	(66,265)	33,713

Amount due from subsidiaries

	Company	
	2022 RM	2021 RM
Non-current	10,900,000	4,725,000
Current	868,420	-
	11,768,420	4,725,000

The amount due from subsidiaries are non-trade related, unsecured, interest free and repayable on demand except for RM10,900,000 (2021: RM4,725,000) bear interest rate of 4.85% (2021: 3.52%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

8. ASSOCIATES

Investment in associates

	Group	
	2022 RM	2021 RM
Unquoted shares, at cost	8,258,457	6,773,457
Share of post-acquisition profits	1,790,590	1,815,424
	10,049,047	8,588,881

Details of the Group's associate are as follows:-

Name of company	Principal place of business	Effective interest		Principal activities
		2022 %	2021 %	
Held by Pekat Teknologi Sdn. Bhd.:-				
Pekat Energy (Sarawak) Sdn. Bhd.	Malaysia	49	49	Design, supply and installation of solar PV systems and power plants in Sarawak.
Sunway Pekat Solar Sdn. Bhd. [^]	Malaysia	40	40	Design, supply and installation of solar PV systems and power plants for Sunway group of companies.
J8K Energy Sdn. Bhd. [^]	Malaysia	49	49	Dormant.
MFP Solar Sdn. Bhd. [^]	Malaysia	45	45	Build, own and operate solar PV power plants.
UP Solar Sdn. Bhd. [^]	Malaysia	40	40	To undertake solar photovoltaic business activities.
MFP Solar International Ltd. [^]	British Virgin Islands	45	45	Investment holding.

[^] Associates not audited by Grant Thornton Malaysia PLT.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

8. ASSOCIATES (CONT'D)**Investment in associates (cont'd)**

The summary of financial information of the associates, not adjusted for the proportion of ownership interest held by the Group are as follows:-

Group	Pekat Energy (Sarawak) Sdn. Bhd.		Sunway Pekat Solar Sdn. Bhd.		J8K Energy Sdn. Bhd.		MFP Solar Sdn. Bhd.		UP Solar Sdn. Bhd.		MFP Solar International Ltd.		Total RM
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
Summary of financial position as at 31 December 2022													
Non-current assets	1,099,623	-	-	54,966,551	4,308,686	153,650	60,528,510						
Current assets	4,777,351	4,603,814	2,913	2,399,449	1,283,357	2,814,438	15,881,322						
Non-current liabilities	(537,628)	(21,979)	-	(35,055,191)	-	-	(35,614,798)						
Current liabilities	(4,578,275)	(1,757,138)	(30,981)	(5,449,010)	(3,195,959)	(3,129,257)	(18,140,620)						
Net assets/(liabilities)	761,071	2,824,697	(28,068)	16,861,799	2,396,084	(161,169)	22,654,414						
Summary of financial performance for the financial year ended 31 December 2022													
Revenue	7,289,009	3,634,846	-	5,980,708	-	-	16,904,563						
Total comprehensive (loss)/income	(459,522)	(280,207)	(6,905)	777,942	(94,147)	(86,782)	(143,962)						
Reconciliation of net assets to carrying amount as at 31 December 2022													
Carrying amount of proportion of the Group's ownership	372,925	1,129,879	-	7,587,810	958,433	-	10,049,047						
Group's share of results for the financial year ended 31 December 2022													
Group's share of post-acquisition (loss)/profit	(225,166)	(112,083)	-	350,074	(37,659)	-	(24,834)						

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

8. ASSOCIATES (CONT'D)

Investment in associates (cont'd)

The summary of financial information of the associates, not adjusted for the proportion of ownership interest held by the Group are as follows (cont'd):-

Group	Pekati Energy (Sarawak) Sdn. Bhd.		Sunway Pekati Solar Sdn. Bhd.		J8K Energy Sdn. Bhd.		MFP Solar Sdn. Bhd.		UP Solar Sdn. Bhd.		MFP Solar International Ltd.		Total RM
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
Summary of financial position as at 31 December 2021													
Non-current assets	1,166,923	170,139	-	45,828,569	-	145,775	-	47,311,406					
Current assets	5,822,668	13,875,208	2,922	2,887,926	2,491,531	2,677,649	27,757,904						
Non-current liabilities	(581,865)	-	-	(31,045,653)	-	-	(31,627,518)						
Current liabilities	(5,187,133)	(10,940,443)	(24,085)	(4,886,984)	(1,300)	(2,897,811)	(23,937,756)						
Net assets/(liabilities)	1,220,593	3,104,904	(21,163)	12,783,858	2,490,231	(74,387)	19,504,036						
Summary of financial performance for the financial year ended 31 December 2021													
Revenue	5,172,638	17,309,143	-	3,789,827	-	-	26,271,608						
Total comprehensive (loss)/income	(563,082)	1,066,574	(1,086)	761,310	(9,769)	(25,437)	1,228,510						
Reconciliation of net assets to carrying amount as at 31 December 2021													
Carrying amount of proportion of the Group's ownership	598,091	1,241,962	-	5,752,736	996,092	-	8,588,881						
Group's share of results for the financial year ended 31 December 2021													
Group's share of post-acquisition (loss)/profit	(275,910)	426,630	-	342,590	(3,908)	(1,904)	487,498						

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

8. ASSOCIATES (CONT'D)

Investment in associates (cont'd)

The summary of financial information of the associates, not adjusted for the proportion of ownership interest held by the Group are as follows (cont'd):-

Other information

	Dividend paid RM
Group	
2022	
Pekat Energy (Sarawak) Sdn. Bhd.	-
2021	
Pekat Energy (Sarawak) Sdn. Bhd.	200,000

Contingent liabilities and capital commitment

The associates have no contingent liabilities and capital commitment at the reporting date.

The Group has not recognised loss related to J8K Energy Sdn. Bhd. and MFP Solar International Ltd. totalling RM2,483 and RM37,332 (2021: RM532 and RM9,543) and cumulatively RM13,753 and RM72,526 (2021: RM10,370 and RM33,474), since the Group has no obligation in respect of these losses.

Amount due from associates

	Group	
	2022 RM	2021 RM
Non-current	1,270,583	-
Current	7,629,245	2,152,789
	8,899,828	2,152,789
Represented as:-		
Trade balance	7,382,015	648,965
Non-trade balance	1,517,813	1,503,824
	8,899,828	2,152,789

The trade amount due from associates are unsecured, interest free and subject to credit term ranging from cash term to 90 days (2021: cash term to 90 days).

The non-trade amount due from associates are unsecured, interest free and repayable on demand except for RM1,235,956 (2021: Nil) bears interest rates ranging from 2.60% to 2.80% (2021: Nil) per annum.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

9. OTHER INVESTMENTS

	Group	
	2022 RM	2021 RM
Money market funds in Malaysia		
At fair value:-		
Financial assets at FVTPL	4,617,737	21,517,809
Fair value of quoted investment (Level 1)	4,617,737	21,517,809

10. INVENTORIES

	Group	
	2022 RM	2021 RM
Consumables	11,705,351	21,659,662
Input materials	2,343,386	3,800,849
Trading goods	11,546,860	8,815,965
	25,595,597	34,276,476
Recognised in profit or loss:-		
Inventories recognised in cost of sales	127,492,255	122,293,522
Inventories written down	286,439	565
Reversal of inventories written down	(184,976)	(110,622)

The reversal of inventories written down was made and recognised in profit or loss when the related inventories were subsequently used or were sold above their carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

11. TRADE RECEIVABLES

	Group	
	2022 RM	2021 RM
Trade receivables	40,421,021	31,746,588
Retention sum	5,358,062	5,452,414
Less: Allowance for ECLs	(3,948,069)	(4,052,794)
	41,831,014	33,146,208

Trade receivables are non-interest bearing and are recognised at their original invoice amounts which represent their fair values on initial recognition. In prior financial year, interest was charged on overdue accounts ranging from 5.57% to 5.75% per annum.

The credit term granted by the Group to trade receivables ranging from cash term to 180 days (2021: cash term to 180 days). Other credit terms are assessed and approved on a case-by-case basis.

Related parties refer to companies in which a Director has interest, companies in which the shareholders of the Company have interest or companies in which a Director of a subsidiary has interest.

Included in trade receivables of RM1,278,700 (2021: RM2,778) are amounts due from related parties. The said amounts are unsecured, interest free and subject to normal trade terms.

The movements in the allowance for ECLs in respect of trade receivables are as follows:-

	Individual impairment RM	Collective impairment RM	Total RM
Group			
At 1 January 2021	3,311,936	323,201	3,635,137
Additions	1,206,235	285,227	1,491,462
Reversal	(668,464)	(48,958)	(717,422)
Written off	(356,383)	-	(356,383)
At 31 December 2021	3,493,324	559,470	4,052,794
Additions	1,482,203	-	1,482,203
Reversal	(1,586,928)	-	(1,586,928)
At 31 December 2022	3,388,599	559,470	3,948,069

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

12. CONTRACT ASSETS/LIABILITIES

	Group	
	2022 RM	2021 RM
Contract assets		
Accrued billings	39,983,025	34,997,955
Less: Provision for foreseeable losses	(221,113)	(236,289)
Less: Allowances for ECLs	(1,069,616)	(923,526)
	38,692,296	33,838,140
Contract liabilities		
Deposits received	20,296,355	10,628,115

Contract assets primarily relate to the Group's rights to consideration for work completed on installation services but not yet billed at the reporting date. Typically, the amount will be billed based on the signed contract.

Contract liabilities primarily relate to the advance consideration received from customers for the goods or services which is yet to transfer or perform by the Group as at the reporting date.

Contract value yet to be recognised as revenue

As at the reporting date, revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) of the Group is RM154,786,873 (2021: RM136,181,476). The Group expected to recognise this revenue over the next 12 to 48 months (2021: 12 to 48 months).

The movements in the allowance for ECLs in respect of contract assets are as follows:-

	Group	
	2022 RM	2021 RM
Individual impairment		
At 1 January	923,526	924,305
Additions	365,695	412,862
Reversal	(219,605)	(413,641)
At 31 December	1,069,616	923,526

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

13. OTHER RECEIVABLES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Non-trade receivables	228,387	299,631	-	-
Less: Allowance for ECLs	(900)	-	-	-
	227,487	299,631	-	-
Staff advances	30,186	40,360	-	-
Deposits	696,260	669,771	-	-
Deposits for purchase of inventories	4,339,595	700,735	-	-
Prepayments	678,475	466,819	69,375	6,750
GST recoverable	52,800	52,800	-	-
	6,024,803	2,230,116	69,375	6,750

The movements in the allowance for ECLs in respect of other receivables are as follows:-

	Group	
	2022 RM	2021 RM
Individual impairment		
At 1 January	-	-
Additions	900	-
At 31 December	900	-

Included in deposits is rental deposit paid to a related party amounted to RM243,000 (2021: RM243,000). The said amount is unsecured, interest free and repayable on demand.

14. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed banks of the Group have been pledged for banking facilities granted to the Group.

The interest rates of fixed deposits with licensed banks of the Group ranging from 0.60% to 3.40% (2021: 0.66% to 3.40%) per annum and maturity period ranging from 30 to 570 days (2021: 30 to 365 days).

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15. SHARE CAPITAL

	Group			
	Number of ordinary shares		Amount	
	2022 Unit	2021 Unit	2022 RM	2021 RM
Issued and fully paid with no par value:-				
At 1 January	644,968,200	550,220	93,515,918	550,040
Adjustment on the merger acquisition of subsidiaries	-	(550,020)	-	(550,020)
Issued pursuant to acquisition of subsidiaries	-	506,300,000	-	50,630,000
Issuance of shares	-	138,668,000	-	44,373,760
Share issuance expenses	-	-	-	(1,487,862)
At 31 December	644,968,200	644,968,200	93,515,918	93,515,918

	Company			
	Number of ordinary shares		Amount	
	2022 Unit	2021 Unit	2022 RM	2021 RM
Issued and fully paid with no par value:-				
At 1 January	644,968,200	200	93,515,918	20
Issued pursuant to acquisition of subsidiaries	-	506,300,000	-	50,630,000
Issuance of shares	-	138,668,000	-	44,373,760
Share issuance expenses	-	-	-	(1,487,862)
At 31 December	644,968,200	644,968,200	93,515,918	93,515,918

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

16. MERGER DEFICIT

The merger deficit arises as and when the combination take place, it comprises the difference between the cost of merger and the nominal value of shares acquired in Pekat Teknologi Sdn. Bhd. and its subsidiaries as disclosed in Note 7 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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17. LEASE LIABILITIES

	Group	
	2022 RM	2021 RM
Non-current	2,439,065	899,194
Current	611,625	300,952
	3,050,690	1,200,146

The maturity analysis of lease liabilities is disclosed in Note 32 to the financial statements.

The total cash outflow for leases of the Group amounted to RM3,942,079 (2021: RM2,367,284).

The effective interest rates of lease liabilities of the Group are ranging from 4.14% to 6.94% (2021: 3.98% to 6.94%) per annum.

The lease liabilities of the Group amounting to RM57,670 (2021: RM82,665) are secured by way of guarantee by certain Directors of the Company.

18. BORROWINGS

	Group	
	2022 RM	2021 RM
Secured:-		
Non-current		
Term loan	1,555,804	2,468,483
Current		
Bankers' acceptance	18,508,633	23,222,449
Trust receipt	-	1,222,000
Term loan	916,776	858,572
	19,425,409	25,303,021
	20,981,213	27,771,504

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18. BORROWINGS (CONT'D)

The borrowings of the Group are secured by the followings:-

- (i) A legal charge over freehold land as disclosed in Note 4 to the financial statements;
- (ii) Corporate guarantee by the Company and certain subsidiaries;
- (iii) Fixed deposits of the Group as disclosed in Note 14 to the financial statements; and
- (iv) Deed of assignment of contract proceeds.

The interest rates of the Group's borrowings are as follows:-

	Group	
	2022 %	2021 %
Bankers' acceptance	3.03 - 5.05	2.21 - 4.55
Trust receipt	-	3.45 - 3.51
Term loan	5.69 - 7.22	3.37 - 6.47

19. DEFERRED TAX LIABILITIES

	Group	
	2022 RM	2021 RM
At 1 January	263,000	237,000
Recognised in profit or loss	30,000	26,000
At 31 December	293,000	263,000

The deferred tax liabilities are made up of temporary differences arising from:-

	Property, plant and equipment RM	Intangible assets RM	Allowance for impairment loss RM	Total RM
Group				
At 1 January 2021	182,000	55,000	-	237,000
Recognised in profit or loss	27,000	1,000	(2,000)	26,000
At 31 December 2021	209,000	56,000	(2,000)	263,000
Recognised in profit or loss	28,000	2,000	-	30,000
At 31 December 2022	237,000	58,000	(2,000)	293,000

NOTES TO THE FINANCIAL STATEMENTS

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20. TRADE PAYABLES

The normal trade credit terms granted to the Group by the suppliers ranging from cash term to 90 days (2021: cash term to 90 days).

21. OTHER PAYABLES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Non-trade payables	841,479	808,532	16,003	11,561
Deposits received	3,150	900	-	-
Accruals of expenses	4,495,375	4,075,688	210,884	202,300
SST payable	1,923	1,923	-	-
	5,341,927	4,887,043	226,887	213,861

22. AMOUNT DUE TO A RELATED PARTY

Related party refers to companies related to Directors of the Company and Directors of certain subsidiaries.

In prior financial year, the amount due to a related party was non-trade related, unsecured, interest free and repayable on demand.

23. REVENUE

	Group	
	2022 RM	2021 RM
Revenue from contract with customers in Malaysia		
Installation of earthing and lightning protection systems	33,742,037	28,765,253
Installation of on-grid and off-grid photovoltaic systems:		
- Commercial and industrial	95,607,934	112,178,332
- Residential	39,816	512,162
Trading, maintenance services and others	49,836,561	37,070,306
	179,226,348	178,526,053
Timing of recognition		
- At a point in time	49,876,377	37,582,468
- Over time	129,349,971	140,943,585
	179,226,348	178,526,053

NOTES TO THE FINANCIAL STATEMENTS

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23. REVENUE (CONT'D)

23.1 Performance obligations

Information about the Group's performance obligations are summarised below:-

Sales of earthing, lightning and solar equipment

The performance obligation is satisfied upon delivery of the equipment. The payment is generally due within cash term to 90 days (2021: cash term to 90 days) from delivery of equipment.

Installation of on-grid and off-grid photovoltaic systems and maintenance services

The Group designs, engineers, install, testing and provide maintenance of the photovoltaic systems for construction customers. The timeline for each project usually ranged from 3 to 6 months (2021: 3 to 6 months), depends on the complexity of the design and area covered by the projects. The performance obligations are satisfied over time for commercial and industrial as the customers simultaneously received and consumes the benefits provided by the Group. The performance obligations are satisfied a point in time for residential as the duration each of project is within few days.

Installation of earthing and lightning protection services and maintenance services

The performance obligation is satisfied over time and payment is generally due upon complete of installation and acceptance of customer.

Revenue from the installation, protection and maintenance of earthing and lightning equipment system is recognised by reference to the stage of completion.

24. FINANCE INCOME

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Interest income:				
- Associates	34,899	39,633	-	-
- Cash at bank	88,525	27,833	539	12,300
- Fixed deposits	227,295	160,984	-	-
- Gain on financial assets carries at amortised costs	40,831	98,411	-	-
- Repurchase agreement	27,508	17,281	-	-
- Subsidiaries	-	-	429,761	70,834
- Other	1,060	6,092	-	-
	420,118	350,234	430,300	83,134

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

25. FINANCE COSTS

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Interest expenses:				
- Bank guarantees	349,780	24,905	-	-
- Bank overdraft	5,072	5,314	-	-
- Bankers' acceptance	1,038,269	485,242	-	-
- Lease liabilities	194,897	40,732	-	-
- Letter of credit	20,319	175	-	-
- Term loan	195,369	378,086	-	-
- Trust receipt	-	46,012	-	-
- Subsidiaries	-	-	858	-
	1,803,706	980,466	858	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

26. PROFIT/(LOSS) BEFORE TAX

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

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Auditors' remuneration related to:				
Statutory audits:				
- Grant Thornton Malaysia PLT	134,000	120,000	22,000	20,000
Assurance - related services:				
- Grant Thornton Malaysia PLT	2,000	2,000	2,000	2,000
Other services:				
- Other auditors	3,000	3,000	-	-
Bad debts recovered	(13,824)	-	-	-
Bad debts written off	56,167	192,469	-	-
Directors' fee	272,000	408,000	227,000	228,000
Dividend income:				
- Associate	-	(98,000)	-	-
- Other investment	(18,552)	(247,563)	-	(29,932)
Expenses arising from leases:				
- Expenses relating to short-term lease	2,367,163	1,937,019	-	-
Fair value gain on other investment	(181,376)	(953)	-	-
Gain on disposal of property, plant and equipment	(25,695)	-	-	-
Gain on termination of lease contracts	(17,097)	-	-	-
Rental income	(10,400)	(7,350)	-	-
Reversal of provision for foreseeable losses	(15,176)	(410,139)	-	-
Realised (gain)/loss on foreign exchange	(452,978)	4,990	-	-
Unrealised loss/(gain) on foreign exchange	142,770	(172,478)	-	-

SECTION 4

FINANCIAL STATEMENT

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

27. TAX EXPENSE

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Current tax				
- Current financial year	4,604,000	5,223,134	242,000	-
- Over provision in prior financial year	(224,982)	(454,778)	-	-
	4,379,018	4,768,356	242,000	-
Deferred tax				
- Current financial year	6,000	117,200	-	-
- Under/(Over) recognised in prior financial year	24,000	(91,200)	-	-
	30,000	26,000	-	-
	4,409,018	4,794,356	242,000	-

Malaysian income tax is calculated at statutory tax rate of 24% (2021: 24%) of the estimated assessable profits for the financial year.

The numerical reconciliation between the effective tax rate and the statutory tax rate of the Group and of the Company are as follows:-

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Profit/(Loss) before tax	14,434,301	17,436,852	121,374	(2,362,422)
Tax at Malaysian statutory tax rate of 24%	3,464,232	4,184,844	29,130	(566,981)
Tax effect in respect of:-				
Expenses not deductible for tax purposes	1,097,153	1,192,448	212,870	574,165
Income not subject to tax	(89,625)	(135,830)	-	(7,184)
Movement of deferred tax assets not recognised	138,240	98,872	-	-
Over provision of tax expense in prior financial year	(224,982)	(454,778)	-	-
Under/(Over) recognised of deferred tax liabilities in prior financial year	24,000	(91,200)	-	-
	4,409,018	4,794,356	242,000	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

27. TAX EXPENSE (CONT'D)

Deferred tax assets have not been recognised in respect of these items (stated as gross) as it is not probable that future taxable profits will be available against which the subsidiaries can utilise the benefits therefrom.

	Group	
	2022 RM	2021 RM
Contract assets	31,000	-
Contract liabilities	1,386,000	885,000
Intangible assets	53,000	106,000
Inventories	571,000	470,000
Property, plant and equipment	-	18,000
Provisions	221,000	236,000
Trade receivables	4,980,000	4,969,000
Unabsorbed capital allowance	52,000	-
Unutilised tax losses	132,000	166,000
	7,426,000	6,850,000

Effective Year of Assessment 2019 as announced in the Annual Budget 2022, the unutilised tax losses of the Group as of 31 December 2018 and thereafter will be available for carry forward for a period of 10 consecutive years. Upon expiry of the 10 years, the unutilised tax losses will be disregarded.

The expiry of the unutilised tax losses is as follows:-

	Group	
	2022 RM	2021 RM
Unutilised tax losses		
- expiring year of assessment 2030	101,000	166,000
- expiring year of assessment 2032	31,000	-
	132,000	166,000

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

28. EARNINGS PER SHARE

Basic/Diluted earnings per ordinary share

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

Diluted earnings per ordinary share equals to basic earning per share as there are no dilutive potential ordinary shares.

Profits attributable to equity holders of the Company

	Group	
	2022	2021
Profit used for the computation of basic/diluted:		
- Profit attributable to equity holders of the Company (RM)	10,036,694	12,659,061
Weighted average number of ordinary shares in issue		
Weighted average number of ordinary shares	644,968,200	475,209,121
Basic/Diluted earnings per ordinary shares (sen)	1.56	2.66

29. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Salaries, wages and other emoluments	15,646,141	15,395,888	1,174,349	95,500
Defined contribution plan	1,779,013	1,688,455	192,521	-
Social security contribution	167,037	137,620	3,083	-
	17,592,191	17,221,963	1,369,953	95,500

NOTES TO THE FINANCIAL STATEMENTS

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29. EMPLOYEE BENEFITS EXPENSE (CONT'D)

Included in the employee benefits expense is the Directors' emoluments as below:-

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<u>Executive Directors:-</u>				
Directors of the Company				
Salaries and other emoluments	1,758,375	1,768,040	934,155	-
Defined contribution plan	305,364	296,232	157,248	-
Social security contribution	6,659	8,311	2,503	-
	2,070,398	2,072,583	1,093,906	-
Directors of the subsidiaries				
Salaries and other emoluments	1,151,528	923,580	-	-
Defined contribution plan	117,507	99,600	-	-
Social security contribution	4,087	2,769	-	-
	1,273,122	1,025,949	-	-
	3,343,520	3,098,532	1,093,906	-
<u>Non-executive Directors:-</u>				
Directors of the Company				
Other emoluments	35,500	95,500	35,500	95,500
	3,379,020	3,194,032	1,129,406	95,500

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FINANCIAL STATEMENT

NOTES TO THE FINANCIAL STATEMENTS

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30. RELATED PARTY DISCLOSURES

The Group and the Company have related party relationship with its subsidiaries, associates, related parties, Directors and key management personnel.

Transactions with related parties

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Advances from subsidiaries	-	-	620,198	1,840,213
Advances to subsidiaries	-	-	7,300,060	5,455,000
Advances to an associate	295,817	200,768	-	-
Dividend income from an associate	-	98,000	-	-
Interest expense charged by subsidiaries	-	-	858	-
Interest income charged to subsidiaries	-	-	429,761	70,834
Interest income charged to associates	34,899	39,633	-	-
Management fee charged to an associate	161,195	112,346	-	-
Management fee charged to a related party	-	3,649	-	-
Management fee charged to subsidiaries	-	-	1,932,000	-
Progress billings issued to related parties	2,922,446	930,000	-	-
Purchase from a subsidiary's corporate shareholder	320,014	205,004	-	-
Purchase from an associate	72,000	824	-	-
Rental expense charged by a related party	972,000	972,000	-	-
Sales to a related party	18,270	9,078	-	-
Sales to associates	23,833,290	188,230	-	-
Utilities expense charged by a related party	338	-	-	-

The outstanding balances arising from related party transactions as at the reporting date are disclosed in Notes 7, 8, 11, 13 and 22 to the financial statements.

The Directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly and entity that provides key management personnel services to the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

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30. RELATED PARTY DISCLOSURES (CONT'D)

Compensation of key management personnel (cont'd)

Key management includes all the Directors of the Group and of the Company and certain members of senior management of the Group and of the Company.

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Directors' remuneration:-				
Directors' fee	272,000	408,000	227,000	228,000
Directors' emoluments	3,379,020	3,194,032	1,129,406	95,500
	3,651,020	3,602,032	1,356,406	323,500
Key management personnel:-				
Salaries, wages and other emoluments	442,000	420,220	200,640	-
Defined contribution plan	64,407	44,556	35,273	-
Social security contribution	1,041	923	579	-
	507,448	465,699	236,492	-
	4,158,468	4,067,731	1,592,898	323,500

31. OPERATING SEGMENT

General Information

The information reported to the Group's chief operating decision maker to make decisions about resources to be allocated and for assessing their performance is based on the nature of the activities of the Group. The Group's operating segments are as follows:-

Segment I : Design, supply and installation of on-grid and off-grid solar photovoltaic systems and power plants which also includes the entire scope of work up to delivering of system or plant to customers and operations and maintenance of the systems or plants. Solar photovoltaic systems and power plants convert sunlight into electricity for use at a facility, supply to the power grid, or storage in a battery pack for later use.

Segment II : Supply and installation of earthing and lightning protection systems for buildings, facilities and structures to protect people, property and equipment from unintended electric current as well as providing specialist subcontractors for earthing and lightning protection systems to main contractors or mechanical and electrical contractors.

Segment III : Distribution of electrical products and accessories which includes sales and marketing of Pekat own brand and other third party brands electrical products and accessories, namely for earthing and lightning related products, solar photovoltaic related products, surge protection devices, and aviation warning light systems.

NOTES TO THE FINANCIAL STATEMENTS

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31. OPERATING SEGMENT (CONT'D)

Measurement of reportable segments

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements. Transactions between reportable segments are measured on the basis that is similar to those external customers. There are no significant changes from prior financial year in the measurement methods used to determine reported segment results.

All the Group's assets are allocated to reportable segments other than assets used centrally for the Group, associate companies and current and deferred tax assets. Jointly used assets are allocated on the basis of the revenues earned by individual segments.

All the Group's liabilities are allocated to reportable segments other than liabilities incurred centrally for the Group, current and deferred tax liabilities. Jointly incurred liabilities are allocated in proportion to the segment assets.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Analysis of the Group's revenue, results, assets, liabilities and other information by operating segment are shown below:-

Group	Note	Segment I RM	Segment II RM	Segment III RM	Eliminations RM	Total RM
2022						
Revenue						
External revenue		108,385,767	33,757,812	37,082,769	-	179,226,348
Inter-company revenue	A	3,113,695	189,528	24,183,141	(27,486,364)	-
Total revenue		111,499,462	33,947,340	61,265,910	(27,486,364)	179,226,348
Results						
Segment results	B	3,227,599	4,786,540	3,602,368	(182,802)	11,433,705
Finance income		240,602	37,114	1,149,656	(1,007,254)	420,118
Finance costs		(1,882,257)	(70,941)	(857,762)	1,007,254	(1,803,706)
Depreciation and amortisation		815,973	189,464	672,241	-	1,677,678
Share of loss of associates		-	-	-	(24,834)	(24,834)
Tax expense		(871,592)	(1,675,134)	(1,862,292)	-	(4,409,018)
Other non-cash (expense)/income	C	(43,446)	207,952	(313,986)	20,000	(129,480)

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31. OPERATING SEGMENT (CONT'D)

Measurement of reportable segments (cont'd)

Analysis of the Group's revenue, results, assets, liabilities and other information by operating segment are shown below (cont'd)w

Group	Note	Segment I RM	Segment II RM	Segment III RM	Eliminations RM	Total RM
2022						
Assets						
Segment assets	D	86,344,658	31,895,565	186,316,557	(125,976,012)	178,580,768
Investment in associates		-	-	10,049,047	-	10,049,047
Included in segment assets are:-						
Additions to non-current assets other than deferred tax assets	E	3,578,754	915,185	562,326	(76,572)	4,979,693
Liabilities						
Segment liabilities	F	47,787,768	8,951,576	23,149,985	(45,097,996)	34,791,333
2021						
Revenue						
External revenue		116,676,861	28,992,927	32,856,265	-	178,526,053
Inter-company revenue	A	1,743,757	37,591	27,316,496	(29,097,844)	-
Total revenue		118,420,618	29,030,518	60,172,761	(29,097,844)	178,526,053
Results						
Segment results	B	4,786,997	3,230,804	6,830,387	(2,062,958)	12,785,230
Finance income		239,110	28,265	181,559	(98,700)	350,234
Finance costs		(445,534)	(52,574)	(581,058)	98,700	(980,466)
Depreciation and amortisation		264,454	114,964	612,543	-	991,961
Share of profit of associates		-	-	-	487,498	487,498
Tax expense		(1,996,048)	(557,819)	(2,240,489)	-	(4,794,356)
Other non-cash (expense)/income	C	(311,420)	(287,488)	254,055	(20,000)	(364,853)

SECTION 4

FINANCIAL STATEMENT

NOTES TO THE FINANCIAL STATEMENTS

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31. OPERATING SEGMENT (CONT'D)

Measurement of reportable segments (cont'd)

Analysis of the Group's revenue, results, assets, liabilities and other information by operating segment are shown below (cont'd):-

Group	Note	Segment I RM	Segment II RM	Segment III RM	Eliminations RM	Total RM
2021						
Assets						
Segment assets	D	83,983,525	26,057,652	181,448,285	(99,992,309)	191,497,153
Investment in associates		-	-	8,588,881	-	8,588,881
Included in segment assets are:-						
Additions to non-current assets other than deferred tax assets	E	318,268	167,167	1,318,994	-	1,804,429
Liabilities						
Segment liabilities	F	44,497,732	8,923,635	14,410,880	(17,505,915)	50,326,332

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

- A. Intersegment revenues are eliminated on consolidation.
- B. The following items are added to/(deducted from) segment profit to arrive at "profit after tax" presented in the profit or loss:-

	2022 RM	2021 RM
Segment profit	11,433,705	12,785,230
Finance income	420,118	350,234
Finance costs	(1,803,706)	(980,466)
Share of (loss)/profit of associates	(24,834)	487,498
Profit after tax	10,025,283	12,642,496

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31. OPERATING SEGMENT (CONT'D)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (cont'd).

- C. Other major non-cash (expenses)/income consist of the following items as presented in the respective notes to the financial statements:-

	2022 RM	2021 RM
Bad debts written off	(56,167)	(192,469)
Fair value gain on other investment	181,376	953
Gain on termination of lease contracts	17,097	-
Impairment loss on contract assets	(365,695)	(412,862)
Impairment loss on intangible assets	-	(92,750)
Impairment loss on other receivables	(900)	-
Impairment loss on trade receivables	(1,482,203)	(1,491,462)
Inventories written down	(286,439)	(565)
Property, plant and equipment written off	(464)	-
Reversal of impairment loss on contract assets	219,605	413,641
Reversal of impairment loss on trade receivables	1,586,928	717,422
Reversal of inventories written down	184,976	110,622
Reversal of provision for foreseeable losses	15,176	410,139
Unrealised (loss)/gain on foreign exchange	(142,770)	172,478
	(129,480)	(364,853)

- D. The following items are added to segment assets to arrive at total assets reported in the statements of financial position:-

	2022 RM	2021 RM
Segment assets	178,580,768	191,497,153
Investment in associates	10,049,047	8,588,881
Tax recoverable	979,427	412,739
Total assets	189,609,242	200,498,773

NOTES TO THE FINANCIAL STATEMENTS

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31. OPERATING SEGMENT (CONT'D)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (cont'd).

E. Additions to non-current assets other than financial instruments and deferred tax assets consists of:-

	2022 RM	2021 RM
Property, plant and equipment	4,948,427	1,715,967
Intangible assets	31,266	88,462
	4,979,693	1,804,429

F. The following items are added to segment liabilities to arrive at total liabilities reported in the statements of financial position:-

	2022 RM	2021 RM
Segment liabilities	34,791,333	50,326,332
Lease liabilities	3,050,690	1,200,146
Borrowings	20,981,213	27,771,504
Tax payable	1,018,573	1,488,641
Deferred tax liabilities	293,000	263,000
Total liabilities	60,134,809	81,049,623

Geographical information

Revenue and non-current assets are all derived from Malaysia.

Non-current assets information presented above consist of the following items as presented in the statements of financial position:-

	2022 RM	2021 RM
Property, plant and equipment	23,329,178	20,839,311
Investment property	147,200	150,400
Intangible assets	321,952	443,292
Investment in associates	10,049,047	8,588,881
	33,847,377	30,021,884

NOTES TO THE FINANCIAL STATEMENTS

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31. OPERATING SEGMENT (CONT'D)Major customers

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

	RM	%	Operating Segment
Group			
2021			
Customer A	30,779,167	17	Segment I

The Group does not have any revenue from a single external customer which represents 10% or more of the Group's revenue in current financial year.

32. FINANCIAL INSTRUMENTS**32.1 Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as follows:-

- (a) Financial assets and financial liabilities measured at amortised cost ("AC"); and
- (b) Financial assets at fair value through profit or loss ("FVTPL").

	Carrying amount RM	AC RM	FVTPL RM
Group			
2022			
Financial assets			
Trade receivables	41,831,014	41,831,014	-
Other receivables	5,293,528	5,293,528	-
Other investment	4,617,737	-	4,617,737
Amount due from associates	8,899,828	8,899,828	-
Fixed deposits with licensed banks	14,906,727	14,906,727	-
Cash and bank balances	14,214,436	14,214,436	-
	89,763,270	85,145,533	4,617,737

NOTES TO THE FINANCIAL STATEMENTS

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32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments categorised as follows (cont'd):-

- (a) Financial assets and financial liabilities measured at amortised cost ("AC"); and
 (b) Financial assets at fair value through profit or loss ("FVTPL").

	Carrying amount RM	AC RM	FVTPL RM
Group			
2022			
Financial liabilities			
Trade payables	9,153,051	9,153,051	-
Other payables	5,340,004	5,340,004	-
Borrowings	20,981,213	20,981,213	-
	35,474,268	35,474,268	-
2021			
Financial assets			
Trade receivables	33,146,208	33,146,208	-
Other receivables	1,710,497	1,710,497	-
Other investment	21,517,809	-	21,517,809
Amount due from associates	2,152,789	2,152,789	-
Fixed deposits with licensed banks	14,703,701	14,703,701	-
Cash and bank balances	28,198,911	28,198,911	-
	101,429,915	79,912,106	21,517,809
Financial liabilities			
Trade payables	34,790,924	34,790,924	-
Other payables	4,885,120	4,885,120	-
Amount due to a related party	20,250	20,250	-
Borrowings	27,771,504	27,771,504	-
	67,467,798	67,467,798	-

NOTES TO THE FINANCIAL STATEMENTS

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32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments categorised as follows (cont'd):-

- (a) Financial assets and financial liabilities measured at amortised cost ("AC"); and
 (b) Financial assets at fair value through profit or loss ("FVTPL").

	Carrying amount RM	AC RM	FVTPL RM
Company			
2022			
Financial assets			
Amount due from subsidiaries	11,768,420	11,768,420	-
Cash and bank balances	424,695	424,695	-
	12,193,115	12,193,115	-
Financial liability			
Other payables	226,887	226,887	-
2021			
Financial assets			
Amount due from a subsidiary	4,725,000	4,725,000	-
Cash and bank balances	7,457,840	7,457,840	-
	12,182,840	12,182,840	-
Financial liability			
Other payables	213,861	213,861	-

32.2 Financial risk management

The Group and the Company are mainly exposed to credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk. The Group and the Company have formal risk management policies and guidelines, as approved by the Board of Directors, which set out its overall business strategies, its tolerance for risks and its general risk management philosophy. Such policies are monitored and undertaken by the management.

The following sections explain key risks faced by the Group and the Company and its management.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial risk management (cont'd)

32.2.1 Credit risk

Credit risk refers to the risk that a counterparty will default in its contractual obligations resulting in financial loss to the Group and the Company. For other financial assets, the Group and the Company adopt the policy of dealing with reputable institutions.

Following are the areas where the Group and the Company are exposed to credit risk.

Exposure to credit risk

Maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of financial assets recognised at reporting date as summarised below:-

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Classes of financial assets:-				
Trade receivables	41,831,014	33,146,208	-	-
Contract assets	38,692,296	33,838,140	-	-
Other receivables	5,293,528	1,710,497	-	-
Amount due from subsidiaries	-	-	11,768,420	4,725,000
Amount due from associates	8,899,828	2,152,789	-	-
Fixed deposits with licensed banks	14,906,727	14,703,701	-	-
Cash and bank balances	14,214,436	28,198,911	424,695	7,457,840
	123,837,829	113,750,246	12,193,115	12,182,840

Trade receivables and contract assets

In managing credit risk of trade receivables and contract assets, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. The Group's debt recovery processes are as follows:-

- (a) Above 180 days in Segment I and III and 360 days in Segment II past due after credit term, the Group will start to initiate together with management team a structured debt recovery process which is monitored by the management team; and
- (b) The Group will commence a legal proceeding against the customers who having dispute or does not adhere to the restructure of the repayment scheme.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial risk management (cont'd)

32.2.1 Credit risk (cont'd)

Following are the areas where the Group and the Company are exposed to credit risk (cont'd).

Trade receivables and contract assets (cont'd)

The Group uses provision matrix to measure ECLs for all the past due debts. Credit term which are past due more than 180 days in Segment I and III and past due more than 360 days in Segment II will be considered as credit impaired.

The Group assessed the risk of loss (including the trade balances due from associates) based on the following factors:-

- (a) Overall past trend payments of customers;
- (b) Financial performances of each individual customers; and
- (c) Gross domestic product growth rate and base lending rate.

None of the Group's financial assets are secured by collateral or other credit enhancements.

Set out below is the information about the credit risk exposure and ECLs on the Group's trade receivables and contract assets:-

	Current RM	Days past due				Total RM
		1 to 30 days RM	31 to 60 days RM	61 to 90 days RM	More than 90 days RM	
2022						
Trade receivables	14,195,156	12,601,288	3,913,602	4,352,398	10,716,639	45,779,083
Individually impaired	-	-	-	-	(3,388,599)	(3,388,599)
Collectively impaired	(93,668)	(35,299)	(20,581)	(11,208)	(398,714)	(559,470)
Net balance	14,101,488	12,565,989	3,893,021	4,341,190	6,929,326	41,831,014
Contract assets	39,761,912	-	-	-	-	39,761,912
Individually impaired	(1,069,616)	-	-	-	-	(1,069,616)
Net balance	38,692,296	-	-	-	-	38,692,296

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial risk management (cont'd)

32.2.1 Credit risk (cont'd)

Following are the areas where the Group and the Company are exposed to credit risk (cont'd).

Trade receivables and contract assets (cont'd)

Set out below is the information about the credit risk exposure and ECLs on the Group's trade receivables and contract assets (cont'd):-

	Current RM	Days past due				Total RM
		1 to 30 days RM	31 to 60 days RM	61 to 90 days RM	More than 90 days RM	
2021						
Trade receivables	12,233,694	10,969,195	3,761,875	1,749,368	8,484,870	37,199,002
Individually impaired	-	-	-	-	(3,493,324)	(3,493,324)
Collectively impaired	(103,857)	(104,261)	(126,107)	(39,165)	(186,080)	(559,470)
Net balance	12,129,837	10,864,934	3,635,768	1,710,203	4,805,466	33,146,208
Contract assets	34,761,666	-	-	-	-	34,761,666
Individually impaired	(923,526)	-	-	-	-	(923,526)
Net balance	33,838,140	-	-	-	-	33,838,140

Credit risk concentration

The Group determines concentration of credit risk by comparing the amount due from each individual customer against the total trade receivables and contract assets. The credit risk concentration profile of the Group's trade receivables and contract assets at the reporting date is as follows:-

	Group			
	2022 RM	2022 %	2021 RM	2021 %
<u>Trade receivables</u>				
Malaysia				
Top 1 customer (2021: Nil)	4,650,121	10	-	-
<u>Contract assets</u>				
Malaysia				
Top 1 customer (2021: 1 customer)	5,277,784	13	4,147,885	12

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial risk management (cont'd)

32.2.1 Credit risk (cont'd)

Following are the areas where the Group and the Company are exposed to credit risk (cont'd).

Other receivables

The Group uses three categories to reflect its credit risk and how the loss allowance is determined for each of those categories for financial assets other than trade receivables and contract assets. A summary of the assumptions underpinning the Group's expected credit loss model is as follows:-

Category	Definition of categories	Basis of recognising expected credit loss
Performing	Receivables have a low risk of default and a strong capacity to meet contractual cash flows.	12 months expected credit loss
Underperforming	Receivables for which there is a significant increase in credit risk due to actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.	Lifetime expected credit loss
Non-performing	Receivables which are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred.	Lifetime expected credit loss

Based on the above, loss allowance is derived as follows:-

- (i) the likelihood that the debtor would not be able to repay during the contractual period;
- (ii) the percentage of contractual cash flows that will not be collected if default happens; and
- (iii) the outstanding amount that is exposed to default risk.

As at the end of reporting year, there was no indication that other receivables are not recoverable except for those disclosed in Note 13 to the financial statements.

Intercompany balances

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

The Group and the Company have trade transactions and provide unsecured advances to subsidiaries and associates and monitors their results regularly.

As at the end of the reporting year, there was no indication that amounts due from subsidiaries and associates are not recoverable.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial risk management (cont'd)

32.2.1 Credit risk (cont'd)

Following are the areas where the Group and the Company are exposed to credit risk (cont'd).

Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable financial institutions with high quality external credit ratings and have no history of default.

Financial guarantee

The maximum exposure to credit risk of the Company amounted to RM49,020,684 (2021: RM6,080,479), represented by the outstanding banking facilities of subsidiaries as at the end of the reporting year.

The Company provides unsecured financial guarantee to banks in respect of banking facilities granted to subsidiaries. The Company monitors on an on-going basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting year, there was no indication that subsidiaries would default on repayment and under perform.

32.2.2 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 to shortage of funds.

In managing its exposures to liquidity risk arising 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial risk management (cont'd)

32.2.2 Liquidity risk (cont'd)

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

	Carrying amount RM	Contractual cash flows RM	Maturity			
			Current	Non-current		
			Within 1 year RM	2 to 5 years RM	Later than 5 years RM	
Group						
2022						
Non-derivative financial liabilities						
Trade payables	9,153,051	9,153,051	9,153,051	-	-	
Other payables	5,340,004	5,340,004	5,340,004	-	-	
Bankers' acceptance	18,508,633	18,508,633	18,508,633	-	-	
Term loans	2,472,580	2,690,014	1,049,844	1,640,170	-	
Lease liabilities	3,050,690	3,281,929	726,562	2,555,367	-	
	38,524,958	38,973,631	34,778,094	4,195,537	-	
Financial guarantee*	66,318,317	66,318,317	66,318,317	-	-	
2021						
Non-derivative financial liabilities						
Trade payables	34,790,924	34,790,924	34,790,924	-	-	
Other payables	4,885,120	4,885,120	4,885,120	-	-	
Amount due to a related party	20,250	20,250	20,250	-	-	
Bankers' acceptance	23,222,449	23,222,449	23,222,449	-	-	
Trust receipt	1,222,000	1,222,000	1,222,000	-	-	
Term loans	3,327,055	3,735,018	1,049,844	2,685,174	-	
Lease liabilities	1,200,146	1,339,226	366,690	972,536	-	
	68,667,944	69,214,987	65,557,277	3,657,710	-	
Financial guarantee*	17,673,333	17,673,333	17,673,333	-	-	

SECTION 4

FINANCIAL STATEMENT

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial risk management (cont'd)

32.2.2 Liquidity risk (cont'd)

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

	Carrying amount RM	Contractual cash flows RM	Maturity		
			Current	Non-current	
			Within 1 year RM	2 to 5 years RM	Later than 5 years RM
Company					
2022					
Non-derivative financial liability					
Other payables	226,887	226,887	226,887	-	-
Financial guarantee*	49,020,684	49,020,684	49,020,684	-	-
2021					
Non-derivative financial liability					
Other payables	213,861	213,861	213,861	-	-
Financial guarantee*	6,080,479	6,080,479	6,080,479	-	-

* This exposure is included in liquidity risk for illustration only. No financial guarantee was called upon by the holders as at the end of the reporting year.

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

32.2.3 Interest rate risk

Interest rate risk is caused by changes in market interest rate resulting in fluctuation in fair value or future cash flow of financial instruments of the Group and of the Company. The Group's and the Company's interest rate management objective is to manage interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation.

The Group's borrowings are at fixed interest rates. The exposure to interest rates for the Group's short-term placement is considered immaterial.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial risk management (cont'd)

32.2.3 Interest rate risk (cont'd)

The carrying amount of the Group's and of the Company's financial instruments that are exposed to interest rate risk are as follows:-

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Fixed rate instruments				
<u>Financial assets</u>				
Fixed deposits with licensed banks	14,906,727	14,703,701	-	-
<u>Financial liabilities</u>				
Bankers' acceptance	(18,508,633)	(23,222,449)	-	-
Trust receipt	-	(1,222,000)	-	-
Lease liabilities	(3,050,690)	(1,200,146)	-	-
	(21,559,323)	(25,644,595)	-	-
Net financial liabilities	(6,652,596)	(10,940,894)	-	-
Floating rate instruments				
<u>Financial assets</u>				
Amount due from an associate	1,235,956	-	-	-
Amount due from a subsidiary	-	-	10,900,000	4,725,000
	1,235,956	-	10,900,000	4,725,000
<u>Financial liability</u>				
Term loan	(2,472,580)	(3,327,055)	-	-
Net financial (liabilities)/assets	(1,236,624)	(3,327,055)	10,900,000	4,725,000

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss and does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting year would not affect profit or loss and equity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial risk management (cont'd)

32.2.3 Interest rate risk (cont'd)

Fair value sensitivity analysis for floating rate instruments (cont'd)

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/-25 (2021: +/-25) basis points ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each year, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Effects on profit/equity for the financial year	
	(Decrease)/Increase	
	RM	RM
Group		
2022 (+/-25bp)	(3,092)	3,092
2021 (+/-25bp)	(8,318)	8,318
Company		
2022 (+/-25bp)	27,250	(27,250)
2021 (+/-25bp)	11,813	(11,813)

32.2.4 Foreign currency risk

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

The Group is exposed to foreign currency risk mostly on its sales and purchases that are denominated in currency other than the functional currency of the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Renminbi ("RMB") and Euro ("EURO").

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial risk management (cont'd)

32.2.4 Foreign currency risk (cont'd)

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting year are as follows:-

	2022 RM	2021 RM
Group		
RM/USD		
<u>Financial assets</u>		
Trade receivables	66,437	69,183
Other receivables	2,244,668	81,363
Amount due from an associate	1,270,583	1,235,956
Cash and bank balances	14,706	4,834
	3,596,394	1,391,336
<u>Financial liabilities</u>		
Trade payables	(1,830,416)	(19,702,487)
Borrowings	-	(3,845,000)
	(1,830,416)	(23,547,487)
Net exposure	1,765,978	(22,156,151)
RM/RMB		
<u>Financial asset</u>		
Other receivables	1,953,741	12,389
<u>Financial liability</u>		
Trade payables	(394,148)	(546,593)
Net exposure	1,559,593	(534,204)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial risk management (cont'd)

32.2.4 Foreign currency risk (cont'd)

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting year are as follows (cont'd):-

	2022 RM	2021 RM
Group (cont'd)		
RM/EURO		
<u>Financial asset</u>		
Other receivables	1,014	28,314
<u>Financial liability</u>		
Trade payables	(32,100)	(8,533)
Net exposure	(31,086)	19,781

Foreign currency sensitivity analysis

The following table illustrates the sensitivity of profit or loss and equity with regards to the Group's financial assets and financial liabilities and the RM/USD, RM/RMB and RM/EURO exchange rate assuming all other things being equal.

A +/-1% (2021: +/-1%) change in the RM/USD, RM/RMB and RM/EURO exchange rates at the reporting date is deemed possible. Both of these percentages have been determined based on average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial risk management (cont'd)

32.2.4 Foreign currency risk (cont'd)

If the RM had strengthened/weakened against the USD, RMB and EURO, by 1% (2021: 1%), then the impact would be as follows:-

	Impact on profit/equity	
	Increase/(Decrease)	
	2022 RM	2021 RM
Group		
RM/USD		
Strengthened 1% (2021: 1%)	(17,660)	221,562
Weakened 1% (2021: 1%)	17,660	(221,562)
RM/RMB		
Strengthened 1% (2021: 1%)	(15,596)	5,342
Weakened 1% (2021: 1%)	15,596	(5,342)
RM/EURO		
Strengthened 1% (2021: 1%)	311	(198)
Weakened 1% (2021: 1%)	(311)	198

32.2.5 Equity price risk

Equity price risk is the risk that the value of an equity instrument will fluctuate as a result of changes in market prices. The Group is exposed to equity price risk mainly through the Group's investment in quoted shares.

If the unit prices quoted 'fair value through profit or loss' financial assets increased by 10% (2021: 10%), with all other variables held constant, the Group's profit for the financial year and equity at the end of the reporting year would increase approximately by RM461,774 (2021: RM2,151,781).

If the unit prices for quoted fair value through profit or loss financial assets decreased by 10% (2021: 10%), with all other variables being held constant, it would have the equal but opposite effect on the amounts shown above.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial risk management (cont'd)

32.2.6 Fair value of financial instruments

The carrying amounts of financial assets and financial liabilities of the Group and of the Company at the reporting date approximate their fair values due to their short-term nature, insignificant impact of discounting or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

32.2.7 Fair value hierarchy

Fair value measurement of financial instruments

The following table summarises the method used in determining the fair value of financial assets on a recurring basis as at 31 December 2022 and 31 December 2021:-

Financial asset	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	2022 RM	2021 RM		
Other investment	4,617,737	21,517,809	Level 1	Quoted bid prices in an active market.

There were no transfers between Level 1, 2 and 3 in financial years 2022 and 2021.

33. DERIVATIVE FINANCIAL LIABILITIES

As at the reporting date, the contracted underlying principal amount of currency forward contract of the Group is RM26,498,705 (2021: RM6,595,956).

The currency forward contracts have not been recognised since the fair value on initial recognition was not material.

34. CAPITAL MANAGEMENT

The primary objective of the management of the Group's and of the Company's capital structure is to optimise the balance between debts and equity to achieve a low cost of capital and maximise the return to stakeholders.

The capital structure of the Group and of the Company consists of debts (comprising lease liabilities and borrowings) and equity (comprising issued ordinary shares, retained earnings/accumulated losses and other reserves). The Group and the Company monitor their capital using a gearing ratio, based on total borrowings divided by total capital. The Directors review the capital structure on a quarterly basis, and consider the cost of capital and the risks associated with each class of capital. During the current financial year, no significant changes were made in the objectives, policies or processes for managing capital.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

34. CAPITAL MANAGEMENT (CONT'D)

The gearing ratio at the end of the reporting year was as follows:-

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Lease liabilities	3,050,690	1,200,146	-	-
Borrowings	20,981,213	27,771,504	-	-
	24,031,903	28,971,650	-	-
Equity attributable to owners of the Company	129,387,312	119,350,618	90,995,083	91,115,709
Gearing ratio (times)	0.19	0.24	-	-

There were no changes in the Group's and the Company's approach to capital management during the financial year.

35. SUBSEQUENT EVENT

On 21 February 2023, Pekat Solar Sdn. Bhd. ("Defendant"), a wholly-owned subsidiary of Pekat Group Berhad, has been served with a Writ of Summon and Statement of Claim dated 16 February 2023 from Multiplex Packaging Sdn. Bhd. ("the Plaintiff").

The Plaintiff's claim against the Defendant pertains to disputes over the supply and installation of two solar photovoltaic systems under net energy metering system and self-consumption system which are allowable by the Energy Commission at the material time.

The Plaintiff has on 21 March 2023 withdrawn the case, without liberty to file afresh and with no order as to costs in respect of the Statement of Claim.

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2023

STATISTICS OF ORDINARY SHAREHOLDINGS

Class of Shares : Ordinary Shares
 Total Number of Issued Shares Capital : 644,968,200

ANALYSIS BY SIZE OF HOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 - 99	4	0.093	100	0.000
100 - 1,000	580	13.522	357,900	0.055
1,001 - 10,000	1,999	46.607	11,656,300	1.807
10,001 - 100,000	1,445	33.690	50,229,000	7.788
100,001 - 32,248,409*	256	5.968	113,247,900	17.559
32,248,410 - 644,968,200**	5	0.116	469,477,000	72.791
Total	4,289	100.000	644,968,200	100.000

* Less than 5% of issued shares

** 5% and above of issued shares

INFORMATION ON SUBSTANTIAL SHAREHOLDERS

Name	Direct Interests	%	Indirect Interests	%
Chin Soo Mau	225,061,800	34.895	0	0.000
Tai Yee Chee	66,776,900	10.354	0	0.000
Wee Chek Aik	55,638,300	8.627	609,000*	0.094
Hextar Holdings Sdn Bhd	130,000,000	20.156	0	0.000
Dato' Ong Soon Ho	0	0.000	130,000,000**	20.156
Dato' Ong Choo Meng	0	0.000	130,000,000**	20.156
Datin Teoh Siew Yoke @ Teoh Siew Chin	0	0.000	130,000,000**	20.156

* Deemed interested by virtue of his interest in Best Shine Avenue Sdn Bhd pursuant to Section 8 of the Companies Act 2016 ("the Act").

** Deemed interested by virtue of their interest in Hextar Holdings Sdn Bhd pursuant to Section 8 of the Act.

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2023

INFORMATION ON DIRECTORS' HOLDINGS

Name	Direct Interests	%	Indirect Interests	%
Chin Soo Mau	225,061,800	34.895	0	0.000
Tai Yee Chee	66,776,900	10.354	0	0.000
Wee Chek Aik	55,638,300	8.627	609,000*	0.094
Kok Kong Chin	150,000	0.023	0	0.000
Ong Keng Siew	100,000	0.016	0	0.000
Datin Shelina Binti Razaly Wah	100,000	0.016	0	0.000
Yeong Siew Lee	100,000	0.016	0	0.000
Ooi Youk Lan	550,000	0.085	0	0.000

* Deemed interested by virtue of his interest in Best Shine Avenue Sdn Bhd pursuant to Section 8 of the Act.

SECTION 5

OTHER INFORMATION

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2023

LIST OF TOP 30 HOLDERS

AS AT 31 MARCH 2023

(without aggregating securities from different securities accounts belonging to the same registered holders)

No.	Name	Holdings	%
1	Chin Soo Mau	217,061,800	33.654
2	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Hextar Holdings Sdn Bhd	84,248,366	13.062
3	Tai Yee Chee	66,776,900	10.353
4	Wee Chek Aik	55,638,300	8.626
5	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Hextar Holdings Sdn Bhd (05-00055-000)	45,751,634	7.093
6	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chin Soo Mau (7003720)	8,000,000	1.240
7	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Loh Chen Yook	6,000,000	0.930
8	AmanahRaya Trustees Berhad Public Emerging Opportunities Fund	4,703,000	0.729
9	Ooi Han Ewe	4,352,400	0.674
10	CIMB Group Nominees (Tempatan) Sdn Bhd - CIMB Islamic Trustee Berhad For PMB Shariah Equity Fund	2,474,000	0.383
11	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mohammed Azlan Bin Hashim	2,100,000	0.325
12	Ng Wah Sim	1,976,000	0.306
13	Lee Jin Huat	1,600,000	0.248
14	AmanahRaya Trustees Berhad PB Dividend Builder Equity Fund	1,455,400	0.225
15	Wong Boon Kwang	1,400,000	0.217
16	Phillip Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Goh Leng Pheow	1,300,000	0.201
17	Lim Chin Pi	1,280,000	0.198
18	Chew Teik Siang	1,251,900	0.194
19	Mohamad Ridzhuan Firdaus Maula Raja Aznin	1,240,000	0.192
20	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Soon Aun (MF00014)	1,238,200	0.191
21	Ng Chin Leong	1,202,300	0.186
22	Ng Chin Hoe	1,200,000	0.186
23	Oh Keng Jin	1,200,000	0.186
24	HLIB Nominees (Tempatan) Sdn Bhd - Hong Leong Bank Bhd For Teh Shiou Cherng	1,150,000	0.178
25	Iron Zone Sdn Bhd	1,045,300	0.162
26	AmanahRaya Trustees Berhad PMB Shariah Tactical Fund	1,000,000	0.155
27	Chor Chee Heung	979,800	0.151
28	Kenanga Nominees (Tempatan) Sdn Bhd - Rakuten Trade Sdn Bhd For Teo Chin Hong	915,200	0.141
29	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Soo Wei Chun	880,000	0.136
30	Wiseco Marketing Sdn Bhd	850,000	0.131
Total Holdings		520,270,500	80.666

SECTION 5

OTHER INFORMATION

LIST OF PROPERTIES

No.	Date of Acquisition	Property Address/ Location	Description/ Existing Use	Net Book Value (RM'000)	Tenure/ Date of Expiry of Lease	Land Area/ Built-up area (Square feet)	Revaluation	Age of Building
1.	8 July 2020	No. 4 Jalan Meteor U16/149, Elmina East, 40160 Shah Alam, Selangor	Vacant Industrial Land	17,822	Freehold	137,928 square feet	N/A	N/A
2.	8 May 2018	B-2-2B, Prima Klang Avenue, Jalan Kota/ KS1, 41000 Klang, Selangor	Office Unit	147	99 Year (expiry 6 May 2108)	792 square feet	N/A	13 years

SECTION 5

OTHER INFORMATION

NOTICE OF THE 4TH ANNUAL GENERAL MEETING



Pekat Group Berhad
201901011563 (1320891-U)
 (Incorporated in Malaysia)

NOTICE IS HEREBY GIVEN that the **Fourth Annual General Meeting** Pekat Group Berhad (“the Company”) will be held on a virtual basis by way of live streaming from the **broadcast venue** at **Tricor Business Centre, Gemilang Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia** on **Tuesday, 13 June 2023** at **10.00 a.m.** for the transaction of the following businesses:

AGENDA

As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Directors’ and Auditors’ Reports thereon.

[Please refer to Explanatory Note (a) below]

2. To re-elect the following Directors retiring in accordance with Clause 128 of the Constitution of the Company and being eligible, have offered themselves for re-election:

- i. Mr Kok Kong Chin; and
- ii. Mr Tai Yee Chee

(Ordinary Resolution 1)
(Ordinary Resolution 2)

[Please refer to Explanatory Note (b) below]

3. To re-elect Ms Ooi Youk Lan who is retiring in accordance with Clause 134 of the Constitution of the Company and being eligible, has offered herself for re-election.

[Please refer to Explanatory Note (b) below]

4. To approve the payment of Directors’ fees of up to RM227,000.00 for the financial year ending 31 December 2023.

[Please refer to Explanatory Note (c) below]

5. To approve the payment of Directors’ benefits of up to RM59,000.00 from 1 July 2023 until the next Annual General Meeting of the Company.

[Please refer to Explanatory Note (d) below]

NOTICE OF THE 4TH ANNUAL GENERAL MEETING

6. To re-appoint Grant Thornton Malaysia PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 6)**

[Please refer to Explanatory Note (e) below]

As Special Business:

To consider and if thought fit, to pass, with or without modifications, the following Ordinary Resolutions:

7. **Waiver of Pre-Emptive Rights pursuant to Section 85 of the Companies Act, 2016** **(Special Resolution 1)**

“THAT the shareholders of the Company do hereby waive their statutory pre-emptive rights to be offered new shares ranking equally to the existing issued shares of the Company pursuant to Section 85 of the Companies Act, 2016 (“the Act”), read together with Clause 15 of the Company’s Constitution.

THAT the Directors be and are hereby authorised to issue any new shares (including rights or options over subscription of such shares) and with such preferred, deferred, or other special rights or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, for such consideration and to any person as the Directors may determine subject to passing Ordinary Resolution 7 – Authority to Issue and Allot Shares of the Company pursuant to Sections 75 and 76 of the Act.”

[Please refer to Explanatory Note (f) below]

8. **Authority to Issue and Allot Shares pursuant to Sections 75 And 76 of the Companies Act, 2016** **(Ordinary Resolution 7)**

“THAT pursuant to Sections 75 and 76 of the Companies Act, 2016, ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”) and the approval of the relevant regulatory authorities, where such approval is required, the Directors of the Company be and are hereby authorised to issue and allot shares in the capital of the Company, grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer (“New Shares”) from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares (excluding any treasury shares) of the Company (“Proposed Mandate”).

NOTICE OF THE 4TH ANNUAL GENERAL MEETING

THAT such approval on the Proposed Mandate shall continue to be in force until:-

- a. the conclusion of the next Annual General Meeting of the Company held after the approval was given;
- b. the expiration of the period within which the next Annual General Meeting of the Company is required to be held after the approval was given; or
- c. revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

THAT the Directors of the Company be and are hereby also empowered to obtain the approval from Bursa Securities for the listing of and quotation for such New Shares on the ACE Market of Bursa Securities.

THAT authority be and is hereby given to the Directors of the Company, to give effect to the Proposed Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of the Company and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Company, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed Mandate.”

[Please refer to Explanatory Note (g) below]

9. **Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (“RRPT”) (Ordinary Resolution 8)**

“**THAT** subject to the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company and/or its subsidiaries to enter into and give effect to the RRPT with the related parties as set out in Section 2.3.2 of the Circular to Shareholders dated 27 April 2023 (“the Circular”), which are necessary for the Company and/or its subsidiaries’ day-to-day operations and are carried out in the ordinary course of business at arms’ length basis and on normal commercial terms and transaction price which are not more favorable to the related parties than those generally available to the public and are not detrimental to the interest of the minority shareholders of the Company.

NOTICE OF THE 4TH ANNUAL GENERAL MEETING

THAT the authority conferred by such mandate shall commence upon the passing of this resolution and continue to be in force until:

- (a) the conclusion of the next Annual General Meeting of the Company, at which time this shareholders' mandate will lapse, unless by a resolution passed at the next Annual General Meeting, the authority is renewed;
- (b) the expiration of the period within which the next Annual General Meeting is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is earlier.

AND THAT the Directors of the Company be hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to this ordinary resolution.

[Please refer to Explanatory Note (f) below]

- 10. To transact any other business of the Company of which due notice shall have been given in accordance with the Companies Act 2016 and the Constitution of the Company.

BY ORDER OF THE BOARD

Ong Wai Leng (SSM PC No. 202208000633) (MAICSA 7065544)
Choo Sook Fun (SSM PC No. 202008000567) (LS 0009607)
Company Secretaries

Kuala Lumpur
27 April 2022

NOTICE OF THE 4TH ANNUAL GENERAL MEETING

Notes:

1. The Fourth Annual General Meeting ("4th AGM") will be conducted on a virtual basis through live streaming from the broadcast venue at **Tricor Business Centre, Gemilang Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia** on **Tuesday, 13 June 2023 at 10.00 a.m.** and online remote voting through the Remote Participation and Voting ("RPV") facilities via TIIH Online website at <https://tiih.online> provided by Tricor Investor & Issuing House Services Sdn Bhd ("Share Registrar", "Tricor" or "TIIH") in Malaysia.

For the purpose of complying with Section 327(2) of the Companies Act 2016, the Chairman of the meeting is required to be present at the main venue of the Annual General Meeting. Members/Proxies/Corporate Representatives will not be allowed to be physically present at the broadcast venue on the day of the 4th AGM.

2. Members are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 4th AGM via RPV facilities provided by Tricor via its TIIH Online website at <https://tiih.online>. Please read the Administrative Guide for the 4th AGM of the Company for details on the registration process and procedures for RPV to participate remotely at the 4th AGM of the Company.
3. A member of a Company shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at meeting of members of the Company. A member may appoint not more than two (2) proxies in relation to a meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. For a member of the Company who is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
6. Where a member or the authorised nominee appoints more than two (2) proxies, or where an exempt authorised nominee appoints more than one (1) proxy in respect of each omnibus account to attend and vote at the same meeting, the appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies.
7. A member who has appointed a proxy or attorney or corporate representative to attend and vote at the 4th AGM must request his/her proxy or attorney or corporate representative to submit their RSVP at TIIH Online website at <https://tiih.online> no later than Sunday, 11 June 2023 at 10.00 a.m. Please follow the RSVP Procedures in the Administrative Guide for the 4th AGM.
8. The instrument appointing a proxy shall be in writing signed by the appointor or by his attorney who is authorised in writing. In the case of a corporation, the instrument appointing proxy(ies) must be made either under its common seal or signed by an officer or an attorney duly authorised.

NOTICE OF THE 4TH ANNUAL GENERAL MEETING

9. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the 4th AGM or adjourned general meeting at which the person named in the appointment proposes to vote:
- (i) In hard copy form
In the case of an appointment made in hard copy form, the Proxy Form must be deposited at the Company's Share Registrar at 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, Malaysia, or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
- (ii) By electronic form
The Proxy Form can be electronically lodged via **TIIH Online** website at <https://tiih.online>. Kindly refer to the Administrative Guide for further information on electronic submission of proxy form.
10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the share registrar in accordance with Note (9) above not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
11. For a corporate member who has appointed a representative, please deposit the ORIGINAL OR DULY CERTIFIED certificate of appointment with the share registrar in accordance with Note (9) above. The certificate of appointment should be executed in the following manner:
- a. If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.
 - b. If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
 - i. at least two (2) authorised officers, of whom one shall be a director; or
 - ii. any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.
12. For the purpose of determining who shall be entitled to participate in this 4th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, the **Record of Depositors as at Tuesday, 6 June 2023**. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this 4th AGM or appoint proxies to attend and vote in his stead.

Explanatory Notes:

- a. Agenda No.1

This item is meant for discussion only. The provisions of Section 340(1)(a) of the Companies Act 2016 require that the Audited Financial Statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. As such, this Agenda item is not a business which requires a resolution to be put to vote by shareholders.

NOTICE OF THE 4TH ANNUAL GENERAL MEETING

b. Ordinary Resolutions No. 1 to 3

The Nomination Committee (“NC”) with the assistance of Management of the Company had conducted a Board Effectiveness Assessment (“BEA”) of the Directors, in the areas of qualification, experience, skills, corporate governance, contribution, competence and independence. A fit and proper assessment was also conducted by the NC on the Directors who are standing for re-election pursuant to Clause 128 and Clause 134 of the Constitution respectively to ensure that they have the essential quality and integrity as well as the relevant character, experience, competence, time and commitment to discharge their roles as Directors.

Based on the results of the BEA together with fit and proper assessment for the financial year ended 31 December 2022, the NC concluded that Mr Kok Kong Chin, Mr Tai Yee Chee and Ms Ooi Youk Lan have the requisite competence, caliber to serve on the Board and Board Committees and had demonstrated his/her commitment to the Group in terms of time, participation and discussion during the current year under review. The NC also agreed that their performances are satisfactory, and the Directors have met the Board’s expectation in the discharge of their duties and responsibilities. They have the relevant mix of experience, skills and expertise that are beneficial to the Company. They also devote adequate time in discharging their duties and responsibilities as Directors, work constructively with other Board members, attend meetings with well preparation and will continue to bring value and insight to the Board.

The Board supported and approved the NC’s recommendation on the re-election of the aforesaid Directors who are due to retire at the 4th AGM in accordance with Clause 128 and Clause 134 of the Company’s Constitution respectively. Each Director, being eligible, has expressed his/her willingness for re-election at the 4h AGM. They have abstained from deliberations and decisions on their own eligibility to stand for re-election. Their profiles are set out on pages 35 to 42 of the Annual Report 2022.

c. Ordinary Resolution No. 4

Pursuant to Section 230(1) of the Companies Act, 2016, the fees of the directors and any benefits payable to the directors shall be approved at a general meeting.

The Proposed Resolution is to facilitate the payment of Directors’ fees on a current financial year basis, calculated based on the current Board size. In the event the Directors fees proposed are insufficient (due to enlarged Board size), approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.

d. Ordinary Resolution No. 5

This resolution is to facilitate payment of Directors’ benefits from 1 July 2023 until the next Annual General Meeting of the Company in 2024. In the event the Directors’ benefits proposed are insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.

Directors’ benefits include travel allowance for directors and other emoluments payable to Directors and in determining the estimated total the Board had considered various factors including the number of scheduled meetings for the Board and Board Committees, and covers the period from 1 July 2023 until the next Annual General Meeting of the Company.

NOTICE OF THE 4TH ANNUAL GENERAL MEETING

e. Ordinary Resolution No. 6

The Board had its meeting held on 24 February 2023 approved the recommendation by the Audit and Risk Management Committee (“ARMC”) to re-appoint Grant Thornton Malaysia PLT (“GT”). The Board and ARMC collectively agreed that GT has met the relevant criteria prescribed by Paragraph 15.21 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

f. Special Resolution No. 1

The Special Resolution is pertaining to the waiver of pre-emptive rights granted to the shareholders pursuant to Section 85 of the Companies Act, 2016. By voting in favour of the Special Resolution, the shareholders of the Company would be waiving their statutory pre-emptive rights. The Special Resolution, if passed, would allow the Directors to issue new shares to any person under the Proposed General Mandate without having to offer the new Company shares to be issued equally to all existing shareholders of the Company prior to issuance.

g. Ordinary Resolution No. 7

The proposed ordinary resolution, if passed, will empower the Directors of the Company to issue and allot ordinary shares of the Company from time to time and to grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer, provided that the aggregate number of shares allotted pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being (“Proposed Mandate”).

The authority for the Proposed Mandate will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next AGM or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

This proposed Resolution is a renewal of the previous year’s mandate. The mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders’ approval so as to avoid incurring additional costs and time.

The purpose of this general mandate, if passed, will enable the Directors to take swift action in case of a need to issue and allot new shares in the Company for fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, acquisitions and/or for issuance of shares as settlement of purchase consideration, or other circumstances arise which involve grant of rights to subscribe for shares, conversion of any securities into shares, or allotment of shares under an agreement or option or offer, or such other application as the Directors may deem fit in the best interest of the Company.

As at the date of this notice, the Company did not implement its proposal for new allotment of shares under the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 which was approved by the shareholders at the 3rd AGM held on 9 June 2022 and will lapse at the conclusion of the 4th AGM to be held on 13 June 2023. As at the date of this notice, there is no decision to issue new shares. Should there be a decision to issue new shares after the general mandate is sought, the Company will make an announcement of the actual purpose and utilisation of proceeds arising from such issuance of shares.

h. Ordinary Resolution No. 8

The proposed Ordinary Resolution No. 8 is to seek for Shareholders’ Mandate to allow the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature and to facilitate transactions in the normal course of business of the Group which are transacted from time to time with the specified classes of related parties, provided that they are carried out on an arm’s length basis and on the Group’s normal commercial terms and are not prejudicial to the shareholders on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the interest of the minority shareholders. For further information, please refer to the Circular to the Shareholders dated 27 April 2023.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Rule 8.29(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad)

The Directors retiring in accordance with Clauses 128 and 134 of the Constitution, and eligible for re-election at the upcoming AGM are Mr Kok Kong Chin, Mr Tai Yee Chee and Ms Ooi Youk Lan respectively.

The Board, through its Nominating Committee, carried out the Board Effectiveness Assessment on all Directors for the financial year ended 31 December 2022 and agreed that all Directors meet the criteria as prescribed by Rule 2.20A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") on character, experience, integrity, competence and time commitment to effectively discharge their role as Directors. The Independent Directors have also declared that they met the criteria of independence as defined in the Listing Requirements.

In addition, a fit and proper assessment pursuant to the Fit and Proper Policy adopted by the Company was carried out on the Directors who are due to retire and eligible being re-elected at the forthcoming AGM.

Overall, the Board (save for Mr Kok Kong Chin, Mr Tai Yee Chee and Ms Ooi Youk Lan who have abstained from deliberation on discussions relating to their own re-election at the Board meetings) supports the re-election of the retiring Directors as it believes that the retiring Directors have discharged their duties and responsibilities effectively, demonstrated commitment to their role, and will continue to draw on their extensive experience to make significant contribution to the work of the Board and to the long-term sustainable success of the Company.

The profiles of the Directors who are standing for re-election as per Agenda 2 of the Notice of the 4th AGM are as follow:

(i) Ordinary Resolution 1

MR KOK KONG CHIN

(Independent Non-Executive Chairman)

Gender : Male
Nationality : Malaysian
Age : 57
Date of Appointment : 17 September 2020

Membership of Board Committees

- Nil

Directorship/Present Appointments (other than Pekat Group Berhad)

- ENRA Group Berhad

Relevant Qualification and Experience

Mr Kok Kong Chin ("Mr Kok") graduated from the National University of Malaysia with a Bachelor of Business Administration (Honours) degree and holds a Master of Business Administration from Schulich School of Business, York University, Canada. He has also completed the Advanced Leadership Programme by Judge Business School, University of Cambridge.

Mr Kok has over 30 years of experience in the areas of strategy, general management, private equity, corporate and investment banking. The key positions he has held include Head of Equity Markets and Derivatives, Co-Head of Investment Banking, Head of International Banking & Transaction Services of CIMB Investment Bank Berhad, Head of Regional Banking of CIMB Investment Bank Berhad, Independent Non-Executive Director of Ping Petroleum Ltd and Group Managing Director of Tropicana Corporation Berhad. Currently, he is an Executive Director of ENRA Group Berhad.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Rule 8.29(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad)

Family Relationship with Director/Major Shareholder of the Group

- Nil

Conviction of Offenses within the Past Five (5) Years

- Nil, other than traffic offences (if any)
- No public sanctions nor penalties imposed upon him by relevant regulatory bodies for the financial year ended 31 December 2022.

Meeting Attendance

- Attended all five (5) Board meetings held during the financial year under review.

(ii) Ordinary Resolution 2

MR TAI YEE CHEE

(Executive Director and Chief Executive Officer)

Gender : Male
Nationality : Malaysian
Age : 50
Date of Appointment : 17 September 2020

Membership of Board Committees

- Nil

Directorship/Present Appointments (other than Pekat Group Berhad)

- Nil

Relevant Qualification and Experience

Mr Tai Yee Chee ("Mr Tai") is our Promoter, Executive Director and Chief Operating Officer ("COO") who is responsible for overseeing the operations of our Earthing and Lightning Protection ("ELP") Division and Trading Division. On 1 January 2023, Mr Tai was redesignated from COO to CEO of the Company. He remains as the Executive Director of the Company.

He graduated with a Bachelor of Engineering (Honours) in Electrical and Electronic at University of Hertfordshire, United Kingdom in July 1996.

Upon graduation, Mr Tai joined Tokai Engineering (M) Sdn Bhd as a Sales and Project Engineer in July 1996 where he was involved in the marketing and sales of ELP systems and supervising the implementation of the ELP projects. He was promoted to Assistant Sales and Project Manager in August 1997. In April 2000, he left Tokai Engineering (M) Sdn Bhd and joined Pekat Teknologi Sdn Bhd in May 2000 as the Technical Manager where he was involved in sales of surge protection devices.

In June 2006, Mr Tai was appointed as the Executive Director of Pekat Teknologi Sdn Bhd, a position he continues to hold. He was also appointed as Directors in a number of companies within our Group.

Family Relationship with Director/Major Shareholder of the Group

- Nil

Conviction of Offenses within the Past Five (5) Years

- Nil, other than traffic offences (if any)

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Rule 8.29(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad)

- No public sanctions nor penalties imposed upon him by relevant regulatory bodies for the financial year ended 31 December 2022.

Meeting Attendance

- Attended all five (5) Board meetings held during the financial year under review.

The profile of the Director who is standing for re-election as per Agenda 3 of the Notice of the 4th AGM is as follow:

(iii) Ordinary Resolution 3

MS OOI YOUK LAN

(Non-Independent Non-Executive Director)

Gender : Female
Nationality : Malaysian
Age : 56
Date of Appointment : 22 June 2022

Membership of Board Committees

- Nil

Directorship/Present Appointments (other than Pekat Group Berhad)

- Classic Scenic Berhad

Relevant Qualification and Experience

Ms Ooi Youk Lan ("Ms Ooi") is a fellow member of the Association of Chartered Certified Accountants and a member of Malaysian Institute of Accountants. She has more than 30 years of working experience in audit, taxation, finance, accounting, treasury and corporate exercises covering a variety of industries for both listed and private companies in Malaysia.

In 2012, she joined Hextar Group of Companies as Group Financial Controller, and currently is the Group Chief Financial Officer of Hextar Group of Companies. Her role is to oversee and manage the overall financial and accounting functions, banking relationship, corporate exercise and strategies of Hextar Group of Companies and serving as director of the several private companies.

She is also a Non-Independent Non-Executive Director of Classic Scenic Berhad.

Family Relationship with Director/Major Shareholder of the Group

- Nil

Conviction of Offenses within the Past Five (5) Years

- Nil, other than traffic offences (if any)
- No public sanctions nor penalties imposed upon him by relevant regulatory bodies for the financial year ended 31 December 2022.

Meeting Attendance

- Attended two (2) out two (2) Board meetings held during the financial year under review after her appointment to the Board on 22 June 2022.

ADMINISTRATIVE NOTES

ADMINISTRATIVE GUIDE FOR THE FOURTH ANNUAL GENERAL MEETING (“AGM”)

Day and Date	: Tuesday, 13 June 2023
Time	: 10.00 a.m.
Broadcast Venue	: Tricor Business Centre, Gemilang Meeting Room Unit 29-01, Level 29, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi 59200 Kuala Lumpur, Malaysia
Online Meeting Platform	: TIIH Online website at https://tiih.online

Precautionary Measures Against the Coronavirus Disease (“COVID-19”)

- In line with the Guidance Note and Frequently Asked Questions (FAQs) on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia (including any amendment(s) that may be made from time to time) (SC Guidance), the AGM of Pekat Group Berhad (“Pekat” or “the Company”) will be conducted virtually through live streaming from the Broadcast Venue at **Tricor Business Centre, Gemilang Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia** on **Tuesday, 13 June 2023 at 10.00 a.m.** and online remote voting via Remote Participation and Voting (“RPV”) facilities which are available on Tricor Investor & Issuing House Services Sdn. Bhd.’s (“Tricor”) TIIH Online website at <https://tiih.online>. The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. Shareholder(s) or proxy(ies) or authorised representative(s) or attorney(s) WILL NOT BE ALLOWED to attend the AGM in person at the Broadcast Venue on the day of the meeting.
- Members are to attend, speak (including posing questions to the Board of Directors via real time submission of typed texts) and vote (collectively, “participate”) remotely at this AGM via RPV facilities provided by Tricor.
- We strongly encourage you to attend the AGM via the RPV facilities. You may also consider appointing the Chairman of the Meeting as your proxy to attend and vote on your behalf at the AGM.
- Due to the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our AGM at short notice. Kindly check the Company’s website or announcements for the latest updates on the status of the AGM.
- The Company will continue to observe the guidelines issued by the Ministry of Health and will take all relevant precautionary measures as advised.

Remote Participation and Voting

- The RPV facilities are available on Tricor’s TIIH Online website at <https://tiih.online>.
- Shareholders are to participate remotely at the AGM using RPV facilities from Tricor.
- Kindly refer to Procedures for RPV as set out below for the requirements and procedures.

Procedures to Remote Participation and Voting via RPV Facilities

- Please read and follow the procedures below to engage in remote participation through live streaming and online remote voting at the AGM using the RPV facilities:

ADMINISTRATIVE NOTES

Before the AGM Day

Procedure	Action
i. Register as a user with TIIH Online	<ul style="list-style-type: none"> Using your computer, access to website at https://tiih.online. Register as a user under the “e-Services” select the “Sign Up” button and followed by “Create Account by Individual Holder”. Refer to the tutorial guide posted on the homepage for assistance. Registration as a user will be approved within one (1) working day and you will be notified via e-mail. If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.
ii. Submit your request to attend AGM remotely	<ul style="list-style-type: none"> Registration is open from Thursday, 27 April 2023 until the day of AGM on Tuesday, 13 June 2023. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the AGM to ascertain their eligibility to participate the AGM using the RPV facilities. Login with your user ID (i.e. e-mail address) and password and select the corporate event: “(REGISTRATION) PEKAT 4TH AGM”. Read and agree to the Terms & Conditions and confirm the Declaration. Select “Register for Remote Participation and Voting”. Review your registration and proceed to register. System will send an e-mail to notify that your registration for remote participation is received and will be verified. After verification of your registration against the Record of Depositors as at Tuesday, 6 June 2023, the system will send you an e-mail on or after 11 June 2023 to approve or reject your registration for remote participation.

(Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV).

ADMINISTRATIVE NOTES

On the AGM Day

Procedure	Action
i. Login to TIIH Online	<ul style="list-style-type: none"> Login with your user ID and password for remote participation at the AGM at any time from 9.00 a.m. i.e. 1 hour before the commencement of meeting at 10.00 a.m. on Tuesday, 13 June 2023.
ii. Participate through Live Streaming	<ul style="list-style-type: none"> Select the corporate event: “(LIVE STREAM MEETING) PEKAT 4TH AGM” to engage in the proceedings of the AGM remotely. If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will try to respond to questions submitted by remote participants during the AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.
iii. Online remote voting	<ul style="list-style-type: none"> Voting session commences from 10.00 a.m. on Tuesday, 13 June 2023 until a time when the Chairman announces the end of the session. Select the corporate event: “(REMOTE VOTING) PEKAT 4TH AGM” or if you are on the live stream meeting page, you can select “GO TO REMOTE VOTING PAGE” button below the Query Box. Read and agree to the Terms & Conditions and confirm the Declaration. Select the CDS account that represents your shareholdings. Indicate your votes for the resolutions that are tabled for voting. Confirm and submit your votes.
iv. End of remote participation	<ul style="list-style-type: none"> Upon the announcement by the Chairman on the conclusion of the AGM, the Live Streaming will end.

Note to users of the RPV facilities:

- Should your registration for RPV be approved, we will make available to you the rights to join the live stream meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.
- The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
- In the event you encounter any issues with logging-in, connection to the live stream meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 for assistance or e-mail to tiih.online@my.tricorglobal.com for assistance.

Entitlement to Participate and Appointment of Proxy

- Only members whose names appear on the Record of Depositors as at Tuesday, 6 June 2023 shall be eligible to attend, speak and vote at the AGM or appoint proxy(ies) and/or the Chairman of the Meeting to attend and vote on his/her behalf.
- In view that the AGM will be conducted on a virtual basis, a member can appoint the Chairman of the Meeting as his/her proxy and indicate the voting instruction in the Form of Proxy.
- If you wish to participate in the AGM yourself, please do not submit any Form of Proxy for the AGM. You will not be allowed to participate in the AGM together with a proxy appointed by you.

ADMINISTRATIVE NOTES

- Accordingly, proxy forms and/or documents relating to the appointment of proxy/corporate representative/attorney for the AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than Sunday, 11 June 2023 at 10.00 a.m.:

(i) In Hard copy:

By hand or post to the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at 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;

(ii) By Electronic form:

All shareholders can have the option to submit proxy forms electronically via TIIH Online and the steps to submit are summarised below:

Procedure	Action
i. Steps for Individual Shareholders	
Register as a User with TIIH Online	<ul style="list-style-type: none"> Using your computer, please access the website at https://tiih.online. Register as a user under the “e-Services”. Please refer to the tutorial guide posted on the homepage for assistance. If you are already a user with TIIH Online, you are not required to register again.
Proceed with submission of form of proxy	<ul style="list-style-type: none"> After the release of the Notice of Meeting by the Company, login with your username (i.e. email address) and password. Select the corporate event: “PEKAT 4TH AGM - SUBMISSION OF PROXY FORM”. Read and agree to the Terms and Conditions and confirm the Declaration. Insert your CDS account number and indicate the number of shares for your proxy(ies) to vote on your behalf. Appoint your proxy(ies) and insert the required details of your proxy(ies) or appoint the Chairman as your proxy. Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes. Review and confirm your proxy(ies) appointment. Print the form of proxy for your record.
ii. Steps for corporation or institutional shareholders	
Register as a User with TIIH Online	<ul style="list-style-type: none"> Access TIIH Online at https://tiih.online. Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects the “Sign Up” button and followed by “Create Account by Representative of Corporate Holder”. Complete the registration form and upload the required documents. Registration will be verified, and you will be notified by email within one (1) to two (2) working days. Proceed to activate your account with the temporary password given in the email and re-set your own password. <p><i>(Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.)</i></p>

ADMINISTRATIVE NOTES

Procedure	Action
ii. Steps for corporation or institutional shareholders	
Proceed with submission of form of proxy	<ul style="list-style-type: none"> • Login to TIIH Online at https://tiih.online. • Select the corporate event name: “PEKAT 4TH AGM - SUBMISSION OF PROXY FORM”. • Agree to the Terms & Conditions and Declaration. • Proceed to download the file format for “Submission of Proxy Form” in accordance with the Guidance Note set therein. • Prepare the file for the appointment of proxies by inserting the required data. • Login to TIIH Online, select corporate event name: “PEKAT 4TH AGM - SUBMISSION OF PROXY FORM”. • Proceed to upload the duly completed proxy appointment file. • Select “Submit” to complete your submission. • Print the confirmation report of your submission for your record.

Voting at Meeting

- The voting at the AGM will be conducted on a poll pursuant to Rule 8.31A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The Company has appointed Tricor to conduct the poll voting electronically (“e-voting”) via Tricor e-Vote application (“Tricor e-Vote App”).
- Shareholders can proceed to vote on the resolutions before the end of the voting session which will be announced by the Chairman of the Meeting and submit your votes at any time from the commencement of the AGM at 10.00 a.m. Kindly refer to “Procedures to Remote Participation and Voting via RPV Facilities” provided above for guidance on how to vote remotely via TIIH Online.

Door Gift or Food Voucher

- There will be no door gifts or food vouchers for attending the AGM.

No Recording or Photography

- Unauthorised recording and photography are strictly prohibited at the AGM.

Pre-Meeting Submission of Questions to the Board of Directors

- The Board recognises that the AGM is a valuable opportunity for the Board to engage with shareholders. In order to enhance the efficiency of the proceedings of the AGM, shareholders may in advance, before the AGM, submit questions to the Board of Directors via Tricor’s TIIH Online website at <https://tiih.online>, by selecting “e-Services” to login, post your questions and submit it electronically no later than Sunday, 11 June 2023 at 10.00 a.m. The Board of Directors will endeavor to address the questions received at the AGM.

Enquiry

- If you have any enquiry prior to the meeting, please call our Share Registrar, Tricor at +603-2783 9299 during office hours i.e. from 8.30 a.m. to 5.30 p.m. (Monday to Friday).

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Pekat Group Berhad
201901011563 (1320891-U)
(Incorporated in Malaysia)

PROXY FORM

(Before Completing This Form Please Refer To The Notes Below)

Number of Shares held	
CDS Account	

I/We*, NRIC/Passport/Company No.

Tel/Mobile No.....of.....being a member

of the **PEKAT GROUP BERHAD**, hereby appoint.....and/or*

NRIC/ Passport/Company* No.....

or failing whom, the Chairman of the meeting as my/our^ proxy to vote for me/us and on my/our behalf at the **Fourth Annual General Meeting** of the Company to be held on a virtual basis through live streaming from the **broadcast venue at Tricor Business Centre, Gemilang Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia on Tuesday, 13 June 2023 at 10.00 a.m.** and any adjournment thereof.

My/our proxy/proxies is/are to vote as indicated hereunder:

No	Ordinary Resolutions	FOR	AGAINST
1.	Re-election of Mr Kok Kong Chin as Director of the Company		
2.	Re-election of Mr Tai Yee Chee as Director of the Company		
3.	Re-election of Ms Ooi Youk Lan as Director of the Company		
4.	Payment of Directors' fees of up to RM227,000.00 for the financial year ending 31 December 2023		
5.	Payment of Directors' benefits of up to RM59,000.00 from 1 July 2023 until the next Annual General Meeting of the Company		
6.	Re-appointment of Grant Thornton Malaysia PLT as Auditors of the Company		
7.	Authority to Issue and Allot Shares pursuant to Sections 75 And 76 of the Companies Act, 2016		
8.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

No	Special Resolutions	FOR	AGAINST
1.	Waiver of Pre-Emptive Rights pursuant to Section 85 of the Companies Act, 2016		

Please indicate with an "X" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he thinks fit.

Signed this day of 2023.

.....

Signature^
Members

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:			
Proxy No.	No. of Shares	Percentage	
Proxy 1			%
Proxy 2			%
Total		100%	%

* To delete, whichever not applicable

^ Manner of execution:

- (a) If you are an individual member, please sign where indicated.
- (b) If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
- (c) If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:
 - (i) at least two (2) authorised officers, of whom one shall be a director; or
 - (ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

Notes:

1. The Fourth Annual General Meeting ("4th AGM") will be conducted on a virtual basis through live streaming from the broadcast venue at **Tricor Business Centre, Gemilang Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia** on **Tuesday, 13 June 2023 at 10.00 a.m.** and online remote voting through the Remote Participation and Voting ("RPV") facilities via TIIH Online website at <https://tiih.online> provided by Tricor Investor & Issuing House Services Sdn Bhd ("Share Registrar", "Tricor" or "TIIH") in Malaysia.
For the purpose of complying with Section 327(2) of the Companies Act 2016, the Chairman of the meeting is required to be present at the main venue of the Annual General Meeting. Members/ Proxies/Corporate Representatives will not be allowed to be physically present at the broadcast venue on the day of the 4th AGM.
2. Members are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 4th AGM via RPV facilities provided by Tricor via its TIIH Online website at <https://tiih.online>. Please read the Administrative Guide for the 4th AGM of the Company for details on the registration process and procedures for RPV to participate remotely at the 4th AGM of the Company.
3. A member of a Company shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at meeting of members of the Company. A member may appoint not more than two (2) proxies in relation to a meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. For a member of the Company who is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
6. Where a member or the authorised nominee appoints more than two (2) proxies, or where an exempt authorised nominee appoints more than one (1) proxy in respect of each omnibus account to attend and vote at the same meeting, the appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies.
7. A member who has appointed a proxy or attorney or corporate representative to attend and vote at the 4th AGM must request his/her proxy or attorney or corporate representative to submit their RSVP at TIIH Online website at <https://tiih.online> no later than Sunday, 11 June 2023 at 10.00 a.m. Please follow the RSVP Procedures in the Administrative Guide for the 4th AGM.

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STAMP

The Share Registrar of
PEKAT GROUP BERHAD
Registration No.: 201901011563 (1320891-U)
**TRICOR INVESTOR & ISSUING HOUSE
SERVICES SDN BHD**
Registration No.: 197101000970 (11324-H)
Unit 32-01, Level 32, Tower A Vertical Business Suite,
Avenue 3, Bangsar South No. 8, Jalan Kerinchi,
59200 Kuala Lumpur

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8. The instrument appointing a proxy shall be in writing signed by the appointor or by his attorney who is authorised in writing. In the case of a corporation, the instrument appointing proxy(ies) must be made either under its common seal or signed by an officer or an attorney duly authorised.
9. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the 4th AGM or adjourned general meeting at which the person named in the appointment proposes to vote:
 - (i) In hard copy form
In the case of an appointment made in hard copy form, the Proxy Form must be deposited at the Company's Share Registrar at 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, Malaysia, or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
 - (ii) By electronic form
The Proxy Form can be electronically lodged via **TIIH Online** website at <https://tiih.online>. Kindly refer to the Administrative Guide for further information on electronic submission of proxy form.
10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the share registrar in accordance with Note (9) above not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
11. For a corporate member who has appointed a representative, please deposit the ORIGINAL OR DULY CERTIFIED certificate of appointment with the share registrar in accordance with Note (9) above. The certificate of appointment should be executed in the following manner:
 - a. If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.
 - b. If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
 - i. at least two (2) authorised officers, of whom one shall be a director; or
 - ii. any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.
12. For the purpose of determining who shall be entitled to participate in this 4th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, the **Record of Depositors as at Tuesday, 6 June 2023**. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this 4th AGM or appoint proxies to attend and vote in his stead.



Pekat Group Berhad

Registration No.: 201901011563 (1320891-U)

3A, 5 & 6, Cubic Space, No. 6, Jalan Teknologi 3/4,
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