

Annual Report 2022



ARB BERHAD
199701033435 (448934-M)



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WHO WE ARE

WE ARE ARB

ARB Berhad ("ARB" or "the Group") was incorporated in Malaysia in October 1997 under the Companies Act 1965 and was listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") in February 2004. We evolved from timber as our core business to include information technology ("IT") solutions and services.

To reflect and cement our new corporate identity and values, we changed our company name to ARB Berhad and underwent a corporate facelift in April 2019. Since the diversification of the Group, we have experienced accelerated growth, clinching lucrative deals and establishing a strong base of clientele and partners, both locally and abroad. In April 2020, ARB has changed its stock sector to Technology, Software Sub Sector. We focus in software development in cloud customised ERP solutions and IoT related solutions to reduce dependance on external vendors in order to capture higher share of the markets. Our stellar growth owes much to our experienced and talented management team who come with vast and diverse experiences. With our talented management team and our commitment for excellence, we look forward to grow from strength to strength.

Vision



Creating a sustainable world today for future generations

Mission



We aspire:

- Help businesses capitalised on new opportunities
- Implement innovation IT solutions to achieve businesses optimal efficiency
- Strengthen communities with sustainable solutions

**WHO WE ARE
(CONT'D)**
Values*Obstacles is an opportunity*

Dare to accept failures and move forward with hope

Teamwork

To work towards a common objective
Believe in the team means believe in success.

Commitment

Dedicated to keep promise to our customers, business
partners and suppliers

Innovation is Our Drive

A commitment to innovation and excellence

THIS IS WHAT WE DO

The Fourth Industrial Revolution ("IR4.0"), a fusion of leading-edge production techniques and smart systems that integrate with organisations and people.

IR4.0 is the current and developing environment in which disruptive technologies and trends such as the IoT, robotics, virtual reality (VR) and artificial intelligence (AI) are changing the way modern people live and work.

In view of that, ARB comes in to provide meaningful IT solutions and services to build a sustainable future which are innovative to meet the ever-evolving need of our customers.

Cloud (including Enterprise Resource Planning ("ERP"))

What is Cloud?

A cloud-based system, often known as cloud computing, is a broad term for anything that involves the delivery of hosted services via the internet. It aims to give easy access to computer resources and information technology services.

What we provide?

- design and develop of cloud customised ERP solutions for our customers of various industries according to their strict specifications.
- integration of businesses' existing ERP system into cloud systems to streamline core business processes to promote robust business performances.
- provisions of supports, troubleshooting, and implementation to cloud customised ERP system to ease migration from business existing system or for new cloud customised ERP system implementation.
- Cloud Cosec, a cloud-based fully automated secretarial service solution.
- WeMeet, a virtual shareholders meeting platform.

THIS IS WHAT WE DO (CONT'D)

Internet of Things ("IoT")

What is IoT?

IoT is a system of interrelated computing devices, mechanical and digital machines that are provided with unique identifiers and the ability to transfer data over a network without requiring human-to-human or human-to-computer interaction.

What we provide?

SMART HOME AND BUILDING

- design smart home solutions which can integrate a range of electrical appliances, centralised control and remote monitoring, accessible via mobile devices (IOS and Android) and Windows operating system.
- comprehensive professional electrical wire installation and home data network with safe and restorable smart home system design.
- smart home products and integration services that connect kitchen, closet or office to smart home network and integrate it flawlessly with other smart home appliances.
- IoT system, engineering, procurement, commissioning and management to property developer and contractor.
- a complete solution with full turnkey deployment from designing, installation, testing, pre-commissioning and commissioning of various IoT systems and devices as well as integration of automated systems for smart building, including installation of wire and wireless and mechatronic works.

SMART AGRICULTURE

- design of layout of the smart hydroponic farm for application and integration of IoT in hydroponics, which includes the procurement of sensors and surveillance cameras as well as other relevant hardware that are essential in a hydroponics farm e.g. nutrient controllers, seedling tray, water tank and piping system.
- developing software that enable the design of software to enable transfer of data from the smart hydroponic farm to cloud server, which can then be accessed remotely via smart devices.
- installation, testing and commissioning of the hardware and software to ensure that the smart hydroponic farm operates as intended.
- after-sales services such as data analytics and periodic maintenance services.

SYSTEM DEVELOPMENT

- procure, supply and deliver industrial building systems equipped with IoT technologies, that are designed to connect machines and provide accurate tracking of workloads of construction works.

GADGET DISTRIBUTION

- distribute mobile gadget accessories to end users via resellers, distributors and retailers.
- provide customer careline, online chat support, digital marketing, pre-installation and warranty services.

OUR MILESTONES

- Launch WeMeet, a self-developed virtual shareholders' meeting platform geared toward corporate companies that are shifting toward virtual meeting.

May
2022

- Smart Agriculture - design and develop smart hydroponic farm system and enable data transfer to cloud server.

Oct
2021

- Launch Cloud Cosec, a self-developed cloud company secretary platform that will fully automate the existing company secretary services.

Sept
2021

- Business Partnership Agreement with China Unicom Operations (Malaysia) Sdn Bhd to collaborate and undertake Smart Building Project in Malaysia and other ancillary businesses and opportunities.

Nov
2020

- Business Partnership & Outsourcing Partnership Agreements with Singapore based Asterisk Computer (Far East) Pte Ltd to explore and undertake Enterprise Application Software Solutions project and related IT consultancy services.
- Disposal of remaining 51% equity interest in Timber business subsidiary.

Jun
2020

- Business Partnership Agreement with Beijing Kuangshi Technology Co. Ltd (known as "Megvii") for AI Facial Intelligent Application and relevant algorithm technology in IoT.

May
2020

- Reclassified sector on Bursa Securities to Technology – Software from Industrial Products & Services - Wood & Wood Products.

Apr
2020



ARB BERHAD
(199701033435 (448934-M))

AWARDS & RECOGNITION



Malaysia-International
HR Awards 2020

Bronze Award



ACES Awards 2021

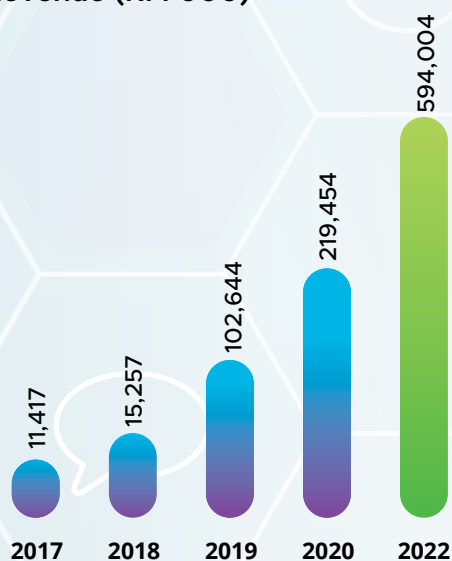
Outstanding Leaders in Asia

5 YEARS GROUP FINANCIAL HIGHLIGHTS

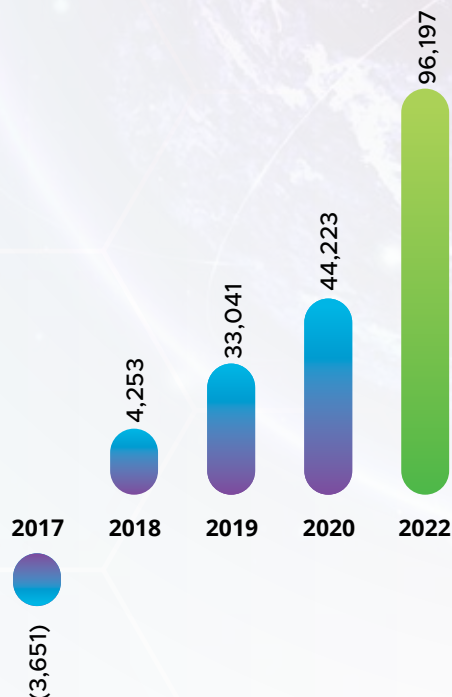
Year ended 31 December/30 June	2017	2018	2019	2020	2022*
Results (RM'000)					
Revenue	11,417	15,257	102,644	219,454	594,004
(Loss)/Profit before tax ("LBT/PBT")	(3,651)	4,253	33,041	44,223	96,197
Net (loss)/profit	(3,649)	4,232	32,823	42,870	79,520
(LPS)/EPS (cents)	(5.97)	6.30	11.46	9.55	12.40
Statement of Financial Position (RM'000)					
Share capital	68,861	15,748	60,268	93,290	196,935
Shareholders' equity	17,930	23,428	109,816	183,761	377,231
Total assets	19,963	24,789	127,034	255,335	415,745
Share Capital (number of shares '000)	61,100	67,210	289,813	454,924	1,216,435
Net assets per share (RM)	0.29	0.35	0.38	0.40	0.31
Ratio (%)					
(LBT)/PBT margin	(32.0)	27.9	32.2	20.2	16.2
Return on shareholders equity	(20.4)	18.1	29.9	23.3	21.1

* During the financial period, the Group has changed the financial year end from 31 December to 30 June.

Revenue (RM'000)

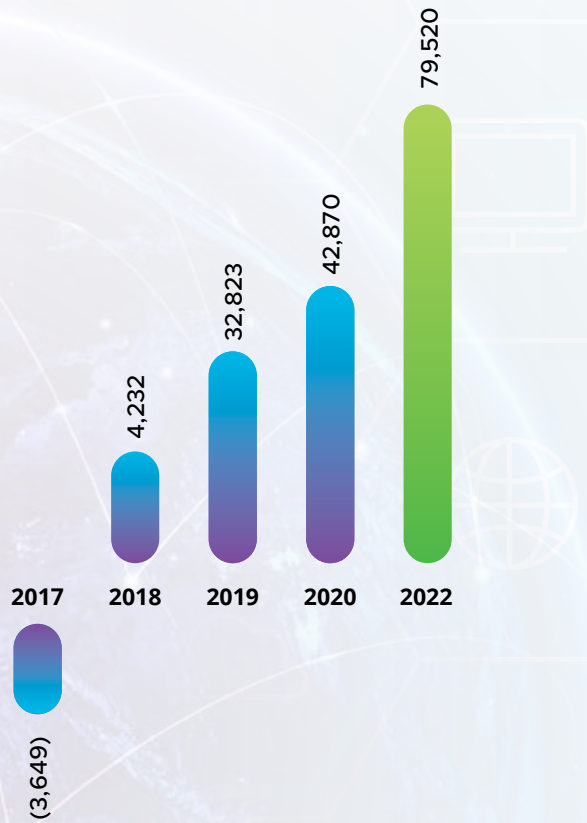


(Loss)/Profit before tax (RM'000)



5 YEARS GROUP FINANCIAL HIGHLIGHTS (CONT'D)

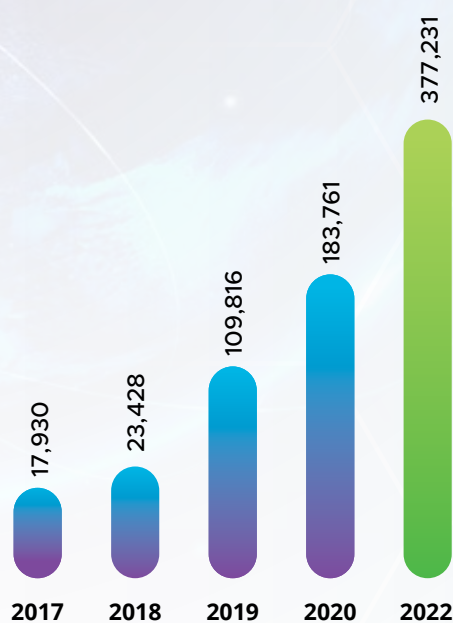
Net (loss)/profit (RM'000)



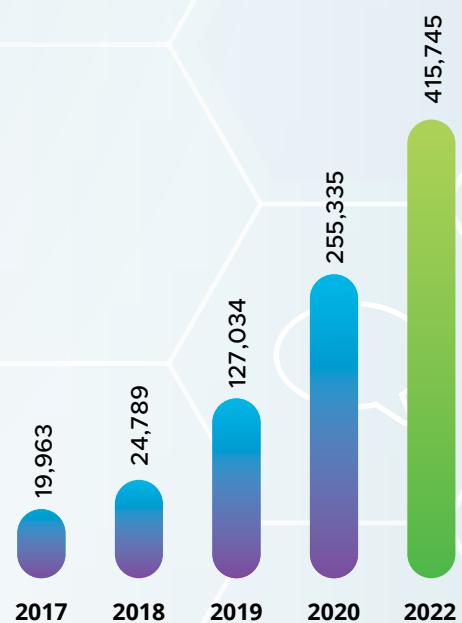
(LPS)/EPS (cents)



Shareholders' equity (RM'000)



Total assets (RM'000)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Datuk Haji Junaidi Bin Datuk Haji Abdul Rahman
Independent Non-Executive Chairman

Dato' Sri Liew Kok Leong
Executive Director

Dato' Baharon Bin Talib
Executive Director

Khor Chin Meng
Independent Non-Executive Director

Khor Ben Jin
Independent Non-Executive Director

AUDIT COMMITTEE

Khor Chin Meng
Independent Non-Executive Director
Chairman

Datuk Haji Junaidi Bin Datuk Haji Abdul Rahman
Independent Non-Executive Chairman
Member

Khor Ben Jin
Independent Non-Executive Director
Member

REMUNERATION COMMITTEE

Datuk Haji Junaidi Bin Datuk Haji Abdul Rahman
Independent Non-Executive Chairman
Chairman

Khor Chin Meng
Independent Non-Executive Director
Member

Khor Ben Jin
Independent Non-Executive Director
Member

NOMINATION COMMITTEE

Datuk Haji Junaidi Bin Datuk Haji Abdul Rahman
Independent Non-Executive Chairman
Chairman

Khor Chin Meng
Independent Non-Executive Director
Member

Khor Ben Jin
Independent Non-Executive Director
Member

COMPANY SECRETARIES

Tan Tong Lang
(MAICSA 7045482/ SSM PC No. 202208000250)
Thien Lee Mee
(LS 0010621 / SSM PC No. 201908002254)
Chong Chew Lo
(MAICSA 7046627/ SSM PC No. 201908002693)

REGISTERED OFFICE

Level 5, Block B, Dataran PHB
Saujana Resort, Section U2
40150 Shah Alam
Selangor
Tel : +603 7890 0638
Fax: +603 7890 1032

HEAD OFFICE/PRINCIPAL PLACE OF BUSINESS

No. 17-03, Q Sentral
2A, Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur
Tel: 03-2715 0238

AUDITORS

Messrs. CHENGCO PLT (AF0886)
Wisma Cheng & Co
No. 8-2 & 10-2, Jalan 2/114
Kuchai Business Centre
Off Jalan Klang Lama
58200 Kuala Lumpur
Tel : 03-7984 8988
Fax : 03-7984 4402

PRINCIPAL BANKER

CIMB Bank Berhad
Malayan Banking Berhad

SHARE REGISTRAR

Aldpro Corporate Services Sdn Bhd
Level 5, Block B, Dataran PHB
Saujana Resort, Section U2
40150 Shah Alam, Selangor
Tel : 03 -78900638
Fax : 03 -78901032

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock name: ARBB (7181)
Stock name: ARBB-PA (7181PA)

WEBSITE

www.arbberhad.com

INVESTOR RELATIONS

Email: contact@arbberhad.com

PROFILE OF BOARD OF DIRECTORS



**DATUK HAJI JUNAIDI
BIN DATUK HAJI ABDUL RAHMAN**
60 | Male | Malaysian
Independent Non-Executive Chairman

DATE OF APPOINTMENT

23 February 2021

MEMBERSHIP(S) OF BOARD COMMITTEES

- Nomination Committee (Chairman)
- Remuneration Committee (Chairman)
- Audit Committee (Member)

QUALIFICATION(S)

- Executive Master of Business Management, Asia E University
- Executive Diploma in Engineering Business Management, Universiti Teknologi Malaysia

WORKING EXPERIENCE(S) AND OCCUPATION(S)

Datuk Haji Junaidi started his career as Branch Manager in Bumiputra Commerce Finance Berhad from 1980 to 2005. He was appointed as Director of Borneo Era Sdn Bhd from 2005 to 2006 and later he joined Petrohub Corporation Sdn Bhd as Chief Executive Officer for 10 years. He is currently the Corporate Advisor of Zera Megathron Sdn Bhd.

He is also actively involved with Non-Governmental Organisation ("NGO"). Previously, he was the Board of Visitors to Women and Children Hospital, Sabah and Deputy President to Kota Kinabalu Industrial Park Investment Council. Presently, he is the Head of Sabah Chapter under Persatuan Pedagang dan Pengusaha Melayu Malaysia.

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND/OR LISTED ISSUER

None

DECLARATION

Datuk Haji Junaidi Bin Datuk Haji Abdul Rahman does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

AWARD(S) & RECOGNITION

- Asia Pacific Entrepreneurship Award (2015)
- Federal Award from Seri Paduka Baginda Yang di-Pertuan Agong: Darjah Johan Setia Mahkota (2012)
- State Award from TYT Sabah: Ahli Setia Darjah Kinabalu (2007)
- State Award from TYT Sabah: Ahli Darjah Kinabalu (2002)
- State Award from TYT Sabah: Bintang Kinabalu (2001)

PROFILE OF BOARD OF DIRECTORS (CONT'D)



DATO' SRI LIEW KOK LEONG

49 | Male | Malaysian
Executive Director

DATE OF APPOINTMENT

30 August 2018

MEMBERSHIP(S) OF BOARD COMMITTEES

None

QUALIFICATION(S)

- Master of Science in Communication Systems, University of Wales Swansea, United Kingdom
- Bachelor of Science (Distinction) in Electronic & Electrical Engineering, Robert Gordon University Aberdeen, United Kingdom

WORKING EXPERIENCE(S) AND OCCUPATION(S)

Dato' Sri Liew has more than 20 years of experience in Information Technology, manufacturing, telecommunication, property development and venture capital investment. He has established several companies and subsidiaries in Malaysia, Singapore and China.

He oversees, Cloud (including ERP) & IoT Segments of the Group, who actively involves in business development and technology application.

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND/OR LISTED ISSUER

Executive Director of Ageson Berhad

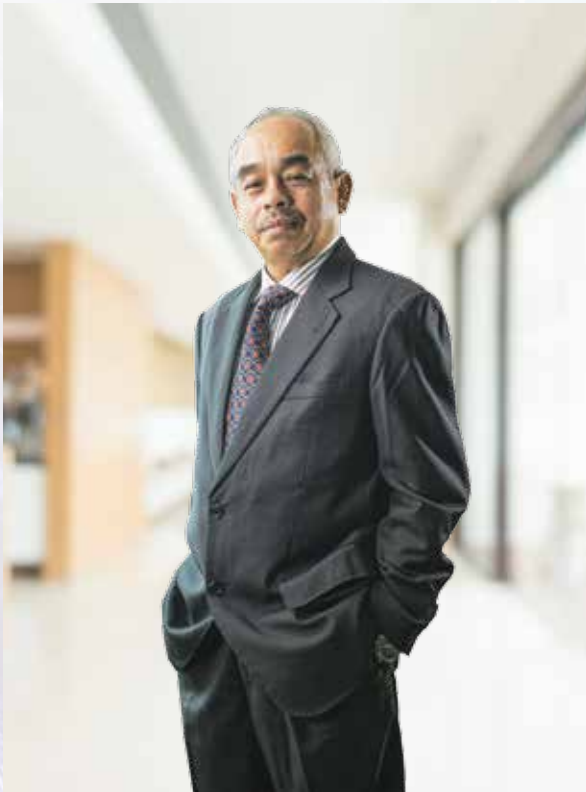
DECLARATION

Dato' Sri Liew Kok Leong is a major shareholder of the Company. He does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

AWARD(S) & RECOGNITION

Dato' Sri Liew Kok Leong received Master Entrepreneur Category in Asia Pacific Enterprise Awards (APEA) 2020 as Outstanding Entrepreneurs who demonstrated entrepreneurial attributes that serve as role models for emerging entrepreneurs. Subsequently in 2021, Dato' Sri Liew Kok Leong was named as Outstanding Leaders in Asia Awards from The Asia Corporate Excellence & Sustainability (ACES), is one of the most prestigious accolades that recognises inspiring leaders and sustainability advocates across-industry and across Asia.

PROFILE OF BOARD OF DIRECTORS (CONT'D)



DATO' BAHARON BIN TALIB
70 | Male | Malaysian
Executive Director

DATE OF APPOINTMENT

20 October 2010

MEMBERSHIP(S) OF BOARD COMMITTEES

None

QUALIFICATION(S)

- Degree in History, University of Malaya

WORKING EXPERIENCE(S) AND OCCUPATION(S)

Dato' Baharon was appointed as Independent Non-Executive Director of the Company on 20 October 2010 and has been redesignated as Independent Non-Executive Chairman on 31 May 2013. Subsequently, he was re-designated as Executive Director on 23 February 2021.

Dato' Baharon served as government servant for more than 30 years and held various positions in the government sector. Dato' Baharon started his career as an Assistant District Officer, State Secretarial Office, and also at the Ministry Level with the Federal Government.

Dato' Baharon last position was the State Immigration Director of Sabah.

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND/OR LISTED ISSUER

None

DECLARATION

Dato' Baharon Bin Talib does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

PROFILE OF BOARD OF DIRECTORS (CONT'D)



KHOR CHIN MENG

50 | Male | Malaysian
Independent Non-Executive Director

DATE OF APPOINTMENT

31 January 2019

MEMBERSHIP(S) OF BOARD COMMITTEES

- Audit Committee (Chairman)
- Nomination Committee (Member)
- Remuneration Committee (Member)

QUALIFICATION(S)

- Fellow member of the Association of Chartered Certified Accountants (FCCA), United Kingdom

WORKING EXPERIENCE(S) AND OCCUPATION(S)

Mr Khor has more than 20 years of professional experience in auditing and taxation. He started his career since 1996 by joining a Malaysia audit firm. He became a partner of a corporate firm in 1997 and owned a Tax Advisory firm since 2010.

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND/OR LISTED ISSUER

Independent Non-Executive Director of Annum Berhad

DECLARATION

Mr Khor Chin Meng does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

PROFILE OF BOARD OF DIRECTORS (CONT'D)



KHOR BEN JIN
47 | Male | Malaysian
Independent Non-Executive Director

DATE OF APPOINTMENT

3 February 2021

MEMBERSHIP(S) OF BOARD COMMITTEES

- Audit Committee (Member)
- Nomination Committee (Member)
- Remuneration Committee (Member)

QUALIFICATION(S)

- Fellow member of Association of the Chartered Certified Accountants (FCCA), United Kingdom
- Member of Malaysian Institute of Accountants (MIA)
- Chartered Member of the Institute of Internal Auditors Malaysia (CMIIA)
- Certified Internal Auditor (CIA), United States of America

WORKING EXPERIENCE(S) AND OCCUPATION(S)

Mr Khor is a Certified Internal Auditor and has extensive experience in internal audit consulting services, risk management exercises and corporate governance review with public listed companies involved in both industrial and consumer products manufacturing, integrated livestock farming activities, property development, and construction and trading services.

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND/OR LISTED ISSUER

- Independent Non-Executive Director of BCM Alliance Berhad

DECLARATION

Mr Khor Ben Jin does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

CHAIRMAN STATEMENT

Dear shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of ARB Berhad (“ARB” or “Company”) and its subsidiaries (“Group”) for the financial period ended 30 June 2022 (“FPE 2022”).

INDUSTRY OUTLOOK AND PROSPECT

The year 2020 began with nations around the world gearing up to contain the spread of COVID-19 pandemic by undertaking various measures which include enforcing movement restrictions and closing borders. The unprecedented situation has severely impeded overall global economic activities with the world economy experiencing a sharp contraction. Various measures to contain the outbreak of COVID-19 such as movement restrictions and closing borders have led to sluggish aggregate demand and disruptions in the supply chain. Like many other countries, Malaysia was not spared from the adverse impact of the pandemic.

The Malaysian economy has gradually rebound in 2021 after the dismal economic performance in 2020 due to the COVID-19 pandemic with the imposition of movement control order, implementation of vaccination programmes under the National COVID-19 immunisation Programme (PICK) and various stimulus and assistance packages imposed by Malaysia Government to contain the COVID-19 outbreaks.

After battling with COVID-19 for more than 19 months, Malaysia is set to move an endemic stage from a pandemic. The shift to the endemic phase of COVID-19 will undoubtedly increase the domestic economic activities. Many countries in Asia and Europe as well as Malaysia which have been under lockdowns are now strategising for an exit strategy to reopen their countries in order to revitalise their economic sectors and activities.

Recovering the economy from the COVID-19 pandemic has been a daunting task for all nations. Meanwhile, it is important for us to not only adapt to the new norm, but also find growth opportunities in the post-pandemic era. The COVID-19 pandemic has revealed the importance of technology adoption and digitalisation and has accelerated the adoption of digitalisation by businesses, the education sector and society. Application of digital technology, such as e-commerce, online learning and remote working have created new opportunities for businesses. We believe that this encouraging backdrop augur well with our future growth plans which focus on further expanding our business as well as allows our Company to explore more business opportunities.

Following improving domestic demand as economic continued to normalise with the easing of containment measures, the Malaysian economy registered a positive growth of 5.0% in the first quarter of 2022 (4Q 2021: 3.6%). The improvement also reflects the recovery in the job market, with the unemployment rate declining further to 4.1% (4Q 2021: 4.3%), as well as continued policy support. Strong external demand amid the continued upcycle in global technology provided further lift to growth.

The government has identified the digital economy as one of the key economic growth areas to achieve our national commitment of elevating the country to be a nation of sustainable growth. ARB is cautiously optimistic to enjoy the benefit from economy recovery and the Malaysia Digital Economy Blueprint (2021 – 2025) (“MDEB”).

From MDEB progress made in 2021, we are on track to achieve a digital economy contribution of at least 25.5% to our national Gross Domestic Product (“GDP”) by 2025. In addition, the recent launch of 5G network will improve connectivity, productivity and competitiveness, enhance digital economy and provides opportunities to achieve economic growth and sustainability. This is in line with the government’s objective to focus on long-term productivity through the use of new technology to accelerate the transformation towards a high-income economy.

CHAIRMAN STATEMENT (CONT'D)

Advanced technologies such as artificial intelligence (AI) and IoT have changed the patterns of the world's economy and the lifestyle of modern society. The Malaysian ERP market is expected to grow at a CAGR of 11.4% from USD120 million to reach USD255 million in 2026 while the IoT market is expected to grow at a CAGR of 24.7% from USD2.2 billion in 2019 to reach USD10.3 billion by 2026 the in par with the robust Malaysia's macroeconomic outlook, underpinning the growth of the Malaysia IoT and ERP markets. With that, our outlook appears to be positive.

In 2021/2022, the development of our in-house cloud ERP products and combination with an extensive range of end-to-end services by reducing our dependence on external vendors allow us to capture a higher share of the value pool. Due to our unique business strategy of establishing joint venture with specific target customers, we expect that our growth is more sustainable and less volatile.

In relation to our IoT segment, we plan to differentiate ourself from other vendors through our network of key partnerships with technology vendors whilst still possessing vendor-capabilities. We anticipate higher growth in the IoT market as we are targeting a group of customers and expand offerings into adjacent vehicle. In 2022, we have invested into IoT farming system for provision of hydroponics IoT system and solutions for the agriculture industry as new milestone and expecting positive contribution to the segment.

Our Group will continue to accelerate the strategic plans to generate positive value for shareholders by actively exploring business opportunities and investment opportunities.

SIGNIFICANT EVENTS OF THE COMPANY

Renounceable rights issue of up to 1,075,350,500 new ordinary shares on the basis of 1 rights share for every one existing share ("Rights Issue")

On 3 November 2021, our Company had announced that our Company proposed to undertake renounceable rights issue of up to 1,075,350,500 new ordinary shares on the basis of 1 rights share for every one existing share held by the entitled shareholders of the Company on an entitlement date to be determined and announced later.

Subsequently on 17 February 2022, our Company announced that the Rights Issue has been completed following the listing and quotation for 608,217,400 rights shares on the Main Market of Bursa Malaysia Securities Berhad. The Rights Issue allows our Company to raise gross proceeds of approximately RM72.99 million based on the issue price of RM 0.12 per right share. This fund raised is to allow the Group to explore and expand IoT business segment in order to improve profit in the future.

MOVING FORWARD

Moving forward, we will continue to improve our business model to generate lucrative income stream to ARB Group. We will also continue to work with and invest in strategic system integrators and independent software vendors to accelerate potential partnering in various industries. As part of the growth strategy driven both organically and through acquisition, we are delivering innovative solutions in new categories, including analytics, commerce, IoT and integration, and expect to continue this type of horizontal expansion in the future. Further, we will expand and strengthen our local presence by collaborating with GLCs in IT related projects.

To ensure the sustainability and growth of our business, we will focus on those projects from our core segments such as cloud ERP system, IoT platform and e-commerce that are able to deliver higher Return of Investment (ROI) to the shareholders. In line with the Industrial Revolution 4.0, we will also be involved in the technology Research & Development (R&D) projects with the local universities to innovate the technologies in order to produce more high value-added products.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to our Board members for their commitments to improve the Group's performance and enhance shareholders' value throughout the challenging year.

Also, sincere gratitude to our management team and employees for their continued dedication to the success of the Group.

Yours sincerely,

DATUK HAJI JUNAIDI BIN DATUK HAJI ABDUL RAHMAN
Independent Non-Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

OUR OPERATING ENVIRONMENT AND OUTLOOK

During the year under review, the Malaysian economy has gradually rebound in 2021 after the reopening of business and international borders, implementation of vaccination programmes under the National COVID-19 Immunisation Programme (PICK) and various stimulus and assistance packages provided by Malaysia Government to revive the economy.

After battling with COVID-19 for more than 19 months, Malaysia is set to move an endemic stage from a pandemic. The shift to the endemic phase of COVID-19 will undoubtedly increase the domestic economic activities.

Recovering the economy from the COVID-19 pandemic has been a daunting task for all nations. Meanwhile, it is important for us to not only adapt to the new norm, but also find growth opportunities in the post-pandemic era. The COVID-19 pandemic has revealed the importance of technological adoption as well as digitalisation and has accelerated the adoption of digitalisation by businesses, the education sector and society. Application of digital technology, such as e-commerce, online learning and remote working have created new opportunities for businesses. We believe that this encouraging backdrop augur well with our future growth plans which focus on further expanding our business as well as allows our Company to explore more business opportunities.

As ARB ventures into financial period ended 30 June 2022 ("FP2022"), our growth momentum continue in the upward trend and this was achieved by leveraging our strategic partnerships, raising our capabilities for optimised our business models and market expansion, increasing our expertise utilisation and strengthening our market position in our Cloud-based ERP system and IoT Segment.

For Cloud-based ERP System segment, ARB has launched ARB Cloud Cossec in September 2021, a self-developed company secretary solution that integrate and automate the company secretary workflow. Further, in October 2021, ARB has launched ARB WeMeet, a self-developed virtual shareholders' meeting and voting platform geared toward corporate companies that are shifting their physical meeting to virtual meeting. To capitalise on the rising adoption of smart hydroponics techniques in commercial farming, ARB has further expanded its IoT segment to include smart agriculture by embarking on provision of customised hydroponics IoT systems and solutions for agriculture industry.

VISIONS AND STRATEGIES

The technology sector especially in cloud services are expressively growing in number in demand, millions of jobs have been saved by the ability to work remotely. This could mean both a short-term and long-term increase in demand for remote connectivity, like cloud-based system and related services.

To achieve our vision, our research and development efforts focus on three interconnected ambitions:

- Reinvest productivity and business processes
- Build the intelligent cloud platform
- Explore and venture into new algorithm of new technology in cloudification, AI and IoT.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

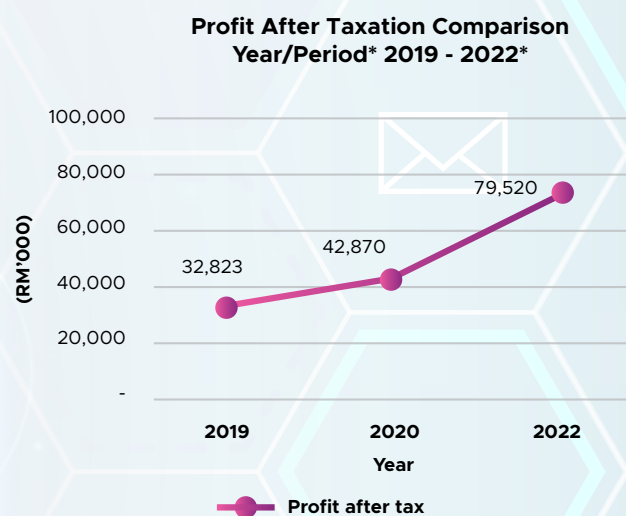
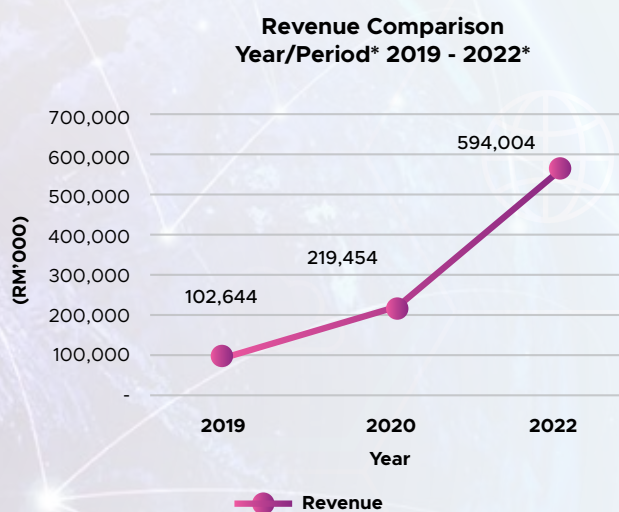
GROUP BUSINESS OPERATIONS AND PERFORMANCE

GROUP BUSINESS OPERATIONS

ARB is principally engaged in the activities of investment holding and management services. The core operations of our Group are carried out by subsidiaries which are involved in provision of ERP and IoT related solutions and services. The ERP segment of ARB involves the provision of cloud customised ERP solutions. ARB grouped its operations in IoT segment into four business lines, i.e IoT Smart Home & Building, IoT Smart Agriculture, IoT System Development and IoT Gadget Distribution.

During the financial period under review, ARB's revenue was contributed from ERP and IoT related businesses.

Group Performance



* During the financial period, the financial year end of our Group has changed from 31 December to 30 June. Accordingly, the financial statements of our Group for the current financial period are drawn up for a period of (18) eighteen months from 1 January 2021 to 30 June 2022.

Our Group's revenue for the FP2022 has increased by 170.7% or RM374.55 million as compared to the revenue of RM219.54 million recorded in financial year ended 31 December 2020 ("FY2020"). The higher revenue was mainly contributed by IoT segment.

In line with the higher revenue, our Group recorded a higher profit after taxation ("PAT") of RM79.52 million as compared to RM42.87 million in FY2020, representing an increase of 85.49% or RM36.65 million. Apart from higher gross profit margin in FP2022, the higher PAT was contributed by the increase in profit from IoT Segment.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Segmental Performance

Our Group is mainly organized into 2 operating segments, namely ERP segment and IoT segment.

FP2022	ERP Segment (RM'000)	IoT Segment (RM'000)	Total (RM'000)
Revenue	152,402	441,581	593,983
Segment result	15,847	81,602	97,449
Segment assets	116,600	242,663	359,263
Segment liabilities	(2,302)	(11,474)	(13,776)

FY2020	ERP Segment (RM'000)	IoT Segment (RM'000)	Total (RM'000)
Revenue	150,541	68,913	219,454
Segment result	81,921	2,841	84,762
Segment assets	50,819	98,709	149,528
Segment liabilities	(12,001)	(38,884)	(50,885)

In FP2022, the IoT segment was our biggest contributor to revenue, recorded a turnover of RM441.6 million mainly driven by Smart Agriculture, System Development and Gadget Distribution. It generally reflected the segment result of RM81.6 million, segment assets and liabilities were RM242.7 million and RM11.5 million respectively.

Meanwhile, our ERP segment generated RM152.4 million mainly contributed from sale of Cloud Services, and WeMeet platform. The ERP segment result was RM15.9 million, segment assets and liabilities were RM116.6 million and RM2.3 million respectively.

Group Cashflow

	FP2022 (RM'000)	FY2020 (RM'000)
Net cash generated from operating activities	126,963	5,184
Net cash used in from investing activities	(155,049)	(37,448)
Net cash generated from financing activities	103,921	31,154
Cash and cash equivalents	100,348	24,572

Our Group's capital expenditure and working capital is funded through our Group's existing cash and balances, internally generated funds from its business, proceeds raised from issuance of right shares and conversion of irredeemable convertible preference shares ("ICPS").

Our Group recorded a net increase in cash and cash equivalents of RM75.8 million to RM100.3 million in FP2022 as compared to RM24.6 million in FY2020. This was mainly due to the following:

- (i) Net cash generated from operating activities amounting to RM126.9 million contributed by higher operating profit; and
- (ii) Net cash generated from financing activities amounting to RM103.9 million, contributed by proceeds raised from the rights issue of RM73.0 million and conversion of ICPS amounting to RM29.1 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Future Outlook

The global economic condition remains challenging and uncertain in the post-pandemic era. Notwithstanding that, the COVID-19 pandemic has revealed the importance of technological adoption and digitalisation. Application of digital technology, such as e-commerce, online learning and remote working have created new opportunities for businesses and has accelerated the adoption of digitalisation. It is seen as a time for our Group to embrace the new norm of doing business and spur a sustainable recovery momentum.

Despite the challenging market conditions, our Group has proved our resilience in the Cloud solutions to improve management efficiency and accelerate a business' digitalisation initiatives and cost-effectiveness, building its track record and reputation. We have been able to deliver this value by providing digital services which build and empower end users. This is anchored on the development of digital ecosystem which leverage our local and overseas partners.

The management will continuously review its business and aims to expand its geographical presence as well as to access various new industry sectors by taking advantage of cross-border business opportunities in 2023. The key growth strategy for FP2022 would be achieved through the execution of partner-ecosystem in growing industries. At the domestic front, ARB targets to work closely with multinational corporations and public listed companies as envisaged under its business plan. We will leverage on our agility to tap into opportunities globally.

As part of the growth strategy driven both organically and through strategic acquisitions, apart from widening both segments in ERP and IoT, we also target to deliver innovative solutions in new categories, including Big Data Analysis, e-commerce solutions, IoT platform for 5G and data cybersecurity, and expect to continue grow in these businesses in the near future.

In ERP segment, with our unique cloud-based ERP business model, it reduces our Group's dependence on external technology vendors and also allows us to capture a bigger share of the value pool generated from collaborations. In IoT segment, our Group's mission is to become a leading player in the IoT landscape in the ASEAN region. Our Group will continue to offer wide range of IoT systems as well as providing customers a substantial range of services which including but not limited to system integration and system support services to our IoT business lines namely, IoT Smart Home & Building, IoT Smart Agriculture, IoT System Development and IoT Gadget Distribution. Both ERP and IoT segments are expected to be in line with the global initiative in advancing into the new era of IR 4.0.

In view of the technological advancement and the changing business environment, our Group remains optimistic on our future prospects in IT industry. In order to improve our Group's competency and remain relevant, we will continue to be committed towards strengthening our Group's long-term competitiveness.

Anticipated Risks and Mitigation Actions

The following are the risks that could adversely affect our Group's prospects and our Group strategies to mitigate these risks.

a) Competition risk

As the IT industry is competitive in nature and characterised by rapid technological changes, our Group faces direct competition from both new entrants and existing players within the IT industry. Thus, our Group is dependent on our ability to continuously promote and sell our products and solutions to existing and new customers while competing with other providers in the IT industry. Competition may be in the form of pricing, quality of service as well as technological competence.

There is no assurance that our Group can remain competitive against our competitors moving forward. The emergence of new competitors who can offer more innovative solutions at a cheaper cost may result in our Group losing the market share to such competitors. To mitigate such risk, we will continuously revisit our business strategy, to ensure our Group always pick up to new technologies to enhance existing products and solutions as well as to cultivate close relationships with our business partners.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

b) Credit risk

Our Group's credit risk primarily comprises of trade and other receivables. Credit risk can be managed and minimised through selective interaction and association with creditworthy business partners. In FP2022, our Group will continue to adopt stringent credit control procedures. Long outstanding trade receivables, considered as high exposure to risk dependency, were monitored on a regular basis.

c) Technology obsolescence risk

IT industry is a dynamic sector where its products and solutions are subject to continuous improvement and innovation as the technological landscape constantly evolves at a rapid pace. In this regard, our Group is dependent on our ability to constantly innovate and keep up with the latest technologies in order to remain relevant and competitive in the IT industry.

Technology obsolescence risk shall be significant to our Group. There is no assurance that our Group's products and solutions will always remain relevant and competitive in the IT industry.

In the event our Group is unable to continuously innovate and enhance our products and solutions to meet the latest expectations of our customers in light of the prevailing technological landscape, our Group would lose the market share to other competitors. In turn, this would have an adverse effect on our Group's business and financial performance.

To overcome this inertia, we will continue to build up and deploy an ecosystem that are flexible and compatible (together with the requisite after-sale supports) to the end users, which help our customers to address the challenges and opportunities brought by new evolving digital technologies.

SUSTAINABILITY STATEMENT

Our Economic, Environmental and
Social Responsibility (“EES”)



SUSTAINABILITY STATEMENT

Corporate Vision

“Creating a sustainable world today for future generations”

to uphold sustainable practices in all its undertakings and ensures that EES shall always be at the heart of its business operations.

SCOPE OF DISCLOSURES

This report presents ARB Berhad’s (“ARB” or “the Group”) economic, environmental and social responsibility (“EES”) performance, as well as its positive impact on relevant industries, economy and society. For the past four years we have been striving to continuously improve the quality of our reporting to better communicate how we manage and address our material matters towards creating long-term value for all our stakeholders. As we move forward, we aim to broaden and deepen the scope of our annual reporting to reflect ARB’s increasing commitment towards our sustainability agenda. Sustainability Report 2022 addresses topics that are material to our key business segments: Enterprise Resources Planning (“ERP”) and Internet of Things (“IoT”). It also documents our broad strategies, initiatives, and areas of impact for our three sustainability goals:

- 1) Ensuring Business Sustainability;
- 2) Ensuring No Harm to Our People and Environment; and
- 3) Nurturing and Developing Our Talent.

REPORTING PERIOD AND BOUNDARY

This report exclusively covers the sustainability performance of the Group from 1 January 2021 to 30 June 2022, unless stated otherwise. We have included data for more than one year, where possible, for comparison and to state the status of our progress. Our aspiration is to improve the quality of reporting for all material disclosures. In FYP2022, we have not undergone any external assurance for the sustainability report.



SUSTAINABILITY STATEMENT (CONT'D)

REPORTING STANDARDS AND GUIDELINES

The contents of this Statement are prepared with reference to Bursa Malaysia's Listing Requirements and Sustainability Report Guide, as well as the Global Reporting Initiative ("GRI") standards.

In adhering these guidelines, we applied the following principles of sustainability reporting:

- Stakeholders' Inclusiveness – Conveying our response to stakeholders' reasonable expectations and interests.
- Sustainability Context – Presenting our performance in the broader context of sustainability.
- Materiality – Reflecting our significant economic, environmental and social impacts.
- Completeness – Covering and presenting all sustainability topics in order to enable stakeholders to assess the organisation's performance in the reporting period.

OUR APPROACH

Our sustainability framework is centered upon the evaluation of EES risks and opportunities accompanied with our Group's corporate governance framework and social responsibilities. By applying a good corporate governance framework, environmentally responsible practices and sound social policies, ARB can achieve sustainable growth and enhance long-term value for our shareholders.

The report also highlights the systems and measures that we have developed and implemented in ensuring our products, operational processes and supply chains are consistently secured, stable and durable, our working environment are safe and healthy; and local regulations are well observed. There is no change in the scope of reporting from the Sustainability Statement of FY2022.

FEEDBACK AND COMMENTS

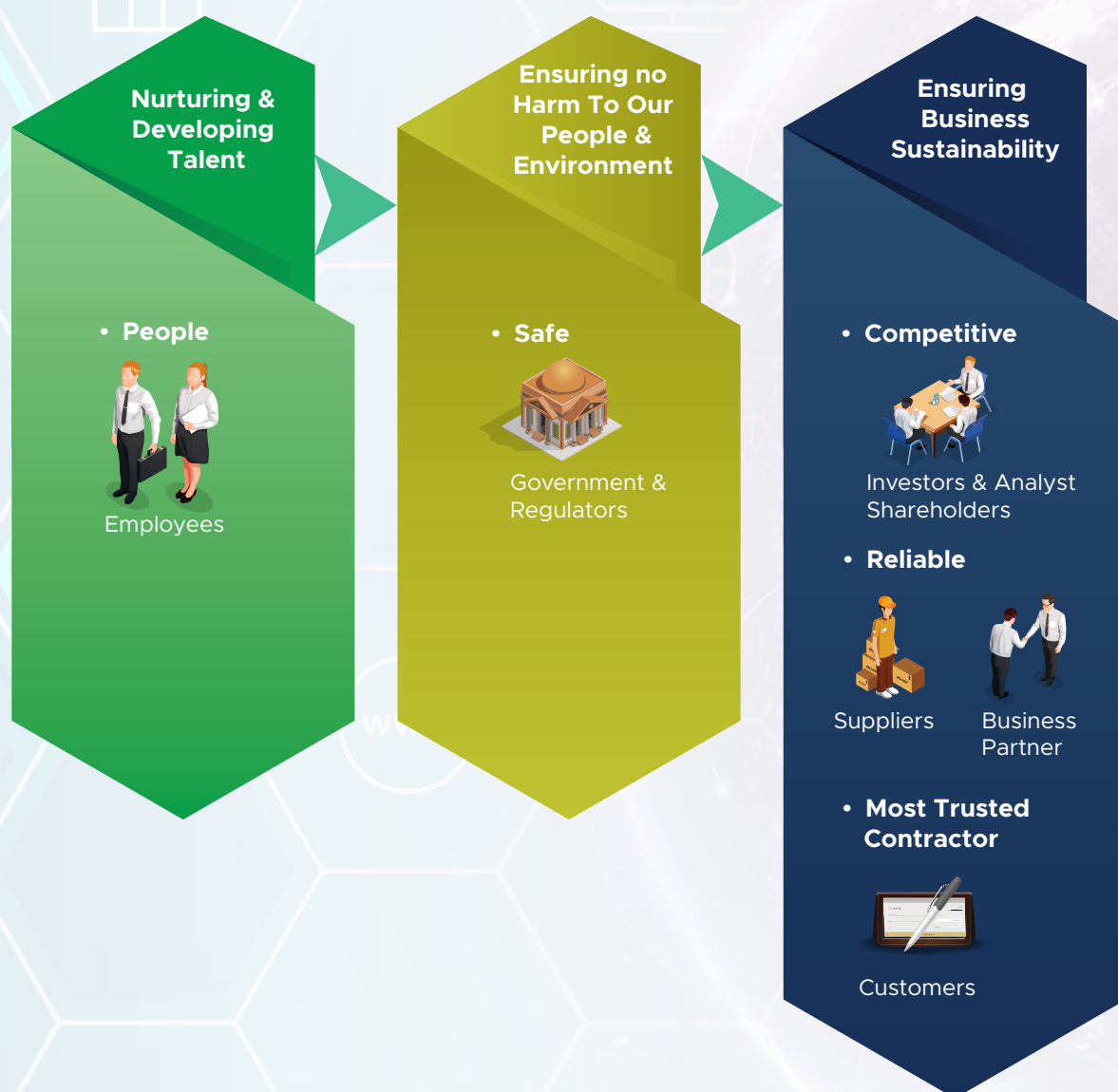
We welcome comments and suggestions from our readers on our sustainability efforts as well as the contents of this report. Please address your constructive comments, queries and suggestions to: www.arbberhad.com.

SUSTAINABILITY STATEMENT (CONT'D)

SUSTAINABILITY GOVERNANCE

The core of our sustainability agenda is to create value for all of our stakeholders. This means prioritizing social and environmental factors alongside economic profits. Our Group always adhere and practice the principle of Go Green and be environmentally friendly.

Bursa Securities recommends organisations to take an enlightened approach for its sustainability and adopt a long-term behaviorism for business and value establishment. In ARB, sustainability entails doing business in an ethical and responsible manner and at the same time mitigating negative impacts from our operations. Our long-term sustainability approach aims to manage EES risk and opportunities.



Our core values and principles are the foundation for incorporating sustainability into our strategies, business processes, decision-making criteria and core operations. These principles are to be entrepreneurially led, technical competent and most trusted joint venture partners in the eyes of our clients, shareholders and most importantly, our empowered people. The details of our core values are set out in the Annual Report 2022. Together, these principles and values govern the way we engage with our stakeholders to create sustainable values.