	Name of business/companies/partnership	Roles and responsibilities	Principal activities
	Arken Tech PLT	Partner and Compliance Officer	Provision of IT training. This company had ceased operation since January 2022.
Dato' Tan	Directorship / Ownership / Partnership as at LPD		
	Sanyee Corporation Sdn. Bhd.	Director	Investment holding.
	Sanyee Holdings Sdn. Bhd.	Director	Investment holdings.
	Petroleum Marketing Sdn. Bhd.	Director and Shareholder	Petroleum marketing.
	Mizzans MM	Director and Shareholder	Computer software, consultancy, networking, programming and training, importers, exporters in general merchandise and goods, investments or resale lands, houses and buildings.
	Past Directorship / Ownership / Partnership		
	Amdahl Systems (Malaysia) Sdn. Bhd.	Director and Shareholder	Based on the CCM search, this company had dissolved.
	Agensi Pekerjaan Sun Global Sdn. Bhd.	Director	Based on the CCM search, this company had dissolved.
	Iperintah Resources Sdn. Bhd.	Shareholder	Based on the CCM search, this company had dissolved.

	Name of business/companies/partnership	Roles and responsibilities	Principal activities
Mok Kar Foo	Directorship / Ownership / Partnership as at LPD		
	Sodentt Sdn. Bhd.	Director and Shareholder	Intelligence software solutions.
	Sodentt Bizworks Sdn. Bhd.	Director and Shareholder	Intelligence software solution and consulting services.
	Codereactor Sdn. Bhd.	Director and Indirect Shareholder	Specialised design activities, research and development on information communication technology.
	DKG Marketing Perkongsian Liabiliti Terhad	Partner and Compliance Officer	Renting of leisure and pleasure equipment as an intergral part of recreational facilities and retail sale of other food products.
	3Logic Technologies Sdn. Bhd.	Indirect Shareholder	Computer consultancy, other information technology service activities, computer programming activities.
	Adxplace (M) Sdn. Bhd.	Director and Shareholder	Online marketing and advertising, general merchants and investment holding.
	Past Directorship		
	Pudox Sdn. Bhd.	Director	Courier activities other than national post activities, provision of mailbox rental and other postal and mailing services.
Ng Yew Soon	Past Directorship / Ownership / Partnership		
	Johan Heights Sdn. Bhd.	Director	Based on the CCM search, this company had dissolved.
	The Orient Star Hotels & Resorts Sdn. Bhd.	Director and Shareholder	Based on the CCM search, this company had dissolved.

	Name of business/companies/partnership	Roles and responsibilities	Principal activities
	Johan Hotels & Resorts Sdn. Bhd.	Director and Shareholder	Based on the CCM search, this company had dissolved.
	Affinity Square Sdn. Bhd.	Director	Based on the CCM search, this company had dissolved.
	Oil & Mineral Services Sdn. Bhd.	Director	Based on the CCM search, this company had dissolved.
Tey Giap Turn	Directorship / Ownership / Partnership as at LPD		
	Tey Global Group Sdn. Bhd.	Director and Shareholder	To carry business as manufacture of veneer sheets and plywood, mining of other non-ferrous metal ores, planting, replanting, transplanting, thinning, and conserving of forests and timber tracts, retail sale of clothing, footware, handcrafts, collectibles and clothing accessories.
	The Shoe Postal Sdn. Bhd.	Director and Indirect Shareholder	Retail sale of articles of clothing, articles of fur and clothing accessories, other retail sale of new goods in specialised stores and retail sale of footwear.
	Metatey Sdn. Bhd.	Director and Indirect Shareholder	Activities of holding companies and other business support services activities.
	V2 Car Accessories Sdn. Bhd.	Shareholder	Wholesale and retail sale of all kinds of parts, components, supplies, tools and accessories for motor vehicles, maintenance and repair of motor vehicles, other business support service activities.

Name of business/companies/partnership	Roles and responsibilities	Principal activities
TGC21 Capital Sdn. Bhd.	Indirect Shareholder (Resigned as Director of the company on 28 December 2020 but remain as a shareholder of this company)	To carry on business as business management consultancy services.
Euromarvel Sdn Bhd	Indirect Shareholder	Property investment
Pearlite Fine Dining Sdn Bhd	Indirect Shareholder	Other business support service activities, export and import of other food stuff and restaurant.
Kaizocool Foods & Marketing (M) Sdn. Bhd.	Indirect Shareholder	Wholesale of other foodstuffs.
Oyu Foods Sdn Bhd	Indirect Shareholder	Wholesale of other foodstuffs.
Ntpodes Food Holdings Sdn. Bhd.	Indirect Shareholder	Manufacture of grain mill products and wholesale of other foodstuffs.
Bii Bii Trading Sdn Bhd	Indirect Shareholder	To carry on business as wholesale of other foodstuffs and convenience store.
ETJX Holding Sdn. Bhd.	Director and Indirect Shareholder	Activities of holding companies. For information, the company does not have any subsidiary nor associated company as at LPD.
Yogoo Food Marketing Sdn. Bhd.	Director and Indirect Shareholder	Cafeterias/ canteens.

Name of business/companies/partnership	Roles and responsibilities	Principal activities
Starbro Sdn. Bhd.	Director and Indirect Shareholder	Restaurants, retail sale of other food products and other business support service activities.
The Artz Gallery By White Store Sdn. Bhd.	Indirect Shareholder	Retail sale of games and toys, made of all materials, retail sale of souvenirs, craftwork and religious articles, wholesale of a variety of goods without any particular specialization.
White Store 3 L (M) Sdn. Bhd.	Indirect Shareholder	Other retail sale in non-specialized stores, import and wholesale of clothing.
MLT Agriculture Sdn. Bhd.	Indirect Shareholder	Agricultural activities for crops production on a fee or contract basis, planting, replanting, transplanting, thinning and conserving of forests and timber tracts.
<u>Past Directorship / Ownership</u>		
Daiwan Wolf Trading Sdn. Bhd.	Director and Indirect Shareholder	Food stalls/hawkers.

	Name of business/companies/partnership	Roles and responsibilities	Principal activities
Key senior management			
Mr Low	Directorship / Ownership / Partnership as at LPD		
	Hola Media	Director and Shareholder	Designing and producing computer software, servicing information and communication technology equipment and other related product or services.
	Kraftangan Sinhin PLT	Partner and Compliance Officer	Wholesale of handcrafts and artificial flowers, retail sale of any kind of product over the internet, export and import of a variety of goods without particular specialisation.
	Precious Effect Fashion	Partner	Distribute, supply and sale of children and adult clothing and goods.

Notwithstanding the involvement of the respective Directors of the Company in other businesses and/or corporations as set out above, the respective Directors are of the opinion that their involvement will not give rise to any conflict of interest situation (basis of which are set out in Section 19 of this Circular) and their involvement in the other businesses and/or corporations will not affect their ability to perform their roles and responsibilities in the Group.

Notwithstanding the involvement of Mr Low in other businesses and/or corporations as set out above, Mr Low is of the opinion that his involvement will not give rise to any conflict of interest situation and his involvement in the other businesses and/or corporations will not affect his ability to perform his roles and responsibilities in the Group, as he is not involved in the day-to-day operations and management of the said companies. These companies are operated and managed on a day-to-day basis by the other shareholders/directors/partners of the respective companies.

18. RELATED PARTY TRANSACTIONS

On 1 July 2022, Aresys Ind (whereby Mr Pang is a Director and major shareholder) had sub-contracted its remaining subsisting MES solutions orders (comprising 2 orders) to the Group with an aggregate contract value of RM0.5 million. This arrangement was made in accordance with Mr Pang's undertaking letter dated 22 September 2022 (which superseded his undertaking letter dated 1 July 2022) whereby Mr Pang had undertaken not to carry on the trade and business in relation to MES and/or IoT related products and/or services which is in competition with the Group. For avoidance of doubt, such sub-contract arrangement will not apply for all future MES and/or IoT orders/contracts as these future orders/contracts will be undertaken directly by the Group. For information, the 2 orders sub-contracted by Aresys Ind had been completed in December 2022.

Save for the above, there is no other related party transaction and recurrent related party transaction, existing or proposed, entered or to be entered into by the Group which involve the interests, direct or indirect, of the Group's Directors, major shareholders and/or persons connected with them for the FYE 30 June 2017, FYE 30 June 2018, 18-month FPE 31 December 2019, FYE 31 December 2020, FYE 31 December 2021 and FYE 31 December 2022.

For information, the table below sets out the advances made from Directors of the Company to the Group for the FYE 30 June 2017, FYE 30 June 2018, 18-month FPE 31 December 2019, FYE 31 December 2020, FYE 31 December 2021 and FYE 31 December 2022:-

	Audited					
	FYE 30 June 2017	**FYE 30 June 2018**	**18-month FPE 31 December 2019**	**FYE 31 December 2020**	**FYE 31 December 2021**	**FYE 31 December 2022**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Advances from Directors of the Company						
- Mr Pang	-	-	-	-	412	-
- Dato' Tan	-	-	-	-	762	-
- Tan Ee Ern	-	-	-	-	*	-

Note:-

* Less than RM1,000.

19. CONFLICT OF INTERESTS

Save as disclosed below, none of the Group's existing directors and substantial shareholders have any interest which is in conflict with the Group and/or in any business or corporation which are carrying on a similar trade as the Group or which are the customers or suppliers of the Group:

(i) Mr Pang

Company	Principal activities	Nature of interest
Aresys Ind [(a)]	Engineering services	Mr Pang is the Executive Director and 1.58% shareholder of FSBM as at LPD. He will become the substantial shareholder upon the completion of the Proposed Shares Issuance. Mr Pang is also the sole Director and sole shareholder of Aresys Ind.

(ii) Mok Kar Foo

Company	Principal activities	Nature of interest
Adxplace (M) Sdn Bhd [(b)]	Online marketing and advertising, general merchants and investment holdings	Mok Kar Foo is the Non-Independent Non-Executive Director of FSBM. Mok Kar Foo is also the Director and 12.9% shareholder of Adxplace (M) Sdn Bhd.
Sodentt Sdn Bhd [(b)]	Intelligence software solutions	Mok Kar Foo is the Non-Independent Non-Executive Director of FSBM. Mok Kar Foo is also the Director and 32.5% shareholder of Sodentt Sdn Bhd.

Company	Principal activities	Nature of interest
Sodentt Bizworks Sdn. Bhd. [(b)]	Intelligence software solution and consulting services	Mok Kar Foo is the Non-Independent Non-Executive Director of FSBM. Mok Kar Foo is also the Director and 43.4% shareholder of Sodentt Bizworks Sdn Bhd.
3Logic Technologies Sdn. Bhd. [(b)]	Computer consultancy, other information technology service activities, computer programming activities	Mok Kar Foo is the Non-Independent Non-Executive Director of FSBM. As at LPD, Sodentt Sdn Bhd holds 30% equity interest in 3Logic Technologies Sdn. Bhd. Mok Kar Foo is an indirect shareholder of 3Logic Technologies Sdn. Bhd. by virtue of his interest in Sodentt Sdn Bhd.
CodeReactor Sdn Bhd [(b)]	Specialised design activities, research and development on information communication technology.	Mok Kar Foo is the Non-Independent Non-Executive Director of FSBM. As at LPD, Sodentt Bizworks Sdn Bhd holds 40% equity interest in CodeReactor Sdn Bhd. Mok Kar Foo is the Director and an indirect shareholder of CodeReactor Sdn Bhd by virtue of his interest in Sodentt Bizworks Sdn Bhd.

(iii) Dato' Tan

Company	Principal activities	Nature of interest
Mizzans MM[(c)]	Computer software, consultancy, networking, programming and training, importers, exporters in general merchandise and goods, investments or resale lands, houses and buildings.	Dato' Tan is the Non-Independent Non-Executive Director of FSBM. As at LPD, Dato' Tan is also the Director and 5.0% shareholder of Mizzans MM.

The above conflict of interest situations are mitigated based on the following reasons:-

(a) Aresys Ind is an engineering services provider specialised in providing industry 4.0 transformation, IoT system integration and smart factory solutions. Nevertheless, Aresys Ind had vide its undertaking letter dated 22 September 2022, undertaken not to carry on the trade or business in relation to MES and/or IoT related products and/or services which is in competition with the Group.

The Group intends to capitalise on the experience of Mr Pang to venture into the provision of similar services to the manufacturing industry as well as households, as set out in Section 6.3 of this Circular. Since 1 July 2022, being the date Aresys Ind sub-contracted its remaining subsisting MES solutions orders to the Group (as set out in Section 18 of Appendix I(C), Aresys Ind had ceased its trade or business in relation to MES and/or IoT related products and/or services, and is only operating to fulfil its remaining contracts relating to sales of consumable tools for integrated circuit chip production and implementation of vision inspection system and automation machinery for rubber glove production. As at LPD, the operations of Aresys Ind are being managed by Yong Yon Fui, the Project Management Consultant of Aresys Ind, who is responsible for overseeing the remaining contracts as aforementioned.

Nonetheless, Mr Pang had vide his undertaking letter dated 22 September 2022 (which superseded his letter of undertaking dated 1 July 2022), undertaken in his personal capacity, in his capacity as director and shareholder of Aresys Ind, and in his capacity as Executive Director and shareholder of FSBM, that he will not and will procure Aresys Ind not to carry on the trade or business in relation to MES and/or IoT related products and/or services which is in competition with the Group. For information, Aresys Ind had on 1 July 2022 sub-contracted its remaining subsisting MES solutions orders (comprising 2 orders) to the Group (which had been completed in December 2022). For avoidance of doubt, such sub-contract arrangement will not apply for all future MES and/or IoT orders/contracts as these future orders/contracts will be undertaken directly by the Group.

(b) Mok Kar Foo is not involved in the management and day-to-day operations of the Group. His involvement in the Group is limited to the extent of serving and discharging his principal role and duty as non-executive director as well as providing advice from governance and industrial experience perspectives.

(c) Dato' Tan is not involved in the management and day-to-day operations of the Group. His involvement in the Group is limited to the extent of serving and discharging his principal role and duty as non-executive director as well as providing advice from governance and industrial experience perspectives.

20. RISK MANAGEMENT AND INTERNAL CONTROL REVIEW RESULTS

As part of the Proposed Regularisation Plan, FSBM had appointed Vaersa Advisory Sdn Bhd to conduct review on its risk management and internal control system. Please refer to Appendix VI for the said report.

Based on the review work performed, Vaersa Advisory Sdn Bhd is of the opinion that the Group:-

(a) has put in place adequate policies (for major accounting related business processes), procedures and controls to comply with the Listing Requirements; and

(b) has adequate internal controls and risk management systems.

The key senior management will continue to improve the internal control systems and risk management framework on an ongoing basis.

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The salient terms below are reflected throughout all the Subscription Agreements.

(i) Subscription Price

Subject to the terms and conditions of the Subscription Agreement, the Company agrees to issue to Subscribers and the Subscribers agrees to subscribe for a total of 60,000,000 Subscription Shares at the subscription price of RM0.08 per Subscription Share as follows:-

Subscriber	Number of Subscription Shares	Total sum subscribed
(a) Tan Sri Syed Zainal	30,000,000	RM2,400,000.00
(b) Mr Pang	16,000,000	RM1,280,000.00
(c) Mr Low	14,000,000	RM1,120,000.00
	60,000,000	**RM4,800,000.00**

(ii) Conditions precedent

The allotment and issuance of the Subscription Shares is subject to the following conditions being fulfilled:-

(a) the Company obtaining the approval of its shareholders for the issue and allotment of the Subscription Shares in accordance with the terms and conditions contained in the Subscription Agreement;

(b) the Company obtaining the approval-in-principle of Bursa Securities for the listing and quotation of the Subscription Shares on the Main Market of Bursa Securities; and

(c) the completion of the capital reduction exercise to be carried out by the Company pursuant to Section 116 of the Act to reduce the share capital of the Company.

The Conditions Precedent shall be satisfied on or before 14 October 2023 ("**Cut-Off Date**"). Thereafter, the parties may (before or on expiry of the Cut-Off Date) have an extension(s) of time as may be agreed between the parties to comply with the Conditions Precedent. If the Conditions Precedent has not been fulfilled on the expiry of the Cut-Off Date or such extension of time agreed between the parties, then the Subscription Agreement shall lapse and cease to have any further force or effect and none of the parties shall have any further rights against the other(s).

The Subscription Agreement shall become unconditional on the date of which the last of the Conditions Precedent is fulfilled or obtained ("**Unconditional Date**").

(iii) Completion and Payment

Within 5 business days of the Unconditional Date, the Subscriber shall:-

(a) Deposit with the Malacca Securities as the placement agent ("**Placement Agent**") the total Subscription Price ("**Payment Date**") by way of telegraphic transfer to a bank account nominated by the Placement Agent and notified to the parties at least 5 business days prior to the Payment Date; and

(b) Notify the Company in writing of the details of Subscriber's stockbrokers and the particulars of the securities account into which the Subscription Shares are to be credited.

Upon the Placement Agent receiving the total Subscription Price and within 5 business days from the Payment Date:

(a) the Placement Agent shall confirm to the Company of such receipt;

(b) the Company shall allot and issue the Subscription Shares to the Subscriber;

(c) the Company shall deliver or caused to be delivered to Bursa Depository the share certificates for the Subscription Shares registered in the name of Bursa Depository;

(d) the Company shall instruct and procure Bursa Depository to credit the securities account of the Subscriber with the Subscription Shares; and

(e) the Company shall procure the listing of the Subscription Shares on the Main Market of Bursa Securities.

Completion of the subscription of the Subscription Shares for the Subscription Price will take place on the listing date of the Subscription Shares on the Main Market of Bursa Securities ("**Completion**"). On Completion, the Placement Agent shall be authorised by the parties release the Subscription Price to the Company.

(iv) Default

In the event that the Subscriber shall for any reason fail or refuse to complete the subscription of the Subscription Shares under the terms of the Subscription Agreement or Subscriber fails to comply with all the obligations or stipulations contained or defaults in the Subscription Agreement and does not remedy the same to the satisfaction of the Company within 14 days from the date of receipt of written notice by the Company or such breach is not waived by the Company at its absolute discretion, the Company shall be entitled to, without prejudice to its other rights and remedies including its right to sue for specific performance of the Subscription Agreement or to terminate the Subscription Agreement and recover all amounts actually paid and expanded pursuant to or arising from the Subscription Agreement.

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The salient terms of the Warrants are as follows:-

Terms		Details
Issue size	:	Up to 118,329,650 Warrants.
Tenure	:	5 years
Form	:	The Warrants will be constituted by the Deed Poll to be executed by FSBM.
Detachability	:	The Warrants are immediately detachable upon allotment and issue of the Rights Shares. The Warrants will be traded separately.
Exercise Price	:	RM0.05, being the amount payable for every new FSBM Share to be subscribed pursuant to an exercise of a Rights Warrant. The Exercise Price and the number of outstanding Warrants shall however be subject to the adjustments in accordance with the terms and provisions of the Deed Poll during the Exercise Period.
Exercise Period	:	The period commencing on and including the date of issuance of the Warrants and ending at the close of business at 5.00 p.m. in Kuala Lumpur, on the date preceding the 5th anniversary of the date of issuance, or if such is not a day on which the stock market of Bursa Securities is open for trading of securities ("**Market Day**"), then it shall be the Market Day immediately preceding the said non-Market Day ("**Exercise Period**").
Exercise Rights	:	The rights conferred on a Warrant holder to subscribe for 1 new FSBM Share for each Warrant at any time during the Exercise Period and at the Exercise Price subject to the Deed Poll.
Board Lot	:	The Warrants are tradeable upon listing in board lots of 100 units carrying rights to subscribe for 100 new FSBM Shares at any time during the Exercise Period or such other number of units as may be prescribed by Bursa Securities.
Ranking of Warrants	:	The Warrants shall as between the Warrant holders rank *pari passu* and rateably in all aspects amongst themselves.
Ranking of new FSBM Shares to be issued pursuant to exercise of Warrants	:	The new FSBM Shares to be issued arising from the exercise of the Warrants shall, upon allotment and issuance, rank equally in all respects with the existing FSBM Shares, save and except that the new FSBM Shares to be issued arising from the exercise of the Warrants shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of such new FSBM Shares.

Terms		Details
Rights of the Warrant holders	:	The Warrants do not confer on their holders any voting rights or any right to participate in any form of distribution and/or offer of further securities in the Company until and unless such holders of Warrants exercise their Warrants for new Shares in accordance with the provisions of the Deed Poll and such new Shares have been allotted and issued to such holders.
Rights of the Warrant holders in the event of winding up, liquidation, compromise and/or arrangement	:	Where a resolution has been passed for a members' voluntary winding-up of the Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with 1 or more companies, then:- (i) for the purposes of such winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the holders of the Warrants (or some other persons designated by them for such purpose by special resolution) shall be a party, the terms of such winding-up, compromise or arrangement shall be binding on all the holders of the Warrants; and (ii) in any other cases, every Warrant holder shall be entitled to exercise his/her Warrants at any time within 6 weeks after the passing of such resolution for a members' voluntary winding up of the Company or within 6 weeks after the granting of the court order approving the winding-up, compromise or arrangement, whereupon the Company shall allot the relevant new Shares to the Warrant holder credited as fully paid subject to the prevailing laws, and such Warrant holder shall be entitled to receive out of the assets of the Company which would be available in liquidation if he/she had on such date been the holder of the new Shares to which he/she would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly. Upon the expiry of the above 6 weeks, all subscription rights of the Warrants shall lapse and cease to be valid for any purpose.
Adjustments to the Exercise Price and/or the number of Warrants	:	Subject to the provisions of the Deed Poll, the Exercise Price and/or the number of unexercised Warrants in issue may be subject to adjustments by the Board in consultation with an approved adviser appointed by the Company or the auditors in the event of any alteration in the share capital of the Company at any time during the tenure of the Warrants, whether by way of, amongst others, rights issue, bonus issue, consolidation of shares, subdivision of shares or reduction of capital, in accordance with the provisions of the Deed Poll. Any adjustment to the exercise price and/or number of Warrants must be done in full compliance with Paragraph 6.54(3)(b) of the Listing Requirements, which states that a deed poll or trust deed must not include any provision for changes to the number of shares received for the exercise or conversion of each convertible security or changes to the pricing mechanism for the exercise or conversion price of the convertible security, except where these changes are adjustments following capitalisation issues, rights issue, bonus issue, consolidation or subdivision of shares or capital reduction exercises.

Terms		Details
Modification	:	The Company may, from time to time, subject to the terms and conditions of the Deed Poll, without the consent or sanction of the warrant holders, modify, amend or add to the Deed Poll, if such modification, amendment or addition made does not materially prejudice the interests of the Warrant holders or is made to correct a manifest error or to comply with the prevailing laws of Malaysia.
Listing	:	The Warrants and new FSBM Shares to be issued from the exercise of the Warrants will be listed on the Main Market of Bursa Securities. Approval will be obtained from Bursa Securities for the admission of Warrants to the Official List of Bursa Securities and for the listing of and quotation for the Warrants and new FSBM Shares to be issued from the exercise of the Warrants on the Main Market of Bursa Securities.
Governing Law	:	Laws of Malaysia

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APPENDIX IV – SUMMARY OF AUDIT MATTERS HIGHLIGHTED BY THE EXTERNAL AUDITORS

A summary on the audit matters highlighted by the External Auditors and the status of each matter is detailed below.

AUDITED FINANCIAL STATEMENTS FOR THE FYE 30 JUNE 2018

Moore Stephens Associates PLT were appointed as the external auditors by FSBM on 21 October 2019 upon the resignation of the predecessor auditors on 13 September 2019. The External Auditors were engaged to the audit of the financial statements of FSBM (both Group and Company levels) as at 30 June 2018.

The External Auditors do not express an opinion on the accompanying financial statements of the Group and of the Company due to the significance of the matters described below and they had not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements:

(i) Opening balances

During the course of audit, the Group's and the Company's management represented they did not have sufficient time to locate the very old historical records to provide the External Auditors with the requisite documentation and information. Consequently, the External Auditors were unable to perform the opening balances verification of the Group and of the Company to comply with the requirements of ISA 510 Initial Audit Engagements – Opening Balances which had resulted in the inability to obtain sufficient appropriate audit evidence of the following account balances, transactions and related disclosures as at 1 July 2017 with reference made to the related notes to the financial statements:

Account balances, transactions and disclosures	**External Auditors' opinions**
Investment in subsidiaries	The External Auditors were unable to verify the recoverable amount of the investment in subsidiaries of the Company with the carrying value of RM4,157,000.
Other investment	The External Auditors were unable to verify the other investment of the Group and of the Company, save for certain investments with aggregate cost of RM59,000 and carrying value of RM59,000.

Account balances, transactions and disclosures	External Auditors' opinions
Trade receivables	<u>Group</u> The gross trade receivables of the Group comprise amounts due from TSB of RM31,362,000 with the remaining gross trade receivables balance amounting to RM4,479,000. The matters with regards to TSB are further described under (iii) – Amounts due from TSB in this Section. With respect to the remaining trade receivables, the External Auditors were unable to verify the said gross balance of RM4,479,000. <u>Company</u> The gross trade receivables of the Company comprise amounts due from TSB of RM7,913,000 with the remaining gross trade receivables balance amounting to RM1,902,000. The matters with regards to TSB are further described under (iii) – Amounts due from TSB in this Section. With respect to the remaining trade receivables, the External Auditors were unable to verify the said gross balance of RM1,902,000.
Other receivables	<u>Group</u> The gross other receivables of the Group comprise amounts due from TSB of RM2,377,000, amount due from a business consultant of RM3,244,000 with the remaining other receivables amounting to RM4,079,000. The matters with regards to TSB are further described under (iii) – Amounts due from TSB in this Section, whereas the matters with regards to the business consultant are further described under (iv) – Recoverability of other receivables in this Section. With respect to the remaining other receivables, the External Auditors were unable to verify the said gross balance of RM4,079,000.

Account balances, transactions and disclosures	External Auditors' opinions
	<u>Company</u> The gross other receivables of the Company comprise amounts due from TSB of RM862,000, remaining external other receivables of RM3,912,000 and amounts due from subsidiaries amounting to RM39,132,000. The matters with regards to TSB are further described under Item (iii) – Amounts due from TSB in this Section. We were unable to verify the gross balances of remaining external receivables and amount due from subsidiaries amounting to RM3,912,000 and RM39,132,000 respectively.
Non-controlling interests	The External Auditors unable to verify the carrying value of the non-controlling interests recorded in the consolidated statement of financial position.
Trade payables	The External Auditors were unable to verify the carrying amounts of the trade payables of the Group and of the Company amounting to RM680,000 and RM190,000 respectively.
Other payables	<u>Group</u> The External Auditors were unable to verify the carrying amounts of the other payables of RM4,723,000. <u>Company</u> The External Auditors unable to verify the external other payables and the amount due to subsidiaries amounting to RM3,017,000 and RM7,741,000 respectively.
Accumulated losses / Statement of Comprehensive Income	Due to the significance of the abovementioned matters, the External Auditors were unable to verify the profit or loss items in relation to these matters were consequently, we are unable to verify the values attributed to the accumulated losses account in the Statements of Financial Position of the Group and of the Company.

(ii) Current year for the FYE 30 June 2018

<u>External Auditors' opinions:</u>

Due to the significance of the matters noted under the opening balances (as stated in (i) above), and that management was unable to provide the External Auditors the requisite documentation and information, the External Auditors were unable to obtain sufficient appropriate audit evidence on the carrying amounts of the items specified above under the opening balances of the Group and of the Company and on the disclosures that are related and/or include these items, in respect of financial statements of the Group and of the Company as at 30 June 2018, save for RM745,000 of the Group's gross trade receivables which is in respect of the Group's current year revenue and has been subsequently received.

(iii) Amounts due from TSB

<u>External Auditors' opinions:</u>

- Unreconciled differences

  The management has represented that the gross amount due from TSB are fully represented in the debt recovery legal proceedings, that the court has awarded a sum of RM32,409,435 to the Group and RM8,563,213 to the Company. However, the management were unable to reconcile the differences noted together with the relevant supporting documentation, resulting in the inability for the External Auditors to obtain sufficient appropriate audit evidence on gross balances of the Group and of the Company.

- Recoverability of amounts due from TSB

  These amounts are under debt recovery legal proceedings. However, as at the date of the External Auditors' report dated 30 December 2019, the outcome of the various debt recovery proceedings cannot be ascertained. Accordingly, and in addition to the matters noted in the opening balances (as stated in (i) above) and current year (as stated in (ii) above), the External Auditors were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the amounts due from TSB.

(iv) Recoverability of other receivables

<u>External Auditors' opinions:</u>

Included in other receivables of the Group is an amount due from a business consultant amounting to RM3,244,000 as at 30 June 2018 and 30 June 2017 of which the External Auditors were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the mentioned amount.

(v) Liabilities, contingent liabilities and commitments

External Auditors' opinions:

Due to the inability of the management to provide the External Auditors the requisite documentation and information on the financial statements of the Group and on the Company, the External Auditors were unable to obtain sufficient appropriate audit evidence and explanations as to whether the liabilities, contingent liabilities and commitments (if any) by the Group and the Company were properly recorded and accounted for and in compliance with the requirements of applicable MFRSs including MFRS 137 Provisions, Contingent Liabilities and Contingent Assets and MFRS 139 Financial Instruments: Recognition and Measurement. There were no alternative audit procedures that the External Auditors could perform to satisfy themselves as to whether the liabilities, contingent liabilities and commitments (if any) were free from material misstatements. Any adjustment that would be required may have a consequential significant effect on the financial position of the Group and of the Company as at 30 June 2017 and 30 June 2018 and the loss attributable to the owners for the year then ended and the related disclosures thereof in the

Steps taken by FSBM:

The Group has completed the annual audit to ascertain the veracity of its assets and liabilities. The Group's external auditors have expressed a disclaimer of opinion on the opening balance for the Group's audited financial statements for the FYE 31 December 2021. Save for the opening balance, the closing balance as at 31 December 2021 has been verified.

For information, the Group had carried an audit for the FYE 31 December 2021 to ascertain its accounts' closing balances. Following the audit, certain assets had been written off and/or written down to its recoverable amounts and certain liabilities have been stated based on the liabilities established vide the confirmation exercise conducted, and with provisions and accruals estimated based on the probability of outflow of resources required to settle these obligations. These adjustments have been taken as current year adjustments in the statement of comprehensive income for the FYE 31 December 2021.

Since the opening balances enter into the determination of the financial performance and cash flows, the external auditors were unable to obtain sufficient appropriate audit evidence as to whether the adjustments made are appropriate in respect of the loss for the financial year reported in the statements of comprehensive income and the net cash flows from operating activities reported in the statements of cash flows. The adjustments made may or may not be in relation to the FYE 31 December 2021 or prior financial years.

The External Auditors did not issue a qualified opinion on the opening balances in FYE 31 December 2022.

(vi) Going concern

External Auditors' opinions:

The financial statements for the FYE 30 June 2018 had been prepared on the assumption that the Group and the Company will continue to operate as going concerns, notwithstanding that the Group and the Company incurred a net loss of RM669,000 and RM4,660,000 respectively during the year ended 30 June 2018 and, as of that date, the Company's current liabilities exceeded its current assets by RM8,231,000 and the Company has a deficit in shareholders' equity of RM8,172,000.

On 17 October 2019, the Board announced that the Company has triggered Paragraph 8.03A(2) of the Listing Requirements whereby the Group and the Company has an insignificant business or operations and accordingly, the Group and the Company is now classified as an affected listed issuer.

As at the date of the External Auditor's report dated 30 December 2019, the Group and the Company is presently looking into formulating a regularisation plan to address its affected listed issuer status in compliance with Paragraph 4.1(c) of Practice Note 17.

The ability of the Group and of the Company to continue as going concerns is dependent on the formalisation and successful implementation of the regularisation plan of the Company to restore its financial position and to achieve sustainable and viable operations.

The application of the going concern basis of accounting is based on the assumption that the Group and the Company will be able to realise their assets and liquidate their liabilities in the normal course of business. Should the formalisation and implementation of the regularization plan not materialise or not be approved, the application of the going concern basis of accounting may be inappropriate and adjustments may be required to, inter alia, write down assets to their immediate realisable value, reclassify all long term assets as current and to provide for further costs which may arise.

Moreover, as at the date of the External Auditor's report dated 30 December 2019, the External Auditors were unable obtain sufficient appropriate audit evidence to evaluate the appropriateness of management's use of the going concern basis of accounting for the Group and the Company. Therefore, the External Auditors were unable to form an opinion as to whether the use of the going concern assumption in the preparation of the accompanying financial statements of the Group and of the Company is appropriate.

Steps taken by FSBM:

The Proposed Regularisation had been approved by Bursa Securities vide its letter dated 7 April 2023. Pending approval from the shareholders as well as from the relevant authorities, upon completion of the Proposed Regularisation Plan, the Group should be able to operate on a going concern basis.

AUDITED FINANCIAL STATEMENTS FOR THE 18-MONTH FPE 31 DECEMBER 2019

The External Auditors do not express an opinion on the accompanying financial statements of the Group and of the Company. Because of the significance of the matters described below and they have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements:

(i) Opening balances

External Auditors' opinions:

Based on the External Auditors' report dated 30 December 2019 whereby a disclaimer of opinion was expressed on the financial statements for the FYE 30 June 2018 and on the opening balances as at 1 July 2017.

The External Auditors were unable to confirm or verify by alternative means the opening balances making up the statements of financial position due to matters mentioned in the disclaimer of opinion expressed on the financial statements for the FYE 30 June 2018, the details of which are described in Section 1.1.1(i) above.

Since the opening balances enter into the determination of the financial performance and cash flows, the External Auditors were unable to determine whether adjustments might have been necessary in respect of the profit for the period reported in the statements of comprehensive income and the net cash flows from operating activities reported in the statements of cash flows.

(ii) Current period

External Auditors' opinions:

Due to the significance of the matters noted under the opening balances (as stated in (i) above), and that management was still unable to provide the External Auditors the requisite documentation and information, the External Auditors were unable to obtain sufficient appropriate audit evidence on the statements of financial position of the Group and of the Company and on the disclosures that are related and/or include these items, in respect of financial statements of the Group and of the Company as at 31 December 2019, including whether adjustments might have been necessary in respect of the profit for the period reported in the statements of comprehensive income and the net cash flows from operating activities reported in the statements of cash flows, except for the following balances as at 31 December 2019:

	Group	**Company**
	RM'000	**RM'000**
Marketable securities	342	-
Cash and cash equivalents	113	92
Share capital	10,064	10,064
Treasury shares	712	712
Warrants reserve	4,534	4,534
Amount owing to a Director	137	-

(iii) Fair value of investments in unquoted shares

External Auditors' opinions:

During the financial period, the Group and the Company had invested RM300,000 in unquoted ordinary shares in a private limited entity incorporated in Malaysia, which is stated at fair value.
The management had represented that there were no financial statements of the entity being made available to date and that no company valuation was performed.

Accordingly, the External Auditors were unable to obtain sufficient appropriate audit evidence to satisfy themselves with regards to the fair value of the investments in unquoted shares as at 31 December 2019.

(iv) Amounts due from TSB

External Auditors' opinions:

- Unreconciled differences

  As stated in the External Auditors' report dated 30 December 2019 for the financial statements for the FYE 30 June 2018, the management has represented that the gross amount due from TSB are fully represented in the debt recovery legal proceedings, that the court has awarded a sum of RM32,409,435 to the Group and RM8,563,213 to the Company. However, the management was still unable to reconcile the differences noted together with the relevant supporting documentation, resulting in the inability for the External Auditors to obtain sufficient appropriate audit evidence on gross balances of the Group and of the Company.

- Recoverability of amounts due from TSB

  These amounts are under debt recovery legal proceedings. However, as at the date of the External Auditors' report dated 27 July 2020, the outcome of the various debt recovery proceedings cannot be ascertained. Accordingly, and in addition to the matters noted in the opening balances (as stated in the External Auditor's report for the audited financial statements for the 18-month FPE 31 December 2019), the External Auditors were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the amounts due from TSB.

(v) Recoverability of receivables

External Auditors' opinions:

Based on the External Auditors' report dated 30 December 2019 for the financial statements for the FYE 30 June 2018, whereby it was noted that, in addition to those balances relating to TSB and a business consultant that were separately discussed, the External Auditors were unable to obtain sufficient appropriate audit evidence on the remaining gross balances in respect of both trade and other receivables.

- Trade receivables

  Included in trade receivables of the Group are amounts due from external parties amounting to RM297,000 as at 31 December 2019 of which the External Auditors were unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the recoverability of the abovementioned amount.

- Other receivables

  Included in other receivables of the Group is an amount due from a business consultant amounting to RM2,244,000 as at 31 December 2019 of which the External Auditors were unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the recoverability of the abovementioned amount.

(vi) Liabilities, contingent liabilities and commitments

External Auditors' opinions:

Due to the inability of the management to provide the External Auditors the requisite documentation and information on the financial statements of the Group and of the Company, the External Auditors were unable to obtain sufficient appropriate audit evidence and explanations as to whether the liabilities, contingent liabilities and commitments (if any) by the Group and the Company were properly recorded and accounted for and in compliance with the requirements of applicable MFRSs including MFRS 137 Provisions, Contingent Liabilities and Contingent Assets and MFRS 9 Financial Instruments. There were no alternative audit procedures that the External Auditors could perform to satisfy themselves as to whether the liabilities, contingent liabilities and commitments (if any) were free from material misstatements. Any adjustment that would be required may have a consequential significant effect on the financial position of the Group and of the Company as at 31 December 2019 and the loss attributable to the Owners of the Company for the period then ended and the related disclosures thereof in the financial statements.

Steps taken by FSBM:

The Group has completed the annual audit to ascertain the veracity of its assets and liabilities. The Group's external auditors have expressed a disclaimer of opinion on the opening balance for the Group's audited financial statements for the FYE 31 December 2021. Save for the opening balance, the closing balance as at 31 December 2021 has been verified.

For information, the Group had carried an audit for the FYE 31 December 2021 to ascertain its accounts' closing balances. Following the audit, certain assets had been written off and/or written down to its recoverable amounts and certain liabilities have been stated based on the liabilities established vide the confirmation exercise conducted, and with provisions and accruals estimated based on the probability of outflow of resources required to settle these obligations. These adjustments have been taken as current year adjustments in the statement of comprehensive income for the FYE 31 December 2021.

Since the opening balances enter into the determination of the financial performance and cash flows, the external auditors were unable to obtain sufficient appropriate audit evidence as to whether the adjustments made are appropriate in respect of the loss for the financial year reported in the statements of comprehensive income and the net cash flows from operating activities reported in the statements of cash flows. The adjustments made may or may not be in relation to the FYE 31 December 2021 or prior financial years.

The External Auditors did not issue a qualified opinion on the opening balances in FYE 31 December 2022.

(vii) Going Concern

External Auditors' opinions:

The financial statements for 18-month FPE 31 December 2019 have been prepared on the assumption that the Group and the Company will continue to operate as going concerns, notwithstanding that the Group and the Company incurred a net loss of RM572,000 and RM2,658,000 respectively during the period ended 31 December 2019 and, as of that date, the Company's current liabilities exceeded its current assets by RM11,130,000 and the Company has a deficit in shareholders' equity of RM10,830,000.

On 17 October 2019, the Board of Directors of the Company announced that the Company has triggered Paragraph 8.03A(2) of the Listing Requirements whereby the Group and the Company have an insignificant business or operations and accordingly, the Group and the Company are now classified as an affected listed issuer.
On 30 December 2019, the Board of Directors of the Company announced that the Company has triggered the prescribed criteria pursuant to Paragraph 8.04 and Paragraph 2.1 (d) of PN17 under the Listing Requirements. Hence, as of the date hereof, the Company is considered as a PN17 company.

As at the date of the External Auditor's report dated 27 July 2020, the Group and the Company are presently looking into formulating a regularisation plan to address its affected listed issuer status in compliance with Paragraph 4.1(c) of PN 17.

The ability of the Group and of the Company to continue as going concerns is dependent on the formalisation and successful implementation of the regularisation plan of the Company to restore its financial position and to achieve sustainable and viable operations.

The application of the going concern basis of accounting is based on the assumption that the Group and the Company will be able to realise their assets and liquidate their liabilities in the normal course of business. Should the formalisation and implementation of the regularisation plan not materialise or not be approved, the application of the going concern basis of accounting may be inappropriate and adjustments may be required to, inter alia, write down assets to their immediate realisable value, reclassify all long term assets as current and to provide for further costs which may arise.

Moreover, as at the date of the External Auditor's report dated 27 July 2020, the External Auditors were unable obtain sufficient appropriate audit evidence to evaluate the appropriateness of management's use of the going concern basis of accounting for the Group and the Company. Therefore, the External Auditors were unable to form an opinion as to whether the use of the going concern assumption in the preparation of the accompanying financial statements of the Group and of the Company is appropriate.

Steps taken by FSBM:

The Proposed Regularisation had been approved by Bursa Securities vide its letter dated 7 April 2023. Pending approval from the shareholders as well as from the relevant authorities, upon completion of the Proposed Regularisation Plan, the Group should be able to operate on a going concern basis.

AUDITED FINANCIAL STATEMENTS FOR THE FYE 31 DECEMBER 2020

The External Auditors do not express an opinion on the accompanying financial statements of the Group and of the Company. Because of the significance of the matters described below and they have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements:

(i) Opening balances

External Auditors' opinions:

Based on the External Auditors' reports dated 27 July 2020 and 30 December 2019 in respect of the financial statements for the FPE 31 December 2019 and for the FYE 30 June 2018 (and on the opening balances as at 1 July 2017) respectively, whereby a disclaimer of opinion was expressed.

The External Auditors were unable to confirm or verify by alternative means the opening balances making up the statements of financial position due to matters mentioned in the disclaimer of opinion expressed on the financial statements for the FYE 30 June 2018 and FPE 31 December 2019, the details of which are described in External Auditor's report for the audited financial statements for the 18-month FPE 31 December 2019).

Since the opening balances enter into the determination of the financial performance and cash flows, the External Auditors were unable to determine whether adjustments might have been necessary in respect of the profit for the period reported in the statements of comprehensive income and the net cash flows from operating activities reported in the statements of cash flows.

(ii) Current year

External Auditors' opinions:

Due to the significance of the matters noted under the opening balances (as stated in (i) above), and that management was still unable to provide the External Auditors the requisite documentation and information, the External Auditors were unable to obtain sufficient appropriate audit evidence on the statements of financial position of the Group and of the Company and on the disclosures that are related and/or include these items, in respect of financial statements of the Group and of the Company as at 31 December 2020, including whether adjustments might have been necessary in respect of the profit for the year reported in the statements of comprehensive income and the net cash flows from operating activities reported in the statements of cash flows, except for the following balances as at 31 December 2020:

	Group	Company
	RM'000	**RM'000**
Marketable securities	285	-
Cash and cash equivalents	45	23
Share capital	10,064	10,064
Treasury shares	712	712
Warrants reserve	4,534	4,534
Amount owing to a Director	103	-

(iii) Fair value of investments in unquoted shares

External Auditors' opinions:

During the previous financial period (FPE 31 December 2019), the Group and the Company had invested RM300,000 in unquoted ordinary shares in a private limited entity incorporated in Malaysia, which is stated at fair value.

The management had represented that latest available financial statements of the investee entity is in respect of the financial year ended 30 September 2019, which may not be reflective of the fair value of the investee entity as at 31 December 2020, and also that no company valuation has been performed.

Accordingly, the External Auditors were unable to obtain sufficient appropriate audit evidence to satisfy themselves with regards to the fair value of the investments in unquoted shares as at 31 December 2020.

(iv) Amounts due from TSB

External Auditors' opinions:

- Unreconciled differences

  As stated in the External Auditors' report dated 30 December 2019 and 27 July 2020 for the financial statements for the FYE 30 June 2018 and FPE 31 December 2019, the management had represented that the gross amount due from TSB are fully represented in the debt recovery legal proceedings, that the court has awarded a sum of RM32,409,435 to the Group and RM8,563,213 to the Company. However, the management was still unable to reconcile the differences noted together with the relevant supporting documentation, resulting in the inability for the External Auditors to obtain sufficient appropriate audit evidence on gross balances of the Group and of the Company.

- Recoverability of amounts due from TSB

  These amounts are under debt recovery legal proceedings. However, as at the date of the External Auditors' report dated 27 May 2021, the outcome of the various debt recovery proceedings cannot be ascertained. Accordingly, and in addition to the matters noted in the opening balances (as stated in the External Auditor's report for the audited financial statements for the 18-month FPE 31 December 2019), the External Auditors were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the amounts due from TSB.

(v) Recoverability of receivables

External Auditors' opinions:

Based on the External Auditors' report dated 30 December 2019 and 27 July 2020 for the financial statements for the FYE 30 June 2018 and FPE 30 December 2019, whereby it was noted that, in addition to those balances relating to TSB and a business consultant (as below), the External Auditors were unable to obtain sufficient appropriate audit evidence on the remaining gross balances in respect of both trade and other receivables. The management had represented that, they were still unable to provide the External Auditors the requisite documentation and information.

- Trade receivables

  Included in trade receivables of the Group are amounts due from external parties amounting to RM297,000 as at 31 December 2020 of which the External Auditors were unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the recoverability of the abovementioned amount.

- Other receivables

  Included in other receivables of the Group is an amount due from a business consultant amounting to RM2,244,000 as at 31 December 2020 of which the External Auditors were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the abovementioned amount.

(vi) Liabilities, contingent liabilities and commitments

External Auditors' opinions:

Due to the inability of the management to provide the External Auditors the requisite documentation and information on the financial statements of the Group and of the Company, the External Auditors were unable to obtain sufficient appropriate audit evidence and explanations as to whether the liabilities, contingent liabilities and commitments (if any) by the Group and the Company were properly recorded and accounted for and in compliance with the requirements of applicable MFRSs including MFRS 137 Provisions, Contingent Liabilities and Contingent Assets and MFRS 9 Financial Instruments. There were no alternative audit procedures that the External Auditors could perform to satisfy themselves as to whether the liabilities, contingent liabilities and commitments (if any) were free from material misstatements. Any adjustment that would be required may have a consequential significant effect on the financial position of the Group and of the Company as at 31 December 2020 and the loss attributable to the owners of the Company for the year then ended and the related disclosures thereof in the financial statements.

Steps taken by FSBM:

The Group has completed the annual audit to ascertain the veracity of its assets and liabilities. The Group's external auditors have expressed a disclaimer of opinion on the opening balance for the Group's audited financial statements for the FYE 31 December 2021. Save for the opening balance, the closing balance as at 31 December 2021 has been verified.

For information, the Group had carried an audit for the FYE 31 December 2021 to ascertain its accounts' closing balances. Following the audit, certain assets had been written off and/or written down to its recoverable amounts and certain liabilities have been stated based on the liabilities established vide the confirmation exercise conducted, and with provisions and accruals estimated based on the probability of outflow of resources required to settle these obligations. These adjustments have been taken as current year adjustments in the statement of comprehensive income for the FYE 31 December 2021.

Since the opening balances enter into the determination of the financial performance and cash flows, the external auditors were unable to obtain sufficient appropriate audit evidence as to whether the adjustments made are appropriate in respect of the loss for the financial year reported in the statements of comprehensive income and the net cash flows from operating activities reported in the statements of cash flows. The adjustments made may or may not be in relation to the FYE 31 December 2021 or prior financial years.

The External Auditors did not issue a qualified opinion on the opening balances in FYE 31 December 2022.

(vii) Going concern

<u>External Auditors' opinions:</u>

The financial statements have been prepared on the assumption that the Group and the Company will continue to operate as going concerns, notwithstanding that the Group and the Company incurred a net loss of RM665,000 and RM339,000 respectively during the year ended 31 December 2020 and, as of that date, the Company's current liabilities exceeded its current assets by RM11,469,000 and the Company has a deficit in shareholders' equity of RM11,169,000.

On 17 October 2019, the Board announced that the Company has triggered Paragraph 8.03A(2) of the Listing Requirements whereby the Group and the Company have an insignificant business or operations and accordingly, the Group and the Company are now classified as an affected listed issuer.

On 30 December 2019, the Board announced that the Company has triggered the prescribed criteria pursuant to Paragraph 8.04 and Paragraph 2.1 (d) of PN17. Hence, as of the date hereof, the Company is considered as a PN17 company.

On 26 March 2020, Bursa Securities has accorded additional relief measures to listed issuers, amongst other, a longer timeframe for listed issuers which trigger the criteria under Paragraphs 8.03A or 8.04 (PN17) of the Listing Requirements and to announce the criteria under Paragraph 4.1(a) in PN17 to submit their regularisation plans to the Securities Commission Malaysia or Bursa Securities.

As at the date of the External Auditors' report dated 27 May 2021, the Group and the Company are presently looking into formulating a regularisation plan to address its affected listed issuer status in compliance with Paragraph 4.1(c) of PN17.

The ability of the Group and of the Company to continue as going concerns is dependent on the formalisation and successful implementation of the regularisation plan of the Group and of the Company to restore their financial position and to achieve sustainable and viable operations.

The application of the going concern basis of accounting is based on the assumption that the Group and the Company will be able to realise their assets and liquidate their liabilities in the normal course of business. Should the formalisation and implementation of the regularisation plan not materialise or not be approved, the application of the going concern basis of accounting may be inappropriate and adjustments may be required to, inter alia, write down assets to their immediate realisable value, reclassify all long term assets as current and to provide for further costs which may arise.

Moreover, as at the date of the External Auditors' report dated 27 May 2021, the External Auditors were unable obtain sufficient appropriate audit evidence to evaluate the appropriateness of management's use of the going concern basis of accounting for the Group and the Company. Therefore, the External Auditors were unable to form an opinion as to whether the use of the going concern assumption in the preparation of the accompanying financial statements of the Group and of the Company is appropriate.

Steps taken by FSBM:

The Proposed Regularisation had been approved by Bursa Securities vide its letter dated 7 April 2023. Pending approval from the shareholders as well as from the relevant authorities, upon completion of the Proposed Regularisation Plan, the Group should be able to operate on a going concern basis.

AUDITED FINANCIAL STATEMENTS FOR THE FYE 31 DECEMBER 2021

(i) Opening balances

External Auditors' opinions:

Reference is made to the External Auditors' reports dated 27 May 2021, 27 July 2020 and 30 December 2019 in respect of the financial statements for the financial year ended 31 December 2020, financial period ended 31 December 2019 and for the financial year ended 30 June 2018 (and on the opening balances as at 1 July 2017) respectively, whereby a disclaimer of opinion was expressed.

The External Auditors were unable to confirm or verify by alternative means the opening balances making up the statements of financial position due to matters mentioned in the disclaimer of opinion expressed on the financial statements for the financial year ended 30 June 2018, for the financial period ended 31 December 2019 and for the financial year ended 31 December 2020, the details of which were described in the previous audit reports.

During the financial year, the Directors of the Company and its subsidiaries had conducted a review of the assets, liabilities and equity of the Group and of the Company as majority of these balances have been outstanding and/or without movement for many years. Following the review, the details of which are stated in the respective notes to the financial statements, certain assets had been written off and/or written down to its recoverable amounts and certain liabilities have been stated based on the liabilities established vide the confirmation exercise conducted, and with provisions and accruals estimated based on the probability of outflow of resources required to settle these obligations. These adjustments have been taken as current year adjustments in the Statement of Comprehensive Income for the financial year ended 31 December 2021.

Since the opening balances enter into the determination of the financial performance and cash flows, we were unable to obtain sufficient appropriate audit evidence as to whether the adjustments made are appropriate in respect of the loss for the financial year reported in the statements of comprehensive income and the net cash flows from operating activities reported in the statements of cash flows. The adjustments made may or may not be in relation to the current financial year or to prior financial years.

Steps taken by FSBM:

The Group has completed the annual audit to ascertain the veracity of its assets and liabilities. The Group's external auditors have expressed a disclaimer of opinion on the opening balance for the Group's audited financial statements for the FYE 31 December 2021. Save for the opening balance, the closing balance as at 31 December 2021 has been verified.

For information, the Group had carried an audit for the FYE 31 December 2021 to ascertain its accounts' closing balances. Following the audit, certain assets had been written off and/or written down to its recoverable amounts and certain liabilities have been stated based on the liabilities established vide the confirmation exercise conducted, and with provisions and accruals estimated based on the probability of outflow of resources required to settle these obligations. These adjustments have been taken as current year adjustments in the statement of comprehensive income for the FYE 31 December 2021.

Since the opening balances enter into the determination of the financial performance and cash flows, the external auditors were unable to obtain sufficient appropriate audit evidence as to whether the adjustments made are appropriate in respect of the loss for the financial year reported in the statements of comprehensive income and the net cash flows from operating activities reported in the statements of cash flows. The adjustments made may or may not be in relation to the FYE 31 December 2021 or prior financial years.

The External Auditors did not issue a qualified opinion on the opening balances in FYE 31 December 2022.

(ii) Going concern

External Auditors' opinions:

The financial statements have been prepared on the assumption that the Group and the Company will continue as going concern.

The following events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and the Company's ability to continue as going concern:

(a) On 17 October 2019, the Board of Directors of the Company announced that the Company has triggered Paragraph 8.03A(2) of the Listing Requirements whereby the Group and the Company have an insignificant business or operations and accordingly, the Group and the Company was classified as an affected listed issuer.

(b) On 30 December 2019, the Board of Directors of the Company announced that the Company has triggered the prescribed criteria pursuant to Paragraph 8.04 and Paragraph 2.1 (d) of PN 17 under the Listing Requirements. Hence, as of the date hereof, the Company is considered as a PN17 company.

(c) On 26 March 2020, Bursa Securities has accorded additional relief measures to listed issuers, amongst other, a longer timeframe for listed issuers which trigger the criteria under Paragraphs 8.03A or 8.04 (Practice Note 17) of the Listing Requirements and to announce the criteria under Paragraph 4.1(a) in Practice Note 17 of the Listing Requirements to submit their regularisation plans to the Securities Commission Malaysia or Bursa Securities.

(d) During the financial year ended 31 December 2021, the Group and the Company incurred net losses of RM9,270,000 and RM915,000 respectively, and as of that date, the Group's and the Company's current liabilities exceeded their current assets by RM5,307,000 and RM12,444,000 respectively, and the Group and the Company had a deficit in shareholders' equity of RM2,854,000 and RM12,084,000 respectively.

On 15 October 2021, the Board of Directors have announced their proposed regularisation plan, which is summarised below:

(a) Proposed Shares Issuance;

(b) Proposed Disposals;

(c) Proposed Rights Issue with Warrants; and

(d) Proposed Capital Reduction

As at the date of the External Auditors' report dated 14 April 2022, the Company is pending to submit the formal regularisation plan to the relevant authorities to address its affected listed issuer status in compliance with Paragraph 4.1(c) of PN 17.

The ability of the Group and of the Company to continue as going concern is highly dependent on the successful submission, approval, and subsequent implementation of the regularisation plan of the Group and of the Company to restore their financial position and to achieve sustainable and viable operations.

The application of the going concern basis of accounting is based on the assumption that the Group and the Company will be able to realise their assets and liquidate their liabilities in the normal course of business. Should the regularisation plan not be approved or not materialise, the application of the going concern basis of accounting may be inappropriate and adjustments may be required to, inter alia, write down assets to their immediate realisable value, reclassify all long term assets as current and to provide for further costs which may arise.

Moreover, as at the date of the External Auditors' report dated 14 April 2022, the External Auditors were unable obtain sufficient appropriate audit evidence to evaluate the appropriateness of management's use of the going concern basis of accounting for the Group and the Company. Therefore, the External Auditors were unable to form an opinion as to whether the use of the going concern assumption in the preparation of the accompanying financial statements of the Group and of the Company is appropriate.

Steps taken by FSBM:

The Proposed Regularisation had been approved by Bursa Securities vide its letter dated 7 April 2023. Pending approval from the shareholders as well as from the relevant authorities, upon completion of the Proposed Regularisation Plan, the Group should be able to operate on a going concern basis.

AUDITED FINANCIAL STATEMENTS FOR THE 6-MONTH FPE 30 JUNE 2022 AND FYE 31 DECEMBER 2022

Based on the audited consolidated financial statements for 6-month FPE 30 June 2022 and FYE 31 December 2022, the External Auditors no longer qualified its opinion on the going concern. The External Auditors had drawn attention that the Group has been classified as an affected issuer pursuant to Paragraph 8.03A(2) of the Listing Requirements since 17 October 2019 and Paragraph 2.1(d) of PN17 since 30 December 2019. For information, Bursa Securities had approved the Proposed Regularisation Plan on 7 April 2023.

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PROVIDENCE STRATEGIC PARTNERS SDN BHD
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46200 Petaling Jaya, Selangor, Malaysia.
T: +603 7625 1769

Date: 26 April 2023

The Board of Directors
FSBM HOLDINGS BERHAD
603, Block A, Phileo Damansara 1
No. 9, Jalan 16/11, Off Jalan Damansara
46350 Petaling Jaya, Selangor, Malaysia

Dear Sirs,

INDUSTRY OVERVIEW ON THE INFORMATION TECHNOLOGY ("IT") SERVICES INDUSTRY IN MALAYSIA IN RELATION TO THE PROPOSED REGULARISATION PLAN OF FSBM HOLDINGS BERHAD ("PROPOSED REGULARISATION PLAN")

PROVIDENCE STRATEGIC PARTNERS SDN BHD ("**PROVIDENCE**") has prepared this Industry Overview on the IT Services Industry in relation to the Proposed Regularisation Plan.

PROVIDENCE has taken prudent measures to ensure reporting accuracy and completeness by adopting an independent and objective view of these industries within the confines of secondary statistics, primary research and evolving industry dynamics. We believe that this IMR report presents a balanced view of the industries within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive.

For and on behalf of PROVIDENCE:

MELISSA LIM
EXECUTIVE DIRECTOR

About PROVIDENCE STRATEGIC PARTNERS SDN BHD:

PROVIDENCE is an independent research and consulting firm based in Petaling Jaya, Selangor, Malaysia. Since our inception in 2017, PROVIDENCE has been involved in the preparation of independent market research reports for capital market exercises. Our reports aim to provide an independent assessment of industry dynamics, encompassing aspects such as industry performance, demand and supply conditions and competitive landscape.

About MELISSA LIM:

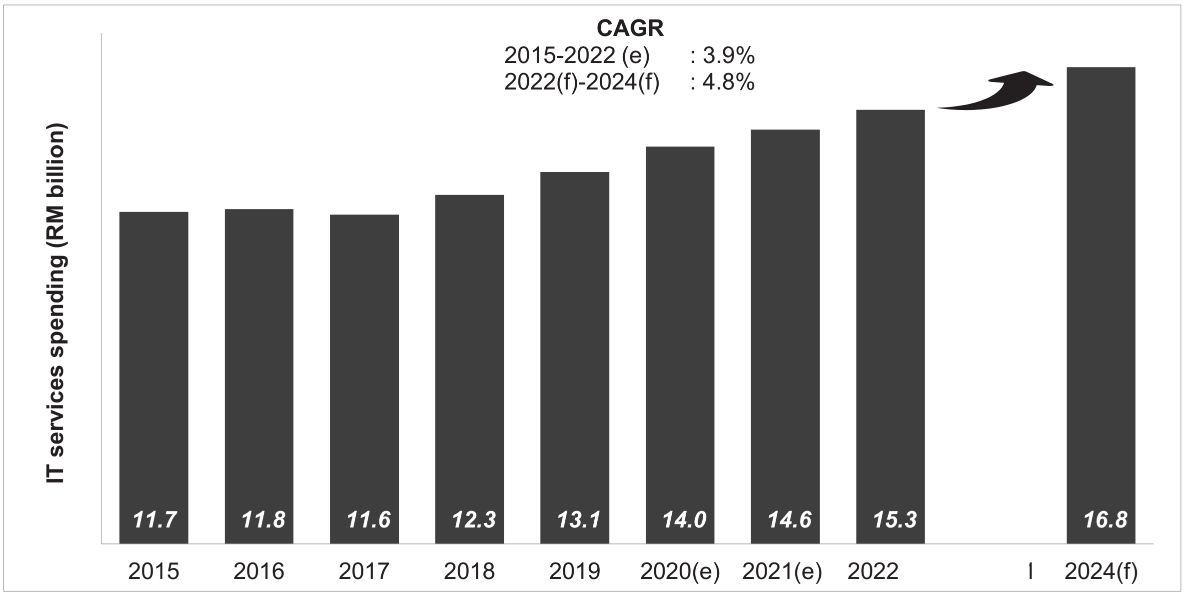
Melissa Lim is the Executive Director of PROVIDENCE. She has more than 10 years of experience in market research for capital market exercises. Melissa Lim holds a Bachelor of Commerce (Double major in Marketing and Management) from Murdoch University, Australia.

1 IT SERVICES INDUSTRY IN MALAYSIA

IT services refer to the provision of professional services supporting IT solutions, including design and development of IT solutions, maintenance services, refurbishment of IT equipment and managed IT services.

The IT services industry in Malaysia, as measured by spending on IT services, grew from RM11.7 billion in 2015 to an estimated RM15.3 billion in 2022 at a CAGR of 3.9%. Moving forward, the IT services industry in Malaysia is forecast to grow by a further CAGR of 4.8%, from an estimated RM15.3 billion in 2022 to RM16.8 billion in 2024.

IT services industry size in Malaysia



Note: (f) - Forecast

Source: Gartner, PROVIDENCE

The growth of the IT services industry in Malaysia is driven by:

(i) The digitalisation of the economy, leading to demand for IT hardware

The digitalisation of the economy is known as the "Digital Economy", which refers to the increasing adoption and utilisation of IT solutions in carrying out day-to-day operational tasks across various economic sectors in order to improve efficiency and facilitate globalisation. The pervasive impact of the Digital Economy can be observed throughout various economic sectors including the banking sector (where cash-based transactions have shifted to online based transactions) and retail sector (where stores are no longer limited to physical outlets but also e-commerce platforms). In Malaysia, the contribution of the Digital Economy to the country's gross domestic product (GDP) has grown from 18.2% in 2016 to 19.9% in 2019.[1]

The Coronavirus disease ("**COVID-19**") pandemic has also played a part in driving the Digital Economy. In order to curb the spread of COVID-19, national lockdown measures were imposed globally, including in Malaysia, and this forced corporations and organisations to adapt to work-from-home arrangements. Thus, technological solutions such as file sharing, messaging platforms, video conferencing and project management tools became a necessity in facilitating collaboration.

[1] Source: Department of Statistics, Malaysia

The Digital Economy is expected to expand in the country and as such, the demand for IT platforms are expected to increase. As the demand for IT platforms increases, this will also lead to a greater need for IT services to design and develop these IT platforms.

(ii) Growing e-commerce transactions will encourage a shift towards retailing products via e-commerce

E-commerce refers to the sale and purchase of products and services via the Internet. The e-commerce market size in Malaysia, as depicted by e-commerce transaction values in the country, increased from RM195.1 billion in 2015 to an estimated RM454.7 billion in 2022 at CAGR of 12.8%.[2] The recent and on-going COVID-19 pandemic led to the implementation of national lockdown policies in Malaysia which restricted travel, movement and/or business activities. As a result, consumers have been spending more time on the Internet to purchase products, and this has led to higher number of e-commerce transactions in 2020 and 2021.

The growth of the e-commerce market has been, and is expected to continue to be, driven by the growing broadband penetration, proliferation of mobile devices and increased acceptance of digital payments in the country.

As the e-commerce market continue to grow, an increasing number of corporations and organisations are expected to adopt e-commerce as a means to retail their products and services. This is expected to increase the need for IT services to design and develop e-commerce platforms.

(iii) Shift towards smart factories to fully automate operations

Smart factories refer to production facility environments where machinery and equipment are interconnected using IoT technology. The interconnectivity of machinery and equipment enables automation of not only the manufacturing processes but also all other processes in the production facility, from the receipt of raw materials and supplies to the production and assembly of end-products.

Minimal human intervention is required to operate such a production facility, as workers can remotely supervise, monitor and control the operations of the entire production facility from a control room. Further, smart factory solutions also enable data to be shared throughout the organisation, enabling the organisation to make better business decisions, identify areas of concern or improvement as well as better utilisation of resources.

The need for such level of automation was notable during the COVID-19 pandemic in 2020, and is still on-going, where many organisations were forced to adapt to remote working arrangements due to lockdowns imposed to curb the spread of virus, and reduce reliance on human resources.

As the companies involved in manufacturing activities begin to digitalise their operations and shift towards smart factories, new smart manufacturing solutions are expected to be in demand to enable this shift. This is thus expected to lead to an increase in demand for IT services to design, develop and implement these solutions.

(iv) The rapid pace of technological evolution

The evolution of the ICT sector which has given rise to technological concepts such as big data, artificial intelligence and IoT is leading to a shift in the way businesses are operated today. Big data refers to the technology of managing and processing large data sets within a short time frame. Meanwhile, artificial intelligence describes technology that can turn data analysis into meaningful

[2] Source: Department of Statistics Malaysia ("**DOSM**"), PROVIDENCE analysis

solutions. The IoT refers to a network of devices and sensors that are able to communicate and transfer data between them and other parties in a seamless manner.

Under the 11th Malaysia Plan, the Government of Malaysia (herein referred to as "**the Government**") has announced several initiatives to grow these technologies within Malaysia. The National IoT Strategic Framework estimates that the market for IoT in Malaysia will reach RM9.8 billion in 2020. Meanwhile, the Government intends to accelerate the adoption of big data through the National Big Data Analytics Framework which would spur demand for big data in all sectors, catalyse adoption of big data in the public sector and build the big data industry in Malaysia. This will be undertaken through data science programmes conducted by local and foreign universities and data science institutes, as well as upskilling talent in Malaysia in this area.

With the use of IoT, big data and artificial intelligence in critical business operations, data recorded digitally is expected to grow accordingly. This illustrates a continuous need for corporations and organisations to obtain ICT solutions with larger capacities in order to keep up with the increasing volume of digital data, especially for storage of backup data. The adoption of these technologies in corporations and organisations will lead to an increase in demand for IT hardware with higher processing capabilities. In order to minimise capital expenditure on IT hardware, corporations and organisations are expected to acquire or rent or lease refurbished IT hardware.

(v) Government initiatives to encourage digitalisation among businesses

The Government of Malaysia launched the Industry Digitalisation Transformation Fund, offering RM3 billion worth of loans with an interest subsidy of 2% for all Malaysian companies interested to digitalise their businesses, in an effort to transform the country to a preferred location for high tech manufacturing. The fund aims to accelerate adoption of new technology including artificial intelligence, automation, big data and robotics among Malaysian companies.

The National Fiberisation and Connectivity Plan 2019-2023 will provide a favourable environment for the digitalisation of businesses, as it aims to provide higher quality broadband at lower prices and improve connectivity throughout the country. This will have a positive impact on digitalisation, as high-quality digital connectivity is crucial to create and share digital data.

Further, in an effort to cushion the headwinds arising from the COVID-19 pandemic, the Government also announced several initiatives including providing grants and loans to eligible enterprises under the SME Digitalisation Matching Grant totalling RM100 million, SME Technology Transformation Fund totalling RM500 million and Smart Automation Grant totalling RM100 million (capped at up to RM1 million per company). The Government also announced tax reliefs and exemptions to sustain work-from-home policies.

Additionally in 2021, the Government of Malaysia introduced the Malaysia Digital Economy Blueprint which aims to make Malaysia the regional leader in digital economy as well as to achieve inclusive, responsible, and sustainable socioeconomic development. The Blueprint has been divided into three separate phases that focuses on different aspects of the Digital Economy. Phase 1 begins in 2021 to 2022 and focuses on accelerating and strengthening the foundation of digital adoption. While Phase 2 begins from 2023 to 2025, which aims to drive the inclusivity of digital transformation. Phase 3 which starts in 2026 to 2030 will focus on strong and sustainable growth as well as positioning Malaysia to become a regional market player for digital products and digital solutions provider. The Government of Malaysia has allocated a total of RM21 billion through the National Digital Network (Jendela) as a method to boost the implementation of the initiative.

These Government initiatives are expected to drive businesses to adopt digitalisation, which will also benefit the IT services industry.

FSBM

FSBM HOLDINGS BERHAD (FSBM)

INTERNAL CONTROL REVIEW AND ENTERPRISE RISK MANAGEMENT REPORT

26th APRIL 2023

VAERSA

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Jalan PJU 1/39, Dataran Prima,
47301 Petaling Jaya, Selangor
03-7886 4304

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STRICTLY PRIVATE & CONFIDENTIAL

26th April 2023

FSBM HOLDINGS BERHAD
A-2-6, Glomac Damansara,
No. 699, Jalan Damansara,
60000 Kuala Lumpur.

Attention: Board of Directors

Dear Sir/Madam,

INTERNAL CONTROL AND RISK MANAGEMENT REVIEW PERTAINING TO THE REGULARISATION PLAN OF FSBM HOLDINGS BERHAD ("FSBM")

In accordance with Paragraph 5.6 of Practice Note 17 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), FSBM and its principal adviser, Malacca Securities Sdn Bhd, must review the internal control and risk management system of FSBM and submit to Bursa Securities the results of such review together with its action plans to address the weaknesses identified.

Based on the above requirement, we have undertaken an independent evaluation on the internal control and risk management system in FSBM and we hereby enclose our report summarizing our findings, recommendations for improvement and management comments.

Thank you.

Yours sincerely,

For or on behalf of

VAERSA ADVISORY SDN. BHD.

Quincy Gan Hoong Huat
Executive Director

VAERSA
ADVISORY SDN BHD
(1272384-X)

B-5-12, Menara Prima,
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TABLE OF CONTENT

SECTION 1 - EXECUTIVE SUMMARY

1.1 GENERAL INFORMATION

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

The principal activities of FSBM Holdings Berhad and its subsidiaries consist of distribution of computers, computers related products, education related products, provision of related services and investment holding. The Group is optimistic for the coming years as they have managed to secure several IT Solutions contract or IT related contract covers trading contract and managed security services contract in platform design and development, IT hardware refurbishment services and these to be replicated across different types of businesses and industries which will enable the group to secure new projects.

This report serves to provide a summary of the key objectives, observations, and outcome of the engagement.

1.2 OBJECTIVES

The objectives of our audit are as follows:

(i) To study and review the internal control system of FSBM;
(ii) To review, identify and assess the enterprise risks of FSBM and to ascertain the adequacy of risk management system;
(iii) To discuss our audit findings and the associated recommendations with the Operating Management; and
(iv) To report our audit findings together with the management response to the Board of Directors.

The internal control review was conducted to assess the adequacy and effectiveness of FSBM systems of internal control and compliance with the Company's policies and procedures.

The review covered this activity for the period from (May 2022 – April 2023).

1.3 OUR METHODOLOGY

1.3.1 Internal Control Review

Our audit procedures were designed to identify various opportunities to enhance the existing systems of internal control and process efficiency at FSBM and thereon provide recommendations for improvement.

We conducted our work by referring to a recognised framework for internal auditing such as the *International Professional Practices Framework* issued by the Institute of Internal Auditors. The followings briefly describe our approach to the review of internal control system:

Interview Process

We have interviewed the key process owners to enable us to gain an understanding of the processes; to identify risks associated with the processes; and to determine the existence of internal control and its effectiveness relative to the process / function / business unit's objectives.

1.3 OUR METHODLOGY (CONT'D)

1.3.1 Internal Control Review (Cont'd)

Review of Information

A large volume of documents was provided as part of the internal control review process. We performed testing on selected documentation, including but not limited to, reviewing the control objectives for those processes; written policies and procedures; applicable laws and regulations; and financial reports. We have also documented those processes through the use of process maps and process narratives; and identified and sourced the key risks and identified existing controls over those processes.

Analysis of Results

In reviewing the internal control, we summarised from the interview process and review of information furnished to us to enable us to evaluate whether the associated procedures, systems and controls are appropriately designed and functioning to achieve the process / function / business unit's objectives. These include,

(a) comparison of the controls in place against those that we expect to find;
(b) review the adequacy of controls over those processes to the extent they exist; and
(c) review the extent to which incompatible duties were segregated in the processes (e.g. custodian, recording and authorisation of transactions).

i. Classification of findings

Inadequate System of Internal Control	The issue noted indicates significant control weaknesses or absence of a control activity thereof, and the need for urgent remedial action by instituting new control procedures or modifying existing procedures. Where corrective action has not yet started, the current remedial action is not, at the time of the audit, sufficient or sufficiently progressing to address the severity of the control weaknesses identified.
Process Improvement	The areas highlighted represent opportunities for improvement in the effectiveness or efficiency of the business process under review.
Implementation Lapses	These findings represent weaknesses in the functioning or implementation of internal controls. Management should take action to address these findings by enforcing the proper execution of existing control procedures as well as the adherence to established policies and procedures.

ii. Priority ratings

The classifications of findings are categorized according to priority, as a further guide to management in addressing the issues in a timely manner. The following categories of priorities are used:

High	A high priority issue requires immediate management attention. This is a serious internal control or risk management issue that if not mitigated, may, with a high degree of certainty, lead to: • Substantial losses, possibly in conjunction with other weaknesses in the control framework or the process / function / business unit being audited • Serious violation of corporate strategies, policies, or values • Serious reputation damage, such as negative publicity in national or international media • Significant adverse regulatory impact, such as loss of operating licenses or material fines.

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1.3 OUR METHODLOGY (CONT'D)

ii. Priority ratings (Cont'd)

Medium	A medium-priority issue requires timely management attention. This is an internal control or risk management issue could lead to: • Financial losses • Loss of controls within the process / function / business unit being audited • Reputation damage, such as negative publicity in local or regional media • Adverse regulatory impact, such as public sanctions or immaterial fines
Low	A low priority issue requires routine management attention. This is an internal control or risk management issue, the solution to which may lead to improvement in the quality and/or efficiency of the process / function / business unit being audited. Risks likelihood of happening is rare and impact is low.

iii. Overall Opinion Grading

Effective (E)	Internal control processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.
Some Improvement Needed (SI)	A few specific control weaknesses were noted; however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Major Improvement Needed (MI)	Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
Weak (W)	Key controls were either not being applied or were lacking. These weaknesses identified, taken together or individually, significantly impair the overall system of internal control. Prompt corrective action is recommended to improve implementation of key controls, which when carried out, would further reduce the residual risk of the processes to an acceptable level.

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1.3.2 Enterprise Risk Management Review

The purpose of this Risk Management Report is to ensure transparency in the Group and to make available information on how the Group manages the risks it encounters.

This Risk Management Report discusses various dimensions of our Enterprise Risk Management ("ERM"). The risk-related information outlined in this section may not be exhaustive. The discussion may contain statements that are forward-looking in nature. The Group business is subject to uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements.

A. Overview

ERM framework encompasses practices relating to the identification, analysis, evaluation, treatment, mitigation and monitoring of the strategic, operational, and legal and compliance risks to achieving key business objectives. The Group's ERM is to minimize the adverse impact of these risks, thus enabling the Group to leverage market opportunities effectively and enhance its long-term competitive advantage.

Several risks can impact the achievement of a business objective. Similarly, a single risk can impact the achievement of several business objectives. The focus of risk management is to assess risks and deploy mitigation measures. This is done through periodic review meetings of the Risk Management Committee ("RMC"). FSBM's overall risk management process is overseen by the Board through the Audit Committee as an element of solid corporate governance.

Our risk management practices are:

<u>Risk identification, analysis, and evaluation</u>
Mechanisms for identification of risks include annual risk surveys across the Group, industry benchmarking, periodic assessments of the business environment, incident analysis, findings of internal audits, discussions with the risk council and the risk and strategy committee and analysis of the Group's performance relative to the corporate scorecard goals. Risk analysis and evaluation are carried out using scenario-based assessments to decide the potential impact, likelihood of occurrence and in some cases, the detectability of the risk. Estimated risks are compared with established risk criteria and thresholds to determine the priority and method of risk treatment.

Measuring the Level of Likelihood and Consequence
Probability or likelihood estimations are established giving due consideration to the effectiveness of existing control measures. The Consequence defines the consequence criteria and assesses against potential financial loss, reputation impact, health and safety, legal and regulatory compliance and management time and effort.

The impacts contained in this Consequence Rating are based on the management's assessment of the Group's ability to continue operation in the event of a risk being realised. The setting of the limit is based on management's assessment of the ability of the Group to support an unexpected loss of this magnitude whilst remaining solvent.

The review covered this activity for the period from (May 2022 – April 2023).

1.3.3 Enterprise Risk Management Framework (Cont'd)

The risk management methodology employed is based on assessment of risks and evaluated in terms of the risk impact on the enterprise and probability of occurrence. The risks are then mapped accordingly for a holistic review.

The matrix format ranking has been adopted for the Group in which potential risks are ranked as High, Moderately High, Moderate, Moderately Low or Low as follows:

Likelihood	Consequence				
	Immaterial ("IM")	Minor ("Mi")	Moderate ("Mo")	Major ("Ma")	Drastic ("D")
Very Likely ("VL")	Moderate	Moderately High	Moderately High	High	High
Likely ("L")	Moderately Low	Moderate	Moderately High	Moderately High	High
Possible ("Ps")	Low	Moderately Low	Moderately High	Moderately High	High
Unlikely ("UL")	Low	Moderately Low	Moderate	Moderate	Moderately High
Rare ("R")	Low	Low	Moderate	Moderate	Moderately High

Risk Rating	What Should I DO
High	Immediate action required
Moderately High	Action plan required; senior management attention needed
Moderate	Action plan required; management attention needed
Moderately Low	Specific monitoring or procedures required; management responsibility must be specified
Low	Manage through routine procedures. Unlikely need specific application of resources

Risk Rating Criteria

The risk ratings are on two main dimensions:

1. Likelihood **("L")**
2. The impact on the financials in the event of occurrence **("I")**

1.3.3 Enterprise Risk Management Framework (Cont'd)

As a guide towards risk rating and assessment, the categorisations are listed below:

Likelihood Rating			
The number of times within a specified period in which a risk may occur either because of business operations or through failure of operating systems, policies, or procedures.			
Rating	**Description**	**Occurrence**	**Probability**
Very likely	The risk is expected to occur in most circumstances or at the frequency of at least once in a month.	Multiple / 12 months	> 80%
Likely	The risk is expected to occur several times in a year.	Once / 12 months	61 – 80
Possible	The risk is expected to occur at least once in the next 12 months.	Once / 12 months – 3 years	41 – 60%
Unlikely	The risk is likely to occur less frequently but at least once in the next 3 years.	Once / 3 – 5 years	21 – 40%
Rare	The risk may occur in exceptional circumstances and is unlikely to occur in the next 5 years	Once / > 5 years	< 20%

The outcome of an event expressed qualitatively or quantitatively, being a loss, injury, disadvantage, or gain. There may be a range of possible outcomes associated with an event considering factors such as:

- Quantitative and qualitative.
- Potential consequences of each risk
- Consequences in monetary terms, to enable better judgement in the decision-making process.

Impact
Major impact, e.g. >25% deviation in scope
Significant impact, e.g. 10-25% deviation in scope
Measurable impact, e.g. 5-10% deviation in scope
Minor impact, e.g. <5% deviation in scope
Insignificant impact, it is not possible to measure the impact as it is minimal

SECTION 1.4 : SUMMARY OF RISKS

We have reviewed the main risks in the following main business areas:

1. Strategic risks
2. Human Resources risks
3. Operational risks
4. Financial risks
5. IT risks

We have identified 19 key risks and have accordingly drawn up a risk mapping and matrix. Generally, most of the main risks were in the acceptable zone.

Review Period	High	Moderately High	Moderate	Moderately Low	Low
April 2023	-	1	3	15	-

The risk review period have been covered from May 2022 – April 2023.

There were no risks classified as high zone and only 1 risk classified as Moderately High zone. There is a need to implement and monitor risk mitigation efforts on this category of risks.

Management has responded positively to the issues highlighted and are implementing/taking mitigation procedures on the risks.

Summary of Risks are as follows:

Risk No.	Risk Categories	Risk	Main Risk Group	Risk Rating
				2023
1	Strategic Risk	Market risk	Business is essentially project based and therefore, there must be always new projects coming on stream for sustainability.	Moderately Low
2		Economic environmental risk	Overall economic environment not favourable and challenging.	
3		Long term growth risk	The Group's business is essentially concentrated on IT Service Segments.	
4		Concentration risk	Dependency on key customers.	Moderate
5		Competition risk	Competition from other players in the industry.	Moderately High
6	Human Resource Risk	Continuity risk	Loss of key personnel without succession planning in place.	Moderately Low
7		Retention risk	Loss of talent in key areas.	
8		Knowledge / competency risks	No update on latest technology / methodology in areas of production / services.	

Risk No.	Risk Categories	Risk	Main Risk Group	Risk Rating 2023
9		Monitoring risks	Inadequate Project management leading to delays in completion of the project.	Moderate
10		Fire hazard / Disruption of electricity / operational risks	Inadequate procedures in place for evacuation, disruption of power leading to continuity of business operations and other emergencies.	Moderately Low
11		Business continuity risk		
12	Financial Risk	Cost overrun risk	Costs overrun due to inaccurate estimates of costs / man days.	Moderate
13		Liquidity risk	Inadequate capital / cash flow problems for operations.	Moderately Low
14		Credit risks	Default or very slow payment by Customers.	
15		Financial regulatory risk	Inability to comply with Bursa regulations leading to penalties / fines / PN 17 status.	
16	IT Risk	IT Security	Loss of critical data leading to disruption in operations / business.	
17		Loss of data risk	Inadequate back-up of critical data.	
18		Disaster recovery risk	Disruption in event of disaster/ denial of access to premises/system.	
19		IT Supplier Performance Monitoring	Suppliers are not meeting the business requirements.	

1.4 GROUP INFORMATION OF FSBM

i. Statement of Financial Position FYE 2022 and 2021

Financial Year End 31 December	FYE 2022 (RM'000)	FYE 2021 (RM'000)
ASSETS		
Non-Current Assets		
Property, plant, and equipment	1,873	-
Right-of-use assets	169	-
Intangible assets	405	-
Investment in subsidiaries	-	-
Other investments	-	360
Deferred tax assets	268	-
	2,715	360
Current Assets		
Trade Receivables	5,045	153
Other Receivables	1,356	-
Contract Assets	818	123
Marketable Securities	4	7
Tax recoverable	-	-
Cash and cash equivalents	4,503	229
	11,726	512
Total Assets	14,441	872
EQUITY AND LIABILITIES		
EQUITY		
Share capital	24,314	10,064
Treasury shares	(712)	(712)
Warrants reserve	-	4,534
Accumulated losses	(11,109)	(16,740)
Equity attributable to Owners of the Company	12,493	(2,854)
Non-controlling interests	(2,062)	(2,093)
	10,431	(4,947)
LIABILITIES		
Non-Current liabilities		
Lease liabilities	77	-
Deferred tax liabilities	166	-
	243	-
Current liabilities		
Trade payables	1,242	76
Other payables	2,238	5,743
Lease liabilities	94	-
Tax payables	193	-
	3,767	5,819
Total liabilities	4,010	5,819
Total equity and liabilities	14,441	872

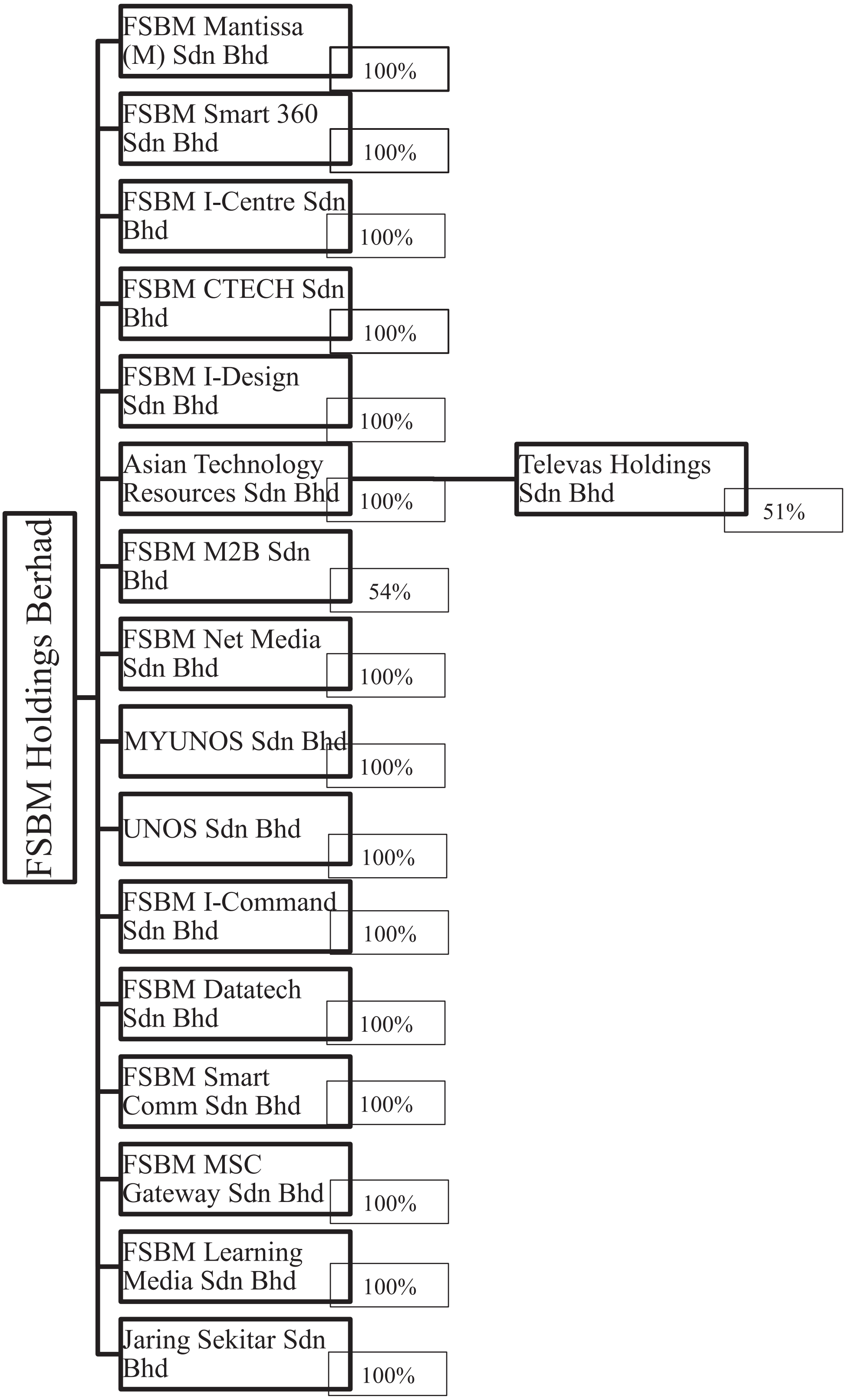
1.4 GROUP INFORMATION OF FSBM (CONT'D)

ii. Statement of Comprehensive Income FYE 2022 and 2021

Financial Year End 31 December	FYE 2022 (RM'000)	FYE 2021 (RM'000)
Revenue	12,514	405
Direct operating costs	(6,303)	(224)
Gross profit	6,211	181
Other income	1,436	2,394
Administrative expenses	(1,176)	(48)
Selling and marketing expenses	(136)	(4)
Other expenses	(1,490)	(11,793)
Profit/(Loss) from operations	4,845	(9,270)
Finance cost	(8)	-
Profit/(Loss) before tax	4,837	(9,270)
Tax expense	(391)	-
Loss net of tax, for the financial year representing total comprehensive income for the financial year	4,446	(9,270)
Total comprehensive income attributable to:		
Owners of the Company	4,415	(9,326)
Non-controlling interests	31	56
	4,446	(9,270)

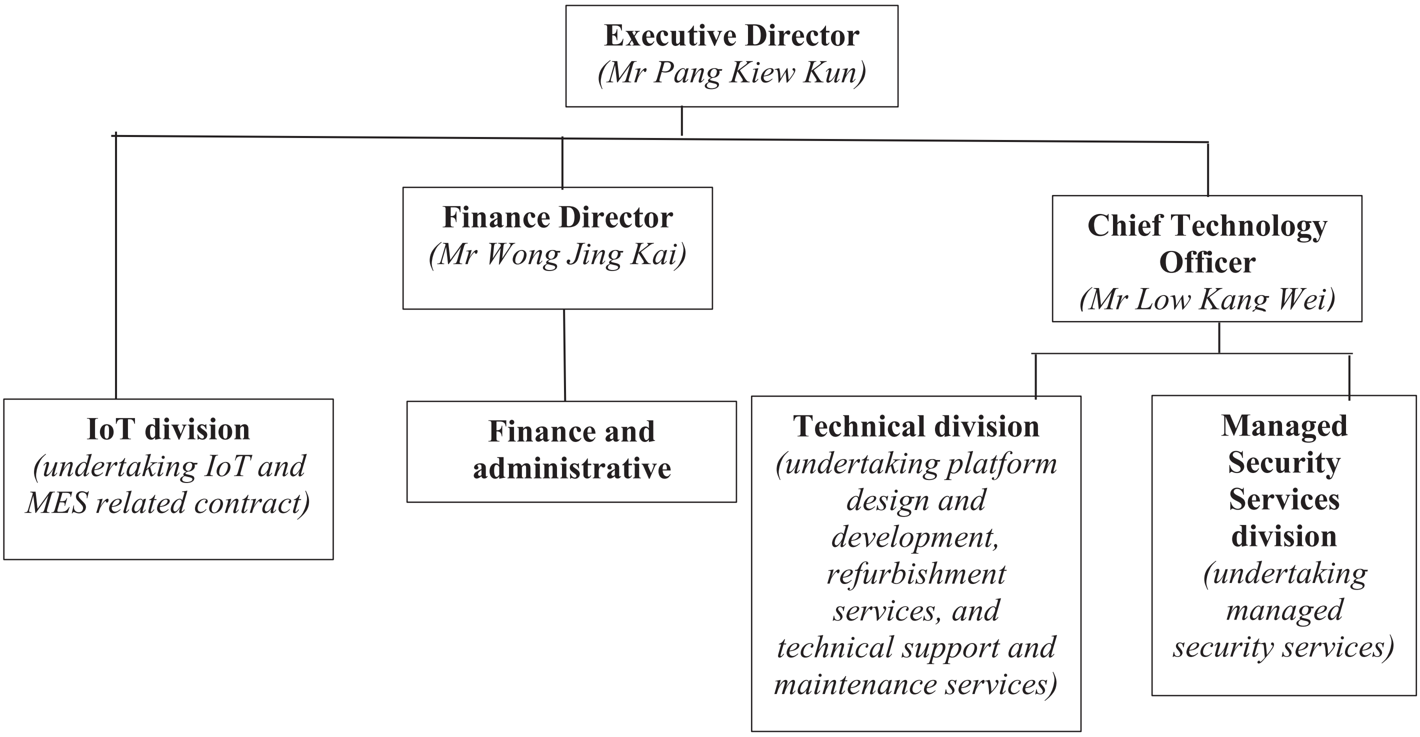
1.4 GROUP INFORMATION OF FSBM (CONT'D)

iii. Corporate Structure



1.4 GROUP INFORMATION OF FSBM (CONT'D)

iv. Organisational Chart



1.5 LIMITATION

Our internal audit activities are intended for the benefit of the Board of Directors and will not be planned or conducted in contemplation of reliance by any other party. Therefore, items of a possible interest to a third party may not be specifically addressed.

In carrying out our audit assessments, we have designed our work to evaluate the effectiveness of management systems of internal control to manage risks. However, our assessment does not constitute an audit in accordance with general acceptable auditing standard for expressing an opinion on financial statement and are subject to the information and representations provided to us. Due to inherent nature of system of internal control, all systems of internal control could only provide reasonable but not absolute assurance.

Due to the test nature of our internal audit work and together with the inherent limitations of system of internal control and characteristics of fraud especially involving concealment and falsification of information and documents and high-level stakeholders' corroborations, our findings should not be relied on to provide absolute assurance and to detect fraud and non-compliance of laws even if these internal controls were evaluated satisfactory.

1.6 ACKNOWLEDGEMENT

We would like to express our gratitude to all employees involved in this engagement. Each person involved was accessible and provided useful information.

SECTION 2 - CONCLUSION

We conclude that critical process risks have been identified and relevant control activities have also been implemented. Our overall opinion on the internal control of the following department of FSBM is as follows:

FINANCE AND ACCOUNTING DEPARTMENT

Ref#	Work Scope	Category of Findings	Current Grading
3.1.1	Review of Standard Operating Procedure	**Adequate**	**Effective**
3.1.2	Budgeting and Budget Management		
3.1.3	Cash Flow Projection and Monitoring		
3.1.4	Petty Cash Management		
3.1.5	Monitoring of Accounts Receivables		
3.1.6	Monitoring of Accounts Payables		
3.1.7	Receipt Process		
3.1.8	Payment Process		
3.1.9	Bank Reconciliation		

HUMAN RESOURCES DEPARTMENT

Ref#	Work Scope	Category of Findings	Current Grading
3.2.1	Review of Standard Operating Procedure	**Adequate**	**Effective**
3.2.2	Headcount Budget		
3.2.3	Recruitment		
3.2.4	Resignation		
3.2.5	Payroll Processing		
3.2.6	Annual Performance Appraisal and Succession Planning		
3.2.7	Annual Training Plan and Training Program		
3.2.8	Staff Claim		
3.2.9	Leave monitoring		

PROCUREMENT AND SUPPLIES/VENDOR EVALUATION

Ref#	Work Scope	Category of Findings	Current Grading
3.3.1	Review of Standard Operating Procedures	**Adequate**	**Effective**
3.3.2	Ordering and Sales Process		
3.3.3	Purchasing Process		
3.3.4	Supplier Assessment		

SALES AND MARKETING DEPARTMENT

Ref#	Work Scope	Category of Findings	Current Grading
3.4.1	Review of Standard Operating Procedures	**Adequate**	**Effective**
3.4.2	Customer Complaint Management		
3.4.3	Credit Control and Credit Limit		

SECTION 2 - CONCLUSION (CONT'D)

PROJECT DEPARTMENT

Ref#	Work Scope	Category of Findings	Current Grading
3.5.1	Review of Standard Operating Procedures	**Adequate**	**Effective**
3.5.2	Project Definition		
3.5.3	Project Management Planning		
3.5.4	Project Start-Up		
3.5.5	Project Monitoring		
3.5.6	Change Management		

The definition of control adequacy and effectiveness should be interpreted in conjunction with the scope of the audit and at the time of discussion, and observation of these control practices and in relation to transactions tested.

SECTION 3.1 – FINANCE DEPARTMENT

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Financial Management	3.1.1 Review of Standard Operating Procedure	Based on our review of the Standard Operating Procedure ("SOP") of FSBM for Financial Process are: - a) Billing b) Receipt Management c) Payment Procedure (Invoicing) d) Payment Procedure (Payment) e) Bank Reconciliation f) Project Financial Analysis g) Annual/Quarterly Budgeting h) Cashflow Monitoring i) Customer's Credit Limit and Credit Term These SOPs have been prepared by the Finance Manager, reviewed by Finance Director, and approved by the Board. In addition, the said SOP was last revised since year 2022. No issues to be highlighted.	E				--	--

SECTION 3.1 – FINANCE DEPARTMENT (CONT'D)

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Financial Management	3.1.2 Budgeting and Budget Management	Based on our review, we noted FSBM Group have prepared an annual financial performance budget by tracking and monitoring on quarterly basis to ensure that the companies are operating as per agreed budget. The Group Annual Budget have been tracked and monitored by 2 year forecasted cash flow projection from Q1 of 2022 till Q4 of 2023. The Group had just started to be more operational active since Q4 of 2021. No issue to be highlighted.	**E**				--	--
	3.1.3 Cash Flow Projection and Monitoring	Based on our review of the Cash Flow Monitoring process, we noted that the inflow and outflow of cash is monitored by the Finance Manager. Subsequently, a weekly report will be then reviewed by the Finance Manager and presented during the monthly management meeting. . Furthermore, a forecast of cashflow is prepared in the excel sheet from Q4 of 2021 till Q4 of 2023 and the Group had just started to be more operational active since Q4 of 2021. No issue to be highlighted.	**E**				--	--

SECTION 3.1 – FINANCE DEPARTMENT (CONT'D)

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Financial Management	3.1.4 Petty Cash Management	Based on our review on Petty Cash Management, we noted the following: - a) <u>Review authorization and supporting of Petty Cash Vouchers claim.</u> We have selected total 10 samples of Petty Cash Vouchers and noted they were prepared by Finance Executive and checked by Finance Manager and approved by Executive Director. b) <u>The Petty Cash Claim is within the allowable nature.</u> Based on our review on the 10 samples selected, we noted the petty cash claims include sundry expenses, traveling claim and stationery expenses which are agreed by the management. A threshold of RM5,000 is set and any claims exceeding the amount shall not be allowed. c) <u>Custodian of the petty cash.</u> The custodian of the key to the lockbox is located in the drawer of the Finance Executive which is locked. The key for the drawer is held by the Finance Executive. Furthermore, the petty cash lockbox is kept in a security safe box which is located in the Finance Department room. No issue to be highlighted.	E				--	--

SECTION 3.1 – FINANCE DEPARTMENT (CONT'D)

<table>
<tr><th rowspan="2">Functions</th><th rowspan="2">Activities</th><th rowspan="2">Key Observations</th><th colspan="4">Effectiveness of Internal Control</th><th rowspan="2">Recommendations</th><th rowspan="2">Management Response</th></tr>
<tr><th>E</th><th>SI</th><th>MI</th><th>W</th></tr>
<tr><td>Financial Management</td><td>3.1.5 Monitoring of Accounts Receivables</td><td>We have reviewed the Debtors Aging as at 31st March 2023 and we noted the following outstanding debtor balances.

<u>FSBM I-DESIGN SDN BHD</u>
<table>
<tr><th>Period</th><th>RM</th><th>%</th></tr>
<tr><td>Current</td><td>2,663,083</td><td>86%</td></tr>
<tr><td>31-60 Days</td><td>406,377</td><td>13%</td></tr>
<tr><td>61-90 Days</td><td>20,000</td><td>1%</td></tr>
<tr><td>91-120 Days</td><td>-</td><td>-</td></tr>
<tr><td>>120 Days</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>3,089,460</td><td>100%</td></tr>
</table>
<u>FSBM LEARNING MEDIA SDN BHD</u>
<table>
<tr><th>Period</th><th>RM</th><th>%</th></tr>
<tr><td>Current</td><td>-</td><td>-</td></tr>
<tr><td>31-60 Days</td><td>360,520</td><td>84%</td></tr>
<tr><td>61-90 Days</td><td>68,550</td><td>16%</td></tr>
<tr><td>91-120 Days</td><td>-</td><td>-</td></tr>
<tr><td>>120 Days</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>429,070</td><td>100%</td></tr>
</table>
<u>FSBM SOLUTIONS SDN BHD</u>
<table>
<tr><th>Period</th><th>RM</th><th>%</th></tr>
<tr><td>Current</td><td>91,903</td><td>99.97%</td></tr>
<tr><td>31-60 Days</td><td>28</td><td>0.03%</td></tr>
<tr><td>61-90 Days</td><td>-</td><td>-</td></tr>
<tr><td>91-120 Days</td><td>-</td><td>-</td></tr>
<tr><td>>120 Days</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>91,930</td><td>100%</td></tr>
</table></td><td>E</td><td></td><td></td><td></td><td>--</td><td>--</td></tr>
</table>

SECTION 3.1 – FINANCE DEPARTMENT (CONT'D)

<table>
<tr><th rowspan="2">Functions</th><th rowspan="2">Activities</th><th rowspan="2">Key Observations</th><th colspan="4">Effectiveness of Internal Control</th><th rowspan="2">Recommendations</th><th rowspan="2">Management Response</th></tr>
<tr><th>E</th><th>SI</th><th>MI</th><th>W</th></tr>
<tr><td>Financial Management</td><td>3.1.5 Monitoring of Accounts Receivables (Cont'd)</td><td>TELEVAS HOLDINGS SDN BHD
<table>
<tr><th>Period</th><th>RM</th><th>%</th></tr>
<tr><td>Current</td><td>10,650</td><td>100%</td></tr>
<tr><td>31-60 Days</td><td>-</td><td>-</td></tr>
<tr><td>61-90 Days</td><td>-</td><td>-</td></tr>
<tr><td>91-120 Days</td><td>-</td><td>-</td></tr>
<tr><td>>120 Days</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>10,650</td><td>100%</td></tr>
</table>

Based on the above, we noted there were no outstanding debtor balances more than 120 days.

Besides, we have reviewed 15 samples of Debtor Assessment Form and noted there were credit limits included in the debtor assessment form upon having business transactions with the company.

Additionally, there were bad debt policy prepared and documented by the Management.

No issues to be highlighted.</td><td>E</td><td></td><td></td><td></td><td>As above</td><td>As above</td></tr>
</table>

SECTION 3.1 – FINANCE DEPARTMENT (CONT'D)

<table>
<tr><th rowspan="2">Functions</th><th rowspan="2">Activities</th><th rowspan="2">Key Observations</th><th colspan="4">Effectiveness of Internal Control</th><th rowspan="2">Recommendations</th><th rowspan="2">Management Response</th></tr>
<tr><th>E</th><th>SI</th><th>MI</th><th>W</th></tr>
<tr><td>Financial Management</td><td>3.1.6 Monitoring of Accounts Payables</td><td>We have reviewed the Creditors Aging as at 31st March 2023 and we noted the following outstanding creditor balances.

<u>FSBM I-DESIGN SDN BHD</u>
<table>
<tr><th>Period</th><th>RM</th><th>%</th></tr>
<tr><td>Current</td><td>-</td><td>-</td></tr>
<tr><td>31-60 Days</td><td>13,000</td><td>5%</td></tr>
<tr><td>61-90 Days</td><td>235,898</td><td>90%</td></tr>
<tr><td>91-120 Days</td><td>-</td><td>-</td></tr>
<tr><td>>120 Days</td><td>11,813</td><td>5%</td></tr>
<tr><td>Total</td><td>260,711</td><td>100%</td></tr>
</table>
<u>FSBM LEARNING MEDIA SDN BHD</u>
<table>
<tr><th>Period</th><th>RM</th><th>%</th></tr>
<tr><td>Current</td><td>-</td><td>-</td></tr>
<tr><td>31-60 Days</td><td>255,000</td><td>100%</td></tr>
<tr><td>61-90 Days</td><td>-</td><td>-</td></tr>
<tr><td>91-120 Days</td><td>-</td><td>-</td></tr>
<tr><td>>120 Days</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>255,000</td><td>100%</td></tr>
</table>
Based on the above, we noted that there were only outstanding payables from FSBM I-Design Sdn Bhd more than 120 days.

No issues to be highlighted.</td><td>E</td><td></td><td></td><td></td><td>--</td><td>--</td></tr>
</table>

SECTION 3.1 – FINANCE DEPARTMENT (CONT'D)

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Financial Management	3.1.7 Receipt process	FSBM revenue segmentation as of 31st March 2023 is as per the following: - a) Trading of computer hardware b) Application development The above transactions are mostly derived from contracts that has been agreed upon. Hence, FSBM carries out the contract and issue invoices based on agreed milestone. The preparation of invoice for application development is done by the Finance Executive and will be reviewed by the CTO and approved by the Executive Director. This approval process is done via Auto Count. For trading segmentation, the Quotation, Delivery Order, and Invoices are prepared by Finance Executive and approved by Finance Director. No issues to be highlighted.	E				--	--

SECTION 3.1 – FINANCE DEPARTMENT (CONT'D)

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Financial Management	3.1.8 Payment process	During our review, we noted that upon receipt of Invoice from suppliers, the Head of Department will send a memo with the supporting documents such as Delivery Order (DO), Purchase Order (PO) and Purchase Requisition (PR) to the Finance Department. Subsequently, the Finance Executive will prepare the payment and pre-posting into the system and print out the Posting Document for approval from Finance Manager. Upon approving the Posting Document, the Finance Manager will revert back to the Finance Executive to post the transaction and upload the details of the payment. Lastly, the Finance Executive will print out the PV and reviewed by Finance Manager and approved by Finance Director or Executive Director before file the supporting documents. We have selected and reviewed 15 samples of the above processes and noted no issues to be highlighted.	E				--	--

SECTION 3.1 – FINANCE DEPARTMENT (CONT'D)

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Financial Management	3.1.9 Bank Reconciliation	Based on our review on Bank Reconciliation from October 2022 to March 2023, we noted the Bank Reconciliations were prepared by Finance Executive upon receiving the Bank Statements. The Monthly Bank Reconciliation will be forwarded to Finance Manager for check and acknowledgement. Based on our review, there are no outstanding payments or undeposited cheques that are more than 6 months. Lastly, we have reviewed and vouched the amount in Bank Reconciliation with Bank Statement and Ledgers. No issue to be highlighted.	E				--	--

SECTION 3.2 – HUMAN RESOURCES DEPARTMENT

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Human Resources Management	3.2.1 Review of Standard Operating Procedure	Based on our review on Human Resource Standard Operating Procedures, we noted there were procedures to govern HR process. It covers the following sub-procedures respectively: a) Recruitment b) Probation and Confirmation procedures c) Resignation and Termination procedures d) Manpower Planning e) Staff Orientation / Induction Training upon recruitment f) Staff Leave Application and Claim processing g) Staff Training, Welfare, and Development Programme h) Monthly Payroll and Salary Computation We noted there were authorised signatures from the preparer, reviewer, and approver in the SOP of Human Resources. In addition, the Board of FSBM has also put in place a Whistleblowing Policy to encourage employees and others who have serious concerns about any aspect of the Company and	**E**				--	--

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SECTION 3.2 – HUMAN RESOURCES DEPARTMENT (CONT'D)

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Human Resources Management	3.2.1 Review of Standard Operating Procedure (Cont'd)	Group including, but not limited to unethical or fraudulent practices within the Group to come forward and voice those concerns. The purpose of a Whistleblowing Policy is to establish a system for the reporting, investigation, and resolution of reportable conduct, so that damage control or remedial action can be taken promptly. Accordingly, the Board has applied Practice 3.2 of the MCCG. The Whistleblowing Policy can be viewed on the Company's website at www.fsbm.com.my. No issues to be highlighted.	**E**				As above	As above
	3.2.2 Headcount Budget	We noted that headcount budget has been included by the Management in the group's cash flow projections for the FYE 2022 and 2023. No issues to be highlighted.	**E**				--	--

SECTION 3.2 – HUMAN RESOURCES DEPARTMENT (CONT'D)

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Human Resources Management	3.2.3 Recruitment	Based on our review, we noted the HR Department is headed by HR Manager and assisted by HR Executives which are responsible on the coordination and handling of HR matters. Any Head of Department ("HOD") who needs new employee will be required to liaise with HR Department and specify their requirements and scope of work needed. HR Manager will then source potential applicants and submit it to HOD for consideration. Once HOD has decided, HR Manager will call for an interview with the prospective candidate together with the hiring HOD. HR Manager reviews the completeness of the application forms to ensure competency and qualification which align with the requirements. During the interview session, the HR Manager will be required to fill the Interview Evaluation Form before agreeing to hire the potential candidate. Once the hiring HOD agrees to hire the HR Manager will contact the candidate (call and email) to inform on the hiring.	**E**				--	--

SECTION 3.2 – HUMAN RESOURCES DEPARTMENT (CONT'D)

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Human Resources Management	3.2.3 Recruitment (Cont'd)	Once the appointment is approved, a standard Contract of employment shall be prepared by the HR Department and given to the candidate before the commencement of the employment. The letter of appointment will be written on the letterhead of the hiring company and signed by the Executive Director of that Company. The candidate will indicate his acceptance by signing on the copy of the Letter of appointment. The selected candidate is required to report for work after the offer letter has been accepted. We noted that 26 staff were hired in FYE 2022 and additional 3 staff were hired from January 2023 - April 2023. No issues to be highlighted.	E				As above	As above

SECTION 3.2 – HUMAN RESOURCES DEPARTMENT (CONT'D)

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Human Resources Management	3.2.4 Resignation	As highlighted in Section 4.2.1, there were no procedures documented for resignation process. Based on our review on current practices for resignation, we noted as follows: a) Requester to tender resignation letter. b) HR to issue acceptance of resignation letter. c) Requestor to fill in Company Assets Clearance Form. d) Requestor to issue handover letter. e) HR to conduct Exist Interview with resign staff and written in exist interview form. f) HR to issues last payslip. We noted that there were 6 resignations of staffs in year 2022 and nil from January 2023 – April 2023. No issues to be highlighted.	E				--	--

SECTION 3.2 – HUMAN RESOURCES DEPARTMENT (CONT'D)

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Human Resources Management	3.2.5 Payroll Processing	Based on our review on 6 months payroll registers selected from October 2022 to March 2023, we noted the payroll register was prepared by Senior Executive and reviewed by HR Manager and approved by Director. We noted that the following deductions have been taken up correctly in payroll computation as per below: a) EPF, SOCSO and EIS b) Income Tax c) Bonus d) Claims (Travelling and Medical Claim) Monthly payroll and salary computation was computed at the end of month. Payroll is approved and released by Finance Department. The required date of submission of the authorities of EPF, SOCSO and PCB are latest by 15th of each month. Based on our review on the payment to EPF, SOCSO and PCB for the month of October 2022 to March 2023, we noted the submission dates to authorities were within the timeline and before the due date of 15th of each month.	E				--	--

SECTION 3.2 – HUMAN RESOURCES DEPARTMENT (CONT'D)

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Human Resources Management	3.2.5 Payroll Processing (Cont'd)	Also, there were no exceptions noted on EPF and SOCSO contribution payment and PCB payment of employees.	E				As above	As above
	3.2.6 Annual Performance Appraisal and Succession Planning	We noted there is performance appraisal system in place which enable the employees to have a better understanding of their performance through the feedback from their superior. The Group recognises the importance to retain its Executive Directors and Key Management Personnel and have in place a human resource retention strategy, which includes maintaining a competitive remuneration package and providing opportunities for career development for employees. As part of Management Succession Plan, efforts have been made to promote and groom lower and middle management staff to gradually assume the responsibilities undertaken by the Senior Management Team in order to ensure continuity in the Group's Management Team. No issues to be highlighted.	E				--	--

SECTION 3.2 – HUMAN RESOURCES DEPARTMENT (CONT'D)

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Human Resources Management	3.2.7 Annual Training Plan and Training Program	We noted that newly joined employees are provided training to equip them with the necessary working knowledge and skills in order for them to carry out their job responsibilities efficiently. On-site coaching and mentoring as well as training will be provided to the employees to ensure they can carry out their daily work. As informed by Management, the Annual Training Plan has yet to be drawn up as it is not necessary at this juncture. No issues to be highlighted.	**E**				--	--
	3.2.8 Staff Claim	Based on our review, we noted that all employees will submit the claim through a Claim Form which include medical claim, mileage claim, dental claim, and overtime claim. We noted that all the medical, dental, optical and fitness reimbursement expenses claim forms are to be submitted to HR for verification by 20th of each calendar month. Reimbursement will be made via payroll. According to the Employee Handbook, we noted the following procedures:	**E**				--	--

SECTION 3.2 – HUMAN RESOURCES DEPARTMENT (CONT'D)

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Human Resources Management	3.2.8 Staff Claim (Cont'd)	**<u>Traditional Chinese Medicines / Health Supplements</u>** All confirmed employees will be entitled to traditional Chinese medicines and/or health supplements up to a maximum of RM 800.00 per calendar year. All claims will be made via monthly expenses claim forms and must be supported by original receipts from registered Chinese medicine clinics and pharmacies. **<u>Dental / Optical Subsidy</u>** The Company shall reimburse to confirmed employees, dental and/or optical bills up to a maximum of RM600.00 (inclusive of 6% SST) per calendar year. **<u>Travelling Claim</u>** Motorcycle – RM0.30 per KM Car - RM0.60 per KM For toll and parking claims, official receipts must accompany the claims (for business travel) and employees using automatic tags will not be eligible for claims or reimbursements, unless they can substantiate the claim with itemised bills. No issues to be highlighted.	E				As above	As above

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SECTION 3.2 – HUMAN RESOURCES DEPARTMENT (CONT'D)

<table>
<tr><th rowspan="2">Functions</th><th rowspan="2">Activities</th><th rowspan="2">Key Observations</th><th colspan="4">Effectiveness of Internal Control</th><th rowspan="2">Recommendations</th><th rowspan="2">Management Response</th></tr>
<tr><th>E</th><th>SI</th><th>MI</th><th>W</th></tr>
<tr><td>Human Resources Management</td><td>3.2.9 Leave Monitoring</td><td>Based on our review on leave record from October 2022 to March 2023, we noted that the individual total leave balance and total leave taken will be updated through the Leave system.

Leave Application is submitted through leave system. The authority matrix has been set into the system. The Leave Application when requested by employee will be directed to the respective HOD for approval, and the HR Department will be notified via system.

According to the Employee Handbook, we noted the following annual leave for employees:
<table><tr><th>Category</th><th>< 2 years</th><th>2-5 years</th><th>>5 years</th></tr><tr><td>Office Staff</td><td>14 days</td><td>20 days</td><td>26 days</td></tr><tr><td>Clerical Staff</td><td>8 days</td><td>12 days</td><td>16 days</td></tr></table>
All employees are required to submit the annual leave application 7 days before the leave taken in accordance with the Employee Handbook.

According to Employee Handbook, we noted the following sick leave for employees:
<table><tr><th>Category</th><th>< 2 years</th><th>2-5 years</th><th>>5 years</th></tr><tr><td>Office Staff</td><td>14 days</td><td>18 days</td><td>22 days</td></tr></table>
No issues to be highlighted.</td><td>E</td><td></td><td></td><td></td><td>--</td><td>--</td></tr>
</table>

SECTION 3.3 – PROCUREMENT AND SUPPLIES/VENDORS EVALUATION

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Procurement and supplies/ vendor evaluation	3.3.1 Review of Standard Operating Procedure	Based on our review on Procurement Standard Operating Procedures, we noted there were procedures to govern procurement process. It covers the following sub-procedures respectively: a) Ordering process b) Purchasing process c) Selection of Supplier/Vendor d) Payment process We noted there were authorised signatures from the preparer, reviewer, and approver in the SOP of Procurement. No issues to be highlighted.	E				--	--

SECTION 3.3 – PROCUREMENT AND SUPPLIES/VENDORS EVALUATION (CONT'D)

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Procurement and supplies/ vendor evaluation	3.3.2 Ordering and Sales Process	We have reviewed the ordering and sales procedures as below: **Ordering Process:-** • Received completed order requirement from clients. • Get quotation, at least 2 suppliers/vendor shall be invited for pricing comparisons. • Prepare official quotation for client's consideration. • Client shall sign the acceptance quotation or issue Purchase Order for the confirmation of orders. • Issue Purchase Order to the lowest price quoted by supplier/vendor. • The supplier/vendor need to provide services/supply the order accordingly based on specification and timeline given. • Client shall confirm and verify the order/services delivered are satisfactory. • Issue Delivery Order, Invoice and collect payment. • Prepare memo and forward Delivery Order and Invoice to Finance for payment to supplier/vendor.	**E**				--	--

SECTION 3.3 – PROCUREMENT AND SUPPLIES/VENDORS EVALUATION (CONT'D)

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Procurement and supplies/ vendor evaluation	3.3.2 Ordering and Sales Process (Cont'd)	**Sales Process:-** • Identify prospect and get details: • Telemarketing and make appointment. • Prepare presentation. • Sourcing product and design. • Client review quotation/artwork. • Client confirmation on pricing and artwork. • Deposit/start production. • Check quantity, quality, and delivery to client. Based on our 15 samples of the Customer purchase order, Quotation, Supplier Purchase Order, Delivery Order, and Invoice from October 2022 to March 2023, we have performed the following tests on control: a) <u>Customer purchase order is supported with quotation.</u> All purchase order is properly supported. No issues to be highlighted. b) <u>Description and quantity in supplier purchase order tallied with quotation given to customer.</u> All quantity in supplier purchase order tallied with quotation given to customer. No issues to be highlighted.	E				As above.	As above.

SECTION 3.3 – PROCUREMENT AND SUPPLIES/VENDORS EVALUATION (CONT'D)

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Procurement and supplies/ vendor evaluation	3.3.2 Ordering and Sales Process (Cont'd)	c) <u>Supplier Invoice is tallied with purchase order.</u> All supplier invoice description, quantity and amount were tallied with purchase order. No issues to be highlighted. d) <u>Quantity and item in delivery order tallied with customer purchase order.</u> All quantity and description in delivery order tallied with customer purchase order. No issues to be highlighted. The Operation Team will check on the goods received with the design, quantity, and size before delivery to customer. Further, there are no sales return from October 2022 – March 2023.	E				As above.	As above.

SECTION 3.3 – PROCUREMENT AND SUPPLIES/VENDORS EVALUATION (CONT'D)

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Procurement and supplies/ vendor evaluation	3.3.3 Purchasing Process	According to the Procurement SOPs dated 1st March 2021, we noted the Purchasing procedures as below: • Received completed requisition for purchase of goods/items/services. • Sourcing products and determine vendor/supplier, obtain at least 2 quotations for pricing comparisons. • Issue Purchase Order (2 copies – original and copy) to the successful vendor/supplier that offer the lowest price and follow our terms and conditions. • Received in good order (Checking on quantity, quality of products/services and performed delivery to client). • Forwarded Delivery Order/Invoice and copy Purchase Order to Finance Department for vendor/supplier payment based on specification and quantity acceptance. Based on our reviewed on the samples selected from October 2022 – March 2023, we noted that there is absence of supplier price comparison on the sales of goods. Customer will choose supplier brand due to different supplier with different quality and pricing. No issues to be highlighted.	E				--	--

SECTION 3.3 – PROCUREMENT AND SUPPLIES/VENDORS EVALUATION (CONT'D)

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Procurement and supplies/ vendor evaluation	3.3.4 Supplier Assessment	We noted that the supplier assessment was conducted on annual basis. All of the supplier is the approved supplier which selected from the exhibition with quality goods provided. Further, Management had included the list of backup suppliers for general purchase and IT service contracts in their Latest Approved Suppliers List which helps FSBM to ensure the services are rendered on timely basis and to avoid any disruption to operations. No issues to be highlighted.	E				--	--

SECTION 3.4 – SALES AND MARKETING

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Sales and Marketing	3.4.1 Review of Standard Operating Procedure	Based on our review of SOP of Sales and Marketing of FSBM as following:- a) Customer Complaint and Satisfaction b) Customer Assessment These SOPs have been prepared by the Finance Executive, reviewed by the Manager, and approved by the Finance Director. The effective date of the SOP is 1st March 2021. No issues to be highlighted.	E				--	--
	3.4.2 Customer Complaint Management	Based on our review of the customer complaint process, it was noted that there was no customer complaint received from October 2022 – March 2023. No issues to be highlighted.	E				--	--

SECTION 3.4 – SALES AND MARKETING (CONT'D)

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Sales and Marketing	3.4.3 Credit Control and Credit Limit	Based on our review, we noted there was credit assessment performed on new customers. Prior to establishing sales with a customer, Management will perform background check of the customer by obtaining the statutory documents and financial information of the customer. This will enable the company to gauge the performance of the company and apply the credit limit and credit term as necessary. The function of embedding the credit limit and credit term of the customer is available in the system prior to issuing the Sales Order/Invoice. The credit assessment is performed before issuance of credit facility to customer to control the credit risk exposure of the company. No issues to be highlighted.	E				--	--

SECTION 3.5 – PROJECT MANAGEMENT

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Project Management	3.5.1 Review of Standard Operating Procedure	Based on our review on the Project Management Policy dated 26th October 2022 which approved by the Management Committee, we noted the following procedures: a) <u>Project Definition</u> Analyse and confirm work required in a project including objectives, scope, implementation approach, estimate cost and resources. b) <u>Project Management Planning</u> Specification of project tasks and activities to be accomplished. c) <u>Project Start-Up</u> Execution and monitoring of Project implementation. d) <u>Project Review</u> Review the project status and identifying issues or problems relation to the Project executed However, the said SOP was last revised since the approval of this SOP in year 2022.	E				--	--

SECTION 3.5 – PROJECT MANAGEMENT (CONT'D)

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Project Management	3.5.2 Project Definition	Project Manager analyse and confirm work required in a project include objectives, scope, implementation approach, estimate cost and resources. A Project Proposal has been drawn up by Project Manager which include the following:- a) Project Details b) Project Overview c) Project Scope d) Project Objective e) Project Approach f) Estimated Cost and Duration g) Risk Involved The Project Proposal shall be approved by the Project Sponsor, approving authorities, and Project Director. No issues to be highlighted.	E				--	--

SECTION 3.5 – PROJECT MANAGEMENT (CONT'D)

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Project Management	3.5.3 Project Management Planning	The Project Manager and the team members will proceed to develop a detail Project Management Plan. A Statement of Work ("SoW") shall be developed by the Project Team which describe the technical specification of the Project which will be a communication tool between developers, customer and Project Team and shall be approved by all parties. A Work Breakdown Structure ("WBS") were prepared by the Project Team whereby the entire project work is divided/broken down into series of smaller and more manageable activities. The WBS should encompass all key tasks such as design, implementation, test, installation, and maintenance. Based on the WBS the project deliverable and schedule has been developed to monitor the Project progress. Project Budget shall also be developed which consist of labor, material, and other direct cost. A budget cash flow shall also be prepared by Project Manager. No issues to be highlighted.	E				--	--

SECTION 3.5 – PROJECT MANAGEMENT (CONT'D)

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Project Management	3.5.4 Project Start-Up	The Project Manager and the team members will proceed to develop a Project Start-Up Checklist. The Checklist consist of combination of an action list and a tool to verify that the necessary steps have been completed. A kickoff meeting shall be conducted together with the Project Team, Stakeholders, and Executive Management to officially recognize the start of a project. A finalized Project Management Plan shall then be reviewed by the Project Director. Then a formal Letter of Award then be executed as forms of written contract agreement. No issues to be highlighted.	E				--	--
	3.5.5 Project Monitoring	The Project Manager and the team members will prepare a Monthly Status Report. This report will help to monitor the planned and actual result A monthly progress meeting will be conducted together with the Developer, Project Team and Customer to discuss the progress and ensure that the progress is on track. A meeting minutes is prepared to include action plans to ensure all issues highlighted had been addressed.	E				--	--

SECTION 3.5 – PROJECT MANAGEMENT (CONT'D)

Functions	Activities	Key Observations	Effectiveness of Internal Control				Recommendations	Management Response
			E	SI	MI	W		
Project Management	3.5.6 Change Management	The Project Manager raise a Change Form to document the changes proposed and assess the change impact on the project and its deliverables. The Change Form shall be forwarded to the Project Director for review and preliminary approval. Thereafter the Change Form will be forwarded to the Change Control Board for final review and approval. All approved changes are to be tracked via the Change Register. Client acknowledgement shall be obtained before any changes are carried out. No issues to be highlighted.	E				--	--

SECTION 4: DETAILED ENTERPRISE RISK MANAGEMENT FRAMEWORK

<table>
<tr><th rowspan="2">NO</th><th rowspan="2">MAIN RISK GROUP</th><th rowspan="2">ISSUES OF CONCERNS</th><th rowspan="2">OBSERVATIONS</th><th rowspan="2">MITIGATION PROCESS</th><th colspan="3">RISK RATING</th></tr>
<tr><th>I</th><th>L</th><th>MATRIX</th></tr>
<tr><td colspan="8">4.1 Strategic Risk</td></tr>
<tr><td>1</td><td>Market risk</td><td>Business is essentially project based and therefore, there must be always new projects coming on stream for sustainability.</td><td>FSBM was incorporated in 1984 as Talasco Computers Sdn Bhd. At the time, the Company was the sole distributor of Fujitsu branded IT hardware in Malaysia. In 1991, Talasco Computers Sdn Bhd changed its name to Fujitsu Systems Business (Malaysia) Sdn Bhd and was subsequently listed on Bursa Securities (then known as the Kuala Lumpur Stock Exchange) in 1994.

In 2001, the Company diversified its business to sell non-Fujitsu products and services and extended its business activities outside of Malaysia, resulting in a change in company name to its present name, FSBM Holdings Berhad. The Company subsequently transferred to the Main Market of Bursa Securities following the merger of the Main Board of Bursa Securities and the Second Board of Bursa Securities. During that time, the Company has been focused on 4 business divisions, namely provision of IT services, communications and networking services, education and training services and healthcare solutions.

Group financial results are as below:
<table>
<tr><th></th><th>FYE 2022 (RM)</th><th>FYE 2021 (RM)</th><th>Variance %</th></tr>
<tr><td>Revenue</td><td>12,514,000</td><td>405,000</td><td>2990%</td></tr>
<tr><td>Operating profit</td><td>6,211,000</td><td>181,000</td><td>3331%</td></tr>
<tr><td>Profit/(Loss) Before Taxation</td><td>4,837,000</td><td>(9,270,000)</td><td>(152%)</td></tr>
<tr><td>Net Profit/(Loss)</td><td>4,837,000</td><td>(9,270,000)</td><td>(152%)</td></tr>
</table>
FSBM Group reports a revenue of RM12.52 million and profit before tax of RM4.83 million for the financial year ended as of 31st December 2022. This compares to a revenue of RM0.405 million and a loss before tax of RM9.27 million for the financial year ended 31st December 2021.</td><td>-</td><td>Mi</td><td>Ps</td><td>Moderately Low</td></tr>
</table>

SECTION 4: DETAILED ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

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<tr><th>I</th><th>L</th><th>MATRIX</th></tr>
<tr><td colspan="8">4.1 Strategic Risk</td></tr>
<tr><td>1</td><td>Market risk (Cont'd)</td><td>As above.</td><td>The higher profit as of 31st December 2022 compared to the previous financial year ended 31st December 2021 is mainly due to the higher profit generated from development projects.

The main revenue contribution for the current financial came from the Platform Design and Development segment. Moreover, the Group's Refurbishment Services, Managed Security Services and Lease/Rental Service also contributing higher revenue to the Group for the financial year 2022 as below:-

<table>
<tr><th colspan="2">FYE 31st DECEMBER 2022</th></tr>
<tr><th>Segment Revenue</th><th>Amount (RM'000)</th></tr>
<tr><td>Platform Design and Development</td><td>10,213</td></tr>
<tr><td>Refurbishment Services</td><td>458</td></tr>
<tr><td>Technical Support and Maintenance Service</td><td>161</td></tr>
<tr><td>Lease/Rental Service</td><td>311</td></tr>
<tr><td>Managed Security Service</td><td>500</td></tr>
<tr><td>Smart Manufacturing Solutions</td><td>784</td></tr>
<tr><td>Others</td><td>87</td></tr>
<tr><td>TOTAL</td><td>12,514</td></tr>
</table>

The Group remain cautiously optimistic given the impact of the Covid-19 pandemic across all sectors of the economy. Nevertheless, COVID-19 and Government initiatives have driven businesses to adopt digitalization, and as such, The Group believe that they are well positioned to capture opportunities within the IT services industry.

The Group is exploring new opportunities to expand its offering into the Managed Security Services, with the objective to enhance the Group's business sustainability and continuity.</td><td>As above.</td><td>Mi</td><td>Ps</td><td>Moderately Low</td></tr>
</table>

SECTION 4: DETAILED ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

NO	MAIN RISK GROUP	ISSUES OF CONCERNS	OBSERVATIONS	MITIGATION PROCESS	RISK RATING I	RISK RATING L	RISK RATING MATRIX
4.1	**Strategic Risk**						
1	Market risk (Cont'd)	As above.	The Group has set up the Managed Security Service division during the year. Moreover, the Group is now offering smart manufacturing solutions. The Group continues to explore opportunities in digital technology to further provide innovative solutions to customers and create value for the Group. Further, The global IT services market size was valued at USD 98.5 billion in 2021 and is estimated to rise at a compound annual growth rate (CAGR) of 9.5% from 2022 to 2028. Increasing concerns regarding data security and privacy protection are driving the demand for IT services from companies working across various industry verticals. Moreover, rising complications in network infrastructure are acting as the main impedances to effective data security management; thus, driving the requirement for and implementation of IT services. The COVID-19 outbreak positively impacted the market. The FBI reported a 300% increase in reported cybercrimes in the first few months after the beginning of the COVID-19 pandemic. Therefore, the demand for IT services from enterprises increased to secure their business process and operations.	As above.	**Mi**	**Ps**	Moderately Low

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SECTION 4: DETAILED ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

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<tr><th>I</th><th>L</th><th>MATRIX</th></tr>
<tr><td colspan="8">4.1 Strategic Risk</td></tr>
<tr><td>2</td><td>Economic environmental risks</td><td>Overall economic environment is not favourable and challenging.</td><td>Group financial results are as below:
<table><tr><th></th><th>FYE 2022 (RM)</th><th>FYE 2021 (RM)</th><th>Variance %</th></tr><tr><td>Revenue</td><td>12,514,000</td><td>405,000</td><td>2990%</td></tr><tr><td>Operating profit</td><td>6,211,000</td><td>181,000</td><td>3331%</td></tr><tr><td>Profit/(Loss) Before Taxation</td><td>4,837,000</td><td>(9,270,000)</td><td>(152%)</td></tr><tr><td>Net Profit/(Loss)</td><td>4,837,000</td><td>(9,270,000)</td><td>(152%)</td></tr></table>
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The higher profit as of 31st December 2022 compared to the previous financial year ended 31st December 2021 is mainly due to the higher profit generated from development projects.

The main revenue contribution for the current financial came from the Platform Design and Development segment. Moreover, the Group's Refurbishment Services, Managed Security Services and Lease/Rental Service also contributing higher revenue to the Group for the financial year 2022.

The IT industry is growing rapidly and is expected to continue to grow in the coming years. This growth is driven by several factors, including the increasing use of technology in businesses, the growing demand for IT services, and the increasing popularity of cloud computing.

Managed services market research reveals that the IT industry is ballooning and is predicted to grow even more in the next decade.</td><td>-</td><td>Mi</td><td>Ps</td><td>Moderately Low</td></tr>
</table>

SECTION 4: DETAILED ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

NO	MAIN RISK GROUP	ISSUES OF CONCERNS	OBSERVATIONS	MITIGATION PROCESS	RISK RATING		
					I	L	MATRIX
4.1 Strategic Risk							
2	Economic environmental risks (Cont'd)	Overall economic environment is not favourable and challenging.	The managed IT services market is expected to surpass USD410 million in 2027, compared to USD174 billion in 2019. Businesses of all sizes need IT services to do more than stay competitive to excel and survive. To achieve this, businesses rely on the IT industry for several services, including big data, cloud computing, cybersecurity, and more. The IT industry is constantly innovating and developing new technologies to help businesses improve their operations. The impact of the IT industry can be seen in several industries, including healthcare, finance, manufacturing, and retail. The IT industry has transformed the healthcare industry by adopting electronic health records, telemedicine, and mobile health applications. The IT industry has greatly impacted the finance industry with the development of online banking and mobile payments. The manufacturing industry has become more efficient and leaner with IT industry's adoption of Industry 4.0 technologies. The IT industry has changed the retail industry with the development of e-commerce and omnichannel shopping.	-	**Mi**	**Ps**	Moderately Low

SECTION 4: DETAILED ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

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<tr><th>I</th><th>L</th><th>MATRIX</th></tr>
<tr><td colspan="8">4.1 Strategic Risk</td></tr>
<tr><td>3</td><td>Long term growth risk</td><td>The Group's business is essentially concentrated on IT Service Segments.</td><td>The Group revenue contribution for the financial year ended 2022 came from the Platform Design and Development segment, Refurbishment Services, Technical Support and Maintenance Services, Managed Security Services, Lease/Rental Service and Smart Manufacturing Solutions.

This compared to the previous financial year 2021, The Group revenue contribution only came from the Platform Design and Development.

Further, The Group have offered different type of IT services to the market which contributed higher revenue boost to the Group during the financial year ended 2022. An increase of 2,990% of revenue to the Group as below:-

<table>
<tr><th></th><th>FYE 2022 (RM)</th><th>FYE 2021 (RM)</th><th>Variance %</th></tr>
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</table>

The IT industry is growing rapidly, and demand continue to grow in the coming years which is driven by the increasing use of technology in businesses, the growing demand for IT services, and the increasing popularity of cloud computing. Further, increasing concerns regarding data security and privacy protection are driving the demand for IT services from companies working across various industry verticals.</td><td>-</td><td>Mi</td><td>Ps</td><td>Moderately Low</td></tr>
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SECTION 4: DETAILED ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

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<tr><th>I</th><th>L</th><th>MATRIX</th></tr>
<tr><td colspan="8">4.1 Strategic Risk</td></tr>
<tr><td>4</td><td>Concentration risk</td><td>Dependency on key customers and segment.</td><td>The Group intends to focus on expanding its IT services segment, where the Group designs and develops customised IT solutions.

The range of services the Group provides can be summarised in the diagram below:

At this junction, the Group business segment as per following:

<table>
<tr><th colspan="4">Range of Services</th></tr>
<tr><td>Platform design and development</td><td>Technical support and maintenance services</td><td>Refurbishment services</td><td>Managed Security Services</td></tr>
<tr><th colspan="4">Revenue Model</th></tr>
<tr><td>Contract Service Revenue</td><td>Maintenance Revenue</td><td>Trading Revenue</td><td>Maintenance Revenue</td></tr>
<tr><th colspan="4">Customer Segment</th></tr>
<tr><td colspan="4">Local and International Enterprise</td></tr>
</table>

i) Contract service revenue is a one-off revenue generated when the Group provides platform design and development services.

ii) Maintenance revenue is a recurrent revenue where customers pay for the Group to continually provide services on an annual basis, and/or when required.

iii) Trading revenue is a one-off revenue charged based on the number of hardware the Group sells.</td><td>-</td><td>Mi</td><td>L</td><td>Moderate</td></tr>
</table>

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SECTION 4: DETAILED ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

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<tr><th>I</th><th>L</th><th>MATRIX</th></tr>
<tr><td colspan="8">4.1 Strategic Risk</td></tr>
<tr><td>4</td><td>Concentration risk (Cont'd)</td><td>As above</td><td>As at 11th April 2023, the FSBM Group has secured the following contracts:-
<table>
<tr><th>Customer</th><th>Service Provided</th><th>Date Contract Secured/ Expected Time Frame for Completion</th><th>Project Value</th></tr>
<tr><td rowspan="4">MovingUp Mobile Sdn Bhd, a frozen food manufacturer and trader.</td><td>Development of an e-commerce platform</td><td rowspan="4">13th October 2021 / 18 months (In progress)</td><td rowspan="4">RM5.0 million + RM534,800 for the provision of technical support and maintenance, which is renewable yearly</td></tr>
<tr><td>Halal tracking system</td></tr>
<tr><td>Frozen food vending system</td></tr>
<tr><td>Maintenance and support</td></tr>
<tr><td rowspan="3">Herbs Cell Nutrition Sdn Bhd, a health and wellness product retailer.</td><td>Development of an e-commerce platform</td><td rowspan="3">13th October 2021 / 13 months (In progress)</td><td rowspan="3">RM2.0 million + RM534,800 for the provision of technical support and maintenance, which is renewable yearly</td></tr>
<tr><td>Personalised Product Recommendation Tool</td></tr>
<tr><td>Maintenance and Support</td></tr>
</table>
</td><td>-</td><td>Mi</td><td>L</td><td>Moderate</td></tr>
</table>

SECTION 4: DETAILED ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

NO	MAIN RISK GROUP	ISSUES OF CONCERNS	OBSERVATIONS	MITIGATION PROCESS	RISK RATING I	RISK RATING L	RISK RATING MATRIX
4.1	**Strategic Risk**						
4	Concentration risk (Cont'd)	As above	See table below	-	**Mi**	**L**	Moderate

Observations (cont'd):

Cash Rebates Membership Portal Operator	Development of online marketplace for digital vouchers Maintenance and support	17th March 2022 / 5 months (Completed and delivered in August 2022 and commenced maintenance services in November 2022)	RM1.0 million + RM198,000 for the provision of Technical support and maintenance, which is renewable yearly
Blockchain algorithm and smart contract technology provider	Development of a "Blockchain enabled application" Maintenance and support	8th April 2022 / 16 months (In progress)	HKD13.0 million (Approximately RM7 million + HKD5.0 million (approximately RM2 million for the provision of technical support and maintenance over a period of 3 years
Online Employment Company	Job posting and recruitment platform	14th March 2023 / 18 months (In progress)	RM1.3 million

SECTION 4: DETAILED ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

NO	MAIN RISK GROUP	ISSUES OF CONCERNS	OBSERVATIONS				MITIGATION PROCESS	RISK RATING		
								I	L	MATRIX
4.1	**Strategic Risk**									
4	Concentration risk (Cont'd)	As above	Managed Security Services Provider	Provide managed security services	11th April 2022 / 24 months (In progress)	USD327,912 or approximately RM1.45 million* (or USD13,663 or approximately RM0.06 million* per month)	-	**Mi**	**L**	Moderate
				Expert consultancy and operational support for the Anti-DDoS and INI systems	August 2022 / 24 months	USD168,936 or approximately RM0.75 million* (or USD7,039 or approximately RM0.03 million* per month)				
			Computer Rental Service Provider	Lease of equipment of desktop/ laptop/tablet	May 2022 / 3 years contract	RM1.7 million				
			Factory Automation Solution Provider	Web-Based Integrated System- MES system	June 2022 / Completed in December 2022	RM250,000 and RM200,000 respectively				

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SECTION 4: DETAILED ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

NO	MAIN RISK GROUP	ISSUES OF CONCERNS	OBSERVATIONS				MITIGATION PROCESS	RISK RATING		
								I	L	MATRIX
4.1	**Strategic Risk**									
4	Concentration risk (Cont'd)	As above	Electrical and Electronics Manufacturer	Development of semiconductor wafer identification scanning	August 2022 / Completed in December 2022	RM27,982	-	**Mi**	**L**	Moderate
			Tin and Can Wholesaler	Development of an ERP system	December 2022 / Completed in December 2022	MYR87,000				
			Coffee Manufacturer and Supplier	Web-Based Integrated System- MES system	July 2022	MYR140,000				
			Industrial Research and Technology Organization	Development of track and trace for delivery and packaging system	17 October 2022 and 30 November 2022 which were completed in December 2022	RM38,000 and RM10,000 respectively				
			Trading Company	Development of an Enterprise Resource Planning ("ERP") System	December 2022 / Completed in December 2022	RM291,500				

SECTION 4: DETAILED ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

NO	MAIN RISK GROUP	ISSUES OF CONCERNS	OBSERVATIONS	MITIGATION PROCESS	RISK RATING		
					I	L	MATRIX
4.1	**Strategic Risk**						
5	Competition risk	Competition from other players in the industry.	For the current financial year ending 31 December 2022, the Group is principally an information technology ("IT") service provider, where the Group designs and develops customised IT solutions. The range of services the Group provides include the following:- i) Platform design and development : Development of web-based and mobile platforms for customers. ii) Technical support and maintenance services : After-sales service following the completion of platform design and development projects. iii) Refurbishment Services : Refurbishment of pre-owned IT hardware. iv) Managed security services : Provision of managed security services The Group is competing with new and existing IT solutions provider. Completed with rapid technological change and introduction of new industry standards, the industry remains highly competitive. The development and milestone achievement progress shall be continuously monitored and discussed in weekly or Monthly.	Notwithstanding the strong demand of IT applications and hardware, the Company needs to stay ahead and have continual innovation and enhancement, both quality and processes.	**Mo**	**L**	Moderately High

SECTION 4: DETAILED ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

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<tr><th>I</th><th>L</th><th>MATRIX</th></tr>
<tr><td colspan="8">4.2 Human Resource Risk</td></tr>
<tr><td>6</td><td>Continuity risk</td><td>Loss of key personnel without succession planning in place.</td><td>We noted that there is formal succession planning within the organisation. Middle Management is constantly being informally appraised to assess their capability of taking over the Senior Management positions.

Succession Plan for identified positions to be developed and implemented. Directors may in turn delegate its role to or consult the HR Department to provide her expertise and advice to develop and execute its succession plan.

The Board's should seek Management's involvement especially the Human Resource Department in assisting itself on the evaluation of Succession Planning.

<u>Staff Turnover Rate</u>
<table><tr><th colspan="3">Staff Turnover Rate (%)</th></tr><tr><th></th><th>April'2023</th><th>FYE 2022</th></tr><tr><td>Resigned Staff</td><td>-</td><td>6</td></tr><tr><td>Total Headcount</td><td>33</td><td>30</td></tr><tr><td>Staff Turnover Rate</td><td>-</td><td>20%</td></tr><tr><td>New Joiner</td><td>3</td><td>26</td></tr></table>
Based on our review, we noted the staff turnover rate has recorded 20% in FYE2022 and nil in FYE2023 (April 2023) but noted the total number of workforces in the Group increased to 33. There were only 3 new recruitment in 2023.</td><td>-</td><td>Mi</td><td>Ps</td><td>Moderately Low</td></tr>
</table>

SECTION 4: DETAILED ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

NO	MAIN RISK GROUP	ISSUES OF CONCERNS	OBSERVATIONS	MITIGATION PROCESS	RISK RATING		
					I	L	MATRIX
4.2 Human Resources Risk							
7	Retention risk	Loss of talent in key areas.	We noted the number of workforces in FSBM have been increased significantly from 9 to 33. The Group have secured several contracts in April 2022 and operationally active. There is headcount budget prepared by the Management in the group 2 years projections for FYE 2022-FYE2023.	-	**Mi**	**Ps**	Moderately Low
8	Knowledge/ Competency risk	No update on latest methodology in areas of development/ services.					

SECTION 4: DETAILED ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

NO	MAIN RISK GROUP	ISSUES OF CONCERNS	OBSERVATIONS	MITIGATION PROCESS	RISK RATING		
					I	L	MATRIX
4.3 Operational Risk							
9	Monitoring risks	Inadequate Project management leading to delays in completion of the project	Based on our review, we noted there is a Project Manager to monitor the progress of all the projects. Besides that, we noted there were project tracking and SOP on Project Management procedures. Basically, the Group will assemble a project team, which will be responsible for the development and delivery of the project. The project team will be led by a project leader and will comprise software developers and software engineers. An internal kick off meeting will then be held where the project team will be briefed on the details of the project. The project leader will then prepare a project charter which will outline items such as the project's objectives, requirements, risks as well as schedules and milestones. If the project secured is an extension or revamp of a legacy application, the project team will obtain the details of the legacy application such as its source code and design source file. Also, based on our audit review on the operations, we noted there was no delay in project delivery but there was agreed revision of project completion in order to resolve non-conformance issues.	-	**Mi**	**L**	Moderate

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SECTION 4: DETAILED ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

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<tr><th>I</th><th>L</th><th>MATRIX</th></tr>
<tr><td colspan="8">4.3 Operational Risk</td></tr>
<tr><td>10</td><td>Fire hazard / Disruption of electricity / operational risks</td><td rowspan="2">Inadequate procedures in place for evacuation, disruption of power leading to continuity of business operations and other emergencies.</td><td rowspan="2">We have reviewed the written DRP and BCM Plan documented by the Group. This plan outlines the steps the Group will take in order to ensure that its operations can continue in the event of a disaster or disruption. The Group provides application development, smart manufacturing solutions, and cybersecurity solutions.

The following systems are covered by this plan:
i) App development
ii) Cybersecurity
iii) Smart manufacturing
iv) Data backup and recovery
v) Communication systems

The key stakeholders in this DRP and BCM Plan include the following individuals and their respective roles:
i) CEO/Executive Director: responsible for overall direction and support of the BC and DR efforts.
ii) CTO: responsible for the technical aspects of the BC and DR plan, including data backup and recovery.
iii) Department Heads: responsible for ensuring their respective departments are prepared for a disaster or disruption and for providing the necessary resources for recovery.</td><td rowspan="2">-</td><td rowspan="2">Mi</td><td rowspan="2">PS</td><td rowspan="2">Moderately Low</td></tr>
<tr><td>11</td><td>Business Continuity Risk</td></tr>
<tr><td colspan="8">4.4 Financial Risk</td></tr>
<tr><td>12</td><td>Costs overrun risk</td><td>Costs overrun due to inaccurate estimates of costs / man days.</td><td>Based on our review of the Cash Flow Monitoring process, we noted that the inflow and outflow of cash is monitored by the Finance Manager.

Forecasted cashflow is prepared and included in the budget report.

Subsequently, a weekly report will then be reviewed by the Finance Manager and presented during the monthly management meeting.</td><td>-</td><td>Mo</td><td>UL</td><td>Moderate</td></tr>
</table>

VAERSA

SECTION 4: DETAILED ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

<table>
<tr><th rowspan="2">NO</th><th rowspan="2">MAIN RISK GROUP</th><th rowspan="2">ISSUES OF CONCERNS</th><th rowspan="2">OBSERVATIONS</th><th rowspan="2">MITIGATION PROCESS</th><th colspan="3">RISK RATING</th></tr>
<tr><th>I</th><th>L</th><th>MATRIX</th></tr>
<tr><td colspan="8">4.4 Financial Risk</td></tr>
<tr><td>12</td><td>Costs overrun Risk (Cont'd)</td><td>Costs overrun due to inaccurate estimates of costs / man days.</td><td>We have reviewed the Cash Flow Projections (Actual Vs Tracking) that have been prepared by the Finance Manager from the year 2022 till 2023.

Cash Flow Tracking (Actual Vs Forecasted for the year 2022):-
<table>
<tr><th>Revenue
Month</th><th>Actual (RM)</th><th>Forecasted (RM)</th><th>Variance (RM)</th></tr>
<tr><td>1st Quarter 2022</td><td>1,894,111</td><td>-</td><td>N/A</td></tr>
<tr><td>2nd Quarter 2022</td><td>2,986,718</td><td>259,602</td><td>2,727,116</td></tr>
<tr><td>3rd Quarter 2022</td><td>3,489,049</td><td>1,965,021</td><td>1,524,028</td></tr>
<tr><td>4th Quarter 2022</td><td>3,648,015</td><td>2,226,439</td><td>1,421,576</td></tr>
</table>
*Revenue from secured contract.

<table>
<tr><th>Expenses
Month</th><th>Actual (RM)</th><th>Forecasted (RM)</th><th>Variance (RM)</th></tr>
<tr><td>1st Quarter 2022</td><td>405,570</td><td>-</td><td>N/A</td></tr>
<tr><td>2nd Quarter 2022</td><td>1,605,281</td><td>834,917</td><td>770,364</td></tr>
<tr><td>3rd Quarter 2022</td><td>693,332</td><td>173,945</td><td>519,387</td></tr>
<tr><td>4th Quarter 2022</td><td>542,807</td><td>139,048</td><td>403,759</td></tr>
</table>
*Excluded allocate capitalize.</td><td>-</td><td>Mo</td><td>UL</td><td>Moderate</td></tr>
</table>

SECTION 4: DETAILED ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

<table>
<tr><th rowspan="2">NO</th><th rowspan="2">MAIN RISK GROUP</th><th rowspan="2">ISSUES OF CONCERNS</th><th rowspan="2">OBSERVATIONS</th><th rowspan="2">MITIGATION PROCESS</th><th colspan="3">RISK RATING</th></tr>
<tr><th>I</th><th>L</th><th>MATRIX</th></tr>
<tr><td colspan="8">4.4 Financial Risk</td></tr>
<tr><td>13</td><td>Liquidity risk</td><td>Inadequate capital for operations due to delayed payments received.</td><td rowspan="2">The Group's trade receivables as at 31st March 2023 as below:

<u>FSBM I-DESIGN SDN BHD</u>
<table>
<tr><th>Period</th><th>RM</th><th>%</th></tr>
<tr><td>Current</td><td>2,663,083</td><td>86%</td></tr>
<tr><td>31-60 Days</td><td>406,377</td><td>13%</td></tr>
<tr><td>61-90 Days</td><td>20,000</td><td>1%</td></tr>
<tr><td>91-120 Days</td><td>-</td><td>-</td></tr>
<tr><td>>120 Days</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>3,089,460</td><td>100%</td></tr>
</table>

<u>FSBM LEARNING MEDIA SDN BHD</u>
<table>
<tr><th>Period</th><th>RM</th><th>%</th></tr>
<tr><td>Current</td><td>-</td><td>-</td></tr>
<tr><td>31-60 Days</td><td>360,520</td><td>84%</td></tr>
<tr><td>61-90 Days</td><td>68,550</td><td>16%</td></tr>
<tr><td>91-120 Days</td><td>-</td><td>-</td></tr>
<tr><td>>120 Days</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>429,070</td><td>100%</td></tr>
</table>

<u>FSBM SOLUTIONS SDN BHD</u>
<table>
<tr><th>Period</th><th>RM</th><th>%</th></tr>
<tr><td>Current</td><td>91,903</td><td>99.97%</td></tr>
<tr><td>31-60 Days</td><td>28</td><td>0.03%</td></tr>
<tr><td>61-90 Days</td><td>-</td><td>-</td></tr>
<tr><td>91-120 Days</td><td>-</td><td>-</td></tr>
<tr><td>>120 Days</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>91,930</td><td>100%</td></tr>
</table></td><td rowspan="2">-</td><td rowspan="2">Mi</td><td rowspan="2">PS</td><td rowspan="2">Moderately Low</td></tr>
<tr><td>14</td><td>Credit risks</td><td>Default or very slow payment by Customers.</td></tr>
</table>

SECTION 4: DETAILED ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

NO	MAIN RISK GROUP	ISSUES OF CONCERNS	OBSERVATIONS	MITIGATION PROCESS	RISK RATING		
					I	L	MATRIX
4.4 Financial Risk							
14	Credit risks (Cont'd)	As above.	See below	As above.	Mi	PS	Moderately Low

TELEVAS HOLDINGS SDN BHD

Period	RM	%
Current	10,650	100%
31-60 Days	-	-
61-90 Days	-	-
91-120 Days	-	-
>120 Days	-	-
Total	**10,650**	**100%**

Based on the above, we noted there were no outstanding debtor balances more than 120 days.

Besides, we have reviewed 15 samples of Debtor Assessment Form and noted there were credit limits included in the debtor assessment form upon having business transactions with the company.

Additionally, there were bad debt policy prepared and documented by the Management.

SECTION 4: DETAILED ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

NO	MAIN RISK GROUP	ISSUES OF CONCERNS	OBSERVATIONS	MITIGATION PROCESS	RISK RATING		
					I	L	MATRIX
4.4 Financial Risk							
15	Financial regulatory risk	Inability to comply with Bursa regulations leading to penalties / fines / PN 17 status	FSBM regularisation plan has been approved by Bursa Malaysia Securities Berhad. The regularisation plan comprises a proposed capital reduction exercise, proposed shares issuance and proposed rights issue of shares with free warrants. The proposed shares issuance relates to 60 million subscription shares which will be issued to Tan Sri Syed Zainal, Mr Pang Kiew Kun and Mr Low Kang Wei at a subscription price of RM0.08 per subscription share. The proposed renounceable rights issue relates to 236,659,300 rights shares on the basis of 1 right share for every 1 existing FSBM Share held, at an issue price of RM0.03 per rights share, together with up to 118,329,650 free warrants on the basis of 1 warrant for every 2 rights shares subscribed, held on an entitlement date to be determined later. Since the announcement of the proposed regularisation plan on 15 October 2021, the group had amongst others, expanded its team and been actively pitching for and securing new contracts. The proceeds from the aforementioned fund-raising proposals will be utilised mainly for the expansion of the group's existing IT services business and its working capital purposes. The proposed regularisation plan serves to regularise the financial condition of the group in order to address and uplift the PN17 status of the company. Upon completion of the proposed regularisation plan, the group will be able to return to profitability and meet the criteria to uplift itself from being classified as a PN17 entity.	-	**Mi**	**PS**	Moderately Low

VAERSA

SECTION 4: DETAILED ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

<table>
<tr><th rowspan="2">NO</th><th rowspan="2">MAIN RISK GROUP</th><th rowspan="2">ISSUES OF CONCERNS</th><th rowspan="2">OBSERVATIONS</th><th rowspan="2">MITIGATION PROCESS</th><th colspan="3">RISK RATING</th></tr>
<tr><th>I</th><th>L</th><th>MATRIX</th></tr>
<tr><td colspan="8">4.5 IT Risk</td></tr>
<tr><td>16</td><td>IT Security</td><td>Loss of critical data leading to disruption in operations/ business.</td><td>IT Policies and Procedures plays a strategic role in making sure that the company's corporate information is safe. IT Policies will address the requirements to protect confidential information from unauthorized access, disclosure, corruption, loss, and interference in both physical and electronic format.

Below are the documented IT policies and procedures: -

<table>
<tr><th>No.</th><th>Policies</th><th>Description</th></tr>
<tr><td>1.</td><td>Acceptable Use Policy</td><td>Outlines the acceptable use of computer equipment. It defines inappropriate use of information system and the risk it may cause.</td></tr>
<tr><td>2.</td><td>Security Awareness and Training Policy</td><td>Outlines the development an understanding on how the policy protects the business, employees, and customers.</td></tr>
<tr><td>3.</td><td>Change Management Policy</td><td>Outlines the changes to an information system are managed, approved, and tracked.</td></tr>
<tr><td>4.</td><td>Incident Response Policy</td><td>Outlines an organization response to an information security incident.</td></tr>
<tr><td>5.</td><td>Remote Access Policy</td><td>Outlines the remote access to ensure minimize potential exposure from damages that result from unauthorized use of resources.</td></tr>
<tr><td>6.</td><td>Vendor Management Policy</td><td>Outlines the process to acquire vendors and how to manage all of company's vendor.</td></tr>
</table></td><td>-</td><td>Mi</td><td>PS</td><td>Moderately Low</td></tr>
</table>

SECTION 4: DETAILED ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

NO	MAIN RISK GROUP	ISSUES OF CONCERNS	OBSERVATIONS	MITIGATION PROCESS	RISK RATING I	RISK RATING L	RISK RATING MATRIX
4.5 IT Risk							
16	IT Security (Cont'd)	As above.	See policies table below. Company have documented the IT Policies and Procedures to ensure that transfer of knowledge is available and continuity of the business process. The IT Policies and Procedures have been approved by the Board.	As above.	**Mi**	**PS**	Moderately Low

No.	Policies	Description
7.	Password Creation and Management Policy	Outlines on developing, implementing, and reviewing a documented process for appropriately creating, changing, and safeguarding strong and secure password used to verify user identities.
8.	Network Security Policy	Outlines a specific procedure for conducting information system and network activity review on a periodic basis.
9.	Access Authorization, Modification, and Identity Access Management Policy	Outlines the process for establishing, documenting, reviewing, and modifying access to system and sensitive information.
10.	Backup Policy	Outlines the set of rules and procedures that describe the strategy when backup copies of data for safekeeping.

SECTION 4: DETAILED ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

NO	MAIN RISK GROUP	ISSUES OF CONCERNS	OBSERVATIONS	MITIGATION PROCESS	RISK RATING		
					I	L	MATRIX
4.5 IT Risk							
17	Loss of data risk	Inadequate back-up of critical data.	As per COBIT – DS11.5 Backup and Restoration: - "*Verify compliance with the backup procedures and verify the ability to and time required for successful and complete restoration. Test backup media and the restoration process*" Restoration testing is the activity of testing how well an application can recover from crashes, hardware failures and other similar problems. Recovery testing is a forced failure of the software in a variety of ways to verify that recovery is properly performed. Restoration is as important as backup to ensure the integrity of data upon restoration. Based on our interview, we have noted that data have been restored and back-up in the Google Cloud Platform (GCP) server and Amazon Web Services (AWS) server.	-	**Mi**	**UL**	Moderately Low
18	Disaster recovery risk	Disruption in event of disaster/ denial of access to premises /system.	As per COBIT – DS 4.8 Data and System Ownership: - *"System owners typically delegate day-to-day custodianship to the systems delivery/operations group and delegate security responsibilities to a security administrator"* We noted that the security responsibilities have been integrated in the Disaster Recovery Plan. The plan record policy and/or processes that is designed to assist an organization in executing recovery processes in response to a disaster to protect business IT infrastructure and more generally promote recovery. Based on our interview, we have noted that the Company Disaster Recovery Plan/Business Continuity Plan have been documented.	-	**Mi**	**PS**	Moderately Low

SECTION 4: DETAILED ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

NO	MAIN RISK GROUP	ISSUES OF CONCERNS	OBSERVATIONS	MITIGATION PROCESS	RISK RATING		
					I	L	MATRIX
4.5 IT Risk							
18	Disaster recovery risk (Cont'd)	As above.	Disaster Recovery Plan (DRP)/Backup Plan include the following - i. Budget ii. Insurance Coverage Resources iii. Management's position on risk iv. Technology v. Data vi. Suppliers vii. Compliance requirements As per COBIT – DS11.5 Backup and Restoration: - "*Define and implement procedures for backup and restoration of systems, data and documentation in line with business requirements and the continuity plan*" There is no offsite backup since the data have been safely stored and backup in cloud service provider such as Google Cloud Platform (GCP) and Amazon Web Services (AWS).	-	**Mi**	**PS**	Moderately Low

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SECTION 4: DETAILED ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

NO	MAIN RISK GROUP	ISSUES OF CONCERNS	OBSERVATIONS	MITIGATION PROCESS	RISK RATING		
					I	L	MATRIX
4.5 IT Risk							
19	IT Supplier Performance Monitoring	Suppliers are not meeting the business requirements.	As per COBIT – DS2.4 Supplier Performance Monitoring: - *"It establishes a process to monitor service delivery to ensure the supplier is meeting current business requirements and is continuing to adhere to the contract agreements and service level agreements, and that performance is competitive with alternative suppliers and market conditions."* Based on the business overview, it was noted that FSBM I-Design Sdn Bhd had entered into an agreement with Computer Rental Service Provider to provide refurbishment of IT hardware. Company is recommended have established a process to monitor the performance of the supplier by evaluating the service that has been provided. This is to ensure that the service/product that has been provided to the customers are meeting the business requirements. Hence, ensuring the company's reputation to be intact.	-	**Mi**	**PS**	Moderately Low

MOORE

Moore Stephens Associates PLT
[201304000972 (LLP0000963-LCA)]
Chartered Accountants [AF002096]
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47810 Petaling Jaya, Selangor, Malaysia

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www.moore.com.my

Date: 27 April 2023

The Board of Directors
FSBM Holdings Berhad
Level 5, Tower 8, Avenue 5, Horizon 2,
Bangsar South City,
59200 Kuala Lumpur
Wilayah Persekutuan
Malaysia

Dear Sir,

FSBM HOLDINGS BERHAD ("FSBM" or the "Company")

Report on the Compilation of the Proforma Consolidated Statement of Financial Position of FSBM as at 31 December 2022 in connection with the:

(a) Proposed capital reduction exercise to be carried out by the Company, pursuant to Section 116 of the Companies Act, 2016 ("Act") to reduce the share capital of the Company ("Proposed Capital Reduction");

(b) Proposed shares issuance of 60,000,000 new ordinary shares in FSBM ("FSBM Shares" or "Shares") ("Subscription Shares") to the subscribers ("Proposed Shares Issuance"); and

(c) Proposed renounceable rights issue of up to 236,659,300 new FSBM Shares on the basis of 1 new Share ("Rights Share") for every 1 existing FSBM Share held, together with up to 118,329,650 free detachable warrants ("Warrants") on the basis of 1 Warrant for every 2 Rights Shares subscribed for, on an entitlement date to be determined and announced later ("Proposed Rights Issue with Warrants"),

(collectively, referred to as the "Proposed Regularisation Plan").

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statements of Financial Position of FSBM Holdings Berhad and its subsidiaries (collectively known as "the Group") as at 31 December 2022, and related notes as set out in Appendix A, which have been stamped by us for identification purposes.

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Directors of the Company based on the applicable criteria as specified in the Proposed Regularisation Plan and are described in Appendix A.

MOORE

The Proforma Consolidated Statements of Financial Position have been compiled by the Directors of the Company to illustrate the impact of the Proposed Regularisation Plan on the Group's financial position as at 31 December 2022 as if the Proposed Regularisation Plan had been carried out as at that date. As part of the process, information about the Group's consolidated financial position has been extracted by the Directors of the Company from the consolidated financial statements of the Group for the financial year ended 31 December 2022, on which an audit report has been issued.

The Directors' Responsibilities for the Pro Forma Consolidated Statements of Financial Position

The Directors are responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis of the applicable criteria set out in Appendix A.

Our Independence and Quality Control

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

Our firm applies the International Standard on Quality Management 1 (ISQM 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, and Other Assurance or Related Services Engagements* adopted by the Malaysian Institute of Accountants and, accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities

Our responsibility is to express an opinion about whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Directors on the basis of the applicable criteria described in Appendix A.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420 *"Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus"*, issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors of the Company have compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis of the applicable criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position. In arriving this opinion, we do not accept any responsibility for such reports or opinion beyond that owed to those to whom those reports or opinion were addressed by us at the dates of their issue.

The purpose of the Pro Forma Consolidated Statements of Financial Position is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the entity as if the events had occurred or transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

MOORE

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion,

i) the Pro Forma Consolidated Statements of Financial Position as at 31 December 2022 have been compiled, in all material respects, on the basis set out in the notes of Appendix A using financial statements prepared in accordance with Malaysia Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group; and

ii) each material adjustment made to the information used in the preparation of the Pro Forma Consolidated Statements of Financial Position as at 31 December 2022 are appropriate for the purpose of preparing such Pro Forma Consolidated Statements of Financial Position.

Other Matter

This letter has been prepared solely for the purpose stated above, in connection with the Proposed Regularisation Plan. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

MOORE STEPHENS ASSOCIATES PLT
201304000972 (LLP0000963-LCA)
Chartered Accountants (AF002096)

CHUAH SOO HUAT
03002/07/2024 J
Chartered Accountant

FSBM HOLDINGS BERHAD **Appendix A**
Pro Forma Consolidated Statements of Financial Position and the notes thereon

Pro Forma Consolidated Statements of Financial Position as at 31 December 2022

The Pro Forma Consolidated Statements of Financial Position of the Group as at 31 December 2022, as set out below have been prepared for illustrative purposes only and to show the effects of the events or transactions referred to in the notes on the basis it has been effected on 31 December 2022, and should be read in conjunction with the notes accompanying the Pro Forma Consolidated Statements of Financial Position.

Minimum Scenario

	Note	Audited as at 31 December 2022 RM'000	Pro forma I After Proposed Capital Reduction RM'000	Pro forma II After (I) and Proposed Shares Issuance RM'000	Pro forma III After (II) and Proposed Rights Issue with Warrants RM'000	Pro forma IV After (III) and assuming exercise of all Warrants RM'000
NON-CURRENT ASSETS						
Property, plant and equipment		1,873	1,873	1,873	1,873	1,873
Deferred tax assets		268	268	268	268	268
Intangible assets		405	405	405	405	405
Right-of-use assets		169	169	169	169	169
		2,715	2,715	2,715	2,715	2,715
CURRENT ASSETS						
Trade and other receivables	4	6,401	6,401	6,283	5,414	5,414
Contract assets		818	818	818	818	818
Marketable securities		4	4	4	4	4
Cash and cash balances	4	4,503	4,503	9,215	14,290	19,290
		11,726	11,726	16,320	20,526	25,526
TOTAL ASSETS		14,441	14,441	19,035	23,241	28,241
EQUITY						
Share capital	5	24,314	10,022	14,616	19,929	24,929
Treasury shares		(712)	(712)	(712)	(712)	(712)
Capital reduction reserve	5	-	3,183	3,183	3,183	3,183
Other reserve	5	-	-	-	(1,583)	-
Warrants reserve	5	-	-	-	1,583	-
Accumulated losses	5	(11,109)	-	-	(1,107)	(1,107)
Equity attributable to Owners of the Company		12,493	12,493	17,087	21,293	26,293
Non-controlling interests		(2,062)	(2,062)	(2,062)	(2,062)	(2,062)
TOTAL EQUITY		10,431	10,431	15,025	19,231	24,231

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MOORE STEPHENS ASSOCIATES PLT
201304000972 (LLP0000963-LCA)
Chartered Accountants (AF002096)
For Identification Purposes Only

FSBM HOLDINGS BERHAD
Pro Forma Consolidated Statements of Financial Position and the notes thereon

Appendix A

Pro Forma Consolidated Statements of Financial Position as at 31 December 2022 (cont'd)

Minimum Scenario (cont'd)

	Note	Audited as at 31 December 2022 RM'000	Pro forma I After Proposed Capital Reduction RM'000	Pro forma II After (I) and Proposed Shares Issuance RM'000	Pro forma III After (II) and Proposed Rights Issue with Warrants RM'000	Pro forma IV After (III) and assuming exercise of all Warrants RM'000
LIABILITIES						
NON-CURRENT LIABILITIES						
Deferred tax liabilities		166	166	166	166	166
Lease liabilities		77	77	77	77	77
		243	243	243	243	243
CURRENT LIABILITIES						
Trade payables		1,242	1,242	1,242	1,242	1,242
Other payables		2,238	2,238	2,238	2,238	2,238
Tax payables		193	193	193	193	193
Lease liabilities		94	94	94	94	94
		3,767	3,767	3,767	3,767	3,767
TOTAL LIABILITIES		4,010	4,010	4,010	4,010	4,010
TOTAL EQUITY AND LIABILITIES		14,441	14,441	19,035	23,241	28,241
Number of shares in issue ('000)		176,659	176,659	236,659	436,659	536,659
Net assets per share attributable to the Owners of the Company (RM)		0.07	0.07	0.07	0.05	0.05

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MOORE STEPHENS ASSOCIATES PLT
201304000972 (LLP0000963-LCA)
Chartered Accountants (AF002096)
For Identification Purposes Only

FSBM HOLDINGS BERHAD **Appendix A**

Pro Forma Consolidated Statements of Financial Position and the notes thereon

Pro Forma Consolidated Statements of Financial Position as at 31 December 2022 (cont'd)

Maximum Scenario

	Note	Audited as at 31 December 2022 RM'000	Pro forma I After Proposed Capital Reduction RM'000	Pro forma II After (I) and Proposed Shares Issuance RM'000	Pro forma III After (II) and Proposed Rights Issue with Warrants RM'000	Pro forma IV After (III) and assuming exercise of all Warrants RM'000
NON-CURRENT ASSETS						
Property, plant and equipment		1,873	1,873	1,873	1,873	1,873
Deferred tax assets		268	268	268	268	268
Intangible assets		405	405	405	405	405
Right-of-use assets		169	169	169	169	169
		2,715	2,715	2,715	2,715	2,715
CURRENT ASSETS						
Trade and other receivables	4	6,401	6,401	6,293	5,414	5,414
Contract assets		818	818	818	818	818
Marketable securities		4	4	4	4	4
Cash and cash balances	4	4,503	4,503	9,221	15,390	21,306
		11,726	11,726	16,336	21,626	27,542
TOTAL ASSETS		14,441	14,441	19,051	24,341	30,257
EQUITY						
Share capital	5	24,314	10,022	14,632	20,982	26,898
Treasury shares		(712)	(712)	(712)	(712)	(712)
Capital reduction reserve	5	-	3,183	3,183	3,183	3,183
Other reserve		-	-	-	(1,874)	-
Warrants reserve	5	-	-	-	1,874	-
Accumulated losses	5	(11,109)	-	-	(1,060)	(1,060)
Equity attributable to Owners of the Company		12,493	12,493	17,103	22,393	28,309
Non-controlling interests		(2,062)	(2,062)	(2,062)	(2,062)	(2,062)
TOTAL EQUITY		10,431	10,431	15,041	20,331	26,247

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Pro Forma Consolidated Statements of Financial Position and the notes thereon

Appendix A

Pro Forma Consolidated Statements of Financial Position as at 31 December 2022 (cont'd)

Maximum Scenario (cont'd)

	Note	Audited as at 31 December 2022 RM'000	Pro forma I After Proposed Capital Reduction RM'000	Pro forma II After (I) and Proposed Shares Issuance RM'000	Pro forma III After (II) and Proposed Rights Issue with Warrants RM'000	Pro forma IV After (III) and assuming exercise of all Warrants RM'000
LIABILITIES						
NON-CURRENT LIABILITIES						
Deferred tax liabilities		166	166	166	166	166
Lease liabilities		77	77	77	77	77
		243	243	243	243	243
CURRENT LIABILITIES						
Trade payables		1,242	1,242	1,242	1,242	1,242
Other payables		2,238	2,238	2,238	2,238	2,238
Tax payables		193	193	193	193	193
Lease liabilities		94	94	94	94	94
		3,767	3,767	3,767	3,767	3,767
TOTAL LIABILITIES		4,010	4,010	4,010	4,010	4,010
TOTAL EQUITY AND LIABILITIES		14,441	14,441	19,051	24,341	30,257
Number of shares in issue ('000)		176,659	176,659	236,659	473,318	591,648
Net assets per share attributable to Owners of the Company (RM)		0.07	0.07	0.07	0.05	0.05

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NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECERMBER 2022

1. Proposed Regularisation Plan

The Pro Forma Consolidated Statements of Financial Position of the Group as at 31 December 2022, of which the Directors of the Company are solely responsible, have been prepared for illustrative purposes, in connection with the following transactions: -

(a) Proposed capital reduction exercise to be carried out by the Company, pursuant to Section 116 of the Act to reduce the share capital of the Company;

(b) Proposed shares issuance of 60,000,000 Subscription Shares to the subscribers; and

(c) Proposed renounceable rights issue of up to 236,659,300 Rights Shares on the basis of 1 Rights Share for every 1 existing FSBM Share held, together with up to 118,329,650 Warrants on the basis of 1 Warrant for every 2 Rights Shares subscribed for, on an entitlement date to be determined and announced later,

(collectively, referred to as the "Proposed Regularisation Plan").

2. Basis of Preparation

The Pro Forma Consolidated Statements of Financial Position, of which the Directors of FSBM are solely responsible, have been prepared in a manner consistent with both the format of the financial statements and the accounting policies adopted in the preparation of the audited consolidated financial statements of the Group for the financial year ended 31 December 2022.

The audited consolidated financial statements of the Group for the financial year ended 31 December 2022 used in the preparation of the Pro Forma Consolidated Statements of Financial Position were prepared in accordance with the Malaysian Financial Reporting Standards, and International Financial Reporting Standards in Malaysia.

Capital Reduction Reserve

Capital reduction reserve represents the surplus credit amount after the elimination on the consolidated accumulated losses of the Company pursuant to the Proposed Capital Reduction.

Other Reserve

The other reserve represents the discount on issuance of the Rights Shares, the value of which is represented by the fair value of the Warrants. The other reserve, in substance, forms part of the issued share capital and is presented separately for better understanding.

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2. Basis of Preparation (cont'd)

Warrants Reserve

Warrants reserve represents reserve allocated to the Warrants issued with the Rights Shares.

The new Shares allotted and issued upon exercise of the Warrants shall rank equally in all respects with the existing Shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid for which the entitlement date precedes the date of allotment of the new Shares arising from exercise of the Warrants.

Theoretical fair value of the Warrants under the Proposed Rights Issue with Warrants

The theoretical fair value of the Warrants to be issued as part of the Proposed Rights Issue with Warrants is RM0.1034 and is determined using the Trinomial pricing model as extracted from Bloomberg and based on the following inputs:

Cut-off date	11 April 2023
Theoretical Ex-Rights Price ("TERP") based on 5 day Volume-Weighted Average Price ("VWAP") up to cut-off date	RM0.1442
Exercise price of the Warrants	RM0.0500
Tenure of the Warrants	5 years
Volatility (*)	28.429%

Note (*)
Volatility is arrived at based on Bursa Malaysia Securities Berhad's technology index for the past 5 years as historically the Company, which is in the technology sector, had minimal operations and minimal share transactions.

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2. Basis of Preparation (cont'd)

Warrants Reserve (cont'd)

Relative fair value

Fair value of Rights Shares and Warrants are adjusted for the apportionment of its relative fair value between share capital and warrants reserve. The apportionment of its relative fair value is as below:

Minimum Scenario

	RM'000
Total proceeds	6,000

	Number of shares	Theoretical fair value	Total Value	FV Relative Ratio	Allocated Amount
		RM	RM'000		RM'000
Rights Share	200,000,000	0.1442	28,840	73.6%	4,417
Warrant	100,000,000	0.1034	10,340	26.4%	1,583
			39,180	100.0%	6,000

Maximum Scenario

	RM'000
Total proceeds	7,100

	Number of shares	Theoretical fair value	Total Value	FV Relative Ratio	Allocated Amount
		RM	RM'000		RM'000
Rights Share	236,659,300	0.1442	34,126	73.6%	5,226
Warrant	118,329,650	0.1034	12,235	26.4%	1,874
			46,361	100.0%	7,100

The theoretical fair value for the Rights Share is based on the theoretical ex-rights price of FSBM calculated based on 5-day VWAP up to 11 April 2023.

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2. Basis of Preparation (cont'd)

For the purpose of the Pro Forma Consolidated Statements of Financial Position, the following two (2) scenarios were illustrated:

Minimum Scenario Assumptions

- Cancellation of RM14.292 million from the Company's share capital pursuant to the Proposed Capital Reduction. The surplus credit after the elimination of the Company's accumulated losses from the Proposed Capital Reduction, shall be credited to the capital reduction reserve.
- The issuance of 60,000,000 Subscription Shares at the Subscription Price of RM0.08 each and, thereby increasing the issued share capital by RM4.594 million after accounting for estimated expenses of RM0.206 million pursuant to the Proposed Shares Issuance.
- The issuance of 200,000,000 Rights Shares at the issue price of RM0.03 each together with 100,000,000 free Warrants with gross proceeds of RM6.000 million, thereby increasing the issued share capital by RM5.313 million after accounting for estimated expenses of RM0.687 million. Warrant reserve of RM1.583 million arise from issuance of Warrants which was determined based on relative fair value of Rights Shares and Warrants.
- The issuance of 100,000,000 FSBM Shares pursuant to the exercise of Warrants at the exercise price of RM0.05 each for total proceeds of RM5.000 million and with decrease in warrants reserve of RM1.583 million with a corresponding entry to other reserve.
- Upon completion of Proposed Regularisation Plan, an estimate expenses in relation to the Proposed Regularisation Plan amounting to RM1.107 million is expensed off to accumulated losses and corresponding entry to cash and cash balances and other receivables.

Maximum Scenario Assumptions

- Cancellation of RM14.292 million from the Company's share capital pursuant to the Proposed Capital Reduction. The surplus credit after the elimination of the Company's accumulated losses from the Proposed Capital Reduction, shall be credited to the capital reduction reserve.
- The issuance of 60,000,000 Subscription Shares at the Subscription Price of RM0.08 each and, thereby increasing the issued share capital by RM4.610 million after accounting for estimated expenses of RM0.190 million pursuant to the Proposed Shares Issuance.
- The issuance of 236,659,300 Rights Shares at the issue price of RM0.03 each together with 118,329,650 free Warrants with gross proceeds of RM7.100 million, thereby increasing the issued share capital by RM6.350 million after accounting for estimated expenses of RM0.750 million. Warrant reserve of RM1.874 million arise from issuance of Warrants which was determined based on relative fair value of Rights Shares and Warrants.
- The issuance of 118,329,650 FSBM Shares pursuant to the exercise of Warrants at the exercise price of RM0.05 each for total proceeds of RM5.916 million and with decrease in warrants reserve of RM1.874 million with a corresponding entry to other reserve.
- Upon completion of Proposed Regularisation Plan, an estimate expenses in relation to the Proposed Regularisation Plan amounting to RM1.060 million is expensed off to accumulated losses and corresponding entry to cash and cash balances and other receivables.

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2.1 Minimum Scenario

Pro forma I

Pro forma I is arrived at after the effects of the Proposed Capital Reduction on the audited consolidated statements of financial position of the Group as at 31 December 2022.

i The Proposed Capital Reduction will reduce the issued share capital of the Company by RM14.292 million via the cancellation of the issued share capital of the Company and utilisation of the credit arising from the cancellation of the issued share capital of the Company towards the reduction of the accumulated losses; and

ii. The Proposed Capital Reduction of RM14.292 million after eliminating accumulated losses would result to a surplus credit of RM3.183 million, and shall be credited to the capital reduction reserve.

Pro forma II

Pro forma II incorporated the effects of Pro forma I and the effects of Proposed Shares Issuance.

The effects of the Proposed Shares Issuance involve the issuance of 60,000,000 Subscription Shares at a subscription price of RM0.08 per Subscription Share which would give rise to an increase of RM4.594 million in the issued share capital after accounting for estimated expenses of RM0.206 million.

Pro forma III

Pro forma III incorporated the effects of Pro forma I and II and the effects of Proposed Rights Issue with Warrants.

The effects of the Proposed Rights Issue with Warrants are as follows:

i. The Proposed Rights Issue with Warrants entails the issuance of 200,000,000 Rights Shares together with 100,000,000 Warrants at a price of RM0.03 for each Rights Share with gross proceeds of RM6.000 million. The issuance of 200,000,000 Rights Shares at issue price of RM0.03 each is adjusted for the apportionment of its relative fair value between share capital and warrants reserve. The net increase in the issued share capital after accounting for estimated expenses of RM0.687 million is RM5.313 million;

ii. Issuance of 100,000,000 Warrants at theoretical fair value of RM0.1034 each based on Bloomberg trinomial model and adjusted for the apportionment of its relative fair value between share capital and warrants reserve. Total of RM1.583 million is recognised as an increase to warrants reserve with a corresponding entry to other reserve; and

iii. Upon completion of Proposed Regularisation Plan, an estimate expenses in relation to the Proposed Regularisation Plan amounting to RM1.107 million is expensed off to accumulated losses and corresponding entry to cash and cash balances and other receivables.

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2.1 Minimum Scenario (cont'd)

Pro forma IV

Pro forma IV incorporated the effects of Pro forma I, II and III and the effects assuming all Warrants are exercised as follows:

i. The issuance of 100,000,000 new FSBM Shares arising from the exercise of 100,000,000 Warrants at the exercise price of RM0.05 per Warrant which will raise gross proceeds of RM5.000 million and give rise to an increase in the issued share capital by RM5.000 million;

ii. Extinguishment of both the warrants reserve and other reserve by RM1.583 million each respectively; and

iii. The assumption of full conversion of Warrants under Pro forma IV is to illustrate the effects on the share capital and net assets upon the full conversion of the Warrants in accordance with Main Market Listing Requirements under Chapter 6 New Issue of Securities, Appendix 6B Contents of Circular for New Issue of Securities of paragraph 25(a) and paragraph 25 (b).

2.2 Maximum Scenario

Pro forma I

Pro forma I is arrived at after the effects of the Proposed Capital Reduction on the audited consolidated statements of financial position of the Group as at 31 December 2022.

i The Proposed Capital Reduction will reduce the issued share capital of the Company by RM14.292 million via the cancellation of the issued share capital of the Company and utilisation of the credit arising from the cancellation of the issued share capital of the Company towards the reduction of the accumulated losses; and

ii. The Proposed Capital Reduction of RM14.292 million after eliminating accumulated losses of the Company would result to a surplus credit of RM3.183 million, and shall be credited to the capital reduction reserve.

Pro forma II

Pro forma II incorporated the effects of Pro forma I and the effects of Proposed Shares Issuance.

The effects of the Proposed Shares Issuance involve the issuance of 60,000,000 Subscription Shares at a subscription price of RM0.08 per Subscription Share which would give rise to an increase of RM4.610 million in the issued share capital after accounting for estimated expenses of RM0.190 million.

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2.2 Maximum Scenario (cont'd)

Pro forma III

Pro forma III incorporated the effects of Pro forma I and II and the effects of Proposed Rights Issue with Warrants.

The effects of the Proposed Rights Issue with Warrants are as follows:

i. The Proposed Rights Issue with Warrants entails the issuance of 236,659,300 Rights Shares together with 118,329,650 Warrants at a price of RM0.03 for each Rights Share with gross proceeds of RM7.100 million. The issuance of 236,659,300 Rights Shares at issue price of RM0.03 each is adjusted for the apportionment of its relative fair value between share capital and warrants reserve. The net increase in the issued share capital after accounting for estimated expenses of RM0.750 million is RM6.350 million;

ii. Issuance of 118,329,650 Warrants at theoretical fair value of RM0.1034 each based on Bloomberg trinomial model and adjusted for the apportionment of its relative fair value between share capital and warrants reserve. Total of RM1.874 million is recognised as an increase to warrants reserve with a corresponding entry to other reserve; and

iii. Upon completion of Proposed Regularisation Plan, an estimate expenses in relation to the Proposed Regularisation Plan amounting to RM1.060 million is expensed off to accumulated losses with corresponding entry to cash and cash balances and other receivables.

Pro forma IV

Pro forma IV incorporated the effects of Pro forma I, II and III and the effects of all Warrants are exercised are as follows:

i. The issuance of 118,329,650 new FSBM Shares arising from the exercise of 118,329,650 Warrants at the exercise price of RM0.05 per Warrant which will raise gross proceeds of RM5.916 million and give rise to an increase in the issued share capital by RM5.916 million;

ii. Extinguishment of both the warrants reserve and other reserve by RM1.874 million each respectively; and

iii. The assumption of full conversion of Warrants under Pro forma IV is to illustrate the effects on the share capital and net assets upon the full conversion of the Warrants in accordance with Main Market Listing Requirements under Chapter 6 New Issue of Securities, Appendix 6B Contents of Circular for New Issue of Securities of paragraph 25(a) and paragraph 25(b).

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3.0 Utilisation of proceeds

The proceeds from the Proposed Shares Issuance and Proposed Rights Issue with Warrants are proposed to be utilised as follows:

	Minimum Scenario RM'000	Maximum Scenario RM'000
Expansion of Information Technology Services business	4,840	5,907
General Working Capital	3,960	3,993
Defray estimated expenses*	2,000	2,000
	10,800	11,900

The Pro Forma Consolidated Statements of Financial Position has only considered the utilisation of proceeds towards defraying the estimated expenses whereas the proposed utilisation of proceeds with regards to the expansion of the information technology services business and general working capital is assumed to remain in cash and bank balances pending its utilisation.

Defray estimated expenses to be charged to/set-off against:

	Minimum Scenario RM'000	Maximum Scenario RM'000
- Share capital	893	940
- Accumulated losses	1,107	1,060
	2,000	2,000

* *The defray estimated expenses totalling to RM2.000 million to be borne by the Company comprise, amongst others, professional fees, fees to relevant authorities and miscellaneous expenses, of which RM0.987 million has been paid and capitalised in prepayment of the Company up to 31 December 2022. A total of RM0.893 million and RM0.940 million in respective scenarios is assumed to be attributable to the Issuance of new FSBM Shares and as such, will be debited against the share capital of the Company and the remaining expenses of RM1.107 million and RM1.060 million in respective scenario are assumed to be attributable to the Proposed Regularisation Plan and as such, will be expensed off to the statement of comprehensive income upon completion of the Proposed Regularisation Plan.*

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4.0 Cash and bank balances and trade and other receivables

The movements in cash and bank balances of the Group are as follows:

	Cash and Bank Balances RM'000
Minimum Scenario	
Audited as at 31 December 2022/Pro Forma I	4,503
Effects of Pro Forma II	
- Proceeds from Proposed Shares Issuance	4,800
- Estimated expenses	(88)
Pro Forma II	9,215
Effects of Pro Forma III	
- Proceeds from Proposed Rights Issue with Warrants	6,000
- Estimated expenses	(925)
Pro Forma III	14,290
Effects of Pro Forma IV	
- Proceeds from exercise of Warrants	5,000
Pro Forma IV	19,290
Maximum Scenario	
Audited as at 31 December 2022/Pro Forma I	4,503
Effects of Pro Forma II	
- Proceeds from Proposed Shares Issuance	4,800
- Estimated expenses	(82)
Pro Forma II	9,221
Effects of Pro Forma III	
- Proceeds from Proposed Rights Issue with Warrants	7,100
- Estimated expenses	(931)
Pro Forma III	15,390
Effects of Pro Forma IV	
- Proceeds from exercise of Warrants	5,916
Pro Forma IV	21,306

4.0 Cash and bank balances and trade and other receivables (cont'd)

The movements in trade and other receivables of the Group are as follows:

	Trade and Other Receivables RM'000
Minimum Scenario	
Audited as at 31 December 2022/Pro Forma I	6,401
Effects of Pro Forma II	
- Estimated expenses	(118)
Pro Forma II	6,283
Effects of Pro Forma III	
- Estimated expenses	(869)
Pro Forma III and IV	5,414
Maximum Scenario	
Audited as at 31 December 2022/Pro Forma I	6,401
Effects of Pro Forma II	
- Estimated expenses	(108)
Pro Forma II	6,293
Effects of Pro Forma III	
- Estimated expenses	(879)
Pro Forma III and IV	5,414

Total estimated expenses for the Proposed Regularisation Plan is approximately RM2.000 million of which RM0.987 million has been incurred by the Group as at 31 December 2022 and has been capitalised as prepayment sitting in trade and other receivables balance in the consolidated statements of financial position. The prepayment will be reclassified to set off against share capital and accumulated losses respectively upon the successful submission, approval and subsequent implementation of the Proposed Regularisation Plan.

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5.0 Share capital, capital reserve, warrants reserve and accumulated losses

The movements in share capital, other reserve, warrants reserve and accumulated losses of the Group are as follows:

Minimum Scenario	Share Capital RM'000	Capital Reduction Reserve RM'000	Other Reserve RM'000	Warrants Reserve RM'000	Accumulated Losses RM'000
Audited as at 31 December 2022	24,314	-	-	-	(11,109)
Effects of Pro Forma I					
- Capital reduction	(14,292)	3,183	-	-	11,109
Pro Forma I	10,022	3,183	-	-	-
Effects of Pro Forma II					
- Issuance of Subscription Shares	4,800	-	-	-	-
- Estimated expenses	(206)	-	-	-	-
Pro Forma II	14,616	3,183	-	-	-
Effects of Pro Forma III					
- Issuance of Rights Shares with Warrants	6,000	-	(1,583)	1,583	-
- Estimated expenses	(687)	-	-	-	(1,107)
Pro Forma III	19,929	3,183	(1,583)	1,583	(1,107)
Effects of Pro Forma IV					
- Exercise of Warrants	5,000	-	1,583	(1,583)	-
Pro Forma IV	24,929	3,183	-	-	(1,107)

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FSBM HOLDINGS BERHAD
Pro Forma Consolidated Statements of Financial Position and the notes thereon

Appendix A

5.0 Share capital, capital reserve, warrants reserve and accumulated losses (cont'd)

The movements in share capital, other reserve, warrants reserve and accumulated losses of the Group are as follows: (cont'd)

Maximum Scenario	**Share Capital RM'000**	**Capital Reduction Reserve RM'000**	**Other Reserve RM'000**	**Warrants Reserve RM'000**	**Accumulated Losses RM'000**
Audited as at 31 December 2022	24,314	-	-	-	(11,109)
Effects of Pro Forma I					
- Capital reduction	(14,292)	3,183	-	-	11,109
Pro Forma I	10,022	3,183	-	-	-
Effects of Pro Forma II					
- Issuance of Subscription Shares	4,800	-	-	-	-
- Estimated expenses	(190)	-	-	-	-
Pro Forma II	14,632	3,183	-	-	-
Effects of Pro Forma III					
- Issuance of Rights Shares with Warrants	7,100	-	-	1,874	-
- Estimated expenses	(750)	-	-	-	(1,060)
Pro Forma III	20,982	3,183	-	1,874	(1,060)
Effects of Pro Forma IV					
- Exercise of Warrants	5,916	-	-	(1,874)	-
Pro Forma IV	26,898	3,183	-	-	(1,060)

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FSBM HOLDINGS BERHAD
Registration No.: 198401003091 (115609-U)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 2022

FSBM HOLDINGS BERHAD
Registration No.: 198401003091 (115609-U)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2022 TO 30 JUNE 2022

Contents	**Pages**

Registration No.: 198401003091 (115609-U)

FSBM HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying financial statements as set out on pages 5 to 47 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2022 and of their financial performance and cash flows for the financial period then ended.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated

25 OCT 2022

TAN WAN YEN

PANG KIEW KUN

STATUTORY DECLARATION

I, Pang Kiew Kun, being the Director primarily responsible for the financial management of the Group and of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 5 to 47 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed
at PETALING JAYA SELANGOR
on 25 OCT 2022

PANG KIEW KUN

Before me,

COMMISSIONER FOR OATHS
NO. B362
RAYMOND CHA KAH SIANG
BC/C/686
1/1/2021-31/12/2023
MALAYSIA

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Block E, Phileo Damansara 1,
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