

Registration No. 199501039745 (368948 D)

2. Significant accounting policies (continued)

(k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(l) Contingencies

(i) *Contingent liabilities*

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

(ii) *Contingent assets*

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

(m) Revenue and other income

(i) *Revenue*

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

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

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

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2. Significant accounting policies (continued)

(m) Revenue and other income (continued)

(ii) *Interest income*

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(iii) *Government grants*

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same period in which the expenses are recognised.

(n) Borrowing costs

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

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

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

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.

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2. Significant accounting policies (continued)

(o) Income tax

Income tax expense 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 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, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. 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.

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.

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

(p) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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2. Significant accounting policies (continued)

(p) Employee benefits (continued)

(ii) State plans

The Group's contribution to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is established.

(q) Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 : unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

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3. Property, plant and equipment

Group	Buildings and facility system RM'000	Equipment and vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Cost				
At 1 January 2019	110,796	812,794	46,294	969,884
Additions	380	474	74,846	75,700
Reclassification	19,517	39,649	(59,166)	-
Transfer to intangible assets (Note 5)	-	-	(788)	(788)
Disposals	-	(3,270)	-	(3,270)
Write-off	-	-	(2,185)	(2,185)
Foreign exchange difference	(1,515)	(8,688)	(2,938)	(13,141)
At 31 December 2019/ 1 January 2020	129,178	840,959	56,063	1,026,200
Additions	-	-	23,722	23,722
Reclassification	2,541	56,781	(59,322)	-
Transfer to intangible assets (Note 5)	-	-	(8,348)	(8,348)
Write-off	-	-	(324)	(324)
Foreign exchange difference	(2,466)	(17,930)	1,123	(19,273)
At 31 December 2020	129,253	879,810	12,914	1,021,977
Accumulated depreciation				
At 1 January 2019	57,406	690,151	-	747,557
Charge for the year	6,434	45,246	-	51,680
Disposals	-	(3,270)	-	(3,270)
Foreign exchange difference	(678)	(7,729)	-	(8,407)
At 31 December 2019/ 1 January 2020	63,162	724,398	-	787,560
Charge for the year	8,784	47,288	-	56,072
Foreign exchange difference	(1,544)	(15,375)	-	(16,919)
At 31 December 2020	70,402	756,311	-	826,713
Carrying amounts				
At 1 January 2019	53,390	122,643	46,294	222,327
At 31 December 2019/ 1 January 2020	66,016	116,561	56,063	238,640
At 31 December 2020	58,851	123,499	12,914	195,264

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3. Property, plant and equipment (continued)

Company	Buildings and facility system RM'000	Equipment and vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Cost				
At 1 January 2019	110,796	811,398	46,294	968,488
Additions	380	474	74,846	75,700
Reclassification	19,517	39,649	(59,166)	-
Transfer to intangible assets (Note 5)	-	-	(788)	(788)
Disposals	-	(3,270)	-	(3,270)
Write-off	-	-	(2,185)	(2,185)
Foreign exchange difference	(1,515)	(8,688)	(2,938)	(13,141)
At 31 December 2019/ 1 January 2020	129,178	839,563	56,063	1,024,804
Additions	-	-	23,722	23,722
Reclassification	2,541	56,781	(59,322)	-
Transfer to intangible assets (Note 5)	-	-	(8,348)	(8,348)
Write-off	-	-	(324)	(324)
Foreign exchange difference	(2,466)	(17,930)	1,123	(19,273)
At 31 December 2020	129,253	878,414	12,914	1,020,581
Accumulated depreciation				
At 1 January 2019	57,406	688,755	-	746,161
Charge for the year	6,434	45,246	-	51,680
Disposals	-	(3,270)	-	(3,270)
Foreign exchange difference	(678)	(7,729)	-	(8,407)
At 31 December 2019/ 1 January 2020	63,162	723,002	-	786,164
Charge for the year	8,784	47,288	-	56,072
Foreign exchange difference	(1,544)	(15,375)	-	(16,919)
At 31 December 2020	70,402	754,915	-	825,317
Carrying amounts				
At 1 January 2019	53,390	122,643	46,294	222,327
At 31 December 2019/ 1 January 2020	66,016	116,561	56,063	238,640
At 31 December 2020	58,851	123,499	12,914	195,264

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4. Right-of-use assets - Group/Company

	Leasehold land RM'000	Office building RM'000	Total RM'000
Group			
At 1 January 2019	3,887	-	3,887
Addition	-	726	726
Depreciation	(93)	(121)	(214)
Foreign exchange difference	(42)	-	(42)
At 31 December 2019/1 January 2020	3,752	605	4,357
Additions	-	351	351
Depreciation	(94)	(382)	(476)
Foreign exchange difference	(65)	(7)	(72)
At 31 December 2020	3,593	567	4,160
Company			
At 1 January 2019	3,887	-	3,887
Addition	-	726	726
Depreciation	(93)	(121)	(214)
Foreign exchange difference	(42)	-	(42)
At 31 December 2019/1 January 2020	3,752	605	4,357
Depreciation	(94)	(242)	(336)
Foreign exchange difference	(65)	(7)	(72)
At 31 December 2020	3,593	356	3,949

The Group leases a land with unexpired lease period less than 50 years and an office building that runs for 3 years.

4.1 Significant judgements and assumptions in relation to leases

The Group applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Group first determined the closest available borrowing rates before using judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

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5. Intangible assets - Group/Company

	RM'000
Cost	
At 1 January 2019	83,645
Transfer from property, plant and equipment (Note 3)	788
Foreign exchange difference	(894)
At 31 December 2019/1 January 2020	<u>83,539</u>
Additions	42
Transfer from property, plant and equipment (Note 3)	8,348
Foreign exchange difference	(1,851)
At 31 December 2020	<u><u>90,078</u></u>
Accumulated amortisation	
1 January 2019	66,411
Amortisation for the year	8,791
Foreign exchange difference	(801)
At 31 December 2019/1 January 2020	<u>74,401</u>
Amortisation for the year	9,254
Foreign exchange difference	(1,771)
At 31 December 2020	<u><u>81,884</u></u>
Carrying amounts	
1 January 2019	<u>17,234</u>
At 31 December 2019/1 January 2020	<u>9,138</u>
At 31 December 2020	<u><u>8,194</u></u>

6. Investment in subsidiaries - Company

	2020 RM'000	2019 RM'000
Unquoted shares, at cost	4,100	4,100
Foreign exchange difference	234	313
Less : Impairment loss	(100)	(100)
	<u>4,234</u>	<u>4,313</u>

APPENDIX II – INFORMATION ON SILTERRA (CONT'D)

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6. Investment in subsidiaries - Company (continued)

Details of the subsidiaries are as follows :

Name of subsidiaries	Percentage of equity held		Principal activities
	2020	2019	
Pembinaan Waferfab Sdn. Bhd.	100%	100%	Trading of Solid State Drive ("SSD") products
Siltterra Sales & Marketing Sdn. Bhd. ("SSM")	100%	100%	Sales and marketing of advanced semi-conductor products
Siltterra Capital Berhad ("SCB")	100%	100%	Providing funding to holding company

Subsidiary of SSM

Siltterra Sales & Marketing (L) Ltd.	100%	100%	Sales and marketing of advanced semi-conductor products
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Subsidiary of SSML

Siltterra USA, Inc.*	100%	100%	Dormant
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* Not required to be audited under its local legislation.

All the subsidiaries are incorporated in Malaysia except for Siltterra USA, Inc. which is incorporated in the United States of America.

7. Other investment - Group/Company

	2020 RM'000	2019 RM'000
Fair value through other comprehensive income :		
Unquoted shares	-	12,948
Foreign exchange difference	-	(262)
	-	12,686

8. Inventories

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Raw materials	16,731	24,643	16,731	24,643
Work-in-progress	39,050	31,154	39,050	31,154
Manufactured inventories	1,145	6,971	1,145	6,971
Trading inventories	674	670	-	-
Consumables	25,969	14,604	25,969	14,604
Foreign exchange difference	(3,304)	(5,217)	(3,304)	(5,217)
	80,265	72,825	79,591	72,155

APPENDIX II – INFORMATION ON SILTERRA (CONT'D)

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9. Trade and other receivables

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade				
Trade receivables	86,985	131,772	86,588	131,455
Less : Allowance for impairment loss	(11,826)	(7,669)	(11,429)	(7,669)
	75,159	124,103	75,159	123,786
Non-trade				
Other receivables	2,278	3,618	2,248	3,595
Deposits	202	202	123	122
Prepayments	7,404	8,214	7,389	8,199
	9,884	12,034	9,760	11,916
	<u>85,043</u>	<u>136,137</u>	<u>84,919</u>	<u>135,702</u>

10. Cash and cash equivalents

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and bank balances	<u>105,153</u>	<u>45,242</u>	<u>104,196</u>	<u>44,545</u>

11. Share capital - Group/Company

	2020		2019	
	Amount RM'000	Number of shares ('000)	Amount RM'000	Number of shares ('000)
Issued and fully paid up shares with no par value classified as equity instruments :				
Ordinary Shares	975,414	975,414	975,414	975,414
Series A Irredeemable Convertible Preference Shares	52,592	7,600	52,592	7,600
Series B Irredeemable Convertible Preference Shares	154,314	154,314	154,314	154,314
	<u>1,182,320</u>	<u>1,137,328</u>	<u>1,182,320</u>	<u>1,137,328</u>

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

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11. Share capital - Group/Company (continued)

Series A Irredeemable Convertible Preference Shares ("Series A")

The Series A have the following rights and are subject to the following restrictions and provisions :

- i) The Series A are entitled to receive dividends in priority and in preference to any cash dividends declared or paid in respect of Ordinary Shares, Irredeemable Convertible Preference Shares or any other classes of shares of the Company;
- ii) The dividends are non-cumulative;
- iii) The Series A holders are entitled to repayment of capital in priority to the holders of Ordinary Shares, Irredeemable Convertible Preference shares or any other class of shares;
- iv) The Series A are not redeemable;
- v) The Series A may be converted into Ordinary Shares as is determined by multiplying the number of Series A being converted by the Conversion Rate as set forth in the Company's Articles of Association; and
- vi) The Series A holder shall have the right to one vote for each Ordinary Shares into which such Series A could, at the time of such vote, then be converted and with respect to such vote, such holder shall have full voting rights and power equal to the voting rights and powers of the holders of Ordinary Shares.

Series B Irredeemable Convertible Preference Shares ("Series B")

The Series B have the following rights and are subject to the following restrictions and provisions :

- i) The Series B are entitled to receive dividends in priority and in preference to any cash dividends declared or paid in respect of Ordinary Shares;
- ii) Dividends in respect of the Series B shall be payable as and if dividends are declared for any other class of shares, the rate of which shall not be lower than the rate of dividends payable to any other class of shares of the Company;
- iii) The dividends may be paid in cash or in kind;
- iv) The Series B rank ahead of the Ordinary Shares but pari passu among themselves;
- v) In the event of liquidation, dissolution or winding up of the Company, the holder of the Series B shall be entitled to any residual monies, net of the Company's debts, in accordance with the Company's Articles of Association;
- vi) In the event of excess amounts from the residual monies, the holder of the Series B shall be entitled to such excess amounts, pro-rated with the holders of Ordinary Shares and Series A;
- vii) The Series B are not redeemable;

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11. Share capital - Group/Company (continued)

Series B Irredeemable Convertible Preference Shares (“Series B”) (continued)

- viii) The Series B may be converted into Ordinary Shares as is determined by multiplying the number of Series B being converted by the Conversion Rate as set forth in settlement agreement schedule 2, terms and conditions of Series B. The Series B holders do not have voting rights save and except where prescribed by any applicable law; and
- ix) The Series B holders shall be entitled to notice of any shareholders' meeting in accordance with the Company's Articles of Association.

12. Reserves

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Accumulated losses		(2,918,895)	(2,853,126)	(2,939,467)	(2,875,102)
Translation reserve	12.1	(689,642)	(703,764)	(692,711)	(706,739)
Capital reserve	12.2	1,800,000	1,800,000	1,800,000	1,800,000
		<u>(1,808,537)</u>	<u>(1,756,890)</u>	<u>(1,832,178)</u>	<u>(1,781,841)</u>

12.1 Translation reserve

Translation reserve relates to foreign currency differences arising from translation of the financial statements stated in functional currency into Ringgit Malaysia.

12.2 Capital reserve

Capital reserve represents the waiver of loan granted by the holding company.

13. Loans and borrowings - Group/Company

	Note	2020 RM'000	2019 RM'000
Non-current			
Term loans		140,512	98,384
Hire purchase		1,186	2,513
		<u>141,698</u>	<u>100,897</u>
Current			
Loan from holding company	13.1	718,869	718,869
Trade financing		50,517	45,948
Revolving credit		40,205	40,960
Term loans		30,336	21,353
Hire purchase		1,216	1,199
		<u>841,143</u>	<u>828,329</u>

13.1 Loan from holding company

Loan from holding company is unsecured, interest-free and repayable on demand.

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14. Trade and other payables

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade					
Trade payables		49,267	45,179	49,267	45,179
Non-trade					
Amount due to subsidiaries	14.1	-	-	26,804	27,888
Other payables	14.2	48,127	69,635	48,124	69,631
Accrued expenses		22,690	46,494	22,132	46,119
		70,817	116,129	97,060	143,638
		<u>120,084</u>	<u>161,308</u>	<u>146,327</u>	<u>188,817</u>

14.1 Amount due to subsidiaries

The non-trade amount due to subsidiaries is unsecured, interest-free and repayable on demand.

14.2 Other payables

Included in other payables of the Group and the Company are advance payments received from customers amounting to RM28,786,000 (2019: RM22,669,000).

15. Deferred income - Group/Company

	2020 RM'000	2019 RM'000
Grant received		
At 1 January	54,166	39,785
Additions	-	15,140
Foreign exchange difference	(1,000)	(759)
At 31 December	53,166	54,166
Accumulated amortisation		
At 1 January	(51,766)	(35,049)
Amortisation for the year	(1,768)	(17,377)
Foreign exchange difference	1,031	660
At 31 December	(52,503)	(51,766)
	<u>663</u>	<u>2,400</u>

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15. Deferred income - Group/Company (continued)

The Group/Company received funding for its purchase of machinery and equipment which will be used to implement its Entry Point Project. The Group/Company has commenced the acquisition of such machinery and equipment during 2013. In addition, the Group/Company obtained a grant approved by Malaysian Investment Development Authority in relation to the capital expenditure incurred for plant expansion.

The funds received are being amortised over the estimated useful life of the machinery and equipment at a range of five (5) to six (6) years. During the year, RM1,768,000 (2019 : RM17,377,000) has been amortised and recognised as other income in profit or loss.

16. Revenue

16.1 Disaggregation of revenue

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Primary geographical markets				
Asia	438,301	287,484	438,301	287,091
Europe	82,632	82,271	82,632	82,271
North America	35,453	26,753	35,453	26,753
	<u>556,386</u>	<u>396,508</u>	<u>556,386</u>	<u>396,115</u>
Major products and services lines				
Sale of semiconductor wafers	525,666	378,464	525,666	378,464
Provision of semiconductor-related training and consulting services	30,720	17,651	30,720	17,651
Others	-	393	-	-
	<u>556,386</u>	<u>396,508</u>	<u>556,386</u>	<u>396,115</u>
Timing and recognition				
At a point in time	525,666	378,857	525,666	378,464
Over time	30,720	17,651	30,720	17,651
	<u>556,386</u>	<u>396,508</u>	<u>556,386</u>	<u>396,115</u>

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16. Revenue (continued)

16.2 Nature of goods and services

The following information reflects the typical transactions of the Group and of the Company :

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Warranty
Sale of semiconductor wafers	Revenue is usually recognised at the point of sale which coincides with when the Group/Company transfers the control of the product to the customer. For contracts with customers which meet the no alternative use and the Group/Company has rights to payment for work performed, revenue is recognised over time based on units-of-production method.	Credit period of 30 - 90 days from invoice date.	Generally, assurance warranties of 12 months are given to customers.
Provision of semiconductor-related training and consulting services	Revenue is recognised over time as and when the services are performed using the milestones reached method.	Credit period of 30 days from the date of receipt of invoice.	Not applicable.

16.3 Transaction price allocated to the remaining performance obligations

The following table shows revenue from performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The disclosure is only providing information for contracts that have a duration of more than one year.

Group/Company	2021 RM'000	2022 RM'000	Total RM'000
2020			
Provision of semiconductor-related training and consulting services	1,809	60,548	62,357
	2020 RM'000	2021 RM'000	Total RM'000
2019			
Provision of semiconductor-related training and consulting services	20,480	45,734	66,214

The Group and the Company applied the practical expedient exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.

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17. Staff costs

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Staff costs	132,495	124,811	126,630	119,720

Staff costs of the Group and the Company include contributions to the Employees' Provident Fund of RM12,451,000 (2019 : RM12,374,000) and RM12,352,000 (2019 : RM12,285,000) respectively.

18. Results from operating activities

Results from operating activities are arrived at after charging/(crediting) :

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Auditors' remuneration				
- Audit fees				
- KPMG PLT	224	224	189	189
Material expenses/(income)				
Amortisation of intangible assets (Note 5)	9,254	8,791	9,254	8,791
Inventories written down	229	1,986	229	1,986
Plant and equipment written off	324	2,185	324	2,185
Net effect of foreign exchange loss arising from re-measurement	16,142	18,530	16,142	18,530
Gain on disposal of plant and equipment	-	(46)	-	(46)
Net loss/(gain) on financial instruments				
(Reversal of)/provision for impairment loss on financial assets at amortised cost :				
- trade receivables	4,284	3,236	3,887	3,236
- other receivables	(35)	2,923	(35)	2,923
Bad debts written-off	99	-	99	-

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19. Key management personnel compensation - Group/Company

The key management personnel compensation are as follows :

	2020 RM'000	2019 RM'000
Directors		
- Fees	216	156
- Remuneration	1,385	965
Total employee benefits	<u>1,601</u>	<u>1,121</u>

The estimated monetary value of Directors' benefit-in-kind is RM147,000 (2019 : RM132,000).

20. Finance costs - Group/Company

	2020 RM'000	2019 RM'000
Recognised in profit or loss :		
Term loans	3,676	2,759
Trade financing	1,321	2,299
Others	1,260	1,198
	<u>6,257</u>	<u>6,256</u>

21. Tax expense

Recognised in profit or loss :

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current tax expense				
- current year	111	116	-	-
- prior year	17	-	-	-
Total income tax expense	<u>128</u>	<u>116</u>	<u>-</u>	<u>-</u>

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21. Tax expense (continued)

Reconciliation of effective tax expense

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Loss before tax	(64,423)	(172,022)	(63,147)	(172,890)
Income tax using Malaysian tax rate - 24%	(15,462)	(41,285)	(15,155)	(41,494)
Non-deductible expenses	6,970	3,983	6,523	3,972
Loss arising from re-measurement not subject to tax	3,874	4,447	3,874	4,447
Non-taxable income	-	(4,170)	-	(4,170)
Deferred tax benefits not recognised	4,800	37,491	4,800	37,491
Under provision in prior year	17	-	-	-
Others	(71)	(350)	(42)	(246)
Income tax expense	128	116	-	-

22. Deferred tax assets - Group/Company

Unrecognised deferred tax assets

No deferred tax has been recognised for the following items (stated at gross) :

	Group/Company	
	2020 RM'000	2019 RM'000
Unutilised investment tax allowance	5,066,000	5,066,000
Unutilised tax losses	2,152,000	2,152,000
Unutilised capital allowances	5,033,000	5,006,000
Deductible temporary differences	45,000	52,000
	12,296,000	12,276,000

Based on Finance Act 2018, the unutilised tax losses up to year of assessment 2018 shall be deductible against aggregate statutory income until year of assessment 2025. Any amount not deducted at the end of year of assessment 2025 shall be disregarded. Subsequent to year of assessment 2018, any additional unutilised tax losses shall be deductible against statutory income for a maximum period of seven consecutive years of assessment immediately following that year of assessment. The entire unutilised tax losses shall expire at the end of year of assessment 2025. Unutilised capital allowances and investment tax allowances do not expire under the Malaysian tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group and the Company can utilise the benefits there from.

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23. Commitments - Group/Company

	2020 RM'000	2019 RM'000
Contracted but not provided for		
Property, plant and equipment	15,596	21,102
Intangible assets	<u>931</u>	<u>4,464</u>

24. Related parties

24.1 Identity of related parties

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

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

24.2 Controlling related party relationships

- i) Its holding company and subsidiaries (including special purpose vehicles), associates and joint ventures held directly by Khazanah Nasional Berhad.
- ii) Subsidiaries of the Group as disclosed in Note 6
- iii) Key management personnel of the Group
 - En. Jalaluddin Bin Dato' Mohd. Jarjis
 - En. Firdaus Bin Abdullah

24.3 Significant related party transactions and balances other than those disclosed elsewhere in the financial statements are as follows:

	2020 RM'000	2019 RM'000
i) Subsidiaries - Company		
Commission payable	<u>7,668</u>	<u>8,058</u>
ii) There were no transactions with the Directors and key management personnel other than the remuneration package paid to them in accordance with the terms and conditions of their appointment as disclosed in Note 19 to the financial statements.		

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25. Financial instruments

25.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows :

- (a) Amortised cost (AC); and
- (b) Fair value through other comprehensive income ("FVOCI")
 - Equity instrument designated upon initial recognition ("EIDUIR")

	Carrying amount RM'000	AC RM'000	FVOCI - EIDUIR RM'000
2020			
Financial assets			
Group			
Trade and other receivables (excluding prepayment)	77,639	77,639	-
Cash and cash equivalents	105,153	105,153	-
	<u>182,792</u>	<u>182,792</u>	<u>-</u>
Company			
Trade and other receivables (excluding prepayment)	77,530	77,530	-
Cash and cash equivalents	104,196	104,196	-
	<u>181,726</u>	<u>181,726</u>	<u>-</u>
2020			
Financial liabilities			
Group			
Loans and borrowings	982,841	982,841	-
Trade and other payables (excluding advance payments from customers)	91,298	91,298	-
	<u>1,074,139</u>	<u>1,074,139</u>	<u>-</u>
Company			
Loans and borrowings	982,841	982,841	-
Trade and other payables (excluding advance payments from customers)	117,541	117,541	-
	<u>1,100,382</u>	<u>1,100,382</u>	<u>-</u>

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25. Financial instruments (continued)

25.1 Categories of financial instruments (continued)

	Carrying amount RM'000	AC RM'000	FVOCI - EIDUIR RM'000
2019			
Financial assets			
Group			
Other investment	12,686	-	12,686
Trade and other receivables (excluding prepayment)	127,923	127,923	-
Cash and cash equivalents	45,242	45,242	-
	<u>185,851</u>	<u>173,165</u>	<u>12,686</u>
Company			
Other investment	12,686	-	12,686
Trade and other receivables (excluding prepayment)	127,503	127,503	-
Cash and cash equivalents	44,545	44,545	-
	<u>184,734</u>	<u>172,048</u>	<u>12,686</u>
Financial liabilities			
Group			
Loans and borrowings	929,226	929,226	-
Trade and other payables (excluding advance payments from customers)	138,639	138,639	-
	<u>1,067,865</u>	<u>1,067,865</u>	<u>-</u>
Company			
Loans and borrowings	929,226	929,226	-
Trade and other payables (excluding advance payments from customers)	166,148	166,148	-
	<u>1,095,374</u>	<u>1,095,374</u>	<u>-</u>

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25. Financial instruments (continued)

25.2 Net losses arising from financial instruments

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Recognised in profit or loss :				
Financial assets at amortised cost	(4,273)	(6,028)	(3,876)	(6,028)
Financial liabilities at amortised cost	(6,257)	(6,256)	(6,257)	(6,256)
Recognised in other comprehensive income :				
Fair value through other comprehensive income	(1,218)	-	(1,218)	-
	<u>(11,748)</u>	<u>(12,284)</u>	<u>(11,351)</u>	<u>(12,284)</u>

25.3 Financial risk management

The Group has exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

25.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Company's exposure to credit risk arises principally from the individual characteristics of each customer. There are no significant changes as compared to prior periods.

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

At each reporting date, the Group or the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or fully) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

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25. Financial instruments (continued)

25.4 Credit risk (continued)

Trade receivables (continued)

Exposure to credit risk, credit quality and collateral

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

Concentration of credit risk

The exposure to credit risk for trade receivables as at the end of the reporting period by geographic region was :

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Asia	65,120	102,459	65,120	102,142
Europe	8,351	14,932	8,351	14,932
North America	1,688	6,712	1,688	6,712
	<u>75,159</u>	<u>124,103</u>	<u>75,159</u>	<u>123,786</u>

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, the trade receivables will pay within 90 days. A significant portion of trade receivables are regular customers that have been transacting with the Group.

The Group uses an allowance matrix to measure expected credit losses ("ECLs") of trade receivables. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

The following table provides information about the exposure to credit risk and expected credit losses ("ECLs") for trade receivables.

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25. Financial instruments (continued)

25.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment loss (continued)

	Gross carrying amount RM'000	Loss allowances RM'000	Net balance RM'000
2020			
Group			
Current (Not past due)	57,652	-	57,652
Past due 1 - 30 days	12,472	-	12,472
Past due 31 - 60 days	261	-	261
Past due 61 - 90 days	-	-	-
	<u>70,385</u>	<u>-</u>	<u>70,385</u>
Credit impaired			
Past due more than 90 days	16,600	(11,826)	4,774
	<u>86,985</u>	<u>(11,826)</u>	<u>75,159</u>
Company			
Current (Not past due)	57,652	-	57,652
Past due 1 - 30 days	12,472	-	12,472
Past due 31 - 60 days	261	-	261
Past due 61 - 90 days	-	-	-
	<u>70,385</u>	<u>-</u>	<u>70,385</u>
Credit impaired			
Past due more than 90 days	16,203	(11,429)	4,774
	<u>86,588</u>	<u>(11,429)</u>	<u>75,159</u>
2019			
Group			
Not past due	61,766	-	61,766
Past due 1 - 30 days	32,090	-	32,090
Past due 31 - 60 days	6,892	-	6,892
Past due 61 - 90 days	6,642	-	6,642
	<u>107,390</u>	<u>-</u>	<u>107,390</u>
Credit impaired			
Past due more than 90 days	24,382	(7,669)	16,713
	<u>131,772</u>	<u>(7,669)</u>	<u>124,103</u>

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25. Financial instruments (continued)

25.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment loss (continued)

	Gross carrying amount RM'000	Loss allowances RM'000	Net balance RM'000
2019			
Company			
Not past due	61,766	-	61,766
Past due 1 - 30 days	32,090	-	32,090
Past due 31 - 60 days	6,892	-	6,892
Past due 61 - 90 days	6,642	-	6,642
	<u>107,390</u>	<u>-</u>	<u>107,390</u>
Credit impaired			
Past due more than 90 days	24,065	(7,669)	16,396
	<u>131,455</u>	<u>(7,669)</u>	<u>123,786</u>

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

	2020 RM'000	2019 RM'000
Group		
At 1 January	7,669	4,433
Net remeasurement of loss allowance	4,284	3,236
Foreign exchange difference	(127)	-
At 31 December	<u>11,826</u>	<u>7,669</u>
Company		
At 1 January	7,669	4,433
Net remeasurement of loss allowance	3,887	3,236
Foreign exchange difference	(127)	-
At 31 December	<u>11,429</u>	<u>7,669</u>

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25. Financial instruments (continued)

25.4 Credit risk (continued)

Cash and cash equivalents

Cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risks is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

Credit risks on other receivables are mainly from the amounts due from non-trade receivables.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, an impairment loss of RM2,888,000 (2019 : RM2,923,000) has been provided for non-trade receivables which are credit impaired.

The movements in the allowance for impairment in respect of non-trade receivables during the year are shown below.

	2020 RM'000	2019 RM'000
Group/Company		
At 1 January	2,923	-
Net remeasurement of loss allowance	(35)	2,923
At 31 December	<u>2,888</u>	<u>2,923</u>

25.5 Liquidity risk

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

The holding company has confirmed that it will provide adequate financial support to enable the Group and the Company to continue to operate on a going concern.

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

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25. Financial instruments (continued)

25.5 Liquidity risk (continued)

Maturity analysis

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

Group	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2020							
<i>Non-derivative financial liabilities</i>							
Trade financing	50,517	2.28 - 3.53	50,517	50,517	-	-	-
Revolving credit	40,205	3.42	40,205	40,205	-	-	-
Term loans	170,848	1.72 - 3.47	176,634	35,269	91,077	50,288	-
Loan from holding company	718,869	-	718,869	718,869	-	-	-
Hire purchase	2,402	4.10	2,697	1,471	1,226	-	-
Trade and other payables	91,298	-	91,298	91,298	-	-	-
	<u>1,074,139</u>		<u>1,080,220</u>	<u>937,629</u>	<u>92,303</u>	<u>50,288</u>	<u>-</u>

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25. Financial instruments (continued)

25.5 Liquidity risk (continued)

Maturity analysis (continued)

Group	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2019							
<i>Non-derivative financial liabilities</i>							
Trade financing	45,948	2.60 - 4.30	45,948	45,948	-	-	-
Revolving credit	40,960	3.42	40,960	40,960	-	-	-
Term loans	119,737	3.91 - 4.85	125,718	23,948	34,583	67,187	-
Loan from holding company	718,869	-	718,869	718,869	-	-	-
Hire purchase	3,712	4.10	4,168	1,471	1,471	1,226	-
Trade and other payables	138,639	-	138,639	138,639	-	-	-
	<u>1,067,865</u>		<u>1,074,302</u>	<u>969,835</u>	<u>36,054</u>	<u>68,413</u>	<u>-</u>

APPENDIX II – INFORMATION ON SILTERRA (CONT'D)

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25. Financial instruments (continued)

25.5 Liquidity risk (continued)

Maturity analysis (continued)

Company	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2020							
<i>Non-derivative financial liabilities</i>							
Trade financing	50,517	2.28 - 3.53	50,517	50,517	-	-	-
Revolving credit	40,205	3.42	40,205	40,205	-	-	-
Term loans	170,848	1.72 - 3.47	176,633	35,268	91,077	50,288	-
Loan from holding company	718,869	-	718,869	718,869	-	-	-
Hire purchase	2,402	4.10	2,697	1,471	1,226	-	-
Trade and other payables	117,541	-	117,541	117,541	-	-	-
	<u>1,100,382</u>		<u>1,106,462</u>	<u>963,871</u>	<u>92,303</u>	<u>50,288</u>	<u>-</u>

APPENDIX II – INFORMATION ON SILTERRA (CONT'D)

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25. Financial instruments (continued)

25.5 Liquidity risk (continued)

Maturity analysis (continued)

Company	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2019							
<i>Non-derivative financial liabilities</i>							
Trade financing	45,948	2.60 - 4.30	45,948	45,948	-	-	-
Revolving credit	40,960	3.42	40,960	40,960	-	-	-
Term loans	119,737	3.91 - 4.85	125,718	23,948	34,583	67,187	-
Loan from holding company	718,869	-	718,869	718,869	-	-	-
Hire purchase	3,712	4.10	4,168	1,471	1,471	1,226	-
Trade and other payables	166,148	-	166,148	166,148	-	-	-
	1,095,374		1,101,811	997,344	36,054	68,413	-

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25. Financial instruments (continued)

25.6 Market risk

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

25.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily Ringgit Malaysia ("RM").

Exposure to foreign currency risk

The Group's and the Company's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period are as follows :

	Denominated in RM	
	2020 RM'000	2019 RM'000
Group		
Loan from holding company	718,869	718,869
Trade financing	26,506	27,368
Hire purchase	2,402	3,712
Trade and other payables	78,596	48,506
Cash and cash equivalents	(15,234)	(12,886)
	<u>811,139</u>	<u>785,569</u>
Company		
Loan from holding company	718,869	718,869
Trade financing	26,506	27,368
Hire purchase	2,402	3,712
Trade and other payables	105,400	76,394
Cash and cash equivalents	(15,234)	(12,886)
	<u>837,943</u>	<u>813,457</u>

Currency risk sensitivity analysis

Foreign currency risk arises from Group entities which have a USD functional currency. The exposure to currency risk of Group entities which do not have a USD functional currency is not material and hence, sensitivity analysis is not presented.

A 5% strengthening of the RM against USD at the end of the reporting period would have decreased post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted transactions.

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25. Financial instruments (continued)

25.6 Market risk (continued)

25.6.1 Currency risk (continued)

Currency risk sensitivity analysis (continued)

Group	Profit or loss	
	2020 RM'000	2019 RM'000
RM	<u>30,823</u>	<u>29,852</u>
Company		
RM	<u>31,842</u>	<u>30,911</u>

A 5% weakening of USD against the above currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remained constant.

25.6.2 Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

Exposure to interest rate risk

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

	Group/Company	
	2020 RM'000	2019 RM'000
Fixed rate instruments		
Financial liabilities	<u>93,124</u>	<u>90,620</u>
Floating rate instruments		
Financial liabilities	<u>170,848</u>	<u>119,737</u>

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25. Financial instruments (continued)

25.6 Market risk (continued)

25.6.2 Interest rate risk (continued)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	2020		2019	
	Profit or loss		Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
Group/Company				
Floating rate instruments	<u>(1,298)</u>	<u>1,298</u>	<u>(910)</u>	<u>910</u>

25.7 Fair value information

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

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25. Financial instruments (continued)

25.7 Fair value information (continued)

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

Group/Company	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
2020								
Financial liabilities								
Term loans	-	-	-	-	-	(170,848)	(170,848)	(170,848)
2019								
Financial assets								
Other investment	-	-	12,686	-	-	-	12,686	12,686
Financial liabilities								
Term loans	-	-	-	-	-	(119,737)	(119,737)	(119,737)

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25. Financial instruments (continued)

25.7 Fair value information (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 3 fair value

The following table shows a reconciliation of Level 3 fair values:

	Group/Company	
	2020	2019
	RM'000	RM'000
Unquoted share		
At 1 January	12,686	12,348
Purchases	-	469
Disposed	(12,686)	-
Foreign exchange difference	-	(131)
At 31 December	<u>-</u>	<u>12,686</u>

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

(a) Financial instruments carried at fair value

Type	Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Unquoted shares	The fair value of unquoted shares is estimated based on the latest transacted price.	Latest transacted price (2019: USD1,333 per share)	The estimated fair value would increase/decrease if the latest transacted price was higher/lower.

Sensitivity analysis

	Other comprehensive income, net of tax	
	Increase RM'000	Decrease RM'000
2019		
Latest transacted price (5% movement)	<u>634</u>	<u>(634)</u>

Registration No. 199501039745 (368948 D)

25. Financial instruments (continued)

25.7 Fair value information (continued)

Level 3 fair value (continued)

(b) Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Term loans	Discounted cash flows using a rate based on the current market rate of borrowing of the Group at the reporting date.
Hire purchase	

Valuation processes applied by the Group for Level 3 fair value

The Group regularly reviews the significant fair value measurements, including significant unobservable inputs and valuation adjustments and reports directly to the Chief Executive Officer.

26. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

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

Silterra Malaysia Sdn Bhd

(Registration No. 199501039745 (368948 D))

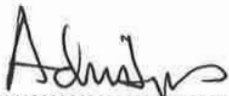
(Incorporated in Malaysia)

and its subsidiaries

**Statement by Directors pursuant to
Section 251(2) of the Companies Act 2016**

In the opinion of the Directors, the financial statements set out on pages 5 to 74 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 of 31 December 2020 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 :



.....
Jalaluddin Bin Dato' Mohd. Jarjis
Director



.....
Firdaus Bin Abdullah
Director

Kuala Lumpur,

Date : 22 April 2021

Silterra Malaysia Sdn Bhd

(Registration No. 199501039745 (368948 D))

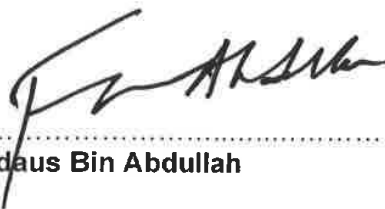
(Incorporated in Malaysia)

and its subsidiaries

**Statutory declaration pursuant to
Section 251(1)(b) of the Companies Act 2016**

I, **Firdaus Bin Abdullah**, the Director primarily responsible for the financial management of Silterra Malaysia Sdn Bhd, do solemnly and sincerely declare that the financial statements set out on pages 5 to 74 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed **Firdaus Bin Abdullah**, NRIC: 720419-14-5299, at George Town in the State of Penang on 22 April 2021 .



.....
Firdaus Bin Abdullah

Before me :



20 Lebuh King
10200 Pulau Pinang



KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 18, Hunza Tower
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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SILTERRA MALAYSIA SDN BHD

(Registration No. 199501039745 (368948 D))
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Silterra Malaysia Sdn Bhd, which comprise the statements of financial position as at 31 December 2020 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 74.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the 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 auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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

Silterra Malaysia Sdn Bhd
(Registration No. 199501039745 (368948 D))
Independent Auditors' Report for the
Financial Year Ended 31 December 2020



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 Directors' 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 Directors' Report 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 Directors' Report and, in doing so, consider whether the Directors' Report 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 the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company 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.



**Auditors' Responsibilities for the Audit of the Financial Statements
(continued)**

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- 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 ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- 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.

Siltterra Malaysia Sdn Bhd
(Registration No. 199501039745 (368948 D))
Independent Auditors' Report for the
Financial Year Ended 31 December 2020



Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors is disclosed in Note 6 to the financial statements.

Other Matter

This report is made solely to the member 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.

KPMG

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Penang

Date : 22 April 2021

A handwritten signature in black ink, appearing to read 'Lee Phaik Im', with a horizontal line underneath.

Lee Phaik Im
Approval Number : 03177/05/2021 J
Chartered Accountant

**Ferrier
Hodgson**

CORPORATE FINANCE

FHMH Corporate Advisory Sdn Bhd
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(CMSL / A0212 / 2007)
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31 May 2021

The Board of Directors
DAGANG NEXCHANGE BERHAD
Dagang Net Tower
Block 10 (A&B) Corporate Park
Star Central, Lingkaran Cyberpoint Timur
Cyber 12, 63000 Cyberjaya, Selangor

Strictly Private & Confidential

Dear Sirs

INDEPENDENT EVALUATION FOR THE PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN SILTERRA MALAYSIA SDN BHD ("EVALUATION")

1.0 INTRODUCTION

We understand that Dagang NeXchange Berhad ("**DNeX**") and Beijing CGP Investment Co Ltd ("**CGP**") ("**DNeX** and **CGP** collectively referred to as the "**Parties**") intend to acquire the entire equity interest in SilTerra Malaysia Sdn Bhd ("**SilTerra**") for a purchase consideration of RM273.00 million ("**Purchase Consideration**") and to be satisfied entirely via cash ("**Proposed Acquisition**").

FHMH Corporate Advisory Sdn Bhd ("**FHCA**") has been appointed by the Board of Directors of DNeX on 30 April 2020 as an Independent Adviser to assess and opine on the fairness of the Purchase Consideration in relation to the Proposed Acquisition ("**Letter**") for the purpose of inclusion in the circular to the shareholders of DNeX.

2.0 BACKGROUND INFORMATION ON SILTERRA

SilTerra was incorporated in Malaysia on 29 November 1995 under the Companies Act, 1965 as a private limited liability company under the name of Wafer Technology (Malaysia) Sdn Bhd and has assumed its current name on 23 December 1999. The issued share capital is RM1,182,319,751 comprising ordinary shares and irredeemable convertible preference shares. SilTerra is the wholly-owned subsidiary of Khazanah Nasional Berhad ("**Khazanah**").

The principally activities of SilTerra are manufacture and sale of semiconductor wafers, sale of semiconductor-related tools, provision of semiconductor-related trainings and consultancy services.

3.0 TERMS OF REFERENCE

The basis of our opinion is the fair market value which is defined as the arms' length price at which such asset would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell, in an open and unrestricted market and both having reasonable knowledge of relevant facts. The concept of market value means the cash equivalent price of an asset being valued assuming the transaction took place under conditions existing at the date of valuation of the assets.

Ferrier Hodgson

CORPORATE FINANCE

The amount would not be considered market value if it was influenced by special motivations or characteristic of a typical buyer or seller.

Sources of Information

The sources of information to which we have used to form our opinion on our evaluation are as follows:-

- (i) DNeX's announcement on the Proposed Acquisition dated 31 March 2021;
- (ii) the conditional share sale and purchase agreement dated 31 March 2021 entered into between DNeX, CGP and Khazanah for the Proposed Acquisition ("**SSPA**");
- (iii) the audited financial statements of SilTerra from the financial year ended ("**FYE**") 31 December 2017 to 2019;
- (iv) other relevant information furnished to us by the directors and management of DNeX ("**Management**"); and
- (v) other publicly available information in respect of the industry that SilTerra is involved in.

We have made all reasonable enquiries and conducted our own reviews, where possible, with regards to the information provided to us. We have also relied on the Management to exercise due care to ensure that all information and documents provided to us and that all relevant facts, information and representations necessary for our evaluation have been disclosed to us and that such information is accurate, valid and there is no omission of material facts, which would make any information provided to us incomplete, misleading or inaccurate. We have also assumed that the Proposed Acquisition will be implemented based on the terms of the SSPA without material waiver or modification.

Based on the reviews and enquiries made by us, we are satisfied that the information and documents provided by the Management to us are sufficient and we have no reason to believe that any such information provided to us is untrue, inaccurate or misleading or the disclosure of which might reasonably affect our Evaluation and opinion as set out in this Letter. The Board of DNeX has, individually and collectively, accepted full responsibility that all material facts, financial and other information in this Letter, and for the accuracy of the information in respect of the Proposed Acquisition (save for those in relation to our evaluation and opinion pertaining to the same) as prepared herein and confirmed that after making all reasonable enquires and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein incomplete, false and/or misleading.

We have not undertaken an independent investigation into the business of DNeX and SilTerra. It should be noted that valuation in itself is highly dependent on, amongst others, the prevailing economic, market and other conditions that may change significantly over a relatively short period of time. It should also be highlighted that the valuation may be materially or adversely affected should the actual results or events differ from any of the bases and assumptions upon which the relevant reports were based.

**Ferrier
Hodgson**

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Date of Opinion

The date of our opinion is 12 April 2021 (herein also referred to as the “**Date of Opinion**”).

Scope and Limitation of Review

FHCA was not involved in the formulation or any deliberation and negotiation on the terms and conditions of the Proposed Acquisition. Our role as the Independent Adviser does not extend to expressing an opinion on the commercial merits of the Proposed Acquisition and this remains solely the responsibility of the Board of DNeX, although we may draw upon their views in arriving at our opinion.

As such, where comments or points of consideration are included on matters, which may be commercially oriented, these are incidental to our overall evaluation and concern matters, which we may deem material for disclosure. Further, our terms of reference do not include us rendering an expert opinion on legal, accounting and taxation issues relating to the Evaluation and/or the Proposed Acquisition.

The directors and management of DNeX and SilTerra are responsible for the accuracy of the information made available to us pertaining to the Evaluation, including informing us of any material changes in the subject matters which may have an impact on our opinion.

Our work includes holding discussions with and making enquiries with the Management regarding representations made on SilTerra. We rely on the Management’s oral and written representations and in no event shall we, our partners, principals, directors, shareholders, agents or employees be liable for any misrepresentations by the directors and management of DNeX and SilTerra.

Our procedures and inquiries did not include any verification work that constitutes an audit on the information that we have relied upon in preparing this Letter. Further, certain information relied upon are only representation of the Management, as well as reliance on third party experts as explained in the relevant sections of this Letter.

The preparation of this letter is based upon market, economy, industry and other conditions prevailing as at the Date of Opinion, as well as publicly available information and information provided to us by DNeX and SilTerra. Such conditions may change significantly over a relatively short period of time.

No representation or warranty, whether expressed or implied, is given by FHCA that the information and documents provided will remain unaltered subsequent to the issuance of this Letter. However, should FHCA become aware of any significant change affecting the information contained in this Letter; being informed of any material changes in the subject matters which may have an impact on FHCA’s opinion or have reasonable grounds to believe that any statement in this Letter is misleading or deceptive that there is material omission in this Letter, we will immediately notify the Board of DNeX. If circumstances require, a supplementary Letter will be issued to the Board of DNeX.

Ferrier Hodgson

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4.0 SUMMARY OF FINANCIAL INFORMATION

A summary of the financial information of SilTerra based on the audited financial statements of SilTerra for FYE 31 December 2017 to FYE 2019 are set out below:

	Audited for the FYEs 31 December		
	2017	2018	2019
Revenue (RM'000)	617,086	478,067	396,508
Loss before tax (RM'000) ("LBT")	(52,438)	(8,021)	(172,022)
Loss after tax ("LAT") (RM'000)	(52,554)	(20,152)	(172,138)
Net Liabilities ("NL") attributable to owner (RM'000)	(378,483)	(408,103)	(574,570)
Total borrowing (RM'000)	802,361	824,493	929,226
No of ordinary shares ('000)	1,137,328	1,137,328	1,137,328
Loss per share (RM)	(0.05)	(0.01)	(0.15)
NL per Share (RM)	(0.33)	(0.36)	(0.51)
Current ratio (times)	0.33	0.31	0.26
Gearing ratio (times)	2.12	N/A	N/A

There were no exceptional and/or extraordinary items reported in the audited financial statements of SilTerra for the financial years under review. There have been no peculiar accounting policies adopted by SilTerra and there have been no audit qualifications reported in the audited financial statements of SilTerra during the financial years under review.

FYE 31 December 2017 vs FYE 31 December 2016

SilTerra recorded revenue of RM617.09 million for FYE 31 December 2017 which represents an increase of RM18.87 million or 3.15% as compared to RM598.22 million for FYE 31 December 2016. The increase in revenue was mainly driven by the increase in shipments of components for smartwatch and smartphone original equipment manufacturer ("OEM") manufacturers, notably from China.

SilTerra recorded LBT of RM52.44 million for FYE 31 December 2017 as compared to the PBT of RM12.42 million posted for FYE 31 December 2016. The LBT recorded was mainly due to a higher loss from foreign currency translation ("Forex") of RM92.21 million as compared to Forex loss of RM40.70 million in 2016. The recurring Forex impact represents the effect of translating functional currency (USD) into Malaysian Ringgit for reporting purposes.



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FYE 31 December 2018 vs FYE 31 December 2017

SilTerra recorded revenue of RM478.07 million for FYE 31 December 2018 which represents a decrease of RM139.02 million or 22.53% as compared to RM617.09 million for FYE 31 December 2017. The decrease in revenue was mainly due to lower orders from smartwatch and smartphone OEM manufacturers as a result of the technological advancement in smartwatch and smartphone technology. SilTerra was unable to meet the required process specifications as prescribed by these customers and was at that time facing technological constraint based on its machinery and tooling capability.

SilTerra recorded LBT of RM8.02 million for FYE 31 December 2018 which represents a decrease of RM44.42 million or 84.71% as compared to RM52.44 million for FYE 31 December 2017. The improvement in LBT was mainly due to the recognition of Forex gain of RM22.63 million in 2018 as compared to Forex loss of RM92.21 million incurred in 2017.

FYE 31 December 2019 vs FYE 31 December 2018

SilTerra recorded revenue of RM396.51 million for FYE 31 December 2019 which represents a decrease of RM81.56 million or 17.06% as compared to RM478.07 million for FYE 31 December 2018. The decrease in revenue was mainly due to the initial phase of the US-China trade war which had led to the withholding of new orders by certain customers, particularly during the first half of 2019. The drop in revenue was partially mitigated by increase in revenue from new niches in alternative markets/ customers, notably focused on the development and supply of components catering to smart television manufacturers and the life sciences industry, as well as the application of Silicon Photonics technology.

SilTerra recorded LBT of RM172.02 million for FYE 31 December 2019 which represents an increase of RM164.00 million or 2,044.89% as compared to LBT of RM8.02 million for FYE 31 December 2018. The higher LBT recorded was mainly in tandem with the lower revenue posted for FYE 31 December 2019, as well as attributable to the Forex loss of RM18.53 million incurred in 2019.

5.0 INDUSTRY OUTLOOK

Overview and outlook of Malaysia Economy

Malaysia's Gross Domestic Product ("GDP") contracted 3.4% for the fourth quarter of 2020 ("Q4 2020") as compared to a decline of 2.6% in the preceding quarter. For overall year 2020, Malaysia's GDP contracted 5.6% as compared to 4.3% in 2019. The last seen of Malaysia's economic contracted was in 2009 (-1.5%) and this is the lowest contraction after 1998 (-7.4%). In 2020, various Movement Control Order ("MCO") phases were implemented in the country since 18 March 2020 until now to curb the outbreak of COVID-19. Thus, the performance of economic activities following the domestic supply and demand factors and the influence of the external sector has led the Malaysian economy recorded negative growth for the three consecutive quarters for year 2020. Malaysia has experienced a negative growth for five consecutive quarters before recording a positive growth during the Asia Economic Crisis in 1998.

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The performance of the Q4 2020 in terms of Malaysia's monthly GDP performance, the Malaysian economy recorded a contraction of 4.7% in October, declining slower in November (-4.0%) and December (-1.7%). For the quarter-on-quarter seasonally adjusted was recorded at negative growth 0.3% (Q3 2020: 18.2%) in this quarter.

Malaysia's GDP for the Q4 2020 contracted 3.4% influenced by the decline in all economic sectors except for Manufacturing sector which registered a positive growth in this quarter. Services sector was a major contributor to economic activity declined 4.9% (Q3 2020: -4.0%) in this quarter. The decrease in Services sector was due to the contraction of sub-sectors for the tourism-related industries following travel restrictions which contributed to the lower foreign tourists' arrival to Malaysia as well as movement restriction of domestic tourists in the country. In overall, for year 2020, a number of foreign tourists' arrival has drastically dropped as compared to 2019. Among the worst affected sub-sectors were the Food & beverages and accommodation and Transportation and storage segments which dwindled to only 5.9% compared to 7.3% during normal years. The Wholesale and retail trade sub-sector showed a smaller decline of 1.5% in this quarter supported by Wholesale and Motor vehicles segments. Meanwhile, Information & communication sub-sector further expanded which indirectly help to cushion the fall of the Services sector in the fourth quarter of 2020.

(Source: Department of Statistics Malaysia: Malaysia Economic Performance Fourth Quarter 2020)

While the global economy is expected to improve going into 2021, output is not expected to return to pre-pandemic levels in the near term. The global economy is projected to grow at the rate of 4.2% in 2021, after contracting by 5.2% in 2020. This recovery is predicated on a gradual improvement in confidence, consumption, and trade, assuming the rollout of an effective vaccine starting in early 2021. In the East Asia Pacific region, growth is expected to strengthen to 6.6% in 2021 (2020f: 0.5%), led by a strong rebound in China.

Malaysia's economy is projected to grow by 6.7% in 2021. This rebound can be attributed to a low base in 2020, continued improvements in exports and a gradual build-up of momentum in private consumption and investment.

The strength and timing of Malaysia's economic recovery will depend largely on the timely availability of an effective mass vaccination program. Malaysia is expected to receive its vaccine supply in stages, with the first batch of COVID-19 vaccines expected to arrive in Q1 2021, which would allow the vaccination of at least 20% of the Malaysian population by the end of 2021. The vaccine rollout is likely to boost consumer and business confidence, contributing to a gradual strengthening of private sector activity.

Despite the rebound in growth in 2021, it is anticipated that in the medium term, the Malaysian economy's output will only gradually return to its pre-pandemic levels. With the pandemic leaving indelible scars on productivity through its effects on investment, labour supply and human capital, this is expected to generate substantial headwinds in the recovery process and see the economy modestly progress toward the path of economic activity projected before the COVID-19 pandemic.

Ferrier Hodgson

CORPORATE FINANCE

The growth outlook is subject to considerable downside risks. On the external front, unexpected delay in the global rollout and distribution of vaccine could lead to “on-and-off” lockdowns in advanced economies and amplify downside risks to growth. Domestically, a prolonged and ineffective containment of the third wave of outbreak in Malaysia could see the current Conditional Movement Control Order in high-risk areas be extended and the number of vulnerable households without adequate support remain elevated. Furthermore, ongoing domestic political uncertainty could continue to dampen private investment sentiment.

(Source: World Bank Malaysia Economic Monitor: Sowing the Seeds, December 2020)

Overview and outlook of Global Semiconductor Industry

Worldwide semiconductor revenue grew to USD \$442 billion in 2020, an increase of 5.4% compared to 2019, according to the Semiconductor Applications Forecaster from International Data Corporation (“IDC”). The Dynamic random-access memory and NAND markets also recovered after a poor 2019, growing 4% and 32.9%, respectively. IDC forecasts the semiconductor market will reach USD \$476 billion in 2021, a 7.7% year-over-year growth rate as the various COVID-19 vaccines are disseminated and economies begin to open and gradually recover.

(Source: IDC: Worldwide Semiconductor Revenue Grew 5.4% in 2020 Despite COVID-19 and Further Growth Is Forecast in 2021)

The Semiconductor Industry Association (“SIA”) stated that the global semiconductor industry sales were USD \$40.0 billion for the month of January 2021, an increase of 13.2% over the January 2020 total of USD \$35.3 billion and 1.0% more than the December 2020 total of USD \$39.6 billion. Monthly sales are compiled by the World Semiconductor Trade Statistics organization and represent a three-month moving average. SIA represents 98% of the U.S. semiconductor industry by revenue and nearly two-thirds of non-US. chip firms.

Global semiconductor production is on the rise to meet increasing demand and ease the ongoing chip shortage affecting the auto sector and others, and annual sales are projected to increase in 2021. Regionally, year-to-year sales increased across all markets: Asia Pacific/All Other (16.0%), the Americas (15.4%), China (12.4%), Japan (9.6%), and Europe (6.4%). Month-to-month sales increased in China (3.4%), Europe (2.0% percent), and Asia Pacific/All Other (1.5%), but were down in Japan (-1.0%) and the Americas (-3.0%).

(Source: SIA: Global Semiconductor Sales Increase 13.2% year-to-year in January)

Heightened demand and a global shortage of microchips will boost cash flow from operations for foundries and outsource assembly and testing (“OSAT”) companies in 2021, but the impact on integrated device manufacturers will depend on company-specific factors, says Fitch Ratings. Any rating action on respective companies would depend on the sustainability of improvements in cash generation, merger and acquisition activity and shareholder return policies.



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The shortage reflects strong underlying demand for consumer electronics, which we expect to be sustained through 2021. This has been partly driven by the COVID-19 pandemic. Foundries, such as Taiwan Semiconductor Manufacturing Company (“TSMC”, not rated by Fitch), will be key beneficiaries of the robust demand, as they will enjoy strong pricing power in the near term. TSMC, which has a market share of over 50% in the foundry industry, expects revenue to increase at a Compound Annual Growth Rate (“CAGR”) of 10%-15% in 2020 – 2025.

(Source: Fitch Ratings: Global Chip Shortage to Boost Semiconductors' 2021 Performance)

Overview and outlook of Semiconductor Industry in Malaysia

Based on robust semiconductor sales and equipment demand forecasts this year, the Malaysian semiconductor sector is expected to benefit from stronger radio-frequency (“RF”) chip demand on the back of rising 5G smartphone sales volume. According to CGS-CIMB Research, TrendForce estimates global 5G smartphone production to grow from 240 million in 2020 to 500 million units in 2021. A 5G smartphone requires an average of USD \$25 (RM100) worth of RF content, which is approximately 40% higher than a 4G smartphone at USD \$18. The research house is projecting 39% sector net profit growth in 2021 on the back of higher utilisation, propelled by RF content growth in 5G networks and smartphones, recovery in automotive demand, and robust demand for cloud infrastructure services.

It is expected that the Malaysian OSAT sector to deliver 39% year-on-year net profit growth in 2021, against 36% in 2020. It is projected that the sector's return on equity to continue to expand from 11.7% in 2020F to 15% in 2021 on the back of net profit margin expansion, and the sector net profit margin to reach 15-16% in 2021-2022 Forecast, nearly double its 10-year historical net profit margin mean of 8%.

In addition, local OSAT players are expected to get a boost from increased semiconductor content value going into automobiles on the back of accelerating electric vehicle (“EV”) penetration. IHS Markit expects global automotive semiconductor revenue to grow by 18% year-on-year in 2021, fuelled by an increase in average semiconductor content value per car on the back of stronger EV sales and a recovery in global automotive demand. Meanwhile, Infineon estimates EV models require 82% higher semiconductor content value compared to internal combustion engine models.

It is believed that the current situation will be positive for the semiconductor supply chain given that it offers the opportunity to lock down a longer commitment from customers that will provide long-term volume visibility to help capacity planning.

(Source: Malaysian Investment Development Authority: Malaysia's semiconductor sector outlook upgraded on 5G tech, electric vehicles demand)

**Ferrier
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CORPORATE FINANCE

The manufacturing sector is forecast to rebound by 7% in 2021, driven by steady improvement in both the export- and domestic-oriented industries. The Electrical and Electronics (“E&E”) segment is projected to accelerate in line with the digital transformation as Work From Home and virtual communication become part of new business practices. Higher demand for integrated circuits, memory and microchips within the global semiconductor market will further support the segment.

Gross exports are expected to rebound by 2.7% in 2021, benefiting from the recovery in global trade and supply chains. Exports of manufactured goods are anticipated to turnaround by 2.5%, supported by improved demand for E&E and non-E&E products. Higher demand for semiconductor, telecommunication equipment parts as well as automatic data processing equipment in line with the global digital transformation and 5G roll-out is expected to expand the exports of E&E by 3%.

(Source: Ministry of Finance: Economic Outlook 2021)

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CORPORATE FINANCE

6.0 VALUATION METHODOLOGY

In establishing our opinion on the fairness of the Purchase Consideration, FHCA has considered various methodologies, which are commonly used for evaluation, taking into consideration SilTerra’s future earnings generating capabilities, projected future cash flows, its sustainability as well as various business considerations and risk factors affecting its business.

The valuation methodologies considered and selected by FHCA to assess the fairness of the Purchase Consideration are as follows:-

Valuation Methodologies	Discussion
Relative Valuation Analysis (“RVA”)	RVA method seeks to compare a company's implied trading multiple to that of comparable companies to determine the firm's financial worth. Under the RVA methodology, reference will be made to the valuation statistics of companies listed on regional stock exchanges with principal activities that we consider broadly comparable to SilTerra to get an indication of the current market expectations with regards to the implied value of SilTerra.
Comparable Transaction Analysis (“CTA”)	CTA is a valuation method which seeks to compare against other recent comparable transactions undertaken by companies listed on regional stock exchanges that had entered into proposed acquisitions of similar assets. It also reflects a reasonable estimate of multiples or premiums that others have paid for similar companies in the past.

Notwithstanding the above, FHCA has also considered the following methodologies and have found that these methodologies are not suitable for the purpose of determining the fairness of Purchase Consideration, based on the following:-

Valuation Methodologies	Discussion
Revalued Net Assets Valuation (“RNAV”)	The RNAV method takes into consideration the changes in the stated values of a company's assets and liabilities to reflect its current fair market values. This method is generally used for companies which have a significantly large asset base or companies which may not have a reliable profit forecast.
	For the purpose of this Evaluation, we have considered but not adopted such method reason being that the land is leased and the plant and machinery are specialised for this industry.



CORPORATE FINANCE

Valuation Methodologies	Discussion
Discounted Free Cash Flow to Equity ("FCFE")	Discounted FCFE method is an investment appraisal technique which considers both the time value of money and the projected net cash flow generated, discounted at a specified discount rate to derive at the valuation of the subject matter. SilTerra are not able to accurately project its future cash flows in view that SilTerra's contracts are relatively short-term in nature with minimal recurring income. Its maintainable income is also unstable based on past performance. Further, as the Discounted FCFE Methodology is based on the future cash flows, it can be materially affected by economic and other circumstances and the actual results may vary considerably. Hence, FHCA has concluded that this methodology is not suitable as a basis to determine of the fairness of the Purchase Consideration.

RVA

RVA seeks to compare a company's implied trading multiple to that of comparable companies to determine the firm's financial worth. Under the RVA, reference was made to the valuation statistics of companies listed on regional exchanges with principal activities that we consider broadly comparable to SilTerra ("**Comparable Companies**") to get an indication of the current market expectation with regards to the implied value of the entire equity interest in SilTerra.

For the purposes of the RVA, FHCA had conducted a search for publicly listed comparable companies on Bursa Malaysia Securities Berhad ("**Bursa Securities**") that are principally involved in the manufacture and sale of semiconductor wafers.

Considering the search based on the criteria above had resulted in unsatisfactory findings, reference was made to the valuation statistic of publicly listed companies listed in Asia Pacific, with the market capitalisation of less than RM50.00 billion and found three (3) comparable companies that are listed on Taiwan Stock Exchange Corporation ("**TSEC**"), Stock Exchange of Hong Kong ("**SEHK**") and Korean Stock Exchange ("**KOSE**") respectively, where majority of its businesses are involved in the manufacturing and sale of semiconductor wafers and integrated circuit ("**IC**"). Based on the Comparable Companies' latest available financial results, we note that majority of the Comparable Companies' revenue were attributed from the manufacturing and sales of semiconductor and related products.

It is important to note that the Comparable Companies tabulated herein are by no means exhaustive and may differ from SilTerra in terms of, inter alia, composition of business activities, scale of operations, geographical location of operations, profit track record, financial profile, risk profile, future prospects, capital structure, marketability of their securities and other criteria.

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CORPORATE FINANCE

One should also note that any comparisons made with respect to the Comparable Companies are merely to provide an indication to the implied valuation of SilTerra and the selection of Comparable Companies and adjustments made are highly subjective and judgmental and the selected companies may not be entirely comparable due to various factors.

The Comparable Companies based on the above parameters that were selected are as follows:

Comparable Companies	Stock Exchange	Principal activities
DB Hitek Co. Ltd ("DB")	KOSE	DB operates as a system IC foundry company in South Korea. The company provides comprehensive foundry services; and designs and manufactures system ICs.
Vanguard International Semiconductor Corporation ("Vanguard")	TSEC	Vanguard provides specialty IC foundry services worldwide. It is involved in the manufacture, sale, packaging, testing, and computer-aided design of ICs and other semiconductor devices; and the manufacture of masks.
Hua Hong Semiconductor Limited ("Hua Hong")	SEHK	Hua Hong, an investment holding company, manufactures and sells semiconductor products. It primarily focuses on the research and manufacturing of semiconductors on 200mm wafers for specialty applications, including embedded non-volatile memory and power discrete.

The following valuation multiples were applied to arrive at the valuation statistics:

Valuation Multiple	General Description
Price to Book multiple ("PB Multiple")	PB Multiple is calculated by dividing a company's share price by its book value per share, which is defined as its total assets minus any liabilities, or NA of the company. For this instance, the adjusted NA of SilTerra is being used to get an indication of the fair market value by multiplying the PB Multiples of the Comparable Companies.

We have also considered the Price to Earnings ("PE") multiple and Enterprise Value ("EV") over the earnings/loss before interest, taxation, depreciation and amortisation ("EBITDA" or "LBITDA") multiple and has concluded that these valuation multiples are not suitable in assessing and opining at the fairness of the Purchase Consideration as SilTerra registered a net loss and LBITDA of approximately RM172.14 million and RM105.21 million respectively for the FYE 31 December 2019.

APPENDIX III – EXPERT'S REPORT ON THE FAIRNESS OF THE TOTAL PURCHASE CONSIDERATION (CONT'D)

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In addition, SilTerra also registered net loss for the FYEs 31 December 2018 and 2017 but EBITDA of RM54.27 million and RM16.93 million for the FYE 31 December 2018 and FYE 31 December 2017 respectively.

The table below sets out the valuation statistics of the Comparable Companies based on the closing market prices as at the Date of Opinion as extracted from S&P Capital IQ:-

Comparable Companies	Market Capitalisation (million)	Closing share price (million) (A)	Book value per share (as of 31 December 2020) (million) (B)	PB Multiple ^[1] (times) (A)/(B)
DB	₩2,382,737	₩55,000.00	₩18,143.13	3.03
Vanguard	NTD190,122	NTD116.00	NTD18.03	6.43
Hua Hong	HK\$64,226	HK\$49.40	HK\$15.13	3.27
			Median	3.27
			Mean	4.24
			Low	3.03
			High	6.43
			Implied PB Multiple	1.89 ^[2]

Notes: -

[1] The trading multiples of the Comparable Companies are perceived to be the value of a liquid minority stake as at the Date of Opinion. On the other hand, this Evaluation involves the valuation of the entire equity interest in a private company, hence it is perceived to be illiquid but having a control premium. As such, we are of the opinion that for the purpose of this Evaluation, when the effect (if any) of the immediate-term illiquidity of the shares is considered in totality with the premium accorded by control, a net zero adjustment would be appropriate to reflect the implied equity value of SilTerra.

[2]

		RM'000
Net liabilities of SilTerra as at 31 December 2019		(574,570)
Add: waiver of all amount due and owing by SilTerra to Khazanah		718,869#
Adjusted NA	A	<u>144,299</u>
Purchase Consideration	B	273,000
Implied PB Multiple	B/A	1.89

#Represents all amounts due and owing by SilTerra and its subsidiaries to Khazanah as at the date of SSPA ("Khazanah Loan"). For information purpose, the Khazanah Loan amounting to RM718.87 million shall be capitalised by the Khazanah prior to completion of the Proposed Acquisition, which shall take place as part of the conditions precedent to the SSPA.

Based on the above, the PB Multiple of the Comparable Companies ranges from 3.03 times to 6.43 times whilst the median and simple average are 3.27 times and 4.24 times respectively.



CORPORATE FINANCE

The implied PB Multiple of 1.89 times is lower than the median of 3.27 times, average of 4.24 times and the range of PB Multiple of the Comparable Companies from 3.03 times to 6.43 times.

We have also benchmarked the implied PB Multiple of SilTerra against all companies listed under the technology sector, semiconductors sub-sector of Bursa Securities as follows:-

Description		Range of PB Multiple (times)
Bursa Securities > Technology> semiconductor computed multiple	The companies listed as are follows: - Key ASIC Berhad - D&O Green Technologies Berhad - Inari Amertron Berhad - UWC Berhad - JHM Consolidation Berhad - Unisem (M) Berhad - Globetronics Technology Bhd - ViTrox Corporation Berhad - Malaysian Pacific Industries Berhad - Turiya Berhad - KESM Industries Berhad	0.62 – 26.45 (Median: 6.15) (Average:8.58)

(Source: S&P Capital IQ as at Date of Opinion)

The purpose of the broad-based multiples discussed above is to reflect the general market expectations for the semiconductor industry in Malaysia and also to act as a cross-check to the multiples of the Comparable Companies against industry expectations. We note that the implied PB Multiple 1.89 times computed above is lower than the median and average of the PB Multiple of 6.15 times and 8.58 times respectively and is within the range of the PB Multiple from 0.62 times to 26.45 times indicated above.

CTA

CTA is a valuation method whereby it seeks to compare and analyse the consideration paid for recent comparable transactions undertaken by companies that had entered into the acquisitions of semiconductor companies in Asia Pacific.

In selecting the comparable transactions, we had extracted a list of completed acquisitions of controlling stake in semiconductor companies in Asia Pacific for the past three (3) years from S&P Capital IQ.

APPENDIX III – EXPERT'S REPORT ON THE FAIRNESS OF THE TOTAL PURCHASE CONSIDERATION (CONT'D)

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Date of Announcement (MM-YY)	Acquirer	Target	Country of Target	Equity Stake Acquired	Implied equity value (million) (A)	Target's NA (million) (B)	PB Multiple (A)/(B)
April-18	Advanced Semiconductor Engineering Inc	Siliconware Precision Industries Co.,Ltd	Taiwan	67.0%	NTD159,557.69	NTD72,408.50	2.20
Sep-18	Alpha Holdings Inc	Adtech Co., Ltd	South Korea	100.0%	₩43,561.33	₩34,787.05	1.25
Jan-19	GTA Semiconductor Co., Ltd	Advanced Semiconductor Manufacturing Corporation Limited	China	100.0%	RMB2,040.52	RMB1,112.97	1.83
Jan-19	Aspirant Group SPC No. 5	FCM Co., Ltd	Japan	100.0%	JPN6,071.85	JPN4,547.00	1.34
May-19	Jiangsu Keli Semiconductor Co., Ltd	Suzhou Keyang Optoelectronics Technology Co., Ltd	China	66.0%	RMB273.41	RMB176.41	1.55
Aug-19	Macnica Chungju Co., Ltd	Answer Technology Co., Ltd	Taiwan	50.0%	NTD2,689.49	NTD1,492.56	1.80
April-20	Ingenic Semiconductor Co., Ltd	Beijing Xicheng Semiconductor Co., Ltd	China	60.0%	RMB7,200.02	RMB5,817.12	1.24
August-20	Shanghai Beijing Co., Ltd	Nanjing Micro One Electronic Inc	China	100.0%	RMB360.31	RMB100.43	3.59
Oct-20	Mi Technovation Berhad	Accurus Scientific Co., Ltd	Taiwan	99.0%	NTD1,878.16	NTD512.10	3.67
						Median	1.80
						Average	2.05
						Low	1.24
						High	3.67
						Implied PB Multiples	1.89

Based on the above analysis, the PB Multiple of recent transactions ranges from 1.24 times to 3.67 times whilst the median and simple average are 1.80 times and 2.05 times respectively.

The implied PB Multiple of 1.89 times is higher than the median of 1.80 times but lower than the average of 2.05 times and within the range of PB Multiples of the recent transactions from 1.24 times to 3.67 times.



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7.0 LIMITATION

It should be noted that the valuation in itself is highly dependent on Khazanah fulfilling the condition precedent as set out in the SSPA and the ability for SilTerra to realise its assets and fulfil its financial obligation. It should also be highlighted that the valuation may be materially or adversely affected should the actual results or events differ from any of the bases and assumptions upon which the relevant information were based as set out in Section 3 of this Letter.

One should also note that any comparisons made with respect to the Comparable Companies and the comparable transactions are merely to provide an implied valuation of SilTerra and the selection of the Comparable Companies, comparable transactions and adjustments made are highly subjective and judgmental and the selection of the comparable transactions may not be entirely comparable due to various factors.

Impact of the COVID-19 pandemic

The global economic growth has been affected by the outbreak of COVID-19 and its rapid spread across the globe. Inevitably, social and economic conditions across the globe have been and will be affected by the COVID-19 pandemic, particularly, if governments in various countries extend or implement additional orders/policies ("**Policies**") which further restrict business activities. Therefore, there could potentially be disruption to the business progress of SilTerra and progress are expected to be slower during this outbreak period amidst market uncertainty.

Given the evolving circumstances, the Management currently is unable to quantify nor determine the extent of the impact of the Policies and COVID-19 on the earnings and financial performance of SilTerra for the medium to long term and as such the impact has not been considered in the above evaluation.

8.0 OTHER CONSIDERATION

Further to the information disclosed in Section 6 of our Letter in relation to the CTA, Vanguard International Semiconductor Corporation has acquired Global Foundries Inc's ("**Glofo**") Fab 3E located at Tampines, Singapore for a consideration of US\$236 million that includes building, facilities, equipment as well as intellectual properties in relation to Glofo's microelectromechanical systems. Glofo at the material time, managed a monthly capacity of approximately 35,000 8-inch wafers. The said corporate exercise was completed on 31 December 2019.

Upon the completion of the Proposed Acquisition and provided that the conditions precedents are fulfilled by Khazanah which is set out in the SSPA, SilTerra will be in net asset position of RM144.30 million as opposed to a net liabilities position of RM574.57 million as at 31 December 2019.



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The Proposed Acquisition, upon completion will mark DNeX's entry into the semiconductor foundry business with an already established business and operation, coupled with a healthier financial position post completion. With the existing management team from SilTerra assisting DNeX in this new industry, it will be able to provide much needed insight and experience to make this entry smoother.

Further, upon completion of the Proposed Acquisition, both DNeX and Beijing Integrated Circuit Advanced Manufacturing and High-End Equipment Equity Investment Fund Center (Limited Partnership) ("CGP Fund") had undertaken in the SSPA to procure DNeX Semiconductor Sdn Bhd ("DNeX SPV") and Tethystronics Technologies Company Limited ("CGP Fund SPV") to commit to a capital injection of RM200.00 million (in aggregate) by way of subscribing for new ordinary shares to be allotted and issued by SilTerra to DNeX SPV and CGP Fund SPV (in proportion to their shareholdings in SilTerra) under a share subscription agreement ("Capital Injection"). The Capital Injection will be utilised by SilTerra within the next three (3) years to improve utilisation of its complementary metal oxide semiconductor core with process equipment upgrade, develop capabilities in manufacturing micro-electromechanical systems, gallium nitride and power metal-oxide-semiconductor field-effect transistor as well as working capital.

In addition to the above, the management of DNeX and CGP will also be looking to bring in new customers with its improved technology platform in order to optimise the utilisation of its factories, which in turn, is expected to drive performance and improve its earnings.

Although DNeX will be venturing into a business segment that is completely different from its current business segments where it has no prior experience in, the retainment of the existing key management of SilTerra whom have the relevant experience in the industry should be able to assist DNeX in its transition into the new industry, easing DNeX's entry into the semiconductor foundry business.

9.0 CONCLUSION

It should be recognised that the valuation of any entity is always subject to a great deal of uncertainty and involves a high degree of subjectivity and element of judgement. Because of the susceptibility of valuations to inputs of the model applied, valuations can change quite quickly in response to market changes or changes in the surrounding circumstances, including the market outlook (whether in general or relating to the industry itself).

In establishing the fairness of the Purchase Consideration in relation to the Proposed Acquisition, FHCA had considered various valuation methodologies, which are commonly used for valuation of companies, taking into consideration the assets held by SilTerra and its capability to generate future earnings, its sustainability as well as various business considerations/risk factors affecting its businesses.

FHCA had used the RVA and CTA as the valuation methodologies to access and opine on the fairness of the Purchase Consideration and has considered the following:-



CORPORATE FINANCE

- (i) Based on the RVA:-
- Implied PB Multiple of 1.89 times is lower than the median of 3.27 times, average of 4.24 times and the range of PB Multiple of Comparable Companies from 3.03 times to 6.43 times.
- (ii) Based on the CTA,
- Implied PB Multiple of 1.89 times is higher than the median of 1.80 times but lower than the average of 2.05 times and is within the range of PB Multiple of recent transactions from 1.24 times to 3.67 times.

Premised on the above, FHCA is of the opinion that the Purchase Consideration is FAIR

10.0 RESTRICTIONS

Save for the purpose stated herein, this Letter cannot be relied upon by any party other than DNeX. Accordingly, we are not responsible or liable for any form of losses however occasioned to any third party as a result of the circulation, publication, reproduction or use of, or reliance on this Letter, in whole or in part. We are not required to give testimony or to be in attendance in court with reference to the opinion herein provided.

Neither FHCA nor any of its members or employees undertakes responsibilities arising in any way whatsoever to any person in respect of this Letter, including any error or omission therein, however caused, as a result of the unauthorised circulation, publication, reproduction or use of this Letter, or any part hereof.

Should FHCA become aware of any significant change affecting the information contained in this Letter or have reasonable grounds to believe that any statement in this Letter is misleading or deceptive or have reasonable grounds to believe that there is material omission in this Letter, we will immediately notify the Board. If circumstances require, a supplementary Letter will be issued to the Board.

Yours faithfully
FHMH CORPORATE ADVISORY SDN BHD


NG WOON LIT
Director


DING SU-LYNN
Director

SILTERRA

Date: 31 MAY 2021

The Board of Directors of
Dagang NeXchange Berhad


Dear Sir/ Madam,

On behalf of the Board of SilTerra Malaysia Sdn Bhd ("SilTerra" or the "Company") ("Board"), I wish to report that after due inquiries in relation to the Company during the period between 31 December 2020, being the date to which the latest audited financial statements of the Company had been made up, and up to the date of this letter, being a date not earlier than 14 days before the date of the circular to the shareholders of Dagang NeXchange Berhad in relation to the Proposals (as defined therein), that:-

- i. in the opinion of our Board, the business of SilTerra has been satisfactorily maintained;
- ii. in the opinion of our Board, no circumstances have arisen since the latest audited financial statements of SilTerra which have adversely affected the trading or the value of the assets of SilTerra;
- iii. the current assets of SilTerra appear in the books at values which are believed to be realisable in the ordinary course of business;
- iv. there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by SilTerra;
- v. there has been no default or any known event that could give rise to a default situation in respect of payment of either interest and/ or principal sums in relation to any borrowings in SilTerra since the latest audited financial statements of SilTerra; and
- vi. there have been no material changes in the published reserves or any unusual factors affecting the profits of SilTerra since the latest audited financial statements of SilTerra.

Yours faithfully,

For and on behalf of the Board
SILTERRA MALAYSIA SDN BHD


FIRDAUS ABDULLAH
Chief Executive Officer/Executive Director

SILTERRA MALAYSIA SDN. BHD. 199501039745 (368948-D)
6 Floor, Unit 2, Menara IBM/KPMG, 8 First Avenue, Pesiaran Bandar Utama
47800 Petaling Jaya, Selangor
Tel : 603-77266610
Website : www.silterra.com

APPENDIX V – FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board, and the Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement in this Circular false or misleading.

The information on CGP and CGP Fund were extracted from publicly available documents and/ or information obtained from the directors and management of CGP and the responsibility of the Board is limited to ensuring that the information thereon are accurately reproduced in this Circular.

The information on the Vendor and SilTerra were extracted from publicly available documents and/ or information obtained from the Vendor, directors and management of SilTerra and the responsibility of the Board is limited to ensuring that the information thereon are accurately reproduced in this Circular.

2. CONSENT

UOBKH, being the Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

FHCA has given and has not subsequently withdrawn its written consent to the inclusion of its name, the expert's report on the fairness of the Total Purchase Consideration for the Proposed Consortium Acquisition, and all references thereto in the form and context in which they appear in this Circular.

Protégé Associates Sdn Bhd, being the independent market researcher for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name, extracts of the independent market research report and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTERESTS

UOBKH has given their written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Adviser to DNeX for the Proposals.

FHCA has given its written confirmation that as at the date of this Circular, there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the independent expert for the Proposed Acquisition.

Protégé Associates Sdn Bhd has given its written confirmation that as at the date of this Circular, there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the independent market researcher for the Proposals.

4. MATERIAL LITIGATION

As at the LPD, DNeX Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware and has no knowledge of any proceedings pending or threatened against DNeX Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of DNeX Group.

APPENDIX V – FURTHER INFORMATION (CONT'D)

5. MATERIAL COMMITMENTS

Save as disclosed below and as at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by DNeX Group that has not been provided for which, upon becoming enforceable, may have a material impact on the financial results/ position of DNeX Group:–

	RM'mil
Capital commitments in respect of purchase of property, plant & equipment	
– Authorised but not contracted for	28.50
	<u>28.50</u>

6. CONTINGENT LIABILITIES

Save as disclosed below and as at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by the DNeX Group which, upon becoming enforceable, may have a material impact on the financial results/ position of the DNeX Group:–

On 10 July 2018, Dagang Net Technologies Sdn Bhd ("**Dagang Net**"), a wholly-owned subsidiary of the Company received a notice of proposed decision ("**Proposed Decision**") from the Malaysia Competition Commission ("**MyCC**") pursuant to Section 36 of the Competition Act 2010 [Act 712] ("**Competition Act**"). The Proposed Decision by the MyCC is pursuant to the investigation on alleged infringement by Dagang Net of one of the prohibitions under Part 1 of the Competition Act. The MyCC issued the Proposed Decision under Section 36 of the Competition Act against Dagang Net for engaging in conduct which amounts to an abuse of its dominant position in breach of Section 10(1) read with Section 10(2)(c) and Section 10(3) of the Competition Act. In its Proposed Decision, the MyCC proposed to impose a financial penalty of RM17,397,695.30 and remedial action by Dagang Net.

The oral representations were heard before a panel appointed by the MyCC on 16 January 2019, 25 April 2019, and 29 July 2019.

On 26 February 2021, the MyCC imposed a financial penalty totalling RM10,302,475.98 against Dagang Net for the abuse of its dominant position by engaging in exclusive dealing, after considering its oral and written representations as well as the impact of the current economic situation and the presence of mitigation and aggravating factors ("**Decision**"). In the Decision, in addition to the imposition of financial penalty, the MyCC also directs Dagang Net to cease and desist, and to refrain in the future, from taking any measure having the same object or effect as to the previous exclusivity clause that may disrupt competition in the provision of trade facilitation services. The MYCC further directs that the directors and senior management executives of Dagang Net to enrol in competition law compliance program and training at their own expense within three months of the issuance of the Decision, and Dagang Net is required to submit monthly progress of the enrolment ("**Directive**").

The MyCC did not find any infringement in respect of the allegation on refusal to supply electronic mailboxes to end users of unauthorised software providers. In view of the foregoing, the MyCC had inter alia imposed the Decision. This is a reduction from the financial penalty imposed by the MyCC through its earlier Proposed Decision.

Dagang Net has instructed its solicitors to: (i) appeal against the Decision where the appeal will be heard before the Competition Appeal Tribunal ("**CAT**"); and (ii) file an appeal to stay the execution of the financial penalty imposed on Dagang Net and the Directive pending the disposal of the appeal. On 17 March 2021, Dagang Net has filed its notice of appeal at the CAT to appeal against the Decision and the appeal will be heard before the CAT.

On 17 March 2021, Dagang Net has also filed an application for a stay of execution of the Decision ("**Stay**") pending the disposal of Dagang Net's appeal at the CAT.

The hearing dates for the appeal and the Stay are yet to be fixed by the CAT.

APPENDIX V – FURTHER INFORMATION (CONT'D)

Dagang Net's solicitors are of the view that Dagang Net has a fair chance of success in overturning the Decision at the CAT. There have been instances where the CAT overturned decisions and/or the financial penalties imposed by the MyCC.

In the event Dagang Net is unsuccessful in its appeal, Dagang Net may apply for judicial review at the High Court of Malaya. If Dagang Net is ultimately unsuccessful in its appeal, Dagang Net may then have to pay the financial penalty or a reduced financial penalty of any sum downwards of RM10,302,475.98.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at Dagang Net Tower, Block 10 (A & B) Corporate Park, Star Central, Lingkaran Cyberpoint Timur, Cyber 12, 63000 Cyberjaya, Selangor, Malaysia during the normal business hours from Monday to Friday (except public holidays) from the date hereof up to the time stipulated for the holding of the EGM:–

- i. Constitution of DNeX and SilTerra, respectively;
- ii. Audited consolidated financial statements of DNeX for the past 2 financial years up to the FYE 31 December 2019 and the latest unaudited quarterly results for the 15-month FPE 31 March 2021;
- iii. Audited financial statements of SilTerra for the past 2 financial years up to FYE 31 December 2020;
- iv. Letters of consent and declaration of conflict of interests referred to in **Sections 2 and 3** above respectively;
- v. SSPA in respect of the Proposed Consortium Acquisition;
- vi. Independent market research report dated 31 May 2021 prepared by Protégé Associates Sdn Bhd;
- vii. Expert's report on fairness of the Total Purchase Consideration as set out in **Appendix III, Part A** of this Circular; and
- viii. Directors' report on SilTerra as referred to **Appendix IV, Part A** of this Circular.

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DAGANG NeXCHANGE BERHAD

Registration No.: 197001000738 (10039-P)
(Incorporated in Malaysia under the Companies Act 1965
and deemed registered under the Companies Act 2016)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("**EGM**") of Dagang NeXchange Berhad ("**DNeX**" or the "**Company**") will be conducted virtually at the broadcast venue at the Multipurpose Hall, Level 3A, Dagang Net Tower, Block 10 (A & B) Corporate Park, Star Central, Lingkaran Cyberpoint Timur, Cyber 12, 63000 Cyberjaya, Selangor, Malaysia on Wednesday, 23 June 2021 at 3.00 p.m., or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications the following resolutions:—

ORDINARY RESOLUTION 1

PROPOSED ACQUISITION OF 60% EQUITY INTEREST IN SILTERRA MALAYSIA SDN BHD ("SILTERRA") AS AT THE COMPLETION DATE OF THE SSPA (AS DEFINED HEREIN) BY DNeX FROM KHAZANAH NASIONAL BERHAD ("KHAZANAH") FOR THE PURCHASE CONSIDERATION OF RM163,800,000 TO BE SATISFIED ENTIRELY BY CASH ("PROPOSED ACQUISITION")

"**THAT**, subject to and conditional upon the approvals of the relevant authorities and/ or parties being obtained, and the fulfilment of all conditions precedent set out in the share sale and purchase agreement dated 31 March 2021 ("**SSPA**") entered into between DNeX and Beijing Integrated Circuit Advanced Manufacturing and High-End Equipment Equity Investment Fund Center (Limited Partnership) with Khazanah, approval be and is hereby given for DNeX to acquire 60% equity interest in SilTerra for the purchase consideration of RM163,800,000 to be satisfied entirely by cash, in accordance with the terms and conditions of the conditional SSPA;

AND THAT the Board of Directors of DNeX ("**Board**") be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the aforesaid Proposed Acquisition with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Acquisition."

ORDINARY RESOLUTION 2

PROPOSED DIVERSIFICATION OF THE EXISTING PRINCIPAL ACTIVITIES OF DNeX AND ITS SUBSIDIARIES ("DNeX GROUP" OR THE "GROUP") TO INCLUDE THE MANUFACTURE, SALE AND MARKETING OF SEMICONDUCTOR WAFERS, SEMICONDUCTOR-RELATED TOOLS AND ANY OTHER RELATED ACTIVITIES ("SEMICONDUCTOR BUSINESS") ("PROPOSED DIVERSIFICATION")

"**THAT**, subject to the approvals of the relevant authorities and/ or parties being obtained, approval be and is hereby given to DNeX Group to diversify into the Semiconductor Business as described in the circular to shareholders dated 8 June 2021;

AND THAT the Board be and is hereby authorised to take all steps as are necessary or expedient to implement or to give effect to the Proposed Diversification with full power to amend and/ or assent to any conditions, modifications, variations or amendments (if any) as may be imposed by the relevant governmental/ regulatory authorities from time to time and with full power to do all such acts and things thereafter in accordance with the Companies Act 2016, the provisions of DNeX's Constitution and the requirements of the Bursa Malaysia Securities Berhad and all other relevant governmental/ regulatory authorities."

ORDINARY RESOLUTION 3

PROPOSED PAYMENT OF DIRECTORS' FEES AND BENEFITS TO THE NON-EXECUTIVE DIRECTORS OF THE COMPANY AND ITS SUBSIDIARIES UP TO AN AGGREGATE AMOUNT OF RM1,000,000 FOR THE PERIOD FROM 1 JANUARY 2021 UNTIL THE NEXT ANNUAL GENERAL MEETING OF THE COMPANY

"**THAT**, the payment of Directors' fees and benefits to the Non-Executive Directors of the Company and its subsidiaries up to an aggregate amount of RM1,000,000 for the period from 1 January 2021 until the next Annual General Meeting of the Company, be and is hereby approved."

By Order of the Board

CHIN WAI YI (MAICSA 7069783) (SSM PC NO. 202008004409)
KEH CHING TYNG (MAICSA 7050134) (SSM PC NO. 202008002616)
Company Secretaries

Selangor
8 June 2021

Notes:--

1. A member of the Company entitled to attend, participate and vote at the EGM is entitled to appoint a proxy or proxies to attend, participate and vote on his/ her behalf.
2. Where a member appoints more than one proxy, the appointment shall be invalid unless he/ she specifies the proportions of shareholdings to be represented by each proxy.
3. The appointed proxy/ proxies must be at least 18 years of age.
4. Where a member is an authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds which is credited with ordinary shares of the Company. Where an authorised nominee appoints more than one proxy, the appointment shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
5. 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. Exempt authorised nominee is advised to list down the name of proxies and the particulars of their National Registration Identity Card number (both new and old) and attach it to the Form of Proxy.
6. The Form of Proxy must be completed in writing under the hand of the appointer or of his/ her attorney duly authorised in writing, or if the appointer is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised. Any alteration to the instrument appointing a proxy, must be initialed by the appointer.
7. The completed Form of Proxy must be deposited at the office of the Share Registrar, Mega Corporate Services Sdn Bhd at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia, or by email to EGM-support.DNeX@megacorp.com.my, not less than twenty-four (24) hours before the time appointed for the holding of the EGM.
8. This Form of Proxy, if submitted by a member, will not preclude that member from attending, participating and voting in person at the EGM should the member subsequently decide to do so.
9. For the purpose of determining whether a member is entitled to attend, participate and vote at the EGM, the Company shall be requesting the Record of Depositors as at 16 June 2021. Only depositors whose names appear in the Record of Depositors as at 16 June 2021 shall be entitled to attend, participate and vote at the EGM or appoint proxy/proxies on his/ her behalf.
10. Pursuant to paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, voting at the EGM will be conducted by poll.
11. The Government of Malaysia had on 28 May 2021 announced the implementation of a "total lockdown" starting from 1 June 2021 to 14 June 2021 ("FMCO") to curb the resurgence of COVID-19 cases in Malaysia. As a result of the implementation of the FMCO, the Securities Commission Malaysia had on 1 June 2021 revised its Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers, in which all general meetings shall be conducted fully virtual during FMCO and all meeting participants including the Chairperson of the meeting, board members, senior management and shareholders shall participate in the meeting via an online platform. Physical gatherings no matter how small are prohibited. An online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Companies Act 2016 if the online meeting platform is located in Malaysia.

In line with the above, the Board has decided that if the FMCO is further extended, the broadcast venue of the EGM will be changed to an online meeting platform to be provided by Cygnus Technology Solutions Sdn. Bhd. in Malaysia via their streaming platform and we will make the necessary announcement(s).

Explanatory Notes:-

1. Ordinary Resolution 3

The Company had, during its Fiftieth Annual General Meeting ("**50th AGM**") held on 29 June 2020, obtained shareholders' approval in relation to the Directors' fees and benefits payable to the Non-Executive Directors of the Company in respect of the financial year ending 31 December 2020.

Subsequent to the 50th AGM, the Company had on 15 February 2021 changed its financial year end from 31 December to 30 June, in order to facilitate better audit planning and allocation of resources as well as to avoid peak financial reporting period.

Since the Company had extended its Fifty First Annual General Meeting ("**51st AGM**") to be conducted no later than 31 December 2021, the Non-Executive Directors would not be able to receive any Directors' fees and benefits until the 51st AGM.

The rapid growth of the Company has resulted in greater responsibilities and risk for and time taken by our Non-Executive Directors to contribute their expertise to the Company. Ordinary Resolution 3 is proposed to seek the approval of our shareholders to allow the Company to pay the Directors' fees and benefits to the Non-Executive Directors of the Company and its subsidiaries, on a monthly basis and after each month of completed service by the Non-Executive Directors.

The proposed Ordinary Resolution 3, if passed, will give authority to the Company and its subsidiaries to pay Directors' fees and benefits to our Non-Executive Directors, on a monthly basis and after each month of completed service of our Non-Executive Directors. The benefits payable to the Non-Executive Directors comprise allowances and other emolument payable to the Chairman and members of the Board, Board of subsidiaries, Board Committees and such other committees as may be established by the Board.

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FORM OF PROXY



DAGANG NeXCHANGE BERHAD

Registration No.: 197001000738 (10039-P)
 (Incorporated in Malaysia under the Companies Act 1965
 and deemed registered under the Companies Act 2016)

No. of Shares Held	
CDS Account No.	
Telephone No.	

*I/We _____
 (Full name as per NRIC/Certificate of Incorporation in CAPITAL letters)

*Registration/Passport//NRIC no. (new) _____ (old) _____ of

 (Full Address)

 (Full Address)

with email address _____ mobile phone no. _____

being a member of **DAGANG NeXCHANGE BERHAD** hereby appoint:

Full Name (in CAPITAL letters):	NRIC/Passport No.:	Proportion of shareholdings to be represented by the proxy/proxies:	
		No. of Shares	%
Address:			
E-mail address:			
Mobile phone no.:			

*and/or

Full Name (in CAPITAL letters):	NRIC/Passport No.:	Proportion of shareholdings to be represented by the proxy/proxies:	
		No. of Shares	%
Address:			
E-mail address:			
Mobile phone no.:			

or failing him/ her, the Chairman of the Extraordinary General Meeting ("**EGM**") of the Company as my/our proxy to attend, participate and vote for my/our behalf at the EGM to be conducted virtually at the broadcast venue at the Multipurpose Hall, Level 3A, Dagang Net Tower, Block 10 (A & B) Corporate Park, Star Central, Lingkaran Cyberpoint Timur, Cyber 12, 63000 Cyberjaya, Selangor, Malaysia on Wednesday, 23 June 2021 at 3.00 p.m., or at any adjournment thereof.

My/our proxy/proxies is/are to vote as indicated below.

(Please indicate with an "X" in the appropriate boxes how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolutions, the proxy shall vote as he/she thinks fit, or at his/her discretion, abstain from voting.)

NO.	RESOLUTIONS	FOR	AGAINST
1.	PROPOSED ACQUISITION		
2.	PROPOSED DIVERSIFICATION		
3.	PROPOSED PAYMENT OF DIRECTORS' FEES AND BENEFITS TO THE NON-EXECUTIVE DIRECTORS OF THE COMPANY AND ITS SUBSIDIARIES UP TO AN AGGREGATE AMOUNT OF RM1,000,000 FOR THE PERIOD FROM 1 JANUARY 2021 UNTIL THE NEXT ANNUAL GENERAL MEETING OF THE COMPANY		

Dated this day of 2021.

.....
 Signature/ common seal of shareholder



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AFFIX
STAMP

MEGA CORPORATE SERVICES SDN BHD

Level 15–2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

2nd Fold Here

PERSONAL DATA PRIVACY :

By submitting an instrument appointing a proxy(ies) and / or representative(s) to participate and vote at the Company's EGM and/or any adjournment thereof, a member of the Company:–

- (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**").
- (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and
- (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Fold This Flap For Sealing