KEY ASIC BERHAD

200501024949 (707082-M)

Digitalizing the world with
Artificial Intelligence

ANNUAL REPORT 2023

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Eg Kah Yee
Executive Chairman, Chief Executive Officer

Datuk Md Zubir Ansori Bin Yahaya
Independent Non-Executive Director

Chen, Chia-Yin
Independent Non-Executive Director

Prof. Low Teck Seng
Independent Non-Executive Director

Benny T. Hu @ Ting Wu Hu
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Datuk Md Zubir Ansori Bin Yahaya
Chairman / Independent Non-Executive Director

Chen, Chia-Yin
Independent Non-Executive Director

Benny T. Hu @ Ting Wu Hu
Non-Independent Non-Executive Director

COMPANY SECRETARIES

Wong Wai Foong
SSM PC NO. 202008001472
(MAICSA 7001358)

Joanne Toh Joo Ann
SSM PC NO. 202008001119
(LS 0008574)

REGISTERED OFFICE

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : 03-2783 9191
Fax : 03-2783 9111
Email: info@my.tricorglobal.com

BUSINESS ADDRESS

6th Floor, Unit 3
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Tel : 03-7664 3300
Fax : 03-7664 3301

SHARE REGISTRAR

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
Tel : 03-2783 9299
Fax : 03-2783 9222
Email: is.enquiry@my.tricorglobal.com

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad (Main Market)
Stock Name : KEYASIC
Stock Code : 0143

CORPORATE SOLICITOR

Rajah, Lau & Associates
B-13-13, Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel : 03-2710 5587
Fax : 03-2710 5589

AUDITORS

Messrs UHY
Suite 11.05, Level 11,
The Gardens South Tower,
Mid Valley City,
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 03-2279 3088

PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Bhd
Public Bank Berhad

CORPORATE WEBSITE

www.keyasic.com

BOARD OF DIRECTORS AND KEY SENIOR MANAGEMENT'S PROFILE

EG KAH YEE

Executive Chairman, Chief Executive Officer

Malaysian I Male I Aged 63

Eg Kah Yee was appointed to the Board of Directors of Key ASIC Berhad ("Key ASIC" or "Company") as a Non-Independent Non-Executive Chairman on 15 June 2006. He was redesignated as the Chief Executive Officer on 30 October 2014. He graduated with Bachelor of Computer Science degree from West Virginia University, USA in 1983. He started his career as a research and development ("R&D") Engineer with Phoenix Data Systems Inc., Santa Clara, California, USA, before joining Daisy Systems Corporation ("Daisy"), a company listed on the NASDAQ Market and a pioneer in computer aided engineering in electronic designs, as R&D Project Manager.

While he was in Daisy, he assumed various positions such as Regional Technical Director, Country Manager (Taiwan) and Director of North Asia Region. In 1990, he joined Synopsys Inc., a company listed on the NASDAQ Market, which pioneered the high level design for Application Specific Integrated Circuit and Very-large-scale Integration, as Regional Manager for South Asia Pacific Operations and was subsequently promoted as General Manager for Asia Pacific Operations in 1992. He left Synopsys Inc. in 1996 and founded Palette Multimedia Berhad (now known as UCrest Berhad) in 1997 and has been the Chairman/Managing Director since then. Currently, he also sits on the Board of Directors of UCrest Berhad and various private limited companies. He is the Chairman of the Sustainability Committee of Key ASIC.

He is a Major Shareholder of Key ASIC through Key ASIC Limited. He does not have any family relationship with any other Director and/or Major Shareholder of the Company. He does not have any conflict of interest with the Company except that he shall be deemed interested in the recurrent related party transactions of a revenue or trading nature to be entered into with the related parties pursuant to the shareholders' mandate obtained at the Annual General Meeting by virtue of the nature of interest as disclosed in the Circular to Shareholders dated 29 September 2023(1). He has no conviction for offences (other than traffic offences) within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Note:

(1) Please refer to the Circular to Shareholders dated 29 September 2023 for the information on the recurrent related party transactions.

BENNY T. HU @ TING WU HU

Non-Independent Non-Executive Director

Taiwanese I Male I Aged 74

Benny T. Hu @ Ting Wu Hu was appointed to the Board of Key ASIC as Independent Non-Executive Director on 14 October 2009 and re-designated to Non-Independent Non-Executive Director on 26 August 2022. He graduated in Master in Business Administration degree from Wharton School, University of Pennsylvania and started his career as a Manager in Bankers Trust Company. He has more than 40 years of experience in finance and investment industry. He was the President and later Chairman of China Development Industrial Bank, the largest venture capital and investment firm in Taiwan with an investment portfolio over USD3 billion, from 1993 to 2004. The investment portfolio consists of over 500 investee companies, in which 80% of them are IT related companies. He has been actively involved in the semiconductor industry and was a former Vice Chairman and founder of World Semiconductor Manufacturing Corporation from 1996 to 2000. He has been a member of Rand Corporation Asia Pacific board and a board member of Stanford Institute of Economic Policy Research since 2000. Currently, he is the Chairman of National Taiwan University Incubation and Innovation Company, which the main objective is to provide financial and operational assistance to Taiwan's start-up companies. He is also the Chairman of Senhwa Bioscience, Inc., a listed company on Taipei Exchange. In addition, he also chairs multiple integrated circuit or semiconductor related companies or focused venture funds. He has been re-designated from Chairman to a member of both the Audit Committee and Nomination Committee of Key ASIC on 26 August 2022.

Mr Benny Hu does not hold any directorship in other public companies.

He does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no conviction for offences (other than traffic offences) within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

BOARD OF DIRECTORS AND KEY SENIOR MANAGEMENT'S PROFILE (CONT'D)

CHEN, CHIA-YIN

Independent Non-Executive Director

Taiwanese I Female I Aged 48

Chen, Chia-Yin was appointed to the Board of Directors of Key ASIC as an Independent Non-Executive Director on 24 June 2014. She vacated office pursuant to Paragraph 15.05(3)(C) of the Main Market listing requirements of Bursa Malaysia Securities Berhad and was re-appointed on 25 September 2020.

Her first career is with China Development Industrial Bank ("CDIB") as a Manager in Overseas Investment department mostly responsible for investment activities in the fields of banking and finance related acquisition projects in Southeast Asia, IT and Semiconductor venture investments in Japan and Silicon Valley, distressed asset joint venture investment project in New York and managing portfolio investment worth US$100 million. In year 2005, she joined Etron Technology Inc. as Senior Investment Manager in CEO office. At Etron, she managed portfolio investments and specialised in M&A, incubating startups and spinoffs, also sitting on the boards of the investee companies as Managing Directors until March 2012. Since then she has been pursuing her investment profession with Strait Capital Investment Group, responsible for overseas M&A, focusing on Semiconductor, pharmaceutical and medical service fields. She is a member of the Audit Committee, Remuneration Committee and Nomination Committee of Key ASIC.

Ms Chen does not hold any directorship in other public companies.

She does not have any family relationship with any Director and/or major shareholder of the Company. She does not have any conflict of interest with the Company and has no conviction for offences (other than traffic offences) within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

PROF. LOW TECK SENG

Independent Non-Executive Director

Singaporean I Male I Aged 68

Prof. Low Teck Seng was appointed to the Board of Directors of Key ASIC as Independent Non-Executive Director on 24 November 2017.

Prof. Low graduated with First Class Honours in Electrical & Electronic Engineering in 1978 from Southampton University and subsequently received his PhD from the same university in 1982. He joined National University of Singapore (NUS) in 1983 as an academic staff of the Department of Electrical Engineering. His research interests were in computational electromagnetics and spinelectronics

Prof. Low Teck Seng was the Chief Executive Officer of the National Research Foundation ("NRF"), Prime Minister's Office, Singapore from July 2012 till August 2022. Prior to his appointment at NRF he was the Managing Director of the Agency for Science, Technology and Research. Prof. Low was instrumental in setting up the Magnetics Technology Centre ("MTC") in National University of Singapore ("NUS") in 1992. The MTC is the predecessor of the Data Storage Institute ("DSI"), a leading research institute focusing on data storage technologies. He was Dean of Engineering at the NUS from 1998 to 2000. Prof. Low was the founding principle of Republic Polytechnic.

Prof. Low is presently a tenured professor and Senior Vice President (Sustainability and Resilience) at the National University of Singapore. He is a Fellow of the Singapore Academy of Engineers; Fellow of the IEEE and International Fellow of the Royal Academy of Engineers, UK.

Prof. Low is also the Independent Non-Executive Director of UCrest Berhad. He is the Chairman of the Remuneration Committee of Key ASIC.

He does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no conviction for offences (other than traffic offences) within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DATUK MD ZUBIR ANSORI BIN YAHAYA

Independent Non-Executive Director

Malaysian I Male I Aged 65

Datuk Md Zubir Ansori Bin Yahaya was appointed to the Board of Directors of Key ASIC as Independent Non-Executive Director on 26 August 2022. He holds a Bachelor of Accounting (Honours) degree from Universiti Kebangsaan Malaysia. He also holds a certificate of Banking and Managerial Process from Asian Institute of Management (AIM), Manila. He is a Chartered Accountant as a member of Malaysian Institute of Accountants (MIA) and he is also a Fellow member of Institute of Corporate Directors Malaysia (ICDM).

Datuk Md Zubir has more than 35 years of strategic, finance and management experience in various sectors including Financial Services, Aviation, Transportation and Air Cargo Logistics, Information & Communications Technology, Retailing, Trading and Corporate Consultancy. He had previously served as Chairman to the Board of UiTM Holdings Berhad, MyFranchise Sdn. Bhd., and PNS ASQ Asia Sdn. Bhd., Board member of Focus Point Holdings Berhad, Perbadanan Nasional Berhad (PNS), Seacera Group Berhad, MyCreative Ventures Bhd and board of several Malaysia Debt Ventures Berhad ("MDV")'s customers, namely P1 Sdn. Bhd., Aquawalk Sdn. Bhd., Commerce dot Com Sdn. Bhd., Jaalaa Sdn. Bhd., Lereno Sdn. Bhd. and Platinum Nanochem Sdn. Bhd. He was a member of the Global Technology Funds Evaluation Committee at MDeC and a Corporate Advisor to UMCIC, University of Malaya and several Committees on a national level such as an Executive member on the Local Advisory Panel for MSC Malaysia, Funding and Enabler Sub-Committees in Biotech Corporation, NEF Advisory Committee and Executive Council MyLab project for Ministry of Education. He left MDV in 2018 after serving as Managing Director/Chief Executive Officer for 13 years.

Datuk Md Zubir is the Chairman of the Audit Committee, Nomination Committee and Option Committee of Key ASIC. He is also a member of the Sustainability Committee of Key ASIC. He does not hold any directorship in other public companies.

He does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no conviction for offences (other than traffic offences) within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

THONG KOOI PIN

Financial Controller

Malaysian I Male I Aged 51

Mr Thong Kooi Pin was appointed as the Financial Controller of Key ASIC Berhad on 25 September 2006. He graduated with a professional degree in Association of Chartered Certified Accountant ("ACCA") in 1998 and admitted as member of Malaysian Institute of Accountants ("MIA") as Chartered Accountant in year 2000. He further obtained his Master degree in business administration majoring in finance in year 2005 from Universiti Putra Malaysia.

Mr Thong Kooi Pin is a member of the Option Committee and Sustainability Committee of Key ASIC. He does not hold any directorship in public companies.

He does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no conviction for offences (other than traffic offences) within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

BOARD OF DIRECTORS AND KEY SENIOR MANAGEMENT'S PROFILE (CONT'D)

WANG, WEI-KAI

Director of Production

Taiwanese I Male I Aged 44

Mr Wang, Wei-Kai was appointed as the Director of Production in March, 2022. He graduated with a master degree in Applied Science and Technology of National Chiao Tung University Taiwan in 2020. He started his career as Integration engineer with Qualcomm, Taiwan in 2009 before joining TDK Invernesses, Taiwan in 2017 where he assumed foundry engineer for the wafer process and IC development before joining Key ASIC.

Mr Wang, Wei-Kai is a member of the Sustainability Committee of Key ASIC. He does not hold any directorship in public companies.

He does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no conviction for offences (other than traffic offences) within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

LEE, HSIN-KAI

Vice President ("VP") of Marketing

Taiwanese I Male I Aged 63

Mr Lee, Hsin-Kai was appointed as the VP of Marketing of Key ASIC in July 2018. He graduated with a professional degree in Electronic Engineering of Tamkang University Taiwan, in 1982.

Mr Lee, Hsin-Kai does not hold any directorship in public companies.

He does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no conviction for offences (other than traffic offences) within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CHEN, CHUN-LIANG

General Manager, ASIC Business

Taiwanese I Male I Aged 49

Mr Chen, Chun-Liang was appointed as the General Manager, ASIC Business in March, 2023. He graduated with a master degree in Electrical Engineering of National Taiwan University in 1999. He started his career as Research and Development (R&D) as Vice President with Uleadtek, Taiwan in 2004 before joining Faraday Technology Corporation, Taiwan in 2016 where he assumed Central Marketing Manager to build-up product lines for Multi-standard Passive Optical Network, Power IC, datacom server SoC before joining Key ASIC. He has more than 10 years of experience in R&D.

Mr Chen, Chun-Liang does not hold any directorship in public companies.

He does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no conviction for offences (other than traffic offences) within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the Annual Report and the Audited Financial Statements of Key ASIC Berhad ("Group") for the year ended 31 May 2023 ("FYE 2023").

Financial Performance

The Group has posted a net loss of RM5.37 million for FYE 2023 as compared to a net loss of RM8.64 million for FYE 2022.

Industry Trends and Development

The overall growth of the global semiconductor industry in Calender Year ("CY") 2022 is 3.3%. Despite of the global semiconductor industry going through the downturn in second half of CY2022 and early part of CY2023, the Group has demonstrated resilience and growth in FY2023 over FY2022 as the Group has expanded its market to medical, industrial, automotive, communication and renewable energy sectors leveraging on its strengths in Artificial Intelligence ("AI") and Internet of Things ("IoT") technologies.

In FY2023, the Group has inked over RM70 million of contracts and built up a very strong pipeline in turnkey ASIC design service business. The projects have commenced design implementation, and some have started the production.

The demand for chips in the consumer sector was down in FY2023 due to over buying during the pandemic about 3 years ago and it is expected to return in CY2024, fueling the growth of semiconductors in the next 2 years.

The automotive industry driven by the growth of electric vehicles ('EV'), the industrial sector driven by Industry 4.0, the medical industry revolutionized by digital health, and the new energy sector driven by the demand for energy storage and efficient distribution are expected to continue to grow in FY2024 and the Group is well positioned to continue to capitalize on the growth in these areas.

The Group has been investing and will continue to invest significantly more resources in the research and development of the technologies and Intellectual Property ("IPs") in the advance process technologies.

In addition to the IoT technology that that Group has developed and adopted in the healthcare industry. The Group has invested in the development of AI technology in the healthcare sector in the past 5 years, hence a solid foundation has been established ranging from the development of the AI chips, system, and AI application software.

We have presented at one of the microelectronic conferences in Europe several years ago on the evolution of the architecture and structure of AI chips. General AI chips are like general purpose Central Processing Unit ("CPU"). However, the AI system for each application is uniquely different. With the general-purpose architecture AI chips, it is not going to be efficient in executing each unique AI applications. As such, the AI chip architecture eventually will have to be based on specific applications to have an efficient AI chip. This is a similar comparison between general purpose CPU vs Application-Specific Integrated Circuit ("ASIC") System-on-Chip ("SoC"). Ultimately, most chips are designed and implemented as ASIC, i.e., Application Specific Integrated Circuit. The Group started the research and development work in this area several years ago and it is giving us a competitive advantage in this area.

AI will continue to be an area of focus of the Group not just in chip development but a complete solution including AI platform and the application software.

CHAIRMAN'S STATEMENT
(CONT'D)

Prospect

The changes in digitalization and automation of these sectors will continue to deepen generating higher demand for higher performance SoC and AI chips. The focus on the industrial, medical, automotive communication, and new energy sectors has been generating good results in FY2023, and it is expected to continue to grow in FY2024.

The demand for consumer electronics is expected to go through a round of refresh in smart phones, tablets, laptops, home computers and routers in the next two years.

The adoption of AI is increasingly strong, and we expect to have higher demand for the AI SoC for the ASIC design service business. Our effort in the development of the AI system for healthcare applications is expected to generate revenue in the near future.

Appreciation

I wish to express my appreciation to all the members of the Board of Directors who have continuously been providing the management with invaluable advice and active participation during the development of the business. Furthermore, I would like to extend my heartiest appreciation to our dedicated and talented colleagues that have been contributing to the success of the Group.

Finally, I would like to extend my appreciation to the shareholders that have been supporting the Group in the capital market and the indispensable business partners and associates that have been growing with us.

Thank you,

EG KAH YEE
Executive Chairman, Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

General Description of the Group's Business

The three core businesses of the Group are ASIC design services/IP licensing, IoT and AI chips and AI software for medical applications. The Group has increased its investment in the ASIC design service/IP licensing business significantly with the focus on industrial, automotive, medical communication, and new energy sectors and AI in healthcare.

Though the semiconductor industry was generally down globally as compared to FY2022, the Group has sealed over RM70 million of ASIC design and IP licensing projects in FY2023 and has commenced the engineering effort as well as the volume production of the chips. We expected some of the first-time silicon success chips to continue mass production in FY2024. The effort to focus on B2B applications rather than just consumer electronics has yielded good results and we will continue in this model.

The use of AI will grow significantly as soon as the technology becomes more mature, has better functionality and higher accuracy. The Group has developed unique AI methodologies and algorithms that will increase performance and accuracy significantly. We expect AI systems will contribute to revenue.

Financial Year Ended 31 May 2023 ("FYE 2023")

Revenue

The Group's revenue for FYE 2023 was RM20.82 million compared with RM13.59 million in FYE 2022. The higher revenue was due to higher demand for non-recurring services recorded in the financial year.

Costs and expenses

Total costs and expenses before finance costs for FYE 2023 which amounted to RM27.37 million comprised of the following items:

(a) Purchase and other direct costs amounted to RM13.49 million;

(b) Administrative expenses amounted to RM5.71 million;

(c) Other operating expenses amounted to RM8.17 million.

Other operating income

Other operating income of the Group of RM0.60 million recorded was mainly due to foreign exchange gain on the Group's USD denominated assets as a result of the strengthening of US Dollar against Malaysia Ringgit and interest income.

Taxation

There is income tax credit RM0.01 million for the Group.

Loss attributable to Owners of the Company

Loss attributable to Owners of the Company was RM5.37 million or RM0.39 per basic share. The loss is largely attributed to higher expenses recorded in the financial year.

Liquidity and capital resources

Cash and cash equivalents of the Group amounted to RM23.59 million.

The Group's net cash used in operating activities was RM1.21 million and capital expenditure in respect of property, plant and equipment was RM0.09 million.

The Group's financing activities recorded a net cash inflow in FYE 2023.

Prospects

The Group has built a healthy backlog going into FY2024 in the ASIC design service and IP licensing business. As our focused sectors are expected to continue to grow in FY2024, the electronic vehicles and the medical devices or equipment sectors will continue to grow. Transformation of manufacturing facilities will continue in China and everywhere else, generating demand of AI and IoT chips. The Group is expected to capture additional new ASIC design business during the year in addition to the existing backlog. This will continue to be the growing business and the major contributor of revenue for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

The Board of the Group has formed the Sustainability Committee spearheaded by the Chairman, and supported by other Board members and the management team to install in place the areas of focus in ESG that will not only contribute to the sustainability of the planet, but the booster of the Group's revenue. The Group has invested significant resources over the years to develop IP technologies that will reduce the power consumption of the chips by 30-35%, giving the Group a competitive edge in the ASIC design services for portable or mobile devices. The Committee will continue to strategize and integrate ESG ingredients into the DNA of the Group and the business activities.

AI in the healthcare continues to gain traction and the Group's joint effort with UCrest Berhad in the development of AI technology for diagnosis of chronic eye diseases such as glaucoma, diabetic retinopathy, and Age-Related Macular Degeneration ("AMD"). We expect this to be a significant revenue contributor in FY2024 and beyond.

Risk Factors

Innovation Risks

Investment in the Research and Development of trendy technologies and development of cutting-edge products have always been the core philosophy and the innovation foundation of the Group, hence reducing the risk of innovation.

Competency Risks

The Group has recruited and on boarded 50% more talented engineers and senior managers in FY2023 and lifted the core competency of the Group significantly. Regular trainings have also been conducted to ensure engineers are well trained and knowledgeable are shared and passed on, further enhancing the competency.

Senior Technology Advisors from Silicon Valley are also onboarded to assist in the development of breakthrough cutting edge technology and products.

Information Technology ("IT") Risk

The Group has invested in strengthening the IT team as well as invested in upgrading and expanding the IT infrastructure constantly throughout the Group during the fiscal year. Network has been modernized, upgraded, and protected to prevent cybersecurity attacks. Communication bandwidths have been upgraded by multiple folds to support the online works and video conferencing meetings.

Backup scheme has been revamped to provide more secured and optimized backup storage system such that the valuable IPs and designs are well maintained.

Intellectual Property ("IP") Risk

The Group has been awarded a few more patents in FY2023, indicating the R&D pioneering capabilities of the team. More patents have been filed in ASIC/SoC design, AI and IoT.

The Group will continue to invest in the development, filing and maintenance of the patents such that our IP are well protected from infringement.

Production Risk

The Group has diversified its manufacturing partners, reducing the risk and reliability of single source. The overall semiconductor market has slowed down somewhat in FY2023 and hence, shortage is unlikely in FY2024 based on the current situation.

Design Development Risk

The core competencies of the Group are Research, Design and Development of technologies and products. The Group has attracted top-notch talents at the senior level in the R&D department as well as on boarded young and talented engineers in IP development, ASIC/SoC implementation as well as AI software algorithms development. The Group has established an internal rule of hiring that we recruit only the top-notch and talented engineers in the R&D department to ensure the R&D capabilities are of the world class.

The Group has also engaged veteran technologist in the Silicon Valley as the Technology Advisor to impact their expertise and experience to our team of engineers, assisting the Group in its innovation and development.

Geopolitical Risk

The political tensions between superpowers and multilateral sanctions imposed in the past two years are constantly changing the game rules of the industry. The Group has a sound business relationship with suppliers and partners of various countries, so these disruptive changes have no major negative impact on the Group thus far. The dynamic management team has the capabilities and talents to navigate through the distraction without much negative impact, instead, the Group is able to capitalize on the changes to the benefits of the Group.

AUDIT COMMITTEE REPORT

The Audit Committee ("AC") was established on 4 October 2007 with the primary objective to provide assistance to the Board of Directors ("Board") in fulfilling its fiduciary responsibilities relating to the corporate governance and practices for the Group, to improve the business efficiency and enhance the independent role of external and internal auditors.

1. COMPOSITION OF AUDIT COMMITTEE

The present members of the AC comprise of:-

Chairman

Datuk Md Zubir Ansori Bin Yahaya – Independent Non-Executive Director

Members

Chen, Chia-Yin – Independent Non-Executive Director
Benny T. Hu @ Ting Wu Hu - Non-Independent Non-Executive Director

2. TERMS OF REFERENCE

The Terms of Reference of the AC is available at the Company's website at www.keyasic.com.

3. SUMMARY OF MEETING AND ACTIVITIES UNDERTAKEN

A total of four (4) meetings were held during the financial year ended 31 May 2023. The attendance records of the meetings are as follows:-

Name	Attendance
Datuk Md Zubir Ansori Bin Yahaya *(Appointed on 26 August 2022)*	3/3
Benny T. Hu @ Ting Wu Hu	4/4
N. Chanthiran A/L Nagappan *(Resigned on 26 August 2022)*	1/1
Chen, Chia-Yin	4/4

The main activities undertaken by the AC during the financial year ended 31 May 2023 were as follows:-

(i) reviewed the annual financial statements of the Group and recommended the same to the Board for their consideration and approval;

(ii) reviewed the quarterly unaudited financial results of the Group in July 2022, October 2022, January 2023 and April 2023 prior to recommending them for approval by the Board. The financial results were presented by Management who attended to the queries raised by the AC. The AC was satisfied that the financial results had been prepared in accordance with Malaysian Financial Reporting Standards 134;

(iii) reviewed the financial performance against the budget;

(iv) reviewed and discussed on the Company's plan for financial year ending 2023;

(v) reviewed the recurrent related party transactions entered into by the Group and ensured that the transactions were within the threshold as set in accordance with the mandate obtained from the shareholders;

AUDIT COMMITTEE REPORT
(CONT'D)

3. SUMMARY OF MEETING AND ACTIVITIES UNDERTAKEN (CONT'D)

(vi) reviewed the Circular to shareholders in relation to the Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature before recommending the same to the Board for approval;

(vii) discussed and reviewed the fees of the External Auditors;

(viii) reviewed and discussed with the External Auditors the Audit Committee Report and Audit Planning Memorandum from the External Auditors and recommended the same for the Board's notation;

(ix) the assessment on the External Auditors was conducted by completing personalised evaluation form as guided by the Corporate Governance Guide on Evaluation of External Auditor Performance and independence Checklist. The AC had, with the assistance from the Management, assessed the performance, suitability and independence of Messrs UHY and recommended that Messrs UHY be re-appointed as the External Auditors of the Company.

(x) reviewed and discussed with the Internal Auditors on the key risks of the Group covered in the Enterprise Risk Management Report and prepared by the Internal Auditors including the management action plans based on the recommendation highlighted by the Internal Auditors before updating the Board;

(xi) reviewed and discussed with the Internal Auditors, the Internal Audit Plan, the Internal Audit Report on review of Financial Management, Corporate Governance and the Enterprise Risk Management including the management action plans based on the recommendation highlighted by the Internal Auditors as well as the Follow-Up Internal Audit Report which covered on IT Management, Human Resource Management and Sales & Marketing Management, before updating the Board;

(xii) assessed the performance of the Internal Auditors, Vaersa Advisory Sdn. Bhd. based on personalised evaluation form. The AC was satisfied with the performance, adequacy of the scope, functions, competency and resources of the Internal Auditors and that it has the necessary authority to carry out its work;

(xiii) reviewed and recommended for the Board's approval, the Statement on Risk Management and Internal Control, Corporate Governance Overview Statement, Sustainability Statement and AC Report for inclusion in the Annual Report 2022;

(xiv) verified that the offer of 137,150,000 options under the Employees' Share Option Scheme ("ESOS") offered to the eligible Directors and employees in October 2022 is in accordance with the ESOS By-Laws; and

4. INTERNAL AUDIT FUNCTION

Internal auditor reports directly to the AC. The functions of the Internal Auditors are to ensure a regular review of the adequacy and integrity of its internal control system. The Internal Auditors will also be required to assist the Group in enhancing its existing risk management framework and adopting a risk-based approach.

The Internal Auditors are required to conduct regular and systematic reviews on all operating units and submit an independent report to the AC for review and approval to ensure adequate coverage. During the financial year ended 31 May 2023, the internal audit reviews covered the areas on Financial Management, Corporate Governance and Enterprise Risk Management as well as the follow-up internal audit reviews on IT Management, Human Resource Management and Sales & Marketing Management. The Internal Auditors attended three (3) AC meetings held during the financial year 2023. The Group has incurred approximately RM16,000 in the financial year ended 31 May 2023 in maintaining the internal audit function.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board recognises the importance of good corporate governance in discharging its responsibilities, protecting and enhancing shareholders' value through promoting and practising high standards of corporate governance throughout the Group. The Board adopts and applies the principles and best practices as governed by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and the Malaysian Code on Corporate Governance ("Code").

The Corporate Governance Report ("CG Report") provides the details on how Key ASIC has applied each Practice as set out in the Code during the financial year ended 31 May 2023 ("FYE 2023"). The CG Report is available on our corporate website at www.keyasic.com. Where there are gaps in the Company's observation of any of the recommendations of the Code, these are disclosed in the CG Report with explanations.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

1.1 Board's Role and Responsibilities

The Board has the overall responsibility for the performance of the Group by maintaining full and effective control over strategic, financial, operational, compliance and governance issues. The Board is responsible in formulating and reviewing of strategic plans, key policies and monitoring Group's business operations. The Board delegates the day-to-day management of the Company's business to the management team but reserves for its consideration significant matters such as the following:-

- Approval of financial results;
- Declaration of dividends;
- Risk appetite setting;
- Credit policy;
- Business (Acquisition/Disposal);
- Capital Expenditures;
- Corporate Proposal; and
- Budget

The Board's role is to oversee the performance of the Management to determine whether the business is properly managed. The Board gets updates from Management at the quarterly Board Meetings when reviewing the unaudited quarterly results. During the meeting, the Board participates in the discussion on the performance of the Group.

The Board assumes the following responsibilities:-

(a) Reviewing, adopting and monitoring strategic plan for the Group to ensure that the Group's goals are clearly established;
(b) Overseeing the conduct of the Company's business;
(c) Identifying risks and assume active role in ensuring the implementation of appropriate systems to manage or mitigate these risks;
(d) Succession planning, including appointing, training, fixing the compensation of the key managements and to review the Succession Policy from time to time;
(e) Ensuring measures are in place to assess and overseeing Management's performance for strengthening the Group's performance;
(f) Developing and implementing an investor relations programme or shareholder communications policy for the Group; and
(g) Reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including system for compliance with applicable laws, regulations, rules, directives and guidelines.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.1 Board's Role and Responsibilities (Cont'd)

In furtherance of the above and to ensure orderly and effective discharge of its functions and responsibilities, the Board has established the following Board committees:

- Audit Committee ("AC")
- Nomination Committee ("NC")
- Remuneration Committee ("RC")
- Option Committee ("OC")
- Sustainability Committee ("SC")

The Board has defined the terms of reference for each Committee and the Chairman of these respective Committees report and update the Board on significant matters and salient matters deliberated by the Committees. During the FYE 2023, the SC was newly formed on 19 January 2023 to oversee the implementation of the sustainability targets and strategy within the Group.

1.2 Chairman of the Board

The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings and sufficient time is allowed for discussion. When chairing Board meetings, the Chairman ensures the following:-

(a) All relevant issues are on the agenda of Board meetings;
(b) Board debates strategic and critical issues;
(c) Board receives the necessary management reports relating to the Company's business on a timely basis;
(d) All directors are able to participate openly in discussions at Board meetings;
(e) Providing leadership to the Board and is responsible for the developmental needs of the Board.

1.3 Separation of Position of Chairman and Chief Executive Officer ("CEO")

Although the positions of the Chairman and CEO are held by Eg Kah Yee, however the Board consists of a majority of Independent Directors. The Board collectively views that Eg Kah Yee's expertise is highly needed and the Board is confident that the current practice is best in maintaining the sustainability and the creativity of the Group in moving forward especially in time when the Group is struggling for profitability.

Currently, the Chairman of the Board is not a member of all the Board committees except the SC to ensure there is check and balance as well as objective review by the Board.

1.4 Qualified and Competent Company Secretaries

The Board has direct access to the advice and services of the Company Secretary. The Company Secretaries are qualified to act in accordance with the requirements of the Companies Act, 2016.

The Board is updated by the Company Secretary on new statutes and directives issued by the regulatory authorities. The Company Secretary has attended the Board and Committee meetings and ensured that all procedures are adhered.

Roles and responsibilities of the Company Secretaries can be found in the CG Report.

The Company Secretaries also attend regular conferences, trainings and seminar programmes to keep themselves abreast of the evolving capital market environment, regulatory changes and developments in corporate governance.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.5 Access to Information and Advice

All Directors, including Independent Non-Executive Directors, have full and timely access to information concerning the Company or other external information as they may feel necessary. Board papers and reports which include the Group's performance and major operational, financial and corporate information are distributed to the Directors at least five (5) business days prior to Board meetings to enable Directors to obtain further explanation, where necessary, in order to be properly briefed before the meeting. Additionally, management was invited to brief in the meetings of the Board and Board Committees, where necessary. The deliberations and decisions at Board and Board Committee meetings are well documented in the minutes, including any dissenting views and matters where Directors abstained from voting and deliberation. The minutes of meetings will be circulated for the Board's and Board Committee's review in a timely manner.

The Board collectively, and each Director individually, has the right to seek independent professional advice in furtherance of their duties, at the Company's expense subject to the approval by the Board. Such request may be done via email or during the Board meeting.

2. Board Charter

A Board Charter has been established with the objectives to ensure that all Board Members are aware of their duties and responsibilities, the various legislations and regulations affecting their conduct, principles and practices of good corporate governance are applied accordingly. The Board Charter is reviewed periodically and updated in accordance with the needs of the Company and any new regulation that may have an impact on the discharge of the Board's responsibilities.

The Board Charter was last reviewed and updated on 30 May 2023 and would be reviewed and updated periodically.

This Board Charter is made available at the Company's website at www.keyasic.com.

3. Code of Conduct and Ethics, Whistle Blower Policy and the Anti-Bribery & Corruption policy

The Board strongly believes in applying good working ethics and code of conduct in all business dealings. The Board established the Code of Conduct and Ethics based on the following principles:-

(a) Conflicts of interest;
(b) Corporate opportunities;
(c) Protection of confidential information;
(d) Protection and proper use of company assets;
(e) Compliance with laws, rules and regulations;
(f) Trading on inside information;
(g) Compliance with this Code and reporting of any illegal or unethical behavior;
(h) Bribery and corruption;
(i) Money laundering;
(j) Preventing the abuse of power; and
(k) Waivers and amendments.

The Code of Conduct and Ethics was reviewed and updated on 27 April 2018 and will be reviewed and updated periodically.

The Board recognises the importance of whistle blowing and is committed to maintain the standards of ethical conduct within the Group. The Company is committed to operating in compliance with all applicable laws, rules and regulations, including those concerning accounting and auditing, and prohibits fraudulent practices by any of its board members, officers and/or employees. The Board had established a whistle blowing policy which outlines procedures for employees to report actions that an employee reasonably believes violate a law, or regulation or that constitutes fraudulent accounting or other practices. This policy applies to any matter which is related to the Company's business. This policy has accordingly been inserted in the employee manual/handbook.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3. Code of Conduct and Ethics, Whistle Blower Policy and the Anti-Bribery & Corruption policy (Cont'd)

The Whistle Blower policy was reviewed and updated on 27 April 2018 and will be reviewed and updated periodically.

The Group adopts a zero-tolerance approach against all forms of bribery and corruption. The Board has formalised an Anti-Bribery & Corruption policy to prevent, detect and address bribery and corruption via establishing a good corporate governance culture and ethical behavior amongst the Directors and employees of the Group. This policy is applicable to all Directors, employees, business partners of the Group.

The Anti-Bribery & Corruption policy adopted will be reviewed and updated periodically.

The Code of Conduct and Ethics, Whistle Blower policy and Anti-Bribery & Corruption policy are available on the Company's website at www.keyasic.com

4. Sustainability Governance

The Board believes that sustainable business practices are essential to the creation of long-term value, and that running the business in a responsible manner in intrinsically tied to achieving operational excellence.

In terms of structural oversight over sustainability including strategies, priorities and targets, it is reposed at the Board level with Management being responsible for operational execution with respect to Environmental, Social and Governance factors as part of the Group's corporate strategy.

As fiduciary to the Company's shareholders, the Board is focused on maintaining exemplary corporate governance practices, which include a commitment to ethics, integrity and corporate responsibility. The Board also ensures the Company's internal and external stakeholders are well informed on the sustainability strategies, priorities, targets as well as overall performance which the Sustainability Statement has provided a detailed articulation in this Annual Report.

5. Time Commitments

The Board is primarily responsible for the strategic directions of the Group and is scheduled to meet at least four (4) times a year. However, additional meetings may be convened as and when deemed necessary as determined by the members of the Board.

During the FYE 2023, four (4) board meetings were held and the details of each Director's attendance are set out as follows:-

Directors	Meeting Attendance
Eg Kah Yee (Chairman)	4/4
Benny T. Hu @ Ting Wu Hu	4/4
Datuk Md Zubir Ansori Bin Yahaya *(Appointed on 26 August 2022)*	3/3
Chen, Chia-Yin	4/4
Prof. Low Teck Seng	4/4
N. Chanthiran A/L Nagappan *(Resigned on 26 August 2022)*	1/1

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

5. Time Commitments (Cont'd)

The Board is satisfied with the level of commitment given by the Directors towards fulfilling their roles and responsibilities. This is demonstrated by among others, the satisfactory attendance and time spent by the Directors at the Board and Board Committees meetings during the financial year.

Currently, all Directors of the Company held less than five (5) directorships in other listed companies.

The Chairman of the Board and the Company Secretary shall be notified of any new directorship by any Board members. The notification shall include an indication of time that will be spent. The Company does not have policy nor impose any time commitment on its Independent and Non-Executive Director's position to commit their time to the Company but the Board members are supportive of the Chairman whenever a board meeting is called to deliberate important matters related to the Group.

6. Board Composition

The existing composition of the Board is as set out below:-

Directors	Designation
Eg Kah Yee	*Executive Chairman, Chief Executive Officer*
Benny T. Hu @ Ting Wu Hu	*Non-Independent Non-Executive Director*
Datuk Md Zubir Ansori Bin Yahaya	*Independent Non-Executive Director*
Chen, Chia-Yin	*Independent Non-Executive Director*
Prof. Low Teck Seng	*Independent Non-Executive Director*

The profile of each Director is presented under Profile of Directors on pages 3 to 6 of this Annual Report.

The current Board has five (5) members comprising one (1) Executive Director/Chief Executive Officer (Chairman), three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The composition of the Board comprises of a majority of Independent Non-Executive Directors. The Board, through the NC, review annually the structure, mix of skills, size and composition of the Board. The Board is satisfied that the current size and composition are effective for the proper functioning of the Board and it fairly reflects the investment of shareholders and balance in view of the Group's business. Together, the Directors bring a wide range of experience relevant to the direction and objectives of the Group as most of them are veteran in the semiconductor industry.

6.1 Appointments to the Board

As documented in the Board Charter, the Board may exercise the power pursuant to the Constitution to appoint a person who is willing to act as a Director either to fill a casual vacancy or as an additional Director upon appropriate recommendation by the NC.

The appointment of new directorship would be through a formal and transparent selection process which includes a fit and proper assessment and would take into consideration the evaluation of the candidates' abilities in terms of their characters, skills, qualifications, knowledge, experience, professionalism, expertise, integrity and time commitment to discharge their responsibilities. In the case of candidates for the position of Independent Non-Executive Directors, evaluation will be made on the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors.

During the FYE 2023, the Board, via the NC, had assessed the relevant criteria including fitness and propriety of Datuk Md Zubir Ansori Bin Yahaya before his appointment as an Independent Non-Executive Director of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

6.2 Boardroom and Gender Diversity

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

The Board has on 27 April 2018 adopted a Gender Diversity Policy. Diversity encompasses various areas such as gender, age, ethnicity and cultural background and the Board firmly believe that a well diversify workplace could benefit the Company to achieve:-

(a) a good morale between the workforce that leads to a healthy work culture where employees motivate each other to perform at a higher level;
(b) With a gender-diverse workforce, the Company can expand its customer base and offer better services;
(c) improve employment and career development opportunities for women;
(d) a gender-balanced team brings with it greater industry knowledge and helps the company access more resources, as well as multiple channels of information;
(e) awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity; and
(f) Encouraging active participation and allowing dissenting views to be freely expressed.

The appointment of Chen, Chia-Yin reflects that the Board recognises the value of a lady member of the Board and is a step taken by the Board towards achieving a more gender diversified Board.

6.3 Independent Non-Executive Directors

The Independent Directors play a crucial supervisory function. Their presence is essential in providing unbiased views and impartiality to the Board's deliberation and decision-making process. In addition, the Independent Directors ensure that matters and issues brought to the Board are fully discussed and examined, taking into account the interest of all stakeholders in the Group. In order to ensure the effectiveness of the Independent Directors, the Board undertakes an assessment of its Independent Directors on annual basis to ensure the Independent Director can continue to bring independent and objective judgement to Board deliberation.

The Board takes note that the Code recommends that the tenure of an Independent Director shall not exceed a cumulative term of nine (9) years unless shareholders' approval is obtained to retain such Director as an Independent Non-Executive Director. If the Board continues to retain the Independent Director after nine (9) years, the Board should provide justification and seek annual shareholders' approval through a two-tier voting process.

Shareholders' approval would be sought if an Independent Director who has served in that capacity for more than nine (9) years shall remain as an Independent Director. The NC will assess the independence of the Independent Director based on the assessment criteria developed by the NC and recommend to the Board for recommendation to the shareholders for approval. Justification for the approval would be provided. However, the tenure of an Independent Director is limited to not more than a cumulative period of twelve (12) years. After serving for twelve (12) years, an Independent Director may continue to serve on the Board as a Non-Independent Director.

The details of the Independent Non-Executive Director who has served for a cumulative term of more than nine (9) years can be found in the CG Report and the Notice of the forthcoming AGM.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

6.4 Re-election of Directors

In accordance with the Company's Constitution, Directors appointed during the year are required to retire and seek election by shareholders at the following Annual General Meeting ("AGM") immediately after their appointment. The Constitution also require one-third (1/3) of the Directors to retire by rotation and seek re-election at each AGM and that each Director shall submit himself for re-election every three (3) years.

The NC has considered the assessments of Benny T. Hu @ Ting Wu Hu and Prof. Low Teck Seng, the Directors standing for re-election at the forthcoming AGM and collectively agree that they meet the criteria of character, experience, integrity, competence and time to effectively discharge their respective roles as Directors. The NC had also conducted the fit and proper assessment on the abovementioned Directors and was satisfied with the outcome of the assessments.

The resolution for the re-election of each Director is voted separately at the AGM.

6.5 Professional Developments

The NC had assessed the training needs of each Director on an annual basis by determining areas that would strengthen their contribution to the Board. From the assessment, the NC is satisfied that the Directors have attended adequate trainings to enable them to discharge their duties.

All the Directors have attended the Mandatory Accreditation Programme prescribed by Bursa Securities for directors of public listed companies except for MAP part II in relation to sustainability and the related roles of a Director which shall be attended by all the existing Directors on or before 1 August 2025 based on the latest amendments to the Listing Requirements of Bursa Securities. The Directors will continue to undergo other relevant training sessions to further enhance their knowledge in the latest statutory and regulatory developments as well as to keep abreast with development in the business environment to enable them to discharge their responsibilities efficiently.

The Directors have attended the following trainings during the financial year 2023:-

Director	Trainings	Date
Eg Kah Yee	Overview of Business Strategy & Transformation by Tricor Axcelasia Sdn Bhd	24-May-23
Datuk Md Zubir Ansori Bin Yahaya	Overview of Business Strategy & Transformation by Tricor Axcelasia Sdn Bhd	24-May-23
Benny T. Hu @ Ting Wu Hu	How to Protect Your Business Secret by Securities & Futures Institute	10-Nov-22
	Overview of Business Strategy & Transformation by Tricor Axcelasia Sdn Bhd	24-May-23
Chen, Chia-Yin	Overview of Business Strategy & Transformation by Tricor Axcelasia Sdn Bhd	24-May-23
Prof. Low Teck Seng	LED-ESG Programme by Singapore Institute of Directors (SID)	2-Aug-22
	Overview of Business Strategy & Transformation by Tricor Axcelasia Sdn Bhd	24-May-23

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

6.6 Nomination Committee

The NC was established on 4 October 2007 and has been tasked with the responsibilities to recommend new appointment to the Board. The NC shall be appointed by the Board of Directors and shall comprise exclusively of Non-Executive Directors, a majority of whom are Independent Directors. The NC has three (3) members, with a majority being Independent Directors. The composition of the NC is as follows:

Chairman

Datuk Md Zubir Ansori Bin Yahaya (Independent Non-Executive Director)

Members

Chen, Chia-Yin (Independent Non-Executive Director)
Benny T. Hu @ Ting Wu Hu (Non-Independent Non-Executive Director)

The Terms of Reference of the NC is available at the Company's website at www.keyasic.com

Summary of Activities undertaken by the Nomination Committee

During the financial year 2023, the following activities were undertaken by NC:-

(a) Assessed the effectiveness and required mix of skills and experience and other qualities, including core competencies of the Board as a whole, the committees of the Board and the contribution of each existing Director and thereafter, recommended the findings to the Board;
(b) Assessed the term of office and performance of the Audit Committee and each individual member;
(c) Assessed the performance of the Nomination Committee and the Remuneration Committee;
(d) Assessed the independence of the Independent Directors based on criteria set out in the Listing Requirements;
(e) Reviewed and assessed the proposed appointment of Datuk Md Zubir Ansori Bin Yahaya as an Independent Non-Executive Director of the Company (including fit and proper assessment) in place of N Chanthiran A/L Nagappan before recommending the same to the Board for approval;
(f) Reviewed and recommended for the Board's approval, the proposed changes in the composition of the Board Committees;
(g) Reviewed and recommended for the Board's approval, the proposed re-designation of Benny T. Hu @ Ting Wu Hu who had served as Independent Non-Executive Director for more than 12 years, as a Non-Independent Non-Executive Director of the Company;
(h) Reviewed and recommended the re-election of Chen, Chia-Yin and Datuk Md Zubir Ansori Bin Yahaya as Directors at the Seventeenth AGM;
(i) Reviewed the training needs of the Directors;
(j) Reviewed the result of the performance evaluation of Directors; and
(k) Recommend the proposed formation of Sustainability Committee.

On 27 July 2023, the NC assessed the effectiveness of the Board as a whole, Board Committees and contributions of each individual Director as well as their character, integrity and time commitment, independence of Independent Directors. The NC reviews annually the required mix of skills and experience including core competencies which Non-Executive Directors should bring to the Board and other qualities for the Board to function effectively and efficiently.

The summary of the assessment and its findings was tabled to the NC on 27 July 2023. Based on the summary as presented, the NC tabled its recommendations to the Board of Directors at the Board of Directors' Meeting held on 27 July 2023.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

6.6 Nomination Committee (Cont'd)

Summary of Activities undertaken by the Nomination Committee (Cont'd)

The NC had on 27 July 2023 conducted assessment (including fit and proper assessment) on the Directors, Benny T. Hu @ Ting Wu Hu and Prof. Low Teck Seng, who are subject to retirement by rotation at the forthcoming AGM. The NC was satisfied with the assessment of the abovementioned Directors and recommended the re-election of the said Directors for the Board's further recommendation to the shareholders for approval.

The NC had also on 27 July 2023 assessed the independence of the Independent Directors and is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company. Based on the recommendations from the NC, the Board had also assessed and would be proposing to shareholders for approval the continuation in office of Chen, Chia-Yin, who has served for more than nine (9) years, as an Independent Non-Executive Director of the Company at the forthcoming AGM. A two-tier voting process would be adopted when seeking the shareholders' approval to retain Chen, Chia-Yin as an Independent Non-Executive Director of the Company.

The Board's proposal for continuation in office of Chen, Chia-Yin as Independent Non-Executive Director was based on the following:-

(i) She fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Thus, she would be able to function as a check and balance and bring an element of objectivity to the Board;

(ii) She has devoted sufficient time and attention to her professional obligations for informed and balanced decision making; and

(iii) She has exercised her due care during her tenure as an Independent Non-Executive Director of the Company and carried out her duties in the best interest of the Company and shareholders.

Other than Directors' fees, options granted and allowances paid which had been the norm and been duly disclosed in the annual reports, no other incentives or benefits of whatsoever nature had been paid to the Independent Directors that would cause biases in their objective and independent judgement in board deliberation.

7. Remuneration Policy

The Company has established a remuneration policy for the Directors and Senior Management to support and drive business strategy and long-term objectives of the Company and its subsidiaries.

Among others, the following are some of the criteria adopted by the Company and its subsidiaries in considering the remuneration of the Senior Management:-

- The overall performance of the Company and its subsidiaries;
- General economic situation;
- Prevailing market practice;
- Salary position against market;
- Skills and experience; and
- Individual performance

The Remuneration Committee ("RC") was established on 4 October 2007. The present members of the Remuneration Committee are Prof. Low Teck Seng and Chen, Chia-Yin. The RC's Terms of Reference is available on the Company's website at www.keyasic.com

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

7. Remuneration Policy (Cont'd)

The RC is responsible to implement the policies and procedures on the remuneration for the CEO whilst the Board is responsible for approving the policies and procedures which govern the remuneration of the employees including CEO and Senior Management of the Company to ensure the same remain competitive, appropriate and in alignment with the prevalent market practices and the Company attracts, retains and motivates the Directors and Senior Management who are with strong credentials, high calibre and astute insights to run the business successfully.

The remuneration package is reflective of the individual Director's and Senior Management's experience and level of responsibilities and it is structured to link to corporate and individual performance. The RC is responsible for determining the level and make up of CEO's remuneration and approved by the Board, with the presence of a majority of non-executive directors. The CEO however, does not participate in any way when determining his remuneration package.

All Directors except Eg Kah Yee, the Chief Executive Officer, are paid fixed monthly directors' fees. The determination of the monthly annual directors' fee and remuneration package for Directors is a matter for the Board as a whole, depending on any additional responsibilities taken. The monthly directors' fee payable to Directors is presented to the shareholders at the Annual General Meeting for their approval.

All Directors shall abstain from deliberations and voting on their own remuneration.

The Remuneration Policy of Directors and Senior Management was adopted by the Board on 27 April 2018. The Policy would be reviewed and updated periodically. The Remuneration Policy is available at the Company's website at www.keyasic.com.

Details of remuneration of Directors of the Company for the financial year ended 31 May 2023 are as follows:-

Name of Directors	Directors' Fees (RM) ('000)	Directors' Remuneration				Grand Total (RM) ('000)
		Salary (RM) ('000)	Bonus (RM) ('000)	Benefits in Kind (RM) ('000)	Other Emoluments (RM) ('000)	
Group						
Executive Director						
Eg Kah Yee	–	360	–	469	–	829
Non-Executive Directors						
Benny T. Hu @ Ting Wu Hu	36	–	–	51	–	87
N. Chanthiran A/L Nagappan[(1)]	9	–	–	–	–	9
Chen, Chia-Yin	36	–	–	51	–	87
Datuk Md Zubir Ansori Bin Yahaya[(2)]	28	–	–	–	–	28
Prof. Low Teck Seng	36	–	–	51	–	87
Total	**145**	**360**	**–**	**622**	**-**	**1,127**

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

7. Remuneration Policy (Cont'd)

Name of Directors	Directors' Fees (RM) ('000)	Directors' Remuneration Salary (RM) ('000)	Bonus (RM) ('000)	Benefits in Kind (RM) ('000)	Other Emoluments (RM) ('000)	Grand Total (RM) ('000)
Company						
Executive Director						
Eg Kah Yee	-	–	–	469	–	469
Non-Executive Directors						
Benny T. Hu @ Ting Wu Hu	36	–	–	51	–	87
N. Chanthiran A/L Nagappan[(1)]	9	–	–	–	–	9
Datuk Md Zubir Ansori Bin Yahaya[(2)]	28	–	–	–	–	28
Chen, Chia-Yin	36	–	–	51	–	87
Prof. Low Teck Seng	36	–	–	51	–	87
Total	**145**	**–**	**–**	**622**	**–**	**767**

Note:
(1) N. Chanthiran A/L Nagappan resigned from the Board on 26 August 2022.
(2) Datuk Md Zubir Ansori Bin Yahaya was appointed to the Board on 26 August 2022.

The Company respects the confidentiality of the remuneration of the Senior Management in view of the competitive nature of human resource market. Thus, the Company does not have the intention to adopt the recommendation to disclose the details of each member of senior management in bands of RM50,000 on a named basis.

However, the Company would endeavour to ensure that the remuneration package of the employees are in line with the industry practices and the annual increments and bonuses pay-out are based on individual performances.

8. Directors' Fit and Proper Policy

The Company has established a Directors' Fit and Proper policy which serves as a guide to the NC and the Board in their review and assessment of candidates that are to be appointed onto the Board and its subsidiaries as well as Directors who are seeking for re-election.

The Board should consider the factors which includes but not limited to the following in assessing if a candidate meets the criteria under the policy:-

(a) Character and integrity
- (i) Probity
- (ii) Personal integrity
- (iii) Financial integrity
- (iv) Reputation

(b) Experience and competence
- (i) Qualifications, training and skills
- (ii) Relevant experience and expertise
- (iii) Relevant past performance or track record

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

8. Directors' Fit and Proper Policy (Cont'd)

(c) Time and commitment
   (i) Ability to discharge role having regard to other commitments
   (ii) Participation and contribution in the board or track record

The Directors' Fit and Proper policy was adopted by the Board on 27 April 2022. The Policy would be reviewed and updated periodically.

The Directors' Fit and Proper policy is available at the Company's website at www.keyasic.com.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Audit Committee

The Audit Committee ("AC") was established on 4 October 2007 with the primary objective to provide assistance to the Board in fulfilling its fiduciary responsibilities relating to the corporate governance and practices for the Group, to improve the business efficiency and enhance the independent role of external and internal auditors.

The AC comprises two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director, as follows:-

<u>Chairman</u>

Datuk Md Zubir Ansori Bin Yahaya - Independent Non-Executive Director

<u>Members</u>

Chen, Chia-Yin – Independent Non-Executive Director
Benny T. Hu @ Ting Wu Hu – Non-Independent Non-Executive Director

The Chairman of the AC is not the Chairman of the Board.

2. External Auditors

The Board has established a transparent relationship with the external auditors through the AC, which has been accorded the authority to communicate directly with the external auditors. The auditors in turn are able to highlight matters which require the attention of the Board to the AC in terms of compliance with the accounting standards and other related regulatory requirements.

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

The amounts of audit and non-audit fees paid to the External Auditors or a firm affiliated to the External Auditors by the Company and the Group for the financial year ended 31 May 2023 are as follows:-

	Group (RM)	Company (RM)
Audit	189,449	133,000
Non-Audit	5,000	5,000

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

2. External Auditors (Cont'd)

The AC had on 27 July 2023 conducted an assessment on the suitability and independence of the external Auditors. Having assessed their performance, the AC is satisfied with the competence and independence of the external auditors and had recommended to the Board, the re-appointment of the External Auditors upon which the shareholders' approval will be sought at the forthcoming AGM of the Company.

Private sessions between the AC members and the External Auditors are held without the presence of the Executive Director and Management. This encourages a greater exchange of independence and open dialogue between both parties.

3. Internal Audit Function

The internal audit function is independent of the operations of the Group and is outsourced to a competent consulting firm to provide its services to meet with the Group's required service level.

Internal auditor reports directly to the AC. The functions of the internal auditor are to ensure a regular review of the adequacy and integrity of its internal control system. The internal auditor will also be required to assist the Group in enhancing its existing risk management framework and adopting a risk-based approach based on COSO assessment model.

The assessment of the internal audit is reported periodically to the AC. The recommendations arising from the internal audit and its implementations would be monitored.

The internal audit function is outsourced to an independent professional firm, Vaersa Advisory Sdn Bhd. The internal audit team is headed by Mr Quincy Gan who possesses the relevant qualification and experience and is assisted by six members. The internal audit personnel are free from any relationships or conflicts of interest with the Company which could impair their objectivity and independence during the internal audit review. The AC had assessed the performance of the internal auditor on 27 July 2023 and was satisfied with the adequacy of the scope, competency and resources of the internal auditor and that it has the necessary authority to carry out its work.

The expenses incurred for the internal audit function for FYE 2023 is RM16,000.

4. Risk Management and Internal Control Framework

The Group has put in place an Enterprise Risk Management framework ("ERM") which comprises the following elements:

- Communicate and disseminate across the organisation the vision, role and direction of the Group;
- Provide guiding principles and approach towards risk management;
- Process of identification, assessment, evaluation and management of the various principal risks which affect the Group's business;
- Creation of a risk-awareness culture and risk ownership for more effective management of risks;
- Regular review, tracking and reporting on keys risks identified and corresponding mitigation procedures; and
- Regular review of the effectiveness of the system of internal control.

The framework is applied to determine, evaluate and manage principal risks of the Group. This is complemented by the system of internal control that is integrated into the Group's operations and processes.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

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

1. Communication

The Company is committed to provide clear, accurate and timely disclosure of all material information to its stakeholders and the general public. The Company will ensure compliance with the disclosure requirements as set out in the Listing Requirements at all times.

2. Leverage on Information Technology for Effective Dissemination of Information

The Company maintains various methods of dissemination of information and has established a website at www.keyasic.com from which shareholders and the general public may access among others, the latest information on the activities of the Group; product information; announcements made to Bursa Securities; Annual Report; Board Charter and other policies of the Group.

3. Encourage Shareholder Participation at General Meetings

Notice of the Seventeenth AGM ("17th AGM") was issued to the shareholders on 30 September 2022, being more than 28 days in advance of the scheduled AGM which was held on 25 November 2022. The shareholders are also made available with a copy of the Company's Annual Report and the Circular to Shareholders in order for them to have sufficient time to read and understand the Company's financial and non-financial performance before the actual event takes place.

The 17th AGM of the Company was held virtually through live streaming from the broadcast venue. Shareholders and proxies participated at the 17th AGM remotely using the Remote Participation and Voting facilities without the need to be physically present at the meeting venue.

Pursuant to the Listing Requirements, any resolution set out in the notice of any general meeting, or in any notice of resolutions which may properly be moved and is intended to be moved at any general meeting, must be voted by poll. Voting for all resolutions as set out in the Notice of 17th AGM held on 25 November 2022 were voted by poll and validated by an Independent Scrutineer.

4. Effective Communication and Proactive Engagement

AGM also provides an effective means of communication with the shareholders where they are encouraged to participate in the open question and answer session during the AGM. The Chairman also provides sufficient time for the open question and answer session during the AGM. The Board responded to the questions submitted by Minority Shareholders Watch Group and the live questions posted from the shareholders at the 17th AGM. The minutes of the 17th AGM was uploaded to the Company's website within 30 business days from the date of the meeting.

Shareholders or potential investors can also send their enquiry to the Company via the Company's website at www.keyasic.com or may contact the Company via the following:-

Tel No : +603-7664 3300
Fax No : +603-7664 3301
Email : info@keyasic.com

This CG Overview Statement was approved by the Board of the Company on 22 September 2023.

STATEMENT ON DIRECTORS' RESPONSIBILITY

It is the Board's responsibility to ensure that the financial statements are prepared in accordance with the Companies Act, 2016 and the applicable approved accounting standards set by Malaysian Accounting Standard Board so as to present a balanced and fair assessment of the Group's financial position and prospects. The Directors are also responsible for keeping proper accounting records, safeguarding the assets of the Company and taking reasonable steps to prevent and enable detection of fraud and other irregularities.

In preparing the financial statements, the Directors have taken the necessary steps and actions as follows:-

(a) selecting suitable accounting policies and then applying them consistently. This is done through discussion with the current reporting auditor if there is any changes in the accounting standard that may affect the way of the financial statement is presented;
(b) stating whether applicable accounting standards have been followed;
(c) making judgments and estimates that are reasonable and prudent. The Board makes judgment and estimate by carefully consider all aspect of the variables concerned and especially in the case of sustainability on the book value of the intangible assets; and
(d) preparing the financial statements on a going concern basis, having made reasonable enquiries and assessment on the resources of the Company on its ability to continue further business in foreseeable future.

SUSTAINABILITY STATEMENT

OVERVIEW AND SCOPE OF SUSTAINABILITY AT KEY ASIC BERHAD

Sustainability is one of the strategic pillars for Key ASIC Berhad. Our sustainability performance is considered fundamental to our business success and sustainability is in fact embedded in our day to day operations. Central to our approach is a strong emphasis on health and safety. It is a core value for our culture and provides the framework for the way employees are expected to behave. We are committed to enthral and engage with communities within which we operate through regular dialogues, socioeconomic footprint studies and community activities. It is an opportunity for us to gain feedback on our operations and how we impact them. In order to focus our efforts and strengthen our benchmarks for economic, environmental and social sustainability.

The Sustainability Committee was established on 19 January 2023 and has been tasked with determining the organisation's sustainability strategy and provides an oversight of our corporate sustainability policies and performance. Senior Management oversees the implementation of the organisation's sustainability approach and ensures that key targets are being met. The respective division's management heads are responsible for identifying, evaluating, monitoring and managing economic, environmental and social risks and opportunities directly.

VISION

The Company is committed to integrate Environmental, Social, and Governance considerations into our business practices, operations, and investments. Our goal is to create long-term value for our stakeholders while promoting a more sustainable future.

To be recognised as a responsible industry leader, we strive to achieve our vision through:

1. Working with like-minded investors, partners and clients who share our core values and objectives
2. Ensuring our own business and owned developments are resilient to climate change and in-line with our pathway towards Net Zero
3. Empowering our experienced design and delivery supply chain to act responsibly and ethically to create long-term value of our projects
4. Identifying research opportunities and developing innovative solutions
5. Implementing a feedback loop of regular ESG monitoring and reporting to enable continual improvement

CORE OBJECTIVE

Environment	Social	Governance
The Company is committed to reducing our environmental impact and promoting sustainable practices within our healthcare organization. Our environmental objectives include: • Minimizing waste generation and promoting recycling and waste reduction practices. • Reducing our energy consumption and promoting the use of renewable energy sources. • Encouraging sustainable transportation practices for employees, patients, partners and suppliers. • Ensuring responsible procurement practices that prioritize environmentally friendly products and services. • Managing and reducing the use of hazardous materials and waste. • Regularly monitoring and reporting on our environmental performance.	The Company recognize the importance of our social responsibility to our patients, employees, and the communities we serve. Our social objectives include: • Developing high-quality healthcare services that prioritize patient safety and satisfaction. • Providing a safe and healthy work environment for all employees, promoting equal opportunities and fair treatment. • Supporting local communities by promoting volunteerism and providing training and exposures to university students and internship programs and activities, and by partnering with local suppliers and service providers. • Maintaining high ethical standards in all aspects of our business, upholding the principles of transparency, integrity, and accountability. • Encouraging social responsibility among our suppliers and business partners	The Company is committed to maintaining strong governance practices that prioritize ethical behaviour, transparency, and accountability. Our governance objectives include: • Ensuring compliance with applicable laws and regulations. • Maintaining open and transparent communication with our stakeholders, including patients, employees, shareholders, and regulators. • Maintaining a diverse and independent board of directors that prioritizes ESG considerations in decision-making. • Regularly assessing and monitoring our ESG risks and opportunities. • Reporting on our ESG performance and progress towards our ESG objectives.

BOARD'S ROLES IN SUSTAINABILITY

The Board recognises the importance of building a sustainable business, therefore takes into consideration medium to long term view of technology trend, environmental, social and governance impact while developing corporate strategies.

The Board regularly reviews the strategic direction of the Company and the progress of the Company's operations, taking into account changes in the business and political environment and risk factors such as level of competition, market demand, technology changes etc.

The Board promotes good corporate governance in the application of sustainability practices throughout the Company, the benefits of which are believed to translate into better corporate performance. Accordingly, the Company takes cognisance of the global environmental, social, governance and sustainability agenda.

SUSTAINABILITY STATEMENT (CONT'D)

BOARD'S ROLES IN SUSTAINABILITY (Cont'd)

The Company recognises the value of a diverse and skilled workforce and is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the Company into the future. The Company is committed to leveraging the diverse backgrounds in terms of gender, ethnicity and age, experiences and perspectives of our workforce, to provide good customer service to an equally diverse customer base. The Company's commitment in recognising the importance of diversity extends to all areas of our business including recruitment, skills, enhancement, appointment to roles, retention of employees, succession planning and training and development.

STAKEHOLDERS REVIEW & ENGAGEMENT

Stakeholder Group	Engagement Methodology	Frequency of engagement
Customers	Customer feedback management	Regular
	Complaint management	Regular
	Market analysis & trend	Regular
Vendors	Regular evaluation to conform to our ISO standard	Annually
	Vendor relationship management	Regular
Governance & Regulators	Formal meetings/visits	Ad-hoc
	Licensing, audits & inspections	Ad-hoc
	Awareness on anti-bribery and corruption	Annually
	Director training program	Annually
Employees	Employee performance appraisal	Annually
	Dialogue and engagement	Weekly
	Health and safety awareness	Regular
	Employee engagement programmes	Regular

MATERIAL SUSTAINABILITY & RELEVANT ACTION PLAN

The following is the Company's identified material sustainability matters, identified via management reviews and assessments of the context and strategy with considerations to relevant stakeholders' requirements and expectations. These are critical internal and external risk and opportunities that are pertinent to our long-term growth and continual improvement.

Material sustainability issues	
Economics	Research & Development and commitment to innovation on AI and its application for medical and security usage.
	Customer satisfaction and complaint management process for adherence and enhancement of products and service deliverables
	Sustainable value chain management with vendors, subcontractors, transporters, assessment, evaluation and improvements through our ISO standard
Social responsibilities	Workforce diversity and human rights factor inculcation within human resources development and capital management
	Occupational Safety & Health Management policies and practices enforcement
Environmental stewardships	Product and Services Responsibility
	Compliance to local statutory and regulatory requirements

Material Sustainability & Relevant Action Plan

We periodically update the full list of sustainability matters and revise our prioritisation annually based on our corporate strategy and external developments.

The Group is realising key benefits from integrating sustainability in business by including:

- Enhancement of process risk management via risk-based thinking group wide.
- To strengthen our international market presence without compromising aspects of quality and sustainability, and to be responsive to the challenges and changing expectations of stakeholders within the healthcare industry.
- Promoting innovation and attracting new customers with improvement initiatives and marketing strategy.
- Maintaining a licence to operate for best practices, fulfilling stakeholders needs and compliance to obligations.
- Securing capital with periodic business context and stakeholders review of requirements an expectation on environment, social and governance matters.
- To provide a safe working environment that is conducive for the personal and professional growth of our employees and corporate culture that is built on good communication practices, transparency and integrity.
- To strengthen our commitment to manage our impact on the environment by prioritizing strict adherence to environmental regulations.

SUSTAINABILITY STATEMENT (CONT'D)

KEY ASIC BERHAD SUSTAINABILITIES INITIATIVES

The Company has undertaken the following initiatives as an integral part of its business operations and practices by contributing to the welfare of its employees, stakeholders, the general public and the environment it operates in.

CORPORATE SOCIAL RESPONSIBILITIES ("CSR")

The Group remains committed to support the community as a responsible corporate citizen during the financial year under review. The Group's CSR initiatives are focused on enhancement of the workplace and environment conservation.

We acknowledge the importance of both financial and non-financial strategies in our continuous efforts to maintain long term and sustainable performance for the Group. While we focus on managing our business deliverables through improving financial profitability and shareholders' value, we are also mindful of our goals to provide a sustainable workplace for our human assets' career developments as they are critical components to our growth and to promote a sustainable environmentally responsible organisation.

WORKPLACE

Our people are our valuable assets. The Group provides its employees a quality work environment which complies with the health and safety standard as we understand a good environment would raise the efficiency and productivity of employees besides improving the quality of life of our employees.

We practice open door policy where employees have easy accessibility to their superiors. Two-way communications are encouraged to ensure share of ideas and/or work grievances to improve work processes and working environment. Periodical downward communication sessions from key management team with subordinates are also carried out as a way to impart the Company's fundamentals and directions while addressing issues of concern.

In the light of the prolonged Covid-19 pandemic, the Group has ensured enhanced proper preventive measures and stringent hygiene standards are in place to safeguard our employees to mitigate any related risks and ensure minimal operations disruptions.

VENDOR

Sustainability in the supply chain from upstream to downstream is essential to maintain smooth business operations. Therefore, we are guided and adhere strictly to our ISO standard in selection process of suppliers with the capacity to conduct business ethically, with professionalism and preparedness to adapt to changes that impact sustainability under the risk management plan is of paramount importance. We also valued co-generation of opportunity with our suppliers, under an efficient assessment program. All these arrangements are in place to manage risk by making our resources secured from few suppliers, critical suppliers and suppliers who fail to comply with rules and regulations, or stakeholders' expectations. These risks can ultimately harm our reputation and disrupt our business.

The selection of suppliers is on the basis of commitment to comply to Key ASIC's business processes for sustainable business. Conduct assessment and certification of suppliers annually and continuously in order to mitigate risk in the supply chain.

ENVIRONMENT

The Group remains committed towards environmental conservation; continuing on recycle program as part of our efforts to reduce our environmental and carbon footprints and our commitment as an environmentally responsible organisation.

In line with commitment to reduce carbon footprints, employees are encouraged to fully maximise the benefits of electronic environment (eg email, instant messaging and etc.) for communication and only print hard copy when necessary. Employees are also encouraged to print on both sides of paper to minimise paper usage. Energy efficient bulbs are used throughout and all computer peripherals and lighting are switched off when not in use.

KEY ASIC BERHAD SUSTAINABILITIES INITIATIVES (Cont'd)

HEALTH AND SAFETY

At Key ASIC Berhad, we believe in creating a strong safety culture. The Group reports on employee incidents and identifies trends and key risk areas, such as employee injuries, needle-stick injuries, employee falls, employee mobility incidents, occupational health-related incidents, infection-related incidents and exposure to bodily fluids. Our safety mechanism also entails the submission of health and safety recommendations about workplace conditions, the continual improvement of occupational health and safety standards by applying the lessons gained through experience and ongoing instruction and advice for staff and management.

EMPLOYEES' WELFARE

External trainings are provided to employees to enhance their skills and abilities which would offer excellent opportunities for career enhancement.

The Group promotes equal opportunities for employment advancement, aiming to cultivate long-lasting relationships between employers and employees. To nurture this relationship, several human resources initiatives have been introduced including :-

- Medical benefits, group hospitalisation and insurance coverage; and
- Employee's Share Option Scheme ("ESOS") was implemented to instil a sense of ownership amongst the staff

TRAININGS

External and internal trainings are provided to employees to enhance their skills and abilities which would offer excellent opportunities for career enhancement.

DIVERSITY

EMPLOYEES

Age group	Gender						Ethnicity							
	Male	%	Female	%	Total	%	Malays	%	Chinese	%	Others	%	Total	%
21-30	5	22	5	38	10	28	7	28	–	5	3	50	10	28
31-40	6	26	5	38	11	31	5	20	3	10	3	50	11	31
41-50	10	43	3	23	13	36	12	48	1	75	–	–	13	36
51-60	1	4	–	–	1	3	–	–	1	5	–	–	1	3
61-70	1	4	–	–	1	3	1	4	–	5	–	–	1	3
	23	100	13	100	36	100	25	100	5	100	6	100	36	100

DIRECTORS

Age group	Gender						Ethnicity							
	Male	%	Female	%	Total	%	Malays	%	Chinese	%	Indian	%	Total	%
41-50	–	–	1	100	1	20	–	–	1	25	–	–	1	20
51-60	–	–	–	–	–	–	–	–	–	–	–	–	–	–
61-70	3	75	–	–	3	60	1	100	2	50	–	–	3	60
71-80	1	25	–	–	1	20	–	–	1	25	–	–	1	20
	4	100	1	100	5	100	1	100	4	100	–	–	5	100

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

1. INTRODUCTION

The Board is pleased to present its Statement on Risk Management and Internal Control which outlines the nature and scope of the risk management and internal control of the Group for the financial year 31 May 2023. This Statement on Risk Management and Internal Control is issued in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on the status of the Group's compliance with the principles and best practices relating to risk management and internal control as stipulated in the Malaysian Code of Corporate Governance ("the Code").

The Board is committed to maintaining a sound system of internal control of the Company and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Company during the year.

2. BOARD RESPONSIBILITIES

The Board recognises the importance of sound internal controls and risk management in safeguarding the assets of the Group. However, such systems are designed to manage rather than eliminate the business risk totally. It should be noted that any system could provide only reasonable and not absolute assurance against material misstatement or fraud.

The Group has in place an on-going process to identify, evaluate, monitor and manage any significant risks through the internal controls set out in order to attain a reasonable assurance that business objectives have been met. These controls are regularly reviewed by the Board and subject to continuous improvement.

3. RISK MANAGEMENT FRAMEWORK

The Board has established an organisation with clearly defined lines of accountability and delegated authority.

The Group has put in place an Enterprise Risk Management framework ("ERM") where risk analysis of the Group is conducted on a regular basis including constantly reviewing the process in identifying, evaluating and putting up necessary action to assess and monitor the impacts of the risk on the operation and business. The process requires management to comprehensively identify and assess all types of risks in terms of likelihood and magnitude of impact as well as to address the adequacy and application of mechanisms in place to manage, mitigate, avoid or eliminate these risks. Key ASIC Bhd is certified under the ISO9001:2015, hence it is part of the company's duty to take precautionary and preventive actions to minimize or eliminate some of the recognised potential risks.

The framework is applied to determine, evaluate and manage principal risks of the Group. This is complemented by the system of internal control that is integrated into the Group's operations and processes. The Group reviews and analyses various principalrisks likely to be encountered, and in particular the following risks which are more pertinent to the Group:

Information Technology ("IT") Risk

Confidential files and intellectual property information of the Group are stored and protected in the Group's servers located in Malaysia and Taiwan. Virus attack and hacking threats are imminent in this modern world and it is part of the IT risk that the Company is constantly facing.

The Group has taken precautionary security measures to protect its own servers by having proper IT security such as firewall and anti-virus software to prevent unauthorised access to its computers systems, virus attack and ward off potential hackers. In order to maintain the continuity of the business, both servers in Malaysia and Taiwan are backup periodically.

3. RISK MANAGEMENT FRAMEWORK (CONT'D)

Intellectual Property ("IP") Risk

It is part of the core business competency of the Group to create intellectual property and to derive new product from existing and most of the time through licensing of 3rd party IP. Unauthorised use or sharing of IP from the Group's library will have material impact to the Group financially and may expose the Company to international lawsuit.

In recognising the threats, the Group has put up several procedures to secure and limit the access to the Group's IP server to only authorized personnel within the Group. On top of that, all employees are compulsory to sign IP non-disclosure agreement upon accepting job offer within the Group.

Production Risk

The Company outsources its microchip or wafer production to external parties and product delivery to our customers could be affected by machine breakdown due to fire or major natural disaster.

The Company is taking precaution action to work closely with our outsourced partners to ensure that they have a contingency plan for any outcome, to minimize or eliminate any risk that could jeopardize any delivery to our customers. It is also part of the Company's action plan to continue sourcing for alternative sources to ensure uninterrupted production delivery to our customer.

Design Development Risk

Our engineers engage closely with customer in developing IP as part of the deliverable in our IP design service contract with them. It is part of the design development risk that the outcome of the final design could have different characters than the intended one. The failure to comply with the requirements as specified in the customer design service contract will have a huge impact to the Company's financial as unnecessary costs may have to incur in order to rectify any design's fault.

The Company has documented system in place to avert design flaw that could jeopardize customer product by having design review, approval, validation and working closely with customer at every stage of design and development till mass production.

The process encompasses assessments and evaluations at business unit process level before being examined on a Group perspective.

The Group's risk management continues to be driven by the Chief Executive Officer and assisted by management. The Chief Executive Officer and management are responsible for identifying, evaluating and monitoring of risks and taking appropriate and timely actions to manage risk. These processes are embedded and carried out as part of the Group's operating and business management processes. External and relevant professionals would be drawn on to assist and provide advices to the management team when necessary. In order to ensure the objectivity of the review of the risk management and systems of internal control in the Group, the Audit Committee is instituted by the Board to undertake this role.

In conducting its review, the process is regularly reviewed by the Board via the Audit Committee ("AC") at the Board meeting with the assistance of the outsourced independent consulting firm Vaersa Advisory Sdn. Bhd. to further review and improves the existing internal control processes within the Group. The Group will continue to focus on the key risks and corresponding controls to ensure that they are able to respond effectively to the business changes and competitive environment.

Management further supplements the Audit Committee review on control and risk assessment when presenting the quarterly financial performance and results to the Audit Committee and the Board including pertinent explanations on the performance of the Group. With management consultation, the Audit Committee reviews and analyses the interim financial results in corroboration with management representations on operations and the performance of its subsidiaries as well as deliberates the annual report and audited financial statements before recommending these documents to the Board for approval.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(CONT'D)

4. INTERNAL CONTROL FRAMEWORK

The key elements of the Group's internal control systems are described below:

- o Quarterly monitoring of operational results against the budget for the Board's review and discussion;
- o Regular and comprehensive information provided to the Board, covering financial performance and key business indicators;
- o Regular updates of internal policies and procedures, to reflect changing risks or resolve operational deficiencies; and
- o Regular management meeting with all key personnel of respective department to address weaknesses and improve efficiency.

The Board is of the view that there is no significant breakdown or weaknesses in the system of internal control of the Group that may have material impact against the operations of the Group for the financial year ended 31 May 2023.

The Company has implemented ISO 9001:2000 Quality Management Systems, where documented internal procedures and standard operating procedures have been put in place. Internal quality audits are carried out by the ISO Committee and annual surveillance audits are conducted by an independent certification body to provide a high assurance of compliance.

The Internal Audit adopts a risk-based approach based on COSO assessment model.

5. MANAGEMENT RESPONSIBILITIES AND ASSURANCE

In accordance to the Bursa Securities' Guidelines, management is responsible to the Board for identifying risks relevant to the business of the Group's objectives and strategies; implementing and maintaining sound systems of risk management and internal control; and monitoring and reporting to the Board of significant control deficiencies and changes in risks that could significantly affect the Group achievement of its objectives and performance.

In producing this Statement, the Board has received assurance from the Chief Executive Officer that, to the best of their knowledge that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects.

6. BOARD ASSURANCE AND LIMITATION

The Board confirms that the process for identifying, evaluating and managing significant risks in the Group is on-going. For the financial year under review, there was no material loss resulted from significant control weaknesses. The Board is satisfied that the existing level of systems of internal control and risk management are effective to enable the Group to achieve its business objectives.

The Board wishes to reiterate that risk management and systems of internal control would be continuously improved in line with the evolving business development, it should be noted that all risk management systems and systems of internal control could only manage rather than eliminate risks of failure to achieve business objectives. Therefore, these systems of internal control and risk management in the Group could only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

7. REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the External Auditors have reviewed the Statement on Risk Management and Internal Control for inclusion in the annual report for the financial year ended 31 May 2023. Their limited assurance review was performed in accordance with the Audit and Assurance Practice Guide ("AAPG") 3 included in the Annual Report, issued by the Malaysian Institute of Accountants. AAPG 3 does not require the External Auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

8. CONCLUSION

The Board recognises the necessity to monitor closely the adequacy and effectiveness of the Group's system of internal controls and risk management, taking into consideration the fast-changing business environment. Although the Board is of the view that the present risk management and internal control is adequately in place to safeguard the Company's assets and sufficient to detect any fraud or irregularities, the Board is on a constant watch for any improvement that may strengthen its current system from time to time.

The statement is made in accordance with a resolution of the Board of Directors dated 22 September 2023

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

Private Placement pursuant to the Authority for the Directors to Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016

The Company had at the Fifteenth Annual General Meeting ("AGM") of the Company held on 17 November 2020 obtained the shareholders' approval for Directors to issue shares in the Company, representing not more than twenty percent (20%) of the total number of issued shares of the Company. Subsequently, the Company had at the Sixteenth AGM held on 12 November 2021 obtained the shareholders' approval for a general mandate to issue up to ten percent (10%) of its total number of issued shares ("General Mandate").

As at the date of this report, 85,200,000 new ordinary shares were issued under the Private Placement pursuant to the above General Mandate which were subsequently listed and quoted on the Main Market of Bursa Malaysia Securities Berhad. The details of the utilisation of proceeds from the Private Placement were as follows:-

Description	**Proposed Utilisation (RM'000)**	**Actual Utilisation (RM'000)**	**Balance to be utilized (RM'000)**
Payment for cost of sales	**6,650**	**6,650**	**–**
Payment of salaries	**10,375**	**4,539**	**5,836**
Payment of office rentals	**1,060**	**486**	**574**
Payment of licensing fees of EDA tools	**2,550**	**1,182**	**1,368**

The above Private Placement was completed on 27 November 2022.

The Company had at the Seventeenth AGM held on 25 November 2022 obtained the shareholders' approval for a general mandate to issue shares in the Company, representing not more than ten percent (10%) of the total number of issued shares of the Company.

Bursa Malaysia Securities Berhad had on 19 April 2023, approved the listing and quotation of up to 157,213,700 new ordinary shares to be issued under the Private Placement pursuant to the said general mandate.

As at the date of this report, no new ordinary shares were issued under the said Private Placement .

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

2. OPTION, WARRANT AND CONVERTIBLE SECURITIES

Employees' Share Option Scheme ("ESOS")

The Company had at the Extraordinary General Meeting held on 31 March 2022, approved the establishment and the administration of an Employees' Share Option Scheme ("ESOS") and authorised the Company to allot and issue such number of new ordinary shares to the Eligible Persons from time to time pursuant the ESOS. The ESOS was implemented on 7 July 2022 for a period of five (5) years and will expire on 6 July 2027, unless extended further in accordance with the By-Laws of the ESOS.

Total number of options granted and exercised by the eligible Directors and employees of the Group and the outstanding options as at the financial year ended 31 May 2023 ("FYE 2023") was set out in the table below:-

Description	Directors	Senior Management/ Director of Subsidiary	Other eligible employees	Total
Options granted during FYE 2023	32,400,000	4,500,000	100,250,000	137,150,000
Options lapsed during the FYE 2023	–	–	1,000,000	1,000,000
Options exercised during the FYE 2023	–	900,000	29,500,000	30,400,000
Outstanding options unexercised as at 31 May 2023	32,400,000	3,600,000	69,750,000	105,750,000

As at FYE 2023, the details of allocations of options to the Directors are as follows:-

Name of Directors	During FYE 2023		
	Number of options granted	**Number of options exercised**	**Number of options unexercised as at 31 May 2023**
Chairman/Chief Executive Officer			
Eg Kah Yee	20,400,000	–	20,400,000
Independent Non-Executive Director			
Prof. Low Teck Seng	4,000,000[1]	–	4,000,000[1]
Chen, Chia-Yin	4,000,000[1]	–	4,000,000[1]
Datuk Md Zubir Ansori Bin Yahaya *(Appointed on 26 August 2022)*	–	–	–
N Chanthiran A/L Nagappan *(Resigned on 26 August 2022)*	–	–	–
Non-Independent Non-Executive Director			
Benny T. Hu @ Ting Wu Hu	4,000,000[1]	–	4,000,000[1]
Total	**32,400,000**	**–**	**32,400,000**

Note:
[1] 3,000,000 options granted to each of the Non-Executive Directors are subject to vesting period on a staggered basis of over a 36 months' period from the date of offer.

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

2. OPTION, WARRANT AND CONVERTIBLE SECURITIES (CONT'D)

Employees' Share Option Scheme ("ESOS") (Cont'd)

In accordance with the Company's ESOS By-Laws, the total number of new shares which may be made available under the ESOS Scheme shall not exceed 15% of the total number of issued shares of the Company (excluding any treasury shares) at any point of time during the existence of the ESOS for the eligible Directors and employees of the Group. The aggregate maximum allocation applicable to directors and senior management of the Group (excluding dormant subsidiaries) is not more than 70% as per the ESOS's By-Laws and the actual percentage granted to them since the commencement of the ESOS up to the FYE 2023 was 26.90%.

During the FYE 2023, the Company allotted 30,400,000 new ordinary shares pursuant to the ESOS and subsequent thereto, there were no new options granted and no new ordinary shares allotted arising from the exercise of options, under the ESOS as at the date of this report.

As at the date of this report, the unexercised options under the Company's ESOS are 105,750,000 options.

Other than as disclosed above, there were no warrants and convertible securities issued by the Company during the FYE 2023.

3. MATERIAL CONTRACTS

Neither the Company nor its subsidiary have entered into any contract which are or may be material (not being contracts entered into in the ordinary course of business) involving Directors' and major shareholders' interests since the end of the previous financial year.

4. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF A REVENUE OR TRADING NATURE

There were no RRPT of a revenue or trading nature transacted during the FYE 2023.

5. SANCTIONS OR PENALTIES

There were no sanctions or material penalties imposed by any regulatory body to the Company and its subsidiaries, Directors or management.

6. VARIANCE IN RESULT

There was no material variation between the audited results for the financial year ended 31 May 2023 and the unaudited results previously announced for the similar period.

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 May 2023.

Principal Activities

The principal activities of the Company are engaged in the business of turnkey ASIC (application-specific integrated circuit) design services, providing data processing, data management, disk-based back-up solutions, telecommunications, office automation, network infrastructure and intelligent storage network support.

The principal activities of its subsidiary companies 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 subsidiary companies during the financial year.

Financial Results

	Group RM	Company RM
Loss for the financial year	(5,368,395)	(3,447,589)
Attributable to:		
Owners of the Company	(5,368,395)	(3,447,589)

Reserves and Provisions

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

Dividends

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year. The Board of Directors do not recommend any dividend in respect of the current financial year.

DIRECTORS' REPORT
(CONT'D)

Issue of Shares and Debentures

During the financial year, the Company increased its issued and paid-up share capital from 1,363,111,250 units to 1,393,511,250 units by way of issuance of 30,400,000 new ordinary shares pursuant to the exercise of options under Employee Share Option Scheme ("ESOS") at an exercise price of RM0.0267 each.

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

There was no issuance of debentures during the financial year.

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issuance of options pursuant to the ESOS.

Employee Share Option Scheme ("ESOS")

At an Extraordinary General Meeting held on 31 March 2022, the Company's shareholders approved the establishment on an ESOS. The ESOS was implemented on 7 July 2022 for a period of five years and will expire on 6 July 2027, unless extended further.

The salient features and other details of the ESOS are disclosed in Note 13(a) to the financial statements.

Employee Share Option Scheme ("ESOS") (Cont'd)

The options offered for the subscription of unissued ordinary shares and the respective exercise prices are as follows:

		Number of options over ordinary shares				
Grant date	**Exercise price RM**	**At 1.6.2022**	**Granted**	**Exercised**	**Lapsed**	**At 31.5.2023**
7 October 2022	0.0267	-	137,150,000	(30,400,000)	(1,000,000)	105,750,000

Directors

The Directors of the Company in office during the financial year until the date of this report are:

Eg Kah Yee*	
Benny Ting Wu Hu	
Prof. Low Teck Seng	
Chen, Chia-Yin	
Datuk Md Zubir Ansori Bin Yahaya	(Appointed on 26 August 2022)
N. Chanthiran A/L Nagappan	(Resigned on 26 August 2022)

* Director of the Company and its subsidiary companies

The Director of the Company's subsidiaries since the beginning of the financial year to the date of this report, excluding those who are already listed above is:

Thong Kooi Pin

DIRECTORS' REPORT
(CONT'D)

Directors (Cont'd)

The information required to be disclosed pursuant to Section 253 of the Companies Act, 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiary companies and made a part hereof.

Directors' Interests in Shares

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiary companies) of those who were Directors at financial year end (including their spouses or children) according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.6.2022	**Additions**	**Disposal**	**At 31.5.2023**
Interest in the Company				
Direct interests				
Eg Kah Yee	1,600,000	-	-	1,600,000
Indirect interests				
Eg Kah Yee *	325,869,500	-	-	325,869,500

	Number of options			
	At 1.6.2022	**Granted**	**Exercised**	**At 31.5.2023**
Interest in the Company				
Direct interests				
Eg Kah Yee	-	20,400,000	-	20,400,000
Benny Ting Wu Hu	-	4,000,000	-	4,000,000
Prof. Low Teck Seng	-	4,000,000	-	4,000,000
Chen, Chia-Yin	-	4,000,000	-	4,000,000

* Deemed interest by virtue of the interest in a corporation.

By virtue of their interests in the shares of the Company, the Directors are also deemed interested in the shares of all the subsidiary companies during the financial year to the extent that the Company has an interest under Section 8 of the Companies Act, 2016 in Malaysia.

Other than those disclosed above, none of the other Directors in office at the end of the financial year had any interest in ordinary shares in the Company or its related corporations during the financial year.

Directors' Benefits

Since the end of the previous financial year, none of the Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the directors as shown below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The details of the Directors' remuneration for the financial year ended 31 May 2023 are set out below:

	Group RM	**Company RM**
Executive Directors		
Salaries and other emoluments	360,355	-
ESOS expense	469,199	469,199
Non-executive Director:		
Fees	144,130	144,130
ESOS expense	153,333	153,333
	1,127,017	766,662

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of, the Company or any other body corporate, other than those arising from ESOS.

Indemnity and Insurance Costs

There were no indemnity given to or insurance effected for any Directors, officers and auditors of the Company in accordance with Section 289 of the Companies Act, 2016.

Other Statutory Information

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that no bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.

Other Statutory Information (Cont'd)

(b) At the date of this report, the Directors are not aware of any circumstances:

(i) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or

(iv) 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.

(c) At the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due;

(ii) the results of the operations 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

(iii) 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 the operations of the Group and of the Company for the financial year in which this report is made.

Subsidiary Companies

The details of the subsidiary companies are disclosed in Note 7 to the financial statements.

Significant Events

The significant events are disclosed in Note 33 to the financial statements.

Auditors

The Auditors, Messrs. UHY, have expressed their willingness to continue in office.

The auditors' remuneration of the Group and of the Company for the financial year ended 31 May 2023 are as follows:

	Group RM	Company RM
Auditors' remuneration:		
- Statutory audit	189,449	133,000
- Non-statutory audit	5,000	5,000
	194,449	138,000

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 22 September 2023.

EG KAH YEE

Kuala Lumpur

DATUK MD ZUBIR ANSORI BIN YAHAYA

Kuala Lumpur

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying financial statements 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 May 2023 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 22 September 2023.

EG KAH YEE	DATUK MD ZUBIR ANSORI BIN YAHAYA
Kuala Lumpur	Kuala Lumpur

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT, 2016

I, THONG KOOI PIN (MIA Membership No: 15167), being the officer primarily responsible for the financial management of Key ASIC Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared	)	
by the abovenamed at Kuala	)	
Lumpur in the Federal Territory	)	
on 22 September 2023.	)	
		THONG KOOI PIN

Before me,

No. W790
ZAINUL ABIDIN BIN AHMAD
COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KEY ASIC BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Key ASIC Berhad, which comprise the statements of financial position as at 31 May 2023 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 56 to 138.

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 May 2023, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How we addressed the key audit matters
1. Assessment of impairment on intangible assets	
As at 31 May 2023, the Group's and the Company's carrying amount of intangible assets are RM9,148,927 and RM9,140,285, which represented 22% and 25% of the Group's and of the Company's total assets. The Group and the Company estimated the recoverable amounts of the carrying value of intangible assets based on the value-in-use ("VIU"). Estimating the VIU involves estimating the future cash inflows and outflows that will be derived from the cash flows projection and discounting them at an appropriate discount rate. Such estimations are highly subjective and accordingly we consider this to be an area of audit focus.	We discussed and obtained management's impairment calculations to assess the appropriateness and reasonableness of the assumptions used in the VIU calculation for determining recoverable amounts. We tested the accuracy of the underlying asset by verifying the input data used by management. We challenged the key assumptions employed in the calculation, which includes the discount rate employed and its methodology. We tested management's sensitivity analysis in relation to the key inputs to the impairment test model, as well as performing our own sensitivity analysis which include changes to key assumption

INDEPENDENT AUDITORS' REPORT
(CONT'D)

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 the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT
(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 skepticism throughout the audit. We also: (Cont'd)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiary company of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

Other Matter

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.

UHY
Firm Number: AF 1411
Chartered Accountants

OOI CHI YEE
Approved Number: 03684/08/2024 J
Chartered Accountant

KUALA LUMPUR

22 September 2023

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MAY 2023

		Group		Company	
		2023	2022	2023	2022
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Plant and equipment	4	810,610	1,073,755	302,209	451,724
Intangible assets	5	9,148,927	10,406,280	9,140,285	10,383,455
Right-of-use assets	6	917,160	175,875	484,276	19,854
Investment in subsidiary companies	7	-	-	331,887	331,887
		10,876,697	11,655,910	10,258,657	11,186,920
Current assets					
Inventories	8	1,891,431	1,872,652	-	-
Trade receivables	9	3,556,680	1,057,651	20,600	16,853
Other receivables	10	1,402,897	1,065,765	897,563	872,240
Amount due from a related party	18	34,220	30,531	-	-
Amount due from subsidiary companies	11	-	-	8,475,721	2,122,960
Tax recoverable		-	20	-	-
Cash and bank balances		23,587,710	24,078,147	16,313,032	21,476,915
		30,472,938	28,104,766	25,706,916	24,488,968
Total assets		41,349,635	39,760,676	35,965,573	35,675,888

STATEMENTS OF FINANCIAL POSITION (CONT'D)

		Group		Company	
		2023	2022	2023	2022
	Note	RM	RM	RM	RM
EQUITY					
Share capital	12	69,403,203	67,892,323	69,403,203	67,892,323
Reserves	13	(36,322,439)	(33,002,591)	(36,509,827)	(35,073,523)
Total equity attributable to owners of the Company		33,080,764	34,889,732	32,893,376	32,818,800
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	14	-	907	-	-
Lease liabilities	15	544,380	-	271,937	-
		544,380	907	271,937	-
Current liabilities					
Trade payables	16	3,459,581	2,773,009	1,229,624	1,539,319
Other payables	17	2,856,305	1,001,205	314,050	363,395
Amount due to a subsidiary company	11	-	-	20,689	20,689
Amount due to directors	19	1,008,140	912,865	1,008,140	912,865
Lease liabilities	15	390,742	182,958	227,757	20,820
Tax payable		9,723	-	-	-
		7,724,491	4,870,037	2,800,260	2,857,088
Total liabilities		8,268,871	4,870,944	3,072,197	2,857,088
Total equity and liabilities		41,349,635	39,760,676	35,965,573	35,675,888

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 MAY 2023

		Group		Company	
		2023	2022	2023	2022
	Note	RM	RM	RM	RM
Revenue	20	20,816,481	13,587,098	5,196,379	260,834
Cost of sales	21	(13,487,917)	(10,716,032)	(182,409)	(368,988)
Gross profit/(loss)		7,328,564	2,871,066	5,013,970	(108,154)
Other operating income	22	569,806	698,205	345,980	589,494
Net reversal/(loss) on impairment of receivables		661,483	(5,310)	657,255	-
Administrative expenses		(5,714,474)	(5,733,410)	(4,324,716)	(4,446,024)
Other operating expenses		(8,165,333)	(6,480,753)	(5,108,130)	(4,775,352)
Finance costs		(38,750)	(11,719)	(31,948)	(4,362)
Loss before taxation	23	(5,358,704)	(8,661,921)	(3,447,589)	(8,744,398)
Taxation	24	(9,691)	25,731	-	-
Loss after taxation		(5,368,395)	(8,636,190)	(3,447,589)	(8,744,398)
Other comprehensive income for the financial year, net of tax					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operation		37,262	57,770	-	-
Total comprehensive loss for the financial year		(5,331,133)	(8,578,420)	(3,447,589)	(8,744,398)
Loss after taxation attributable to:					
Owners of the company		(5,368,395)	(8,636,190)	(3,447,589)	(8,744,398)
Total comprehensive loss for the financial year attributable to:					
Owners of the company		(5,331,133)	(8,578,420)	(3,447,589)	(8,744,398)
Loss per share attributable to owners of the company (sen)					
- Basic	27(a)	(0.39)	(0.65)		
- Diluted	27(b)	(0.37)	(0.65)		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

Group	Note	Share capital RM	Employee Share Option Scheme ("ESOS") Reserves RM	Foreign exchange reserve RM	Accumulated losses RM	Total Equity RM
		Attributable to owners of the Company				
		Non-distributable			Distributable	
At 1 June 2022		67,892,323	-	(319,658)	(32,682,933)	34,889,732
Loss for the financial year		-	-	-	(5,368,395)	(5,368,395)
Other comprehensive loss, net of tax		-	-	37,262	-	37,262
Total comprehensive loss for the financial year		-	-	37,262	(5,368,395)	(5,331,133)
Transactions with owners:						
Issuance of ordinary shares						
- pursuant to exercise of Employee Share Option Scheme ("ESOS")	12,13	1,510,880	(699,200)	-	-	811,680
Share option granted under ESOS	13	-	2,710,485	-	-	2,710,485
Lapsed share options	13	-	(7,986)	-	7,986	-
At 31 May 2023		69,403,203	2,003,299	(282,396)	(38,043,342)	33,080,764

STATEMENTS OF CHANGES IN EQUITY
(CONT'D)

Group	Note	Share capital RM	Employee Share Option Scheme ("ESOS") Reserves RM	Foreign exchange reserve RM	Retained earnings/ (Accumulated losses) RM	Total Equity RM
		Attributable to owners of the Company				
		Non-distributable			**Distributable**	
At 1 June 2021		58,025,475	2,994,622	(377,428)	(24,096,397)	36,546,272
Loss for the financial year		-	-	-	(8,636,190)	(8,636,190)
Other comprehensive income, net of tax		-	-	57,770	-	57,770
Total comprehensive income/(loss) for the financial year		-	-	57,770	(8,636,190)	(8,578,420)
Transactions with owners:						
Issuance of ordinary shares						
- pursuant to exercise of Employee Share Option Scheme ("ESOS")	12,13	9,866,848	(2,944,968)	-	-	6,921,880
Lapsed share options	13	-	(49,654)	-	49,654	-
At 31 May 2022		67,892,323	-	(319,658)	(32,682,933)	34,889,732

STATEMENTS OF CHANGES IN EQUITY
(CONT'D)

		Attributable to owners of the Company			
		Non-distributable		Distributable	
Company	Note	Share capital RM	Employee Share Option Scheme ("ESOS") Reserves RM	Accumulated losses RM	Total Equity RM
At 1 June 2022		67,892,323	-	(35,073,523)	32,818,800
Total comprehensive loss for the financial year		-	-	(3,447,589)	(3,447,589)
Transactions with owners:					
Issuance of ordinary shares				-	
- pursuant to exercise of ESOS	12,13	1,510,880	(699,200)	-	811,680
Share option granted under ESOS	13	-	2,710,485	-	2,710,485
Lapsed share options	13	-	(7,986)	7,986	-
At 31 May 2023		69,403,203	2,003,299	(38,513,126)	32,893,376
At 1 June 2021		58,025,475	2,994,622	(26,378,779)	34,641,318
Total comprehensive loss for the financial year		-	-	(8,744,398)	(8,744,398)
Transactions with owners:					
Issuance of ordinary shares					
- pursuant to exercise of ESOS	12,13	9,866,848	(2,944,968)	-	6,921,880
Lapsed share options	13	-	(49,654)	49,654	-
At 31 May 2022		67,892,323	-	(35,073,523)	32,818,800

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Cash flows used in operating activities				
Loss before taxation	(5,358,704)	(8,661,921)	(3,447,589)	(8,744,398)
Adjustments for:				
Amortisation of intangible assets	1,256,879	1,262,267	1,243,170	1,243,170
Depreciation of:				
- plant and equipment	342,013	387,581	162,234	151,038
- right-of-use assets	494,963	503,056	232,935	238,248
ESOS expenses	2,710,485	-	2,710,485	-
Impairment loss on:				
- intangible assets	-	2,882,000	-	2,882,000
- trade receivables	-	4,260	-	-
- other receivables	-	1,050	-	-
Gain on unrealised foreign exchange	(187,553)	(367,171)	-	(338,439)
Interest income	(339,805)	(246,782)	(319,380)	(251,055)
Interest expense on lease liabilities	38,750	11,719	31,948	4,362
Inventories written down	188,204	131,440	-	-
Reversal of impairment loss on trade receivables	(661,483)	-	(657,255)	
Loss on unrealised foreign exchange	115,621	128,777	438,361	-
Operating (loss)/profit before working capital changes	(1,400,630)	(3,963,724)	394,909	(4,815,074)

STATEMENTS OF CASH FLOWS (CONT'D)

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Cash flows used in operating activities (cont'd)				
Changes in working capital:				
Inventories	(206,983)	328,774	-	-
Trade and other receivables	(2,355,391)	(734,305)	628,185	(259,654)
Trade and other payables	2,454,774	(539,964)	(359,040)	(47,840)
Amount due from subsidiary companies	-	-	(5,552,793)	(3,085)
Cash used in operations	(1,508,230)	(4,909,219)	(4,888,739)	(5,125,653)
Interest received	339,805	246,782	319,380	251,055
Interest paid	(38,750)	(11,719)	(31,948)	(4,362)
Income tax paid	(826)	-	-	-
Net cash used in operating activities	(1,208,001)	(4,674,156)	(4,601,307)	(4,878,960)
Cash flows used in investing activities				
Purchase of:				
- plant and equipment	(86,392)	(109,576)	(12,719)	(89,570)
- intangible assets	-	(11,568)	-	-
Advance to a related party	(3,689)	(30,531)	-	-
Advance to subsidiary companies	-	-	(799,968)	(542,497)
Net cash used in investing activities	(90,081)	(151,675)	(812,687)	(632,067)

STATEMENTS OF CASH FLOWS
(CONT'D)

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Cash flows from financing activities				
Proceeds from issuance of ordinary shares:				
- pursuant to exercise of ESOS	811,680	6,921,880	811,680	6,921,880
Advance from directors	95,275	36,523	95,275	36,523
Decrease in amount due to a related party	-	(2,120)	-	(2,120)
Advance from a subsidiary company	-	-	-	20,689
Repayments of lease liabilities	(483,915)	(515,687)	(218,483)	(246,069)
Net cash generated from financing activities	423,040	6,440,596	688,472	6,730,903
Net (decrease)/increase in cash and cash equivalents	(875,042)	1,614,765	(4,725,522)	1,219,876
Cash and cash equivalents at the beginning of the financial year	24,078,147	22,062,180	21,476,915	19,948,099
Effect of exchange rate changes on cash and cash equivalents	384,605	401,202	(438,361)	308,940
Cash and cash equivalents at the end of the financial year	23,587,710	24,078,147	16,313,032	21,476,915
Cash and cash equivalents comprise of:				
Cash and bank balances	23,587,710	24,078,147	16,313,032	21,476,915

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

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2023

1. Corporate Information

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

The principal place of business of the Company is located at 6th Floor, Unit 3, 8, First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan.

The Company's registered office 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 activities of the Company are engaged in the business of turnkey ASIC (application-specific integrated circuit) design services, providing data processing, data management, disk-based back-up solutions, telecommunications, office automation, network infrastructure and intelligent storage network support. The principal activities of its subsidiary companies 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 subsidiary companies during the financial year.

2. Basis of Preparation

(a) 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 and the requirements of the Companies Act, 2016 in Malaysia.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of amendments/improvements to MFRSs

During the financial year, the Group and the Company have adopted the following amendments to standards issued by the Malaysian Accounting Standards Board ("MASB"):

Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to MFRSs Standards 2018 - 2020: • Amendments to MFRS 1 • Amendments to MFRS 9 • Amendments to MFRS 16 • Amendments to MFRS 141	Annual Improvements to MFRS Standards 2018 - 2020

The adoption of the new standards and amendments to standards did not have any significant impact on the financial statements of the Group and of the Company.

Standards issued but not yet effective

The Group and the Company have not applied the following new standards and amendments to standards that have been issued by the MASB but are not yet effective for the Group and for the Company:

		Effective dates for financial periods beginning on or after
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Initial Application of MFRS 9 and MFRS 17 - Comparative Information	1 January 2023
Amendments to MFRS 101 and MFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

The Group and the Company have not applied the following new standards and amendments to standards that have been issued by the MASB but are not yet effective for the Group and for the Company: (Cont'd)

		Effective dates for financial periods beginning on or after
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 112	International Tax Reform-Pillar Two Model Rules	1 January 2023
Amendments to MFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101	Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 107 and MFRS 7	Supplier Financial Arrangements	1 January 2024
Amendments to MFRS 121	The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability	1 January 2025
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group and the Company intend to adopt the above new standards and amendments to standards when they become effective.

The initial application of the abovementioned new standards and amendments to standards are not expected to have any significant impacts on the financial statements of the Group and of the Company.

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

There are no significant areas of estimation uncertainty and critical judgement in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

<u>Useful lives of plant and equipment and right-of-use ("ROU") assets</u>

The Group and the Company regularly review the estimated useful lives of plant and equipment and ROU assets based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of plant and equipment and ROU assets would increase the recorded depreciation and decrease the value of plant and equipment and ROU assets. The carrying amount at the reporting date for plant and equipment and ROU assets are disclosed in Notes 4 and 6 respectively.

<u>Amortisation of intangible assets</u>

The costs of intangible assets are amortised on a straight-line basis over the asset's estimated economic useful lives. The estimated useful lives of other intangible assets are reviewed periodically, taking into consideration factors such as changes in technology. The amount and timing of recorded expenses for any period would be affected by changes in the estimates.

The carrying amounts of the Group's and of the Company's intangible assets at the reporting date are disclosed in Note 5 to the financial statements.

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Impairment of intangible assets

The Group and the Company assess whether there is any indication that intangible assets are impaired at the end of each reporting period. Impairment is measured by comparing the carrying amount of an asset with its recoverable amount. The recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Changes to any of these assumptions would affect the amount of impairment. The key assumptions used to determine the recoverable amounts is disclosed in Note 5.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 8.

Impairment of receivables

The Group and the Company review the recoverability of its receivables, including trade and other receivables and amounts due from subsidiary companies at each reporting date to assess whether an impairment loss should be recognised. The impairment provisions for receivables are based on assumptions about risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The carrying amounts at the reporting date for trade receivables, other receivables and amount due from subsidiary companies are disclosed in Note 9, 10 and 11 respectively.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group and the Company use the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group and the Company would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group and the Company estimate the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

Employee share options scheme

The Group and the Company measure the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also require determining the most appropriate inputs to the valuation model including expected life of the share option, volatility and dividend yield and making assumptions about them. Details of assumptions made in respect of the ESOS are disclosed in Note 13.

Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. As at 31 May 2023, the Group has tax payable of RM9,723 (2022: tax recoverable of RM20).

3. Significant Accounting Policies

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

(a) Basis of consolidation

(i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. **Significant Accounting Policies (Cont'd)**

(a) **Basis of consolidation (Cont'd)**

(i) Subsidiary companies (Cont'd)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of MFRS 9 *Financial Instruments,* is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer accounting policy Note 3(l)(i) on impairment of non-financial assets.

(ii) Change in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

3. Significant Accounting Policies (Cont'd)

(b) Foreign currency translation

(i) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at the rate of exchange prevailing at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date of transition to MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

3. Significant Accounting Policies (Cont'd)

(b) Foreign currency translation (Cont'd)

(ii) Foreign operations (Cont'd)

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

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

(c) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(l)(i) on impairment of non-financial assets.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. 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.

The cost of plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

3. Significant Accounting Policies (Cont'd)

(c) Plant and equipment (Cont'd)

(i) Recognition and measurement (Cont'd)

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

Plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of 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.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life. Plant and equipment under construction is not depreciated until it is ready for its intended use.

Plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Computers	5 years
Furniture and fittings	10 years
Office equipment	2 to 10 years
Renovation	10 years
Tool equipment	5 years
Machinery	3 to 5 years
Leasehold improvement	5 years

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant Accounting Policies (Cont'd)

(d) Intangible assets

An intangible asset shall be recognised if, and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and that the cost of the asset can be measured reliably. An entity shall assess the probability of the expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

(i) Research and development expenditure

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that expenditure incurred on development projects relating to the design and testing of new or improved products or process are recognised as intangible assets if, and only if an entity can demonstrate all of the following:

- its ability to measure reliably the expenditure attributable to the assets under development;
- the product or process is technically and commercially feasible;
- its future economic benefits are probable;
- its ability to use or sell the developed asset; and
- the availability of adequate technical, financial and other resources to complete the assets under development.

Capitalised development expenditures are measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

(ii) Intellectual property and software licenses rights

Intellectual property that are acquired by the Group and by the Company, which have useful lives of 25 years, are reviewed annually for impairment and are measured at cost less accumulated amortisation and any accumulated impairment losses.

3. Significant Accounting Policies (Cont'd)

(d) Intangible assets (Cont'd)

(iii) Amortisation

	Method	Useful lives
Development costs	Unit of production	5 years
Intellectual property and software licenses rights	Straight-line	25 years

(iv) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

The policy of recognition and measurement of impairment losses is in accordance with Note 3(l)(i) on impairment of non-financial assets.

(e) Leases

As lessee

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

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(l)(i) on impairment of non-financial assets.

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis of plant and equipment as follow:

Buildings	3 years

The ROU assets are subject to impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant Accounting Policies (Cont'd)

(e) Leases (Cont'd)

As lessee (Cont'd)

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the respective Group entities' incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group are reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

(f) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss ("FVTPL"), directly attributable transaction costs.

The Group and the Company determine the classification of financial assets at initial recognition and the categories include trade and other receivables, amount due from subsidiary companies, amount due from a related company and cash and bank balances.

3. Significant Accounting Policies (Cont'd)

(f) Financial assets (Cont'd)

(i) Financial assets at amortised cost

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(ii) Fair value through other comprehensive income ("FVOCI")

The Group and the Company have not designated any financial assets as FVOCI.

(iii) Financial assets at fair value through profit or loss ("FVTPL")

The Group and the Company have not designated any financial assets as FVTPL.

All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment assessment in accordance with Note 3(l)(ii) on impairment of financial assets.

<u>Regular way purchase or sale of financial assets</u>

Regular way purchase or sale are purchase or sale of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchase or sale of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

3. Significant Accounting Policies (Cont'd)

(f) Financial assets (Cont'd)

Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to receive cash flows from the financial asset expired or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial assets and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

(g) Financial liabilities

Financial liabilities are recognised when, and only when, the Group or the Company become a party to the contractual provisions of the financial instruments. All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company classify their financial liabilities at initial recognition, into the following categories:

(i) Financial liabilities at amortised cost

After initial recognition, financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in the profit or loss when the liabilities are derecognised and through the amortisation process.

The Group's and Company's financial liabilities designated at amortised cost comprise trade and other payables, amount due to a related party, amount due to a subsidiary company, amount due to directors and lease liabilities.

(ii) Financial liabilities at fair value through profit or loss ("FVTPL")

The Group and the Company have not designated any financial liabilities at FVTPL.

3. Significant Accounting Policies (Cont'd)

(g) Financial liabilities (Cont'd)

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(h) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement 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.

(i) Inventories

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

Cost of raw material comprise cost of purchase and other costs incurred in bringing it to their present location and condition are determined on weighted average basis. Cost of finished goods and work-in progress consists of direct material, direct labour and an appropriate proportion of production overheads.

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.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

3. Significant Accounting Policies (Cont'd)

(k) 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 economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

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

(l) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the 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 or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

3. Significant Accounting Policies (Cont'd)

(l) Impairment of assets (Cont'd)

(ii) Financial assets

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

ECLs are recognised in two stages. For credit exposure which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

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

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source 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 under the Group's and the Company's recovery procedures, taking into account legal advice where appropriate.

(m) Share capital

Ordinary shares

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

3. Significant Accounting Policies (Cont'd)

(m) Share capital (Cont'd)

Dividend distribution to the Company's shareholder is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholder.

(n) Employee benefits

(i) Short-term employee benefits

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

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Share-based payments

The Group operates an equity-settled, share-based compensation plan for the employees of the Group. Employee services received in exchange for the grant of the share options is recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in equity.

For options granted to the employees of the subsidiary companies, the fair value of the options granted is recognised as cost of investment in the subsidiary companies over the vesting period with a corresponding adjustment to equity in the Company's financial statements.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to be vested. At the end of each reporting date, the Group revises its estimates of the number of share options that are expected to be vested. It recognises the impact of the revision of original terms, if any, in the profit or loss, with a corresponding adjustment to equity.

3. Significant Accounting Policies (Cont'd)

(n) Employee benefits (Cont'd)

(iii) Share-based payments (Cont'd)

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained earnings.

(o) Revenue and other income operating recognition

(i) Revenue from contracts with customers

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation is a promise to transfer a distinct goods or services (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Company's customary business practices.

(a) Sales of hardware and software

Revenue from the sale of hardware for a fixed fee shall be recognised when control over the hardware is transferred to customer at a point in time. For hardware sales, transfer of control is usually deemed to occur upon delivery of products and customer acceptances. Software licences may be provided to the customer at a point in time, activated or ready to be activated by the customer at a later stage, therefore revenue is recognised when customer obtains control of the software.

(b) Rendering of services

Revenue from services is recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided at the end of the reporting period.

(ii) Interest income

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

3. Significant Accounting Policies (Cont'd)

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, 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. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(q) Income taxes

Tax expense in profit or loss comprises current 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.

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

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

3. Significant Accounting Policies (Cont'd)

(q) Income taxes (Cont'd)

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.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference 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.

Export allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

(r) Segments reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(s) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or 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 assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

(t) Statements of cash flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows. Cash and cash equivalents comprise cash and bank balances, deposits with licensed banks and other short-term, highly liquid investments that are readily convertible inro cash with insignificant risk of changes in value against which bank overdrafts, if any, are deducted.

4. Plant and Equipment

Group	Computers RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Tool equipment RM	Machinery RM	Leasehold improvement RM	Total RM
Cost								
At 1 June 2022	3,892,395	1,047,105	685,981	484,072	1,481,965	1,544,992	203,122	9,339,632
Additions	3,871	-	82,521	-	-	-	-	86,392
Exchange differences	(4,873)	(853)	(2,277)	-	-	(6,135)	(807)	(14,945)
At 31 May 2023	3,891,393	1,046,252	766,225	484,072	1,481,965	1,538,857	202,315	9,411,079
Accumulated depreciation								
At 1 June 2022	3,041,708	969,299	590,136	471,529	1,445,091	1,544,992	203,122	8,265,877
Charge for the financial year	295,921	1,293	30,653	2,736	11,410	-	-	342,013
Exchange differences	1,342	(577)	(1,244)	-	-	(6,135)	(807)	(7,421)
At 31 May 2023	3,338,971	970,015	619,545	474,265	1,456,501	1,538,857	202,315	8,600,469
Net carrying amount								
At 31 May 2023	552,422	76,237	146,680	9,807	25,464	-	-	810,610

4. Plant and Equipment (Cont'd)

Group	Computers RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Tool equipment RM	Machinery RM	Leasehold improvement RM	Total RM
Cost								
At 1 June 2021	3,786,722	1,045,398	711,019	484,072	1,481,965	1,543,200	201,509	9,253,885
Additions	95,977	-	13,599	-	-	-	-	109,576
Write off	-	-	(43,427)	-	-	(10,562)	-	(53,989)
Exchange differences	9,696	1,707	4,790	-	-	12,354	1,613	30,160
At 31 May 2022	3,892,395	1,047,105	685,981	484,072	1,481,965	1,544,992	203,122	9,339,632
Accumulated depreciation								
At 1 June 2021	2,719,404	966,853	580,044	468,344	1,433,681	1,543,200	194,907	7,906,433
Charge for the financial year	315,956	1,293	49,148	3,185	11,410	-	6,589	387,581
Write off	-	-	(43,427)	-	-	(10,562)	-	(53,989)
Exchange differences	6,348	1,153	4,371	-	-	12,354	1,626	25,852
At 31 May 2022	3,041,708	969,299	590,136	471,529	1,445,091	1,544,992	203,122	8,265,877
Net carrying amount								
At 31 May 2022	850,687	77,806	95,845	12,543	36,874	-	-	1,073,755

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. Plant and Equipment (Cont'd)

	Computers RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Tool equipment RM	Total RM
Company						
Cost						
At 1 June 2022	2,661,587	27,124	112,668	484,072	1,481,965	4,767,416
Additions	3,871	-	8,848	-	-	12,719
At 31 May 2023	2,665,458	27,124	121,516	484,072	1,481,965	4,780,135
Accumulated depreciation						
At 1 June 2022	2,285,964	18,994	94,114	471,529	1,445,091	4,315,692
Charge for the financial year	142,055	1,293	4,740	2,736	11,410	162,234
At 31 May 2023	2,428,019	20,287	98,854	474,265	1,456,501	4,477,926
Net carrying amount						
At 31 May 2023	237,439	6,837	22,662	9,807	25,464	302,209
Cost						
At 1 June 2021	2,572,017	27,124	112,668	484,072	1,481,965	4,677,846
Additions	89,570	-	-	-	-	89,570
At 31 May 2022	2,661,587	27,124	112,668	484,072	1,481,965	4,767,416
Accumulated depreciation						
At 1 June 2021	2,156,553	17,701	88,375	468,344	1,433,681	4,164,654
Charge for the financial year	129,411	1,293	5,739	3,185	11,410	151,038
At 31 May 2022	2,285,964	18,994	94,114	471,529	1,445,091	4,315,692
Net carrying amount						
At 31 May 2022	375,623	8,130	18,554	12,543	36,874	451,724

5. Intangible Assets

Group	Development costs RM	Intellectual property and software licenses rights RM	Total RM
Cost			
At 1 June 2022	8,556,664	65,327,875	73,884,539
Exchange differences	(356)	(42,491)	(42,847)
At 31 May 2023	8,556,308	65,285,384	73,841,692
Accumulated depreciation			
At 1 June 2022	8,545,406	28,361,986	36,907,392
Charge for the financial year	-	1,256,879	1,256,879
Exchange differences	(311)	(24,141)	(24,452)
At 31 May 2023	8,545,095	29,594,724	38,139,819
Accumulated impairment loss			
At 1 June 2022	-	26,570,867	26,570,867
Exchange differences	-	(17,921)	(17,921)
At 31 May 2023	-	26,552,946	26,552,946
Net carrying amount			
At 31 May 2023	11,213	9,137,714	9,148,927

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. Intangible Assets (Cont'd)

	Development costs RM	Intellectual property and software licenses rights RM	Total RM
Group			
Cost			
At 1 June 2021	8,555,953	65,403,812	73,959,765
Addition	-	11,568	11,568
Written off	-	(173,774)	(173,774)
Exchange differences	711	86,269	86,980
At 31 May 2022	8,556,664	65,327,875	73,884,539
Accumulated amortisation			
At 1 June 2021	8,525,650	27,242,928	35,768,578
Charge for the financial year	19,097	1,243,170	1,262,267
Written off	-	(173,774)	(173,774)
Exchange differences	659	49,662	50,321
At 31 May 2022	8,545,406	28,361,986	36,907,392
Accumulated impairment loss			
At 1 June 2021	-	23,652,259	23,652,259
Impairment recognised for the year	-	2,882,000	2,882,000
Exchange differences	-	36,608	36,608
At 31 May 2022	-	26,570,867	26,570,867
Net carrying amount			
At 31 May 2022	11,258	10,395,022	10,406,280

5. **Intangible Assets (Cont'd)**

	Development costs RM	Intellectual property and software licenses rights RM	Total RM
Company			
Cost			
At 1 June 2022/31 May 2023	8,467,128	54,627,347	63,094,475
Accumulated amortisation			
At 1 June 2022	8,467,127	22,282,470	30,749,597
Charge for the financial year	-	1,243,170	1,243,170
At 31 May 2023	8,467,127	23,525,640	31,992,767
Accumulated impairment loss			
At 1 June 2022/31 May 2023	-	21,961,423	21,961,423
Net carrying amount			
At 31 May 2023	1	9,140,284	9,140,285
Cost			
At 1 June 2021/31 May 2022	8,467,128	54,627,347	63,094,475
Accumulated amortisation			
At 1 June 2021	8,467,127	21,039,300	29,506,427
Charge for the financial year	-	1,243,170	1,243,170
At 31 May 2022	8,467,127	22,282,470	30,749,597
Accumulated impairment loss			
At 1 June 2021	-	19,079,423	19,079,423
Impairment recognised for the year	-	2,882,000	2,882,000
31 May 2022	-	21,961,423	21,961,423
Net carrying amount			
At 31 May 2022	1	10,383,454	10,383,455

5. Intangible Assets (Cont'd)

Assessment of impairment on intangible assets

The recoverable amounts of the intangible assets at the end of the financial year is determined based on value-in-use ("VIU") calculations by discounting the future cash flows generated from the continuing use of the cash generating unit ("CGU").

The key assumptions used for value-in-use calculation are based on future projection of the Group as follows:

	2023 %	**2022** %
Gross profit margin	27 - 34	27 - 34
Growth rate	3	3
Pre-tax discount rate	14	16

(i) Growth rate - The growth rate is based on industry growth forecasts.

(ii) Pre-tax discount rate - The rate that reflect specific risks relating to the relevant cash generating unit ("CGU").

The values assigned to the key assumptions represent the management's assessment of future trends in the industry and are based on both external sources and internal sources.

<u>Impairment review on intangible assets</u>

During the financial year, the Group and the Company carried out impairment assessment on intangible assets with indication of impairment, in view of the loss-making performance of cash-generating units. As a result, the Group and the Company recognised impairment losses of RM Nil (2022: RM2,882,000).

There is no reasonably possible change in any of the key assumptions used that would cause the carrying amount of the intangible assets to materially exceed the recoverable amount.

6. Right-of-Use Assets

	2023 RM	2022 RM
Group		
Buildings		
Cost		
At beginning of the financial year	1,673,154	1,665,542
Addition	1,244,157	-
Expiration of lease contracts	(958,411)	-
Exchange differences	-	7,612
At end of the financial year	1,958,900	1,673,154
Accumulated amortisation		
At beginning of the financial year	1,497,279	987,319
Charge for the financial year	494,963	503,056
Expiration of lease contracts	(958,411)	-
Exchange differences	7,909	6,904
At end of the financial year	1,041,740	1,497,279
Net carrying amount	917,160	175,875
Company		
Buildings		
Cost		
At beginning of the financial year	714,743	714,743
Addition	697,357	-
Expiration of lease contract	(714,743)	-
At end of the financial year	697,357	714,743
Accumulated amortisation		
At beginning of the financial year	694,889	456,641
Charge for the financial year	232,935	238,248
Expiration of lease contract	(714,743)	-
At end of the financial year	213,081	694,889
Net carrying amount	484,276	19,854

7. Investment in Subsidiary Companies

	Company 2023 RM	Company 2022 RM
Unquoted shares, at cost	28,558,700	28,558,700
Less: Accumulated impairment losses	(28,226,813)	(28,226,813)
Net carrying amount	331,887	331,887

Details of the subsidiary companies are as follows:

Name of subsidiaries	Principal place of business/ country of incorporation	Effective equity interest 2023	Effective equity interest 2022	Principal activities
Key ASIC Semiconductor Sdn. Bhd.	Malaysia	100%	100%	Manufacturing services to fabless design company, provide design for manufacturing ("DFM") and design for test ("DFT") consultation and the sales of chips.
Key ASIC Incorporation*	Republic of China (Taiwan)	100%	100%	Providing designing services in relation to the electronic components of integrated circuit, semiconductor and related parts.
Key ASIC Semiconductor Ltd.	British Virgin Islands	100%	100%	Dormant.

*Audited by an independent member firm of UHY L&C Company, CPAs.

8. Inventories

	Group 2023 RM	Group 2022 RM
At cost		
Work-in-progress	662,489	665,130
Finished goods	708,742	711,567
	1,371,231	1,376,697
At net realisable value		
Raw materials	20,700	55,507
Work-in-progress	408,303	438,808
Finished goods	91,197	1,640
	520,200	495,955
	1,891,431	1,872,652
Recognised in profit or loss		
Inventories recognised as cost of sales	13,487,917	10,476,438
Inventories written down*	188,204	131,440

*Inventories written down is included in cost of sales.

9. Trade Receivables

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Trade receivables	21,861,219	20,023,833	18,319,014	18,972,522
Less: Allowance for impairment losses	(18,304,539)	(18,966,182)	(18,298,414)	(18,955,669)
	3,556,680	1,057,651	20,600	16,853

The Group's and the Company normal trade credit term range from immediately to 60 days (2022: 30 to 60 days). The trade receivables due immediately do not carry credit term. Other credit terms are assessed and approved on a case by case basis.

The maximum exposure of credit risk at the reporting date is the carrying value of receivables mentioned above. The Group and the Company do not hold any collateral as security.

<u>Movement in the allowance for impairment losses</u>

The allowance account in respect of the trade receivables are used to record impairment losses. The creation and release of allowance for impaired receivables have been included in the profit or loss. Unless the Group and the Company is satisfied that recovery of the amount is possible, then the amount considered irrecoverable is written off against the receivable directly.

9. Trade Receivables (Cont'd)

The movement in the allowance for impairment losses of trade receivables during the financial year are as follows:

	Lifetime ECL RM	Credit impaired RM	Total RM
Group			
At 1 June 2022	67,145	18,899,037	18,966,182
Reversal of impairment losses	(4,228)	(657,255)	(661,483)
Exchange differences	(160)	-	(160)
At 31 May 2023	62,757	18,241,782	18,304,539
At 1 June 2021	59,202	18,902,626	18,961,828
Allowance for impairment losses	4,260	-	4,260
Transfer from/(to) credit impaired	3,618	(3,618)	-
Exchange differences	65	29	94
At 31 May 2022	67,145	18,899,037	18,966,182
Company			
At 1 June 2022	56,632	18,899,037	18,955,669
Reversal of impairment losses	-	(657,255)	(657,255)
At 31 May 2023	56,632	18,241,782	18,298,414
At 1 June 2021/31 May 2022	56,632	18,899,037	18,955,669

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. Trade Receivables (Cont'd)

The allowance for impairment losses of trade receivables are those trade receivables that are individually impaired. These trade receivables are in significant difficulties and have defaulted on payments. They are not secured by any collateral or credit enhancement.

Based on the Group's and the Company's historical collection experience, the amounts of trade receivables presented on the statements of financial position represent the amount exposed to credit risk. The management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the net trade receivables.

The ageing of the receivables and allowance for impairment losses provided for above as follows:

		Allowance for impairment losses		
	Gross carrying amount RM	ECL (Collectively assessed) RM	ECL (Individually assessed) RM	Net balance RM
Group				
2023				
Not past due	3,536,080	-	-	3,536,080
Past due:				
More than 120 days	83,359	(62,759)	-	20,600
	3,619,439	(62,759)	-	3,556,680
Credit impaired				
Past due more than 120 days	18,241,780	-	(18,241,780)	-
	21,861,219	(62,759)	(18,241,780)	3,556,680
2022				
Not past due	1,040,798	-	-	1,040,798
Past due:				
More than 120 days	83,998	(67,145)	-	16,853
	1,124,796	(67,145)	-	1,057,651
Credit impaired				
Past due more than 120 days	18,899,037	-	(18,899,037)	-
	20,023,833	(67,145)	(18,899,037)	1,057,651

9. Trade Receivables (Cont'd)

The ageing of the receivables and allowance for impairment losses provided for above as follows: (Cont'd)

		Allowance for impairment losses		
	Gross carrying amount RM	ECL (Collectively assessed) RM	ECL (Individually assessed) RM	Net balance RM
Company				
2023				
Not past due	-	-	-	-
Past due:				
More than 120 days	77,232	(56,632)	-	20,600
	77,232	(56,632)	-	20,600
Credit impaired				
Past due more than 120 days	18,241,782	-	(18,241,782)	-
	18,319,014	(56,632)	(18,241,782)	20,600
2022				
Not past due	-	-	-	-
Past due:				
More than 120 days	73,485	(56,632)	-	16,853
	73,485	(56,632)	-	16,853
Credit impaired				
Past due more than 120 days	18,899,037	-	(18,899,037)	-
	18,972,522	(56,632)	(18,899,037)	16,853

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group and the Company.

As at 31 May 2023, the Group's and the Company's trade receivables of RM20,600 and RM20,600 (2022: RM16,853 and RM16,853) respectively were past due but not impaired. These relate to a number of independent customers for whom there is no history of default.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. Other Receivables

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Other receivables	355,750	44,017	-	-
Less: Accumulated impairment losses	(1,050)	(1,050)	-	-
	354,700	42,967	-	-
Deposits	256,494	256,418	105,860	105,860
Prepayments	791,703	766,380	791,703	766,380
	1,402,897	1,065,765	897,563	872,240

Movements in the allowance for impairment losses are as follows:

	Group 2023 RM	Group 2022 RM
At 1 June	1,050	-
Impairment loss recognised	-	1,050
At 31 May	1,050	1,050

Included in accumulated impairment losses is an impairment loss of other receivables amounting to RM1,050 (2022: RM1,050). Other receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments.

11. Amount due from/(to) Subsidiary Companies

	Note	Company 2023 RM	Company 2022 RM
Amount due from subsidiary companies	(a)	8,917,262	2,564,501
Less: Allowance for impairment losses		(441,541)	(441,541)
		8,475,721	2,122,960
Amount due to a subsidiary company		(20,689)	(20,689)

(a) The aggregate amount of due from/(to) subsidiary companies during the financial year are as follows:

	Company 2023 RM	Company 2022 RM
Amount due from - trade	6,635,425	1,082,632
Amount due from - non trade	787,823	674,035
Loan to subsidiary company	1,494,014	807,834
	8,917,262	2,564,501
Amount due to - non trade	(20,689)	(20,689)
	8,896,573	2,543,812

The amount due from/(to) subsidiary companies are non-interest bearing, unsecured and repayable on demand, except for the loan to subsidiary company which bear interest at 1.50% (2022: 1.66%) per annum.

Movements in the allowance for impairment losses are as follows:

	Company 2023 RM	Company 2022 RM
At the beginning of financial year/end of financial year	441,541	441,541

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. Share Capital

	Group and Company			
	2023 Units	2022 Units	2023 RM	2022 RM
Ordinary shares issued and fully paid:				
At the beginning of financial year	1,363,111,250	1,269,111,250	67,892,323	58,025,475
Issue of ordinary shares - pursuant to exercise of ESOS	30,400,000	94,000,000	1,510,880	9,866,848
At the end of financial year	1,393,511,250	1,363,111,250	69,403,203	67,892,323

During the financial year, the Company increased its issued and paid up share capital from 1,363,111,250 units to 1,393,511,250 units by way of issuance of 30,400,000 new ordinary shares pursuant to the exercise of options under Employee Share Option Scheme ("ESOS") at an exercise price of RM0.0267 each.

In previous financial year, the issued and paid-up ordinary share capital of the Company was increase by the way of:

(i) 2,000,000 options exercised under ESOS at an exercise price of RM0.0682 each; and

(ii) 91,550,000 options exercised under ESOS at an exercise price of RM0.0739 each; and;

(iii) 450,000 options exercised under ESOS at an exercise price of RM0.0443 each.

12. Share Capital (Cont'd)

The new ordinary shares issued ranked pari passu in all respects with the existing ordinary shares of the Company.

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 regards to the Company's residual assets.

13. Reserves

		Group		Company	
	Note	2023 RM	2022 RM	2023 RM	2022 RM
Distributable:					
Accumulated losses		(38,043,342)	(32,682,933)	(38,513,126)	(35,073,523)
Non-distributable:					
ESOS reserves	(a)	2,003,299	-	2,003,299	-
Foreign exchange reserve	(b)	(282,396)	(319,658)	-	-
		1,720,903	(319,658)	2,003,299	-
		(36,322,439)	(33,002,591)	(36,509,827)	(35,073,523)

(a) ESOS reserves

The share option comprises the ESOS and cumulative value of employee services received for the issue of share options. The reserve is recorded over the vesting period commencing from the grant date and is reduced by the expiry or exercise of the share options. When the option is exercised, the amount from the share option is transferred to share capital. When the share options expire, the amount from the share option is transferred to retained earnings.

At an Extraordinary General Meeting held on 7 July 2022, the Company's shareholders approved the establishment on an ESOS. The ESOS was implemented on 7 July 2022 for a period of five years and will expire on 6 July 2027, unless extended further.

13. Reserves (Cont'd)

(a) ESOS reserves (Cont'd)

The salient features of the ESOS are as follows:

(i) The total number of new shares which may be made available under the scheme shall not exceed 15% of the total issued and paid-up share capital of the Company at any point of time during the existence of the ESOS;

(ii) Eligible persons are confirmed employees including executive directors of the Group and have been in employment for the Group for a period of at least 12 months of continuous service on or prior to the date of allocation;

(iii) Not more than 70% of the shares available under the scheme shall be allocated, in aggregate, to directors and senior management of the Group;

(iv) Not more than 10% of the shares available under the scheme shall be allocated to any individual eligible employee who, either singly or collectively through person connected with the eligible employee, holds 20% or more in the issued and paid-up share capital of the Company;

(v) The option price may be at discount of not more than 10% from 5 days weighted market price of the underlying shares preceding the date of offer or at par value of the ordinary shares of the Company, whichever is higher;

(vi) The ESOS shall be in force for a period of 5 years and extendable for another 5 years from the effective date; and

(vii) The option granted may be exercised in full immediately or in parts within the duration of the scheme.

13. Reserves (Cont'd)

(a) ESOS reserves (Cont'd)

Movement of ESOS during the financial year

The following table illustrates the share options granted and exercised during the financial year:

		Number of options over ordinary shares				
Grant date	**Exercise price RM**	**At beginning of year**	**Granted**	**Exercised**	**Lapsed**	**At end of year**
2023						
7 October 2022	0.0267	-	137,150,000	(30,400,000)	(1,000,000)	105,750,000
2022						
30 November 2011	0.1450	311,000	-	-	(311,000)	-
29 April 2020	0.0443	800,000	-	(450,000)	(350,000)	-
21 October 2020	0.0739	91,850,000	-	(91,550,000)	(300,000)	-
1 December 2020	0.0682	2,000,000	-	(2,000,000)	-	-
		94,961,000	-	(94,000,000)	(961,000)	-

Out of 137,150,000 options granted on 7 October 2022, 30,400,000 options granted to the Non-Executive Directors and eligible employees are subject to vesting period on a staggered basis of over 36 and 48 months' period respectively from the date of offer.

The fair value of share options granted during the financial year was estimated by an independent professional valuer using the Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the options were granted. The risk-free rate is based on Malaysian Government Securities ("MGSs").

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

13. Reserves (Cont'd)

(a) ESOS reserves (Cont'd)

Movement of ESOS during the financial year (Cont'd)

The fair value of share options measured at grant date and the assumptions are follows:

	7.10.2022
Fair value of share options and assumptions	
Weighted average fair value of share option at grant date (RM)	0.027
Weighted average share price (RM)	0.0297
Option life (years)	4.0
Risk-free rate (%)	2.5
Expected dividends (%)	-
Expected volatility (%)	77.5

The expected life of the share options is based on historical data, has been adjusted according to management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting the market conditions attached to the option), and behavioural considerations. The expected volatility is based on the historical share price volatility over the past 3 years, adjusted for unusual or extraordinary volatility arising from certain economic or business occurrences which is not reflective of its long-term average level. While the expected volatility is assumed to be indicative of future trends, it may not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

Total expenses recognised in profit or loss for share options granted to Directors and employees is in Note 23 to the financial statements.

(b) Foreign exchange reserve

The foreign exchange reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency as well as the foreign currency differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation or another currency.

14. Deferred Tax Liabilities

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
At beginning of the financial year	907	26,682	-	-
Recognised in profit or loss (Note 24)	(878)	(25,731)	-	-
Exchange differences	(29)	(44)	-	-
At end of the financial year	-	907	-	-

The deferred tax liabilities amounts are in respect of the following:

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Other temporary differences	-	907	-	-

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Temporary differences	15,585,312	15,960,018	15,585,312	15,960,018
Unabsorbed capital allowance	85,192	1,840,823	85,192	1,840,823
Unutilised tax losses	19,058,942	16,829,510	15,507,214	13,055,460
	34,729,446	34,630,351	31,177,718	30,856,301
Unrecognised deferred tax assets at 24% (2022:24%)	8,335,067	8,311,284	7,482,652	7,405,512

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. Deferred Tax Liabilities (Cont'd)

Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits will be available against which the Group and the Company can utilise the benefits therefrom.

The unutilised capital allowances of the Group and of the Company are available indefinitely for offsetting against future taxable profits of the Group and of the Company, subjects to no substantial changes in shareholdings of the Group entities under the Income Tax Act 1967 and guidelines issued by the tax authority.

Pursuant to Section 8 of the Finance Act 2021 (Act 833), the amendments to Section 44(5F) of Income Tax Act 1967, the time limit of the carried forward unutilised tax losses has been extended to maximum of 10 consecutive years of assessment. This amendment is deemed to have effect from the year of assessment 2019 and subsequent years of assessment.

Any unutilised business losses brought forward from year of assessment 2018 can be carried forward for another 10 consecutive years of assessment (i.e. from year of assessments 2019 to 2029) under the current tax legislation. The unutilised capital allowances and other temporary differences do not expire under current tax legislation.

The unused tax losses for which no deferred tax assets have been recognised are available for offset against future taxable profits of the Group and of the Company up to the following financial years:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Years of assessment				
- 2028	2,049,595	2,271,917	-	-
- 2029	510,870	510,870	-	-
- 2030	4,951,620	4,951,620	4,511,283	4,511,283
- 2031	6,257,782	6,257,782	5,927,359	5,927,359
- 2032	2,837,321	2,837,321	2,616,818	2,616,818
- 2033	2,451,754	-	2,451,754	-
	19,058,942	16,829,510	15,507,214	13,055,460

15. Lease Liabilities

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
At beginning of the financial year	182,958	697,896	20,820	266,889
Additions	1,244,157	-	697,357	-
Interest expense	38,750	11,719	31,948	4,362
Interest payment	(38,750)	(11,719)	(31,948)	(4,362)
Lease payment	(483,915)	(515,687)	(218,483)	(246,069)
Exchange differences	(8,078)	749	-	-
At end of the financial year	935,122	182,958	499,694	20,820
Minimum lease liabilities repayments:				
Within 1 year	413,416	184,058	250,430	20,869
Later than 1 year but not later 5 years	553,563	-	281,120	-
	966,979	184,058	531,550	20,869
Less: Future finance charges	(31,857)	(1,100)	(31,856)	(49)
	935,122	182,958	499,694	20,820
Present value of minimum lease liabilities repayments:				
Within 1 year	390,742	182,958	227,757	20,820
Later than 1 year but not later 5 years	544,380	-	271,937	-
	935,122	182,958	499,694	20,820
Analysed by:				
Current portion	390,742	182,958	227,757	20,820
Non-current portion	544,380	-	271,937	-
	935,122	182,958	499,694	20,820

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. Lease Liabilities (Cont'd)

Rates of interest charged per annum:

	Group		Company	
	2023	**2022**	**2023**	**2022**
	%	**%**	**%**	**%**
Lease liabilities owing to non-financial institutions	2.82 - 5.72	2.59 - 2.82	5.72	2.82

(a) The Group has certain leases of equipment with lease term of 12 months or less, and low value leases of office equipment of RM20,000 and below. The Group applies the "short-term lease" and "lease of low-value assets" exemptions for these leases.

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

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
Amortisation of right-of-use assets	494,963	503,056	232,935	238,248
Interest on lease liabilities	38,750	11,719	31,948	4,362
Expense related to short-term leases	5,280	6,180	5,280	5,640
	538,993	520,955	270,163	248,250

(c) At the end of the financial year, the Group and the Company had total cash outflow for leases of RM522,665 and RM250,431 (2022: RM527,406 and RM250,431).

16. Trade Payables

The normal trade credit terms granted to the Group range from 30 to 60 days (2022: 30 to 60 days).

17. Other Payables

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Other payables	179,735	174,147	170,807	162,389
Accrued expenses	2,676,570	827,058	143,243	201,006
	2,856,305	1,001,205	314,050	363,395

18. Amount due from a Related Party

Related party refers to a company in which directors of the Company, are also directors or shareholders.

Amount due from a related party is unsecured, interest free and repayable on demand.

19. Amount due to Directors

Amount due to directors is unsecured, interest free and repayable on demand.

20. Revenue

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
At point in time				
Revenue from contracts with customers:				
- Sales of goods	10,132,303	13,527,186	181,958	260,834
- Services rendered	10,684,178	59,912	5,014,421	-
	20,816,481	13,587,098	5,196,379	260,834

21. Cost of Sales

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Purchases of goods	8,145,528	10,379,023	182,409	260,834
Cost of services rendered	5,342,389	114,828	-	108,154
Others	-	222,181	-	-
	13,487,917	10,716,032	182,409	369,988

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

22. Other Operating Income

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Interest income	339,805	246,782	319,380	251,055
Gain on foreign exchanges:				
- Realised	-	84,252	-	-
- Unrealised	187,553	367,171	-	338,439
Others	42,448	-	26,600	-
	569,806	698,205	345,980	589,494

23. Loss Before Taxation

Loss before taxation is determined after charging/(crediting):

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Auditors' remuneration				
Malaysia operations				
- Current year	145,000	145,000	133,000	135,000
- Non-audit services	5,000	5,000	5,000	5,000
Overseas operations				
- Current year	44,449	42,636	-	-
Allowance for impairment losses on:				
- Trade receivables	-	4,260	-	-
- Other receivables	-	1,050	-	-
Amortisation of intangible assets	1,256,879	1,262,267	1,243,170	1,243,170
Depreciation of:				
- plant and equipment	342,013	387,581	162,234	151,038
- right-of-use assets	494,963	503,056	232,935	238,248

(Forward)

23. Loss Before Taxation (Cont'd)

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

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
ESOS Expenses				
- Employees	2,087,953	-	2,087,953	-
- Directors	622,532	-	622,532	-
Expenses relating to short-term leases:				
- equipment	5,280	5,640	5,280	5,640
- premises	-	540	-	-
Impairment losses on intangible assets	-	2,882,000	-	2,882,000
Interest expense on lease liabilities	38,750	11,719	31,948	4,362
Inventories written down	188,204	131,440	-	-
Loss on foreign exchange:				
- Realised	-	46,686	-	45,857
- Unrealised	115,621	128,777	438,361	-
Reversal of impairment losses on trade receivables	(661,483)	-	(657,255)	-

24. Taxation

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Income taxation:				
- Current year	10,569	-	-	-
Deferred taxation:				
- Originating and reversal of temporary differences	(878)	(25,731)	-	-
Tax (credit)/expense for the financial year	9,691	(25,731)	-	-

A reconciliation of income tax credit applicable to loss before taxation at the statutory tax rate to income tax (credit)/expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Loss before taxation	(5,358,704)	(8,661,921)	(3,447,589)	(8,744,398)
At Malaysian statutory tax rate of 24%	(1,286,089)	(2,078,861)	(827,421)	(2,098,656)
Effect of different tax rates in other countries	72,727	(23,703)	-	-
Non-deductible expenses	1,110,197	1,258,631	752,064	1,402,193
Income not subject to tax	(1,783)	(81,225)	(1,783)	(81,225)
Deferred tax assets not recognised	23,783	830,609	77,140	777,688
Tax exemption on foreign income	90,856	68,818	-	-
	9,691	(25,731)	-	-

25. Employee Benefit Expenses

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Staff costs:				
Salaries, bonuses, incentives, overtime, commission, allowances and others	4,149,986	3,844,959	1,041,299	1,653,699
Defined contribution plans	83,924	189,376	83,924	165,796
Social contribution plans	8,407	13,441	8,407	12,367
ESOS expense	2,087,953	-	2,087,953	-
	6,330,270	4,047,776	3,221,583	1,831,862

Employees benefit expenses including the aggregate amount of emoluments received and receivable by the Directors of the Group and of the Company during the financial year.

26. Directors' Remuneration

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Executive Director:				
Salaries and other emoluments	360,355	360,000	-	90,000
Defined contribution plans	-	10,800	-	10,800
ESOS expense	469,199	-	469,199	-
Non-executive Directors:				
Fees	144,130	144,000	144,130	144,000
ESOS expense	153,333	-	153,333	-
	1,127,017	514,800	766,662	244,800

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Loss Per Share

(a) Basic loss per ordinary shares

Basic loss per share are based on the loss for the financial year attributable to owners of the Group and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	Group 2023	Group 2022
Loss attributable to owners of the shareholders (RM)	(5,368,395)	(8,636,190)
Weighted average number of ordinary shares for basic earnings per share (units)	1,371,761,661	1,319,196,182
Basic loss per share (sen)	(0.39)	(0.65)

(b) Diluted loss per ordinary shares

Diluted loss per share are based on the loss for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares, calculated as follows:

	Group 2023	Group 2022
Loss attributable to owners of the Company (RM)	(5,368,395)	(8,636,190)
Weighted average number of ordinary shares for basic earnings per share (units)	1,371,761,661	1,319,196,182
Effect of dilution from ESOS	69,314,384	-
Weighted average number of ordinary shares for basic earnings per share (units)	1,441,076,045	1,319,196,182
Diluted loss per share (sen)	(0.37)	(0.65)

28. Reconciliation of Liabilities Arising from Financing Activities

	At beginning of year RM	Financing cash flows RM	Non-cash changes (i) RM	At end of year RM
Group				
2023				
Amount due to directors	912,865	95,275	-	1,008,140
Lease liabilities	182,958	(483,915)	1,236,079	935,122
2022				
Amount due to directors	876,342	36,523	-	912,865
Amount due to a related party	2,120	(2,120)	-	-
Lease liabilities	697,896	(515,687)	749	182,958

	At beginning of year RM	Financing cash flows RM	Non-cash changes (i) RM	At end of year RM
Company				
2023				
Amount due to directors	912,865	95,275	-	1,008,140
Amount due to subsidiary	20,689	-	-	20,689
Lease liabilities	20,820	(218,483)	697,357	499,694
2022				
Amount due to directors	876,342	36,523	-	912,865
Amount due to a related party	2,120	(2,120)	-	-
Amount due to subsidiary	-	20,689	-	20,689
Lease liabilities	266,889	(246,069)	-	20,820

(i) Non-cash changes include unrealised foreign exchange and addition in lease liabilities.

29. Significant Related Party Disclosures

(a) Identifying related parties

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

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

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed in Notes 11 and 18, the significant related party transactions of the Group and of the Company are as follows:

	Company	
	2023	**2022**
	RM	**RM**
Transactions with subsidiaries:		
- Sales of goods	181,958	-
- Services rendered	5,014,421	260,834
- Interest income	14,510	6,474

(c) Compensation of key management personnel comprised all the directors of the Group and of the Company whose remuneration during the year are disclosed in Note 26.

30. Segment Information

The Group prepared the following segment information in accordance with MFRS 8 Operating Segments based on the internal reports of the Group's strategic business units which are regularly reviewed by the Group's Chief Executive Officer ("CEO") for the purpose of making decisions about resource allocation and performance assessment.

The two reportable operating segments are as follows:

Non-recurring engineering services	Providing turnkey ASIC design services, providing data processing, data management, disk-based back-up solutions, telecommunications, office automation, network infrastructure and intelligent storage networking support.
Recurring engineering services	Manufacturing services to fabless design company and providing designing services in relation to the electronic components of integrated circuit, semiconductor and related parts.

The Directors are of the opinion that all inter-segment transactions have been entered in the normal course of business and have been established on terms and conditions that are mutually agreed upon.

Segment results

Segment performance is used to measure performance as Group's Chief Executive Officer believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets and liabilities

The total of segment assets and liabilities are measured based on all assets and liabilities of a segment, as included in the internal reports that are reviewed by the Group's Chief Executive Officer.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. Segment Information (Cont'd)

(a) Business segment

Information regarding the Group's reportable segments as provided to the Group's chief operating decision makers is set out below:

	Non-recurring engineering services RM	Recurring engineering services RM	Inter-segment eliminations RM	Total RM
Group				
2023				
Revenue				
Sales	15,698,599	10,314,261	(5,196,379)	20,816,481
Results				
Amortisation of intangible assets	1,243,170	13,709	-	1,256,879
Depreciation of plant and equipment	162,234	179,779		342,013
Depreciation of right-of-use assets	232,935	262,028	-	494,963
Reversal of impairment losses on trade receivables	(661,483)	-	-	(661,483)
Interest income	319,380	34,935	(14,510)	339,805
Interest expense	31,948	22,097	(15,295)	38,750
Segment results	(3,447,589)	(1,920,806)	-	(5,368,395)
Segment assets	35,965,573	5,384,062	-	41,349,635
Segment liabilities	3,072,197	5,196,674	-	8,268,871

30. Segment information (Cont'd)

(a) Business segment (Cont'd)

Group	Non-recurring engineering services RM	Recurring engineering services RM	Inter-segment eliminations RM	Total RM
2022				
Revenue				
Sales	260,834	13,587,098	(260,834)	13,587,098
Results				
Allowance for impairment loss on receivables	-	5,310	-	5,310
Amortisation of intangible assets	1,243,170	19,097	-	1,262,267
Depreciation of plant and equipment	151,038	236,543	-	387,581
Depreciation of right-of-use assets	238,248	264,808	-	503,056
Impairment loss on intangible assets	2,882,000	-	-	2,882,000
Interest income	244,582	2,200	-	246,782
Interest expense	4,362	14,359	(7,002)	11,719
Segment results	(8,744,398)	108,208	-	(8,636,190)
Segment assets	36,315,500	5,926,354	(2,481,178)	39,760,676
Segment liabilities	4,458,213	3,035,596	(2,622,865)	4,870,944

(b) Geographical segments

Revenue and non-current assets information based on the geographical location are as follows:

	Revenue		Non-current assets	
	2023 RM	2022 RM	2023 RM	2022 RM
China	-	270,763	-	-
Malaysia	9,490,934	-	9,926,775	10,855,038
Taiwan	9,851,617	13,299,059	949,922	800,872
Others	1,473,930	17,276	-	-
	20,816,481	13,587,098	10,876,697	11,655,910

Non-current assets for this purpose consist of property, plant and equipment, right of use assets and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

30. Segment Information (Cont'd)

(c) Major customers

Revenue from 3 (2022: 2) major customers amounted to RM19,744,912 (2022: RM11,189,629) equal or more than 10% of the Group's revenue are as follows:

	2023 RM	2022 RM
Customer A	7,449,174	7,611,998
Customer B	3,501,104	3,577,631
Customer C	8,794,634	-
	19,744,912	11,189,629

31. Financial Instruments

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense including fair value gains and losses are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	At amortised cost	
	2023 **RM**	**2022** **RM**
Group		
Finance assets		
Trade receivables	3,556,680	1,057,651
Amount due from a related party	34,220	30,531
Other receivables (excluded prepayments)	611,194	299,385
Cash and bank balances	23,587,710	24,078,147
	27,789,804	25,465,714
Finance liabilities		
Trade payables	3,459,581	2,773,009
Other payables	2,856,305	1,001,205
Amount due to directors	1,008,140	912,865
Lease liabilities	935,122	182,958
	8,259,148	4,870,037

31. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis: (Cont'd)

	At amortised cost	
	2023	**2022**
	RM	**RM**
Company		
Finance assets		
Trade receivables	20,600	16,853
Other receivables (excluded prepayments)	105,860	105,860
Amount due from subsidiary companies	8,475,721	2,122,960
Cash and bank balances	16,313,032	21,476,915
	24,915,213	23,722,588
Finance liabilities		
Trade payables	1,229,624	1,539,319
Other payables	314,050	363,395
Amount due to a subsidiary company	20,689	20,689
Amount due to directors	1,008,140	912,865
Lease liabilities	499,694	20,820
	3,072,197	2,857,088

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency and interest rate risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

31. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks and financial institutions. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company provides unsecured advances to subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represents the Group's and the Company's maximum exposure to credit risk.

The Group's major concentration of credit risk relates to the amounts owing by three customers (2022: three customers) amounted to RM3,485,546 (2022: RM1,040,799 which constituted approximately 98% (2022: 98%) of its trade receivables as at the end of the reporting period.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

31. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand or within 1 year RM	2 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Group					
2023					
Non-derivative financial liabilities					
Trade payables	3,459,581	-	-	3,459,581	3,459,581
Other payables	2,856,305	-	-	2,856,305	2,856,305
Amount due to directors	1,008,140	-	-	1,008,140	1,008,140
Lease liabilities	413,416	553,563	-	966,979	935,122
	7,737,442	553,563	-	8,291,005	8,259,148
2022					
Non-derivative financial liabilities					
Trade payables	2,773,009	-	-	2,773,009	2,773,009
Other payables	1,001,205	-	-	1,001,205	1,001,205
Amount due to directors	912,865	-	-	912,865	912,865
Lease liabilities	184,058	-	-	184,058	182,958
	4,871,137	-	-	4,871,137	4,870,037

31. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.(Cont'd)

	On demand or within 1 year RM	2 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Company					
2023					
Non-derivative financial liabilities					
Trade payables	1,229,624	-	-	1,229,624	1,229,624
Other payables	314,050	-	-	314,050	314,050
Amount due to a subsidiary company	20,689	-	-	20,689	20,689
Amount due to directors	1,008,140	-	-	1,008,140	1,008,140
Lease liabilities	250,430	281,120	-	531,550	499,694
	2,822,933	281,120	-	3,104,053	3,072,197

31. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.(Cont'd)

	On demand or within 1 year RM	2 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Company					
2022					
Non-derivative financial liabilities					
Trade payables	1,539,319	-	-	1,539,319	1,539,319
Other payables	363,395	-	-	363,395	363,395
Amount due to a subsidiary company	20,689	-	-	20,689	20,689
Amount due to directors	912,865	-	-	912,865	912,865
Lease liabilities	20,869	-	-	20,869	20,820
	2,857,137	-	-	2,857,137	2,857,088

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk

(i) Foreign currency risk

The Group and the Company are exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk is primarily United States Dollar ("USD") and others.

The Group and the Company have not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group and the Company will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

The carrying amount of the Group's and the Company's foreign currency denominated financial assets and financial liabilities of the reporting period are as follows:

	Denominated in		
	USD	**Others**	**Total**
	RM	**RM**	**RM**
Group			
2023			
Trade and other receivables	680,406	-	680,406
Cash and bank balances	1,772,369	143,864	1,916,233
Trade and other payables	(2,007,405)	-	(2,007,405)
	445,370	143,864	589,234
2022			
Trade and other receivables	679,290	-	679,290
Cash and bank balances	4,460,426	609,622	5,070,048
Trade and other payables	(2,010,200)	-	(2,010,200)
	3,129,516	609,622	3,739,138

31. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(i) Foreign currency risk (Cont'd)

The carrying amount of the Group's and the Company's foreign currency denominated financial assets and financial liabilities of the reporting period are as follows: (Cont'd)

	Denominated in USD RM
Company	
2023	
Trade and other receivables	20,600
Cash and bank balances	1,755,488
Trade and other payables	(1,306,222)
	469,866
2022	
Trade and other receivables	16,853
Cash and bank balances	2,482,484
Trade and other payables	(1,306,222)
	1,193,115

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Group's and the Company's profit before tax to a reasonably possible change in the USD exchange rates against RM, with all other variables held constant.

Group	Change in currency rate	2023 Effect on loss before taxation RM	2022 Effect on loss before taxation RM
USD	Strengthened 10% (2022: 10%)	44,537	312,952
	Weakened 10% (2022: 10%)	(44,537)	(312,952)
Others	Strengthened 10% (2022: 10%)	14,386	60,962
	Weakened 10% (2022: 10%)	(14,386)	(60,962)

31. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(i) Foreign currency risk (Cont'd)

Foreign currency sensitivity analysis (Cont'd)

The following table demonstrates the sensitivity of the Group's and the Company's profit before tax to a reasonably possible change in the USD exchange rates against RM, with all other variables held constant. (Cont'd)

Company	**Change in currency rate**	**2023 Effect on loss before taxation RM**	**2022 Effect on loss before taxation RM**
USD	Strengthened 10% (2022: 10%)	46,987	119,312
	Weakened 10% (2022: 10%)	(46,987)	(119,312)

(ii) Interest rate risk

The Group's and the Company's fixed rate lease liabilities are exposed to a risk of change in their fair value due to changes in interest rates.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

31. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

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

	2023 RM	**2022 RM**
Group		
Fixed rate instruments		
Financial liabilities	935,122	182,958
Company		
Fixed rate instruments		
Financial liabilities	499,694	20,820

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(c) Fair values of financial instruments

The carrying amounts of short-term receivables and payables, cash and cash equivalents approximate their fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

31. Financial Instruments (Cont'd)

(c) Fair values of financial instruments (Cont'd)

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments not carried at fair value					
	Level 1 RM	**Level 2 RM**	**Level 3 RM**	**Total RM**	**Total fair value RM**	**Carrying amount RM**
Group						
2023						
Financial liabilities						
Lease liabilities	-	415,249	-	415,249	415,249	544,380
Company						
2023						
Financial liabilities						
Lease liabilities	-	251,003	-	251,003	251,003	271,937

31. Financial Instruments (Cont'd)

(c) Fair values of financial instruments (Cont'd)

(i) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

<u>Non-derivative financial instruments</u>

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iii) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at the end of the reporting period are as follows:

		Group		Company	
		2023	**2022**	**2023**	**2022**
	Note	**RM**	**RM**	**RM**	**RM**
Trade payables	16	3,459,581	2,773,009	1,229,624	1,539,319
Other payables	17	2,856,305	1,001,205	314,050	363,395
Amount due to a subsidiary company	11	-	-	20,689	20,689
Amount due to directors	19	1,008,140	912,865	1,008,140	912,865
Lease liabilities	15	935,122	182,958	499,512	20,820
		8,259,148	4,870,037	3,072,015	2,857,088
Less: Cash and bank balances		(23,587,710)	(24,078,147)	(16,313,032)	(21,476,915)
		(15,328,562)	(19,208,110)	(13,241,017)	(18,619,827)
Total equity attributable to owners of the Company		33,080,764	34,889,732	32,893,376	32,818,800
Gearing ratio (times)		#	#	#	#

\# Gearing ratio is not applicable as the Group and the Company have sufficient cash and cash equivalent to settle the outstanding debt.

There were no changes in the Group's approach to capital management during the financial year.

33. Significant Events

(a) On 30 November 2021, the Company has issued a Letter of Intent ("LOI") to a US foundry to acquire up to 100% of its shares and the said foundry has accepted the LOI.

The foundry is a fab with Silicon Carbide (SiC) and developing Gallium Nitrite (GaN) technologies. The fab is currently producing wafers for automotive and power grid industries.

On 19 January 2023, the Company decided not to proceed further with the proposed acquisition of the targeted US foundry due to the foundry's inability to provide sufficient information for the Company to complete the due diligence review on the said foundry.

The acquisition has yet to be completed, thus, there is no effect to the financial statements during the financial year.

(b) On 5 March 2022, the Company entered into a strategic framework partnership agreement with Shaoxing Government, Cheerplan (China) Investments Co. Ltd., and Jiaoyang Integrated Circuit Manufacturing Co. Ltd. that owns BW38IC Manufacturing Co. Ltd. for the purpose of forming a joint venture company to develop Digital Economy Park in Shaoxing City, Zhejiang Province, China.

The JV Company's primary focus is to develop and manage the Park by attracting the targeted chip or semiconductor related companies to set up in the Park.

On 28 October 2022, the Company had entered into a Public Private Partnership Agreement with Shaoxing City Government and Cheerplan (China) Investments Co. Ltd., an investment holding company of Minth Group, a Hong Kong public listed company, to set up a joint venture company called ShaoxingJucheng Park Operation and Management Co. Ltd. ("JV Co") to elevate the development of Digital Economy Park in Shaoxing City, Zhejiang Province, China. The Company will own 24% of the JV Co and will subscribe 24% equity interest in the JV Co for a cash consideration of RMB4,4800,000 (equivalent to approximately RM3,120,000 as at 31 October 2022.

On 19 January 2023, the Company announced that the equity investment of 24% of the JV Co shall not be proceed, instead the Company has the option to invest in the later stage. The Company shall continue to participate in the business of the JV Co as planned.

(c) On 17 October 2022, the Company had entered into contracts of chip design with contract value total over RM28 million over 3 years period with S Company.

S Company is in the business of designing, developing, manufacturing and selling products that contain semiconductor devices.

33. Significant Events (Cont'd)

(d) On 6 December 2022, the Company entered into two ASIC design service contracts with contract value total over RM26 million over 3 years period with P Company.

P Company is in the business of designing, developing, manufacturing and selling products that contain semiconductor devices.

(e) On 6 March 2023, the Company entered into four years turnkey ASIC design service contracts with customers for contract value totalling to RM16 million over 3 years period.

The customers are in the business of designing, developing, manufacturing and selling products that contain semiconductor devices.

34. Date of Authorisation for Issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 September 2023.

SHAREHOLDING STATISTICS
AS AT 01 SEPTEMBER 2023

Paid up Capital	:	RM64,024,680.33 comprising of 1,393,511,250 Ordinary Shares
Class of Shares	:	Ordinary Shares
Voting Rights	:	1 vote per ordinary share

Analysis of Shareholders

Size Holding	No. of Holders	%	No. of Shares	%
1 - 99	9	0.107	321	0.000
100 - 1,000	986	11.823	537,719	0.038
1,001 - 10,000	2,475	29.679	16,597,800	1.191
10,001 - 100,000	3,895	46.708	157,092,312	11.273
100,001 – 69,675,561 (*)	972	11.656	797,717,298	57.245
69,675,562 and above (**)	2	0.023	421,565,800	30.252
Total	8,339	100.00	1,393,511,250	100.00

*Note: * - less than 5% of Issue Shares*
*** - 5% and above of Issue Shares*

Thirty Largest Shareholders

No.	Name	Shareholding	%
1	Key ASIC Limited	270,541,666	19.414
2	Ng Geok Lui	95,696,300	6.867
3	Key ASIC Limited	45,327,834	3.252
4	Lim Lae Yong	33,000,000	2.368
5	Affin Hwang Nominees (Asing) Sdn Bhd Exempt An For Phillip Securities (Hong Kong) Ltd (Clients' Account)	32,700,000	2.346
6	CGS-CIMB Nominees (Asing) Sdn Bhd Pledged Securities Account for One Objective Limited	29,062,500	2.085
7	CGS-CIMB Nominees (Asing) Sdn Bhd Pledged Securities Account for Ng Wen Xian, Jessica	26,600,000	1.908
8	Commerce Technology Ventures Sdn Bhd (In Liquidation)	20,103,400	1.442
9	CGS-CIMB Nominees (Asing) Sdn Bhd Pledged Securities Account for Li QingHong	19,500,000	1.399
10	CGS-CIMB Nominees (Asing) Sdn Bhd Pledged Securities Account For Hsieh, Hung-Ming	16,000,000	1.148
11	See Lee Ming	15,561,300	1.116
12	Er Ley Tee	15,230,000	1.092
13	CGS-CIMB Nominees (Asing) Sdn Bhd Pledged Securities Account For Powerful Properties Limited	15,136,700	1.086
14	Lee Kin Hin	13,957,400	1.001
15	Thong Kooi Pin	13,660,000	0.980
16	Maybank Nominees (Tempatan) Sdn Bhd Neoh Ang Hing	13,000,000	0.932
17	Cartaban Nominees (Asing) Sdn Bhd Exempt An for BOCI Securities Ltd (Clients A/C)	12,850,100	0.922

SHAREHOLDING STATISTICS
(CONT'D)

Thirty Largest Shareholders (Cont'd)

No.	Name	Shareholding	%
18	Tan Kheak Chun	11,500,000	0.825
19	Sua Tien Fong	11,226,300	0.805
20	CGS-CIMB Nominees (Asing) Sdn Bhd Pledged Securities Account for Wang, Hsu-Ying	10,605,200	0.761
21	Key ASIC Limited	10,000,000	0.717
22	Canvas Technology Pte Ltd	9,853,700	0.707
23	Yong Siw Ya	9,123,800	0.654
24	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Eng Heng (E-Tai/Tin)	9,000,000	0.645
25	Lai Sung Loi	8,850,000	0.635
26	United Crest Equity Limited	7,427,688	0.533
27	Sua Yong Chin	7,325,300	0.525
28	Teh Boon King	6,351,000	0.455
29	Quey Sew Leng @ Quek Siew Leng	6,000,000	0.430
30	Nguyen Thi Phuong	5,500,000	0.394

SUBSTANTIAL SHAREHOLDERS BASED ON REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 01 SEPTEMBER 2023

Name of substantial shareholder	Nationality / Place of incorporation	<--------- Direct ---------->		<------ Indirect --------->	
		No. of Shares held	% held	No. of Shares held	% held
Key ASIC Limited	British Virgin Islands	325,869,500	23.38	–	–
Key Aim Group Limited	British Virgin Islands	–	–	325,869,500[(a)]	23.38
Eg Kah Yee	Malaysian	1,600,000	0.11	325,869,500[(b)]	23.38
Ng Geok Lui	Singaporean	95,696,300	6.87	–	–

Notes:-

[(a)] Deemed interest by virtue of its interest in Key ASIC Limited ("KAL") pursuant to Section 8 of the Companies Act 2016 ("the Act").

[(b)] Deemed interest by virtue of his interest in Key Aim Group Limited ("KAGL") pursuant to Section 8 of the Act and KAGL is deemed interested by virtue of its interest in KAL pursuant to Section 8 of the Act.

SHAREHOLDING STATISTICS (CONT'D)

DIRECTORS' SHAREHOLDING BASED ON REGISTER OF DIRECTORS' SHAREHOLDING AS AT 01 SEPTEMBER 2023

Name	Direct		Indirect		No. of Share Options under the Employees' Share Option Scheme
	No. of Shares	%	No. of Shares	%	
Eg Kah Yee	1,600,000	0.11	325,869,500[(a)]	23.38	20,400,000
Benny T. Hu @ Ting Wu Hu	–	–	–	–	4,000,000
Datuk Md Zubir Ansori Bin Yahaya	–	–	–	–	–
Chen, Chia-Yin	–	–	–	–	4,000,000
Prof. Low Teck Seng	–	–	–	–	4,000,000

Note:-

(a) *Deemed interested by virtue of his interest in KAGL pursuant to Section 8 of the Act and KAGL is deemed interested by virtue of its interest in KAL pursuant to Section 8 of the Act.*

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of the Company will be conducted entirely through live streaming from the Broadcast Venue at Key ASIC's Headoffice at 6th Floor, Unit 3, 8, First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 15 November 2023 at 9.00 a.m. to transact the following businesses: -

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 May 2023 together with the Reports of the Directors and Auditors thereon. (Please refer to Explanatory Note 1)

2. To approve the payment of Directors' Fees of RM144,000 for the period from 16 November 2023 until the date of the next Annual General Meeting of the Company. **(Resolution 1)** (Please refer to Explanatory Note 2)

3. To re-elect Benny T. Hu @ Ting Wu Hu who retires pursuant to Clause 76(3) of the Company's Constitution. **(Resolution 2)** (Please refer to Explanatory Note 3)

4. To re-elect Prof. Low Teck Seng who retires pursuant to Clause 76(3) of the Company's Constitution. **(Resolution 3)** (Please refer to Explanatory Note 3)

5. To re-appoint Messrs UHY as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 4)**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions, with or without modifications:-

6. **SPECIAL RESOLUTION I**
   WAIVER OF PRE-EMPTIVE RIGHTS UNDER SECTION 85 OF THE COMPANIES ACT 2016 **(Resolution 5)** (Please refer to Explanatory Note 4)

   "THAT the shareholders of the Company do hereby waive their pre-emptive rights to be offered new shares ranking equally to the existing issued shares of the Company under Section 85 of the Companies Act 2016 ("the Act"), read together with Clause 12(3) of the Constitution of the Company.

   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 I – Authority to Issue and Allot Shares of the Company pursuant to Sections 75 and 76 of the Act."

7. **SPECIAL RESOLUTION II**
WAIVER OF PRE-EMPTIVE RIGHTS UNDER SECTION 85 OF THE COMPANIES ACT 2016 FOR GRANTING OF OPTIONS AND ISSUANCE OF NEW SHARES UNDER THE EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

(Resolution 6)
(Please refer to Explanatory Note 5)

"THAT further to the shareholders' approvals obtained at the Extraordinary General Meeting held on 31 March 2022 for the establishment of the Company's ESOS under which options to subscribe for new shares in the Company ("Options") will be granted to eligible employees and Directors of the Company and its non-dormant subsidiaries ("Grantees") and the granting of Options to each of the Directors of the Company, the shareholders of the Company do hereby waive their pre-emptive rights under Section 85 of the Companies Act 2016 ("the Act"), read together with Clause 12(3) of the Constitution of the Company, over all Options granted and/or to be offered/granted, as well as all new shares of the Company issued and/or to be issued pursuant to the ESOS, to the Grantees (including each of the Directors of the Company), whether before or after the date of this resolution, such new shares, when issued, shall rank pari passu with the existing shares in the Company.

THAT subject to passing Ordinary Resolution IV – Proposed Granting of ESOS Options to Datuk Md Zubir Ansori Bin Yahaya, the shareholders of the Company do hereby waive their pre-emptive rights under Section 85 of the Act, read together with Clause 12(3) of the Constitution of the Company, to be offered the Options and/or any new shares ranking equally to the existing issued shares of the Company arising from the granting of Options pursuant to the ESOS to Datuk Md Zubir Ansori Bin Yahaya, such new shares, when issued, shall rank pari passu with the existing shares in the Company."

8. **ORDINARY RESOLUTION I**
AUTHORITY TO ISSUE AND ALLOT SHARES OF THE COMPANY PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016

(Resolution 7)
(Please refer to Explanatory Note 6)

"THAT contingent upon the passing of the Special Resolution I on waiver of pre-emptive rights under Section 85 of the Companies Act 2016 ("the Act") and pursuant to Sections 75 and 76 of the Act, Main 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 for the time being ("Proposed General Mandate").

THAT such approval on the Proposed General 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,

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING (CONT'D)

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 Main Market of Bursa Securities.

THAT authority be and is hereby given to the Directors of the Company, to give effect to the Proposed General 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 General Mandate."

9. **ORDINARY RESOLUTION II**
CONTINUATION IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR

(Resolution 8)
(Please refer to Explanatory Note 7)

"THAT approval be and is hereby given to Chen, Chia-Yin who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company."

10. **ORDINARY RESOLUTION III**
PROPOSED RENEWAL OF THE EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

(Resolution 9)
(Please refer to Explanatory Note 8)

"THAT pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the Company and its subsidiaries ("the Group") be and are hereby authorised to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 1.4 of the Circular to Shareholders dated 29 September 2023 ("Related Parties") provided that such transactions and/or arrangements are:-

(a) necessary for the day-to-day operations;
(b) are undertaken in the ordinary course of business at arm's length basis and are on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
(c) are not detrimental to the minority shareholders of the Company,

(collectively known as "Shareholders' Mandate");

THAT such approval, shall continue to be in force until: -

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at such AGM, the authority is renewed; or
(b) the expiration of the period within the next AGM of the Company after that date is required to be held pursuant to Section 340 of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(c) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting,

whichever is earlier;

THAT the estimated aggregate value of the transactions conducted pursuant to the Shareholders' Mandate during a financial year will be disclosed, in accordance with the Listing Requirements, in the Annual Report of the Company for the said financial year;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate."

11. **ORDINARY RESOLUTION IV**
PROPOSED GRANTING OF EMPLOYEES' SHARE OPTION SCHEME ("ESOS") OPTIONS TO DATUK MD ZUBIR ANSORI BIN YAHAYA **(Resolution 10)** (Please refer to Explanatory Note 9)

"THAT contingent upon the passing of the Special Resolution II on waiver of pre-emptive rights under Section 85 of the Companies Act 2016 for granting of options and issuance of new shares under the ESOS and subject to the approvals of all relevant authorities or parties (where required) being obtained, the Board be and is hereby authorised, at any time and from time to time, during the existence of the ESOS, to offer and grant to Datuk Md Zubir Ansori Bin Yahaya, being an Independent Non-Executive Director of the Company, options to subscribe for such number of new shares in the Company ("Key ASIC Shares") to be issued (as adjusted or modified from time to time pursuant to the by-laws governing the ESOS ("By-Laws")) pursuant to the ESOS ("ESOS Options"), provided that the allocation to him, if he, either singly or collectively through person connected with him, holds 20% or more of the total number of issued Key ASIC Shares (excluding any treasury shares), does not exceed 10% of the ESOS Options granted, and subject always to such terms and conditions of the ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the By-Laws and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), or any prevailing guidelines issued by Bursa Securities or any other relevant authorities, as amended from time to time.

AND THAT approval be and is hereby given to the Board to allot and issue such number of new Key ASIC Shares to Datuk Md Zubir Ansori Bin Yahaya pursuant to the exercise of ESOS Options under the ESOS."

12. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

By Order of the Board

WONG WAI FOONG
SSM PC NO. 202008001472 (MAICSA 7001358)

JOANNE TOH JOO ANN
SSM PC NO. 202008001119 (LS 0008574)
Company Secretaries

Kuala Lumpur
Dated: 29 September 2023

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING
(CONT'D)

NOTES: -

(i) IMPORTANT NOTICE FOR VIRTUAL MEETING

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016, which requires the Chairperson of the General Meeting to be present at the main venue of the meeting.

*Shareholders **WILL NOT BE ALLOWED** to attend this General Meeting in person at the Broadcast Venue on the day of the General Meeting. Therefore, shareholders are strongly advised to participate and vote remotely at the General Meeting through live streaming and online remote voting using the Remote Participation and Voting facilities provided by the Company.*

Please read these Notes carefully and follow the procedures in the Administrative Guide for the General Meeting in order to participate remotely.

(ii) NOTES ON APPOINTMENT OF PROXY

1. *For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 6 November 2023. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, speak and vote on his/her/its behalf.*
2. *A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.*
3. *A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.*
4. *If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.*
5. *Where a member of the Company is an authorised nominee as defined in the Central Depositories Act, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*
6. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.*
7. *Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*
8. *The appointment of a proxy may be made in a hard copy form and submit to the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. All Proxy Form submitted must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote.*
9. *Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. 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.*
10. *Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.*
11. *Last date and time for lodging the Proxy Form is Monday, 13 November 2023 at 9.00 a.m. .*

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING (CONT'D)

EXPLANATORY NOTES ON ORDINARY/ SPECIAL BUSINESS

1. ***Item 1 of Agenda***

   This item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda is not put forward for voting.

2. ***Directors' Fees***

   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 details of the Directors' remuneration are set out in the Corporate Governance Overview Statement of the 2023 Annual Report.

   The Proposed Resolution 1 is to facilitate the payment of Directors' fees for the period from 16 November 2023 until the date of the next Annual General Meeting of the Company, 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.

3. ***Re-election of Directors***

   Benny T. Hu @ Ting Wu Hu and Prof. Low Teck Seng are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the Eighteenth Annual General Meeting.

   The Board has through the Nomination Committee ("NC"), considered the assessment of Benny T. Hu @ Ting Wu Hu and Prof. Low Teck Seng and agreed that they met the criteria as prescribed by Paragraph 2.20A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on character, experience, integrity, competence and time to effectively discharge their roles as Directors. The abovementioned Directors have also met the relevant requirements under the fit and proper assessment and the NC is satisfied with the outcome of the fit and proper assessments. The NC and the Board had also undertaken an annual assessment on the independence of Prof. Low Teck Seng, who is an Independent Non-Executive Director of the Company.

   Please refer to the Statement Accompanying Notice of Annual General Meeting in the 2023 Annual Report for more information.

4. ***SPECIAL RESOLUTION I***
   Waiver of Pre-emptive Rights under Section 85 of the Companies Act 2016

   The Special Resolution proposed under Resolution 5 is pertaining to the waiver of pre-emptive rights granted to the shareholders under Section 85 of the Companies Act 2016. By voting in favour of this Special Resolution, the shareholders of the Company would be waiving their pre-emptive rights. The Special Resolution proposed under Resolution 5, 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.

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING (CONT'D)

5. ***SPECIAL RESOLUTION II***
Waiver of Pre-emptive Rights under Section 85 of the Companies Act 2016 for Granting of Options and Issuance of New Shares under the Employees' Share Option Scheme ("ESOS")

The Special Resolution proposed under Resolution 6 is for the shareholders to affirm the waiver of their pre-emptive rights under Section 85 of the Companies Act 2016 over all options granted and/or to be offered/granted and all new shares issued and/or to be issued pursuant to the ESOS to the eligible persons of the Company and its non-dormant subsidiaries (including each of the Directors of the Company) further to the shareholders' approval obtained on 31 March 2022 for the establishment of the Company's ESOS and granting of options under the ESOS to each of the Company's Directors at that point in time.

In addition, the Special Resolution proposed under Resolution 6, if passed, would also waive the shareholders' pre-emptive rights under Section 85 of the Companies Act 2016 to be offered options under the ESOS and/or any new shares ranking equally to the existing issued shares of the Company arising from the granting of options under the ESOS to Datuk Md Zubir Ansori Bin Yahaya.

Please refer to the Circular to Shareholders dated 29 September 2023 for information on the waiver of pre-emptive rights for granting of options and issuance of new shares under the ESOS.

6. ***ORDINARY RESOLUTION I***
Resolution pursuant to Sections 75 and 76 of the Companies Act 2016

The Ordinary Resolution proposed under Resolution 7 is the renewal of the mandate obtained from the members at the last Annual General Meeting ("the previous mandate").

Subject to passing the Special Resolution I on the waiver of pre-emptive rights under Section 85 of the Companies Act 2016, the Ordinary Resolution proposed under Resolution 7, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the purpose of funding the Company's future investment project(s), working capital and/or acquisition(s), by the issuance of shares in the Company to such persons at any time as the Directors may deem fit provided that the aggregate number of shares issued pursuant to the mandate does not exceed 10% of the total number of the issued shares of the Company for the time being, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next Annual General Meeting of the Company ("Proposed General Mandate").

As at the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the Seventeenth Annual General Meeting.

7. ***ORDINARY RESOLUTION II***
Continuation in Office as Independent Non-Executive Director

Pursuant to the Malaysian Code on Corporate Governance, it is recommended that annual approval of the shareholders be sought in the event the Company intends to retain an Independent Director who has served in that capacity for more than nine (9) years.

Chen, Chia-Yin was first appointed to the Board on 24 June 2014 and therefore served the Company as Independent Non-Executive Director for more than nine (9) years. The Board has via the Nomination Committee assessed the independence of Chen, Chia-Yin and recommended that she continues to act as an Independent Non-Executive Director of the Company. Details of the Board's justifications and recommendations for the retention of Chen, Chia-Yin are set out in the Corporate Governance Overview Statement of the 2023 Annual Report.

The Ordinary Resolution proposed under Resolution 8, if passed, will enable Chen, Chia-Yin to continue to act as an Independent Non-Executive Director of the Company.

Pursuant to Practice 5.3 of the Malaysian Code on Corporate Governance, the Company will adopt the two-tier voting process in seeking annual shareholders' approval for this resolution.

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING (CONT'D)

8. ***ORDINARY RESOLUTION III***
Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The Ordinary Resolution, proposed under Resolution 9, if passed, will allow the Group to enter into recurrent related party transactions made on an arm's length basis and on normal commercial terms and which are not detrimental to the interests of the minority shareholders.

Please refer to the Circular to Shareholders dated 29 September 2023 for information on the recurrent related party transactions.

9. ***ORDINARY RESOLUTION IV***
Proposed Granting of Employees' Share Option Scheme ("ESOS") Options to Datuk Md Zubir Ansori Bin Yahaya

The Company's existing ESOS, which obtained shareholders' approval at the Extraordinary General Meeting of the Company held on 31 March 2022, was implemented on 7 July 2022 for a period of five (5) years which shall expire on 6 July 2027 and may be extended for a further period of up to five (5) years. Under the terms of the By-Laws governing and constituting the ESOS, Datuk Md Zubir Ansori Bin Yahaya (who was appointed as Independent Non-Executive Director of the Company on 26 August 2022) is eligible to participate in the ESOS.

Subject to passing the Special Resolution II on the waiver of pre-emptive rights under Section 85 of the Companies Act 2016 for granting of options and issuance of new shares under the ESOS, the Ordinary Resolution proposed under Resolution 10, if passed, would provide authority to the Directors to grant Datuk Md Zubir Ansori Bin Yahaya, ESOS Options to subscribe for new shares in the Company, subject to the By-Laws of the ESOS. The Board is also authorised to allot and issue the corresponding number of new Company's shares arising from the exercise of the ESOS Options that may be granted to him under the ESOS.

Please refer to the Circular to Shareholders dated 29 September 2023 for information on the Proposed Granting of ESOS Options to Datuk Md Zubir Ansori Bin Yahaya.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

ELECTION/APPOINTMENT AS DIRECTORS

There are no individuals standing for election/appointment as Directors at the Eighteenth Annual General Meeting ("AGM").

The Directors who are standing for re-election at the Eighteenth AGM are Benny T. Hu @ Ting Wu Hu and Prof. Low Teck Seng whose profiles are set out on pages 3 and 4 respectively of the 2023 Annual Report.

The Board has through the Nomination Committee ("NC"), considered the assessment of Benny T. Hu @ Ting Wu Hu and Prof. Low Teck Seng and agreed that they met the criteria as prescribed by Paragraph 2.20A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on character, experience, integrity, competence and time to effectively discharge their roles as Directors. The abovementioned Directors have also met the relevant requirements under the fit and proper assessment and the NC is satisfied with the outcome of the fit and proper assessments. The NC and the Board had also undertaken an annual assessment on the independence of Prof. Low Teck Seng, who is an Independent Non-Executive Director of the Company.

Save as disclosed below, both Benny T. Hu @ Ting Wu Hu and Prof. Low Teck Seng confirmed that they do not have any conflict of interest, potential or perceived conflict of interest, including interest in any business that is in competition with the Group:-

(i) Prof. Low Teck Seng is also the Independent Non-Executive Director of UCrest Berhad ("UCrest"). UCrest is the related party in respect of the recurrent related party transactions of a revenue or trading nature as disclosed in the Circular to Shareholders dated 29 September 2023[1]. However, Prof. Low Teck Seng does not involve in the day-to-day management of both Key ASIC Berhad and UCrest. As such, he is free from any business or other relationship which could interfere with the exercise of his independent judgement in both companies.

Having considered the above, the Board supports and recommended the re-election of Benny T. Hu @ Ting Wu Hu and Prof. Low Teck Seng as Directors of the Company based on the following:-

1. Benny T. Hu @ Ting Wu Hu

   Benny T. Hu @ Ting Wu Hu was appointed as Independent Non-Executive Director of the Company on 14 October 2009 and re-designated to Non-Independent Non-Executive Director on 26 August 2022. The Board, via the NC had assessed Benny T. Hu @ Ting Wu Hu, who is due to retire at the forthcoming Eighteenth AGM, and was satisfied that he would continue to provide his valuable contribution and views to the Group based on his background, skills and vast experience in the finance and investment industry. He has also exercised due care and fulfill his responsibilities during his tenure as Non-Independent Non-Executive Director as well as a member of the Audit Committee and Nomination Committee.

2. Prof. Low Teck Seng

   Prof. Low Teck Seng was appointed as Independent Non-Executive Director of the Company on 24 November 2017. The Board, via the NC had assessed Prof. Low Teck Seng, who is due to retire at the forthcoming Eighteenth AGM, and was satisfied that he would continue to provide his valuable contribution and views to the Group based on his background, skills and vast experience in various sectors including engineering, research and technology. He has also exercised due care and fulfill his responsibilities during his tenure as Independent Non-Executive Director as well as the Chairman of the Remuneration Committee.

   Note:

   (1) Please refer to the Circular to Shareholders dated 29 September 2023 for the information on the recurrent related party transactions.

GENERAL MANDATE FOR ISSUE OF SECURITIES

Kindly refer to items 4 and 6 of the Explanatory Notes on Ordinary/Special Business as contained in the Notice of Eighteenth AGM.

KEY ASIC BERHAD
Registration No. 200501024949 (707082-M)
(Incorporated in Malaysia)

CDS Account No.
No. of shares held

PROXY FORM

*I/We ______________________________ Tel: ______________________
[Full name in block, NRIC/Registration No.]

of ____

being member(s) of Key ASIC Berhad, hereby appoint: -

Full Name (*in Block*)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and / or (delete as appropriate)

Full Name (*in Block*)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Eighteenth Annual General Meeting of the Company to be conducted entirely through live streaming from the Broadcast Venue at Key ASIC's Headoffice at 6th Floor, Unit 3, 8, First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 15 November 2023 at 9.00 a.m. and at any adjournment thereof, and to vote as indicated below: -

Item	Agenda		*For	*Against
ORDINARY BUSINESS				
1.	Approval of Directors' Fees for the period from 16 November 2023 until the date of the next Annual General Meeting of the Company.	**(Resolution 1)**		
2.	To re-elect Benny T. Hu @ Ting Wu Hu who retires under Clause 76(3) of the Company's Constitution.	**(Resolution 2)**		
3.	To re-elect Prof. Low Teck Seng who retires under Clause 76(3) of the Company's Constitution.	**(Resolution 3)**		
4.	To re-appoint Messrs UHY as Auditors of the Company and to authorise the Directors to fix their remuneration.	**(Resolution 4)**		
AS SPECIAL BUSINESS				
5.	Waiver of Pre-emptive Rights under Section 85 of the Companies Act 2016.	**(Resolution 5)**		
6.	Waiver of Pre-emptive Rights under Section 85 of the Companies Act 2016 for Granting of Options and Issuance of New Shares under the Employees' Share Option Scheme ("ESOS").	**(Resolution 6)**		
7.	To authorise Directors to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.	**(Resolution 7)**		
8.	To approve Chen, Chia-Yin to continue in office as Independent Non-Executive Director.	**(Resolution 8)**		
9.	Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	**(Resolution 9)**		
10.	Proposed Granting of ESOS Options to Datuk Md Zubir Ansori Bin Yahaya.	**(Resolution 10)**		

[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/she thinks fit.]

Dated this _________ day of _________________ 2023.

____
Signature of Shareholder/Common Seal
Contact No.

<u> Manner of execution:</u>*
(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. ***IMPORTANT NOTICE FOR VIRTUAL MEETING***
The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016, which requires the Chairperson of the General Meeting to be present at the main venue of the meeting.

*Shareholders **WILL NOT BE ALLOWED** to attend this General Meeting in person at the Broadcast Venue on the day of the General Meeting. Therefore, shareholders are strongly advised to participate and vote remotely at the General Meeting through live streaming and online remote voting using the Remote Participation and Voting facilities provided by the Company.*

Please read these Notes carefully and follow the procedures in the Administrative Guide for the General Meeting in order to participate remotely.

2. *For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 6 November 2023. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, speak and vote on his/her/its behalf.*
3. *A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.*
4. *A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.*
5. *If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.*
6. *Where a member of the Company is an authorised nominee as defined in the Central Depositories Act, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*
7. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.*
8. *Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*
9. *The appointment of a proxy may be made in a hard copy form and submit to the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. All proxy form submitted must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote.*

10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. 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. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.

12. Last date and time for lodging the proxy form is Monday, 13 November 2023 at 9.00 a.m.

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AFFIX
STAMP

THE SHARE REGISTRAR
KEY ASIC BERHAD [200501024949 (707082-M)]
Unit 32-01, Level 32, Tower A, Vertical Business Suite,
Avenue 3, Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur
Tel : 03 2783 9191 Fax :03 2783 9111

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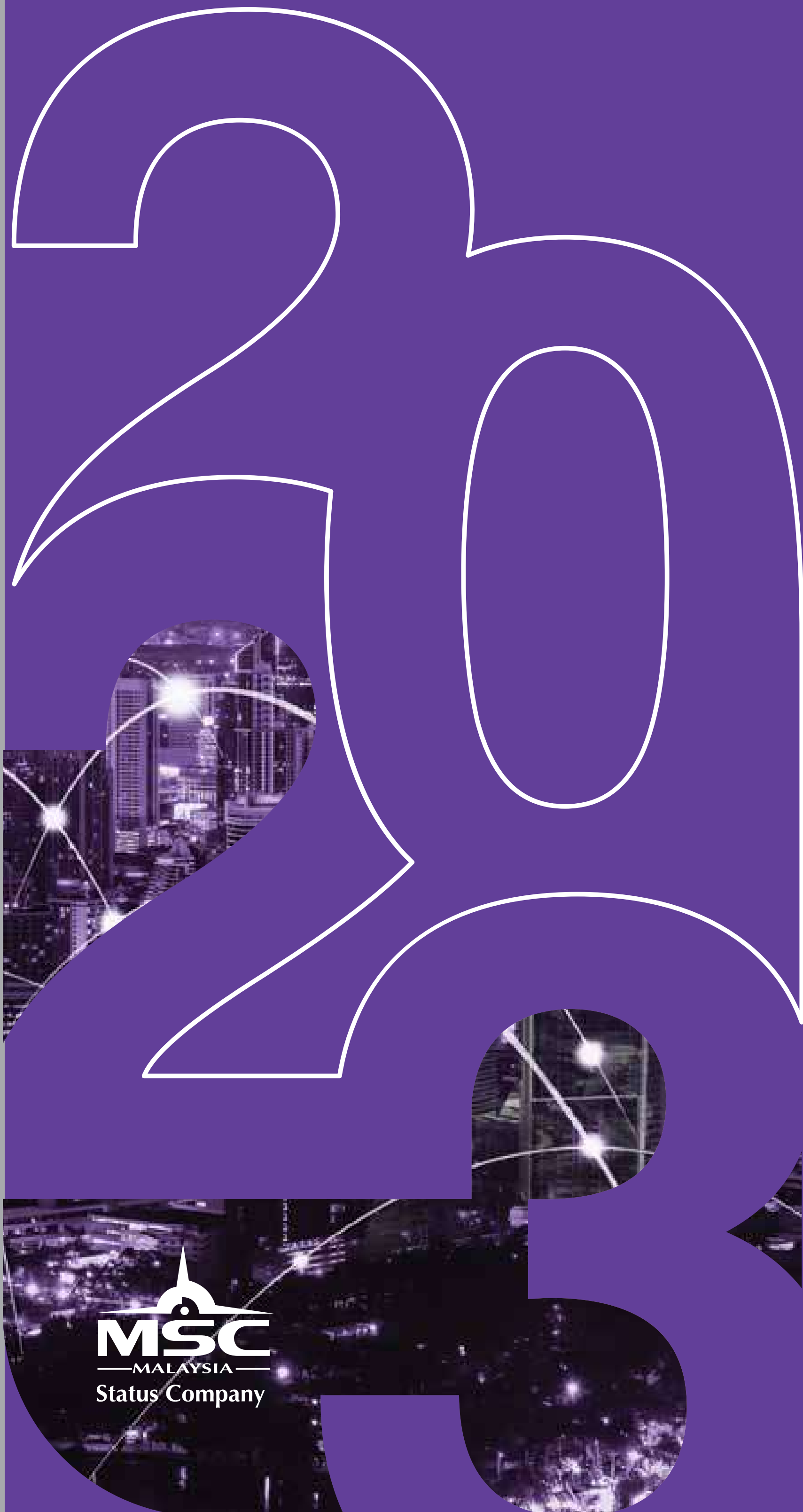
Fold This Flap For Sealing



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