

TRAILBLAZING AHEAD





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Embodying a futuristic theme, from the robot in the foreground to the headline's font style, JHM Consolidation Berhad conveys its vision of integrating advanced technology systems with smart automation into their innovations and operations.

Showcasing the company's strive in exceeding expectations to gain a competitive edge in the market, the agile robot is illustrated to be confidently leaping out of a halo strobe to soar to new and greater heights. Seeking to shine above the rest and be the leading manufacturing solutions provider, JHM Consolidation Berhad is ready to accept and conquer all challenges, as portrayed by the robot trailblazing ahead into the skyline, with its open palm.

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MISSION

1. Manufacture and deliver products that give our customers the peace of mind.
2. Acquire and enhance technologies with the required skill sets that will continue to provide net positive values.
3. Retain, attract and reward high job performers to provide an unrivalled and sustainable customer experience.



VISION

To be the best manufacturing service provider that will enable our customers to gain competitive advantages in the market place.

Congratulations

Conferment of Dato' Seri : Dato' Seri Tan King Seng

Heartiest Congratulations to Dato' Seri Tan King Seng, Group CEO of JHM Consolidation Berhad on being conferred the Darjah Gemilang Pangkuan Negeri (D.G.P.N), carrying the title Dato' Seri, by Tuan Yang Di-Pertua Negeri Pulau Pinang Tun Dato' Seri Utama Ahmad Fuzi bin Haji Abdul Razak on 9 July 2022. Congratulations to Dato' Seri Tan King Seng on this incredible honour!



CORPORATE INFORMATION

BOARD OF DIRECTORS

Lim Chun Thang
(Non-Executive Chairman,
Independent Non-Executive Director)

Dato' Seri Tan King Seng
(Executive Director/
Group Chief Executive Officer)

Cheah Choon Ghee
(Executive Director)

Low Soo Kim
(Executive Director)

Lim Khai Teng
(Executive Director)
(Appointed on 27 February 2023)

Wong Chi Yeng
(Independent Non-Executive Director)

Lai Fah Hin
(Independent Non-Executive Director)

Khor Cheng Kwang
(Independent Non-Executive Director)

Koh Yew Wah
(Executive Director/
Chief Operating Officer)
(resigned on 30 August 2022)

Khor Thean Lee
(Executive Director)
(resigned on 3 June 2022)

AUDIT COMMITTEE AND RISK MANAGEMENT COMMITTEE

Wong Chi Yeng
(Chairman,
Independent Non-Executive Director)

Lai Fah Hin
(Member,
Independent Non-Executive Director)

Khor Cheng Kwang
(Member,
Independent Non-Executive Director)

NOMINATION COMMITTEE

Lim Chun Thang
(Chairman,
Independent Non-Executive Director)

Wong Chi Yeng
(Member,
Independent Non-Executive Director)

REMUNERATION COMMITTEE

Lim Chun Thang
(Chairman,
Independent Non-Executive Director)

Wong Chi Yeng
(Member,
Independent Non-Executive Director)

Lai Fah Hin
(Member,
Independent Non-Executive Director)

COMPANY SECRETARIES

Chee Wai Hong (BC/C/1470)
SSM Practicing Certificate
No. 202008001804

Tan She Chia (MAICSA 7055087)
SSM Practicing Certificate
No. 202008001923

MANAGEMENT OFFICE

15-1-21 Bayan Point
Medan Kampung Relau
11900 Penang
Tel: 04-646 5121
Fax: 04-645 7326
Email: corpinfo@jhm.net.my
Website: www.jhm.net.my

SHARE REGISTRAR

Agriteum Share Registration Services
Sdn. Bhd.
2nd Floor, Wisma Penang Garden
42 Jalan Sultan Ahmad Shah
10050 Penang
Tel: 04-228 2321
Fax: 04-227 2391

SOLICITORS

Allen Chee Ram
Wong Beh & Toh
Wong Chooi & Mohd Nor
Zaid Ibrahim & Co.

REGISTERED OFFICE

48, Jalan Chow Thye
10050 George Town
Penang
Tel: 04-226 2188

AUDITORS

Grant Thornton Malaysia PLT
Chartered Accountants
Level 5, Menara BHL
51, Jalan Sultan Ahmad Shah
10050 Penang
Tel: 04-228 7828
Fax: 04-227 9828

PRINCIPAL BANKERS

AmBank (M) Berhad
AmBank Islamic Berhad
CIMB Bank Berhad
Hong Leong Bank Berhad
Hong Leong Islamic Bank Berhad
RHB Bank Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Stock Name : JHM
Stock Code: 0127

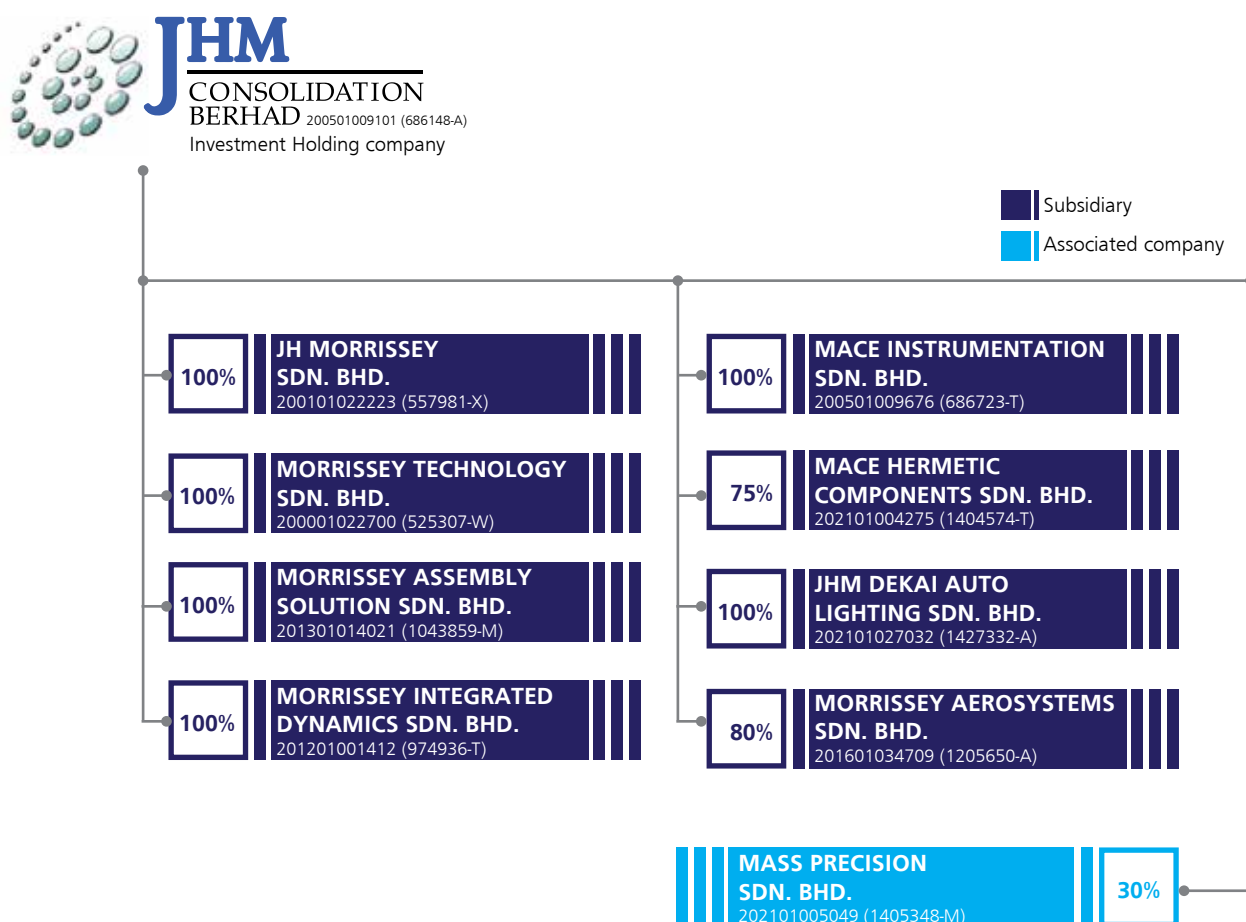
GROUP STRUCTURE OF JHM GROUP

JHM Consolidation Berhad ("JHM") was incorporated in Malaysia on 26 March 2005 and listed on the MESDAQ Market (now known as the ACE Market) on 13 July 2006. The Company has on 12 November 2020 transferred the listing of and quotation for the entire share capital of the Company from ACE Market to the Main Market of Bursa Malaysia Securities Berhad.

JHM is principally an investment holding company with eight (8) subsidiaries, namely Morrissey Technology Sdn. Bhd. ("MTSB"), Morrissey Assembly Solution Sdn. Bhd. ("MASSB"), JH Morrissey Sdn. Bhd. ("JMSB"), Morrissey Aerosystems Sdn. Bhd. ("MASB"), Morrissey Integrated Dynamics Sdn. Bhd. ("MIDSB"), Mace Instrumentation Sdn. Bhd. ("MISB"), Mace Hermetic Components Sdn. Bhd. ("MHCSB") and JHM Dekai Auto Lighting Sdn. Bhd. ("JDALSB")

JHM has an associated company with equity shareholding of 30% in Mass Precision Sdn. Bhd. ("MPSB").

The current group structure is as follows:-



GROUP STRUCTURE OF JHM GROUP (CONT'D)

The principal activities of its subsidiaries and associate are as follow:-

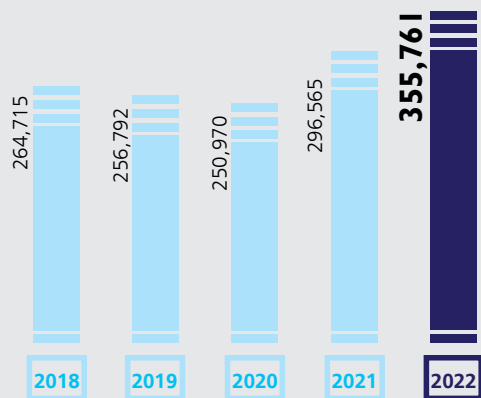
Companies	Date of Incorporation	Total Issued Shares	Principal activities
<i>Subsidiaries:</i>			
Morrissey Technology Sdn. Bhd.	5 September 2000	1,000,000	Design and manufacture of precision miniature engineering metal parts and components.
Morrissey Assembly Solution Sdn. Bhd.	24 April 2013	30,000,000	Manufacturing and assembling of electronic components.
JH Morrissey Sdn. Bhd.	5 September 2001	200,000	International procurement office and Research and Development Center.
Morrissey Aerosystems Sdn. Bhd.	18 October 2016	2,500,000	Manufacturing of machined metal parts, secondary processes, sub-assemblies and assembly of LED lighting for aerospace industry. Currently, the company has not commenced operations.
Morrissey Integrated Dynamics Sdn. Bhd.	12 January 2012	30,000,000	Manufacturing of precision mechanical parts, die casting, moulding of precision plastic lens and modular assembly.
Mace Instrumentation Sdn. Bhd.	31 March 2005	5,000,000	Manufacturing, assembling and dealing of testing measuring equipment.
Mace Hermetic Components Sdn. Bhd.	4 February 2021	2,500,000	Design and manufacture of mechanical parts, electronic and electrical components and for semiconductor module assembly.
JHM Dekai Auto Lighting Sdn. Bhd.	18 August 2021	100	Manufacturing and module assembly for electronics and electrical components.
<i>Associate:</i>			
Mass Precision Sdn. Bhd.	10 February 2021	5,000,000	Designing and engineering, fabrication, precision machining, assembly, painting, stamping and metal finishing.

FINANCIAL HIGHLIGHTS

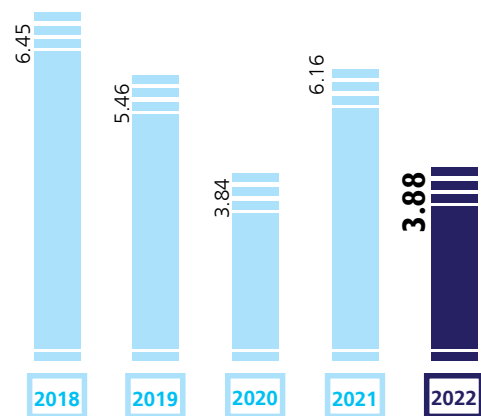
	Audited				
Year Ended 31 December	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Revenue (RM'000)	264,715	256,792	250,970	296,565	355,761
Profit Attributable to Owners of the Company (RM'000)	35,507	30,466	21,387	34,371	21,654
Net Earnings per share (sen) *	6.45	5.46	3.84	6.16	3.88
Net Assets per share (RM) *	0.33	0.36	0.39	0.45	0.54

* The comparative figures for Net Earnings per share and Net Assets per share have been restated to reflect the effects of the bonus issue and share split completed in financial year ended 2019 and 2020 respectively.

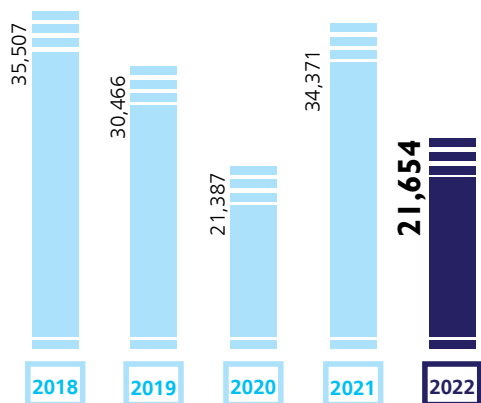
REVENUE (RM'000)



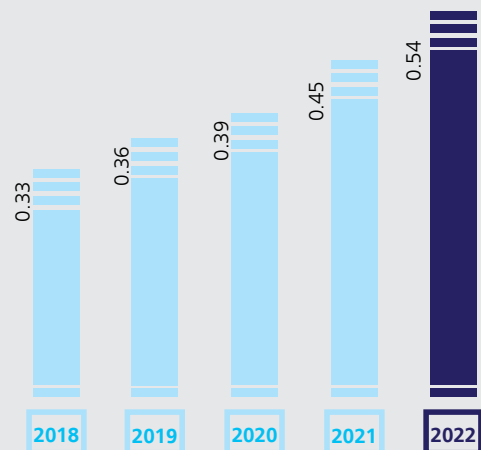
NET EARNINGS PER SHARE (sen)



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM'000)



NET ASSETS PER SHARE (RM)



GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE

On behalf of the Board of Directors and Management team of JHM Consolidation Berhad ("JHM"), I am very delighted and pleased to present to you the Annual Report and Financial Statements of JHM Consolidation Berhad for the financial year ended 31 December 2022 ("FY2022").

Financial Performance & Operating Environment

JHM wrapped up Year 2022 with another year of resilience and growth amid the ongoing challenging business environment. Our resilience in pivoting our strengths and reassessment of our key priorities in mitigating the lingering impact of pandemic-induced issues including but not limited to global supply chain disruptions, has enabled us to remain astute and demonstrate our ability to maintain momentum in delivering an excellent business performance for the FY2022. The group recorded a revenue of RM355.76 million as compared to RM296.57 million in FY2021, representing a 19.96% increase. This was mainly attributable to continued growth in demand from automotive and industrial segments. Profit after tax of RM21.02 million was lower as compared to RM34.19 million in FY2021 primarily due to unrealised foreign exchange gain, gain on disposal of non-current asset held for sale and compensation for shortfall of profit guarantee arising from the acquisition of Mace Instrumentation Sdn Bhd which was received in FY2021.

As we are navigating through the new normal and dynamic global risk landscape, JHM is fully committed to formulate structuring measures and structure actions in a decisive manner to stay ahead of emerging trends and address any potential adverse impact on the organisation. With close management control, the group will constantly enhance our production capabilities to meet changing market requirements and customers' needs. The group will continue undertaking investments in new technology equipment and advancements, maintaining constant communication with stakeholders and participating in industry players' events. This will ensure our strategic and key business initiatives within the Group's operations continue to thrive with vigorous traction and integration as well as remain responsive with net positive value to our customers and shareholders. We will continue to embrace and uphold our core values — Sincerity, Integrity and Responsibility — to deliver value to our stakeholders in a sustainable and responsible manner.

ESG Initiatives

At JHM, we acknowledge that Environment, Social and Governance ("ESG") practices in all aspects of our business operations are integral to our long-term success and sustainability. Throughout 2022, we continue to make progress on our ESG journey in these areas and implemented initiatives to ensure that our operations are aligned with our values and commitment to sustainability. Our ongoing adoption of information technology system within the Industry 4.0 framework on the production floor to improve operational efficiency also aligns with our commitment to ESG considerations. We remain committed to continuously enhancing our sustainability strategy focused on the four key areas of economic performance, environment, our people, and corporate governance. Looking ahead the long-term sustainability of the group, we will continue to incorporate ESG commitment guidance and objectives into our business strategies and secure the safety of our facilities as well as the integrity of our operations in line with our Environment, Healthy & Safety ("EHS").

Within this setting, it is with great sincerity that I take this opportunity to thank the JHM Management team for their perseverance and tenacity in driving relentlessly towards excellence and productivity in the Group's business performance achievement, despite enduring challenging economic conditions during FY2022.

Industry Trends and Business Outlook

The outlook for global automotive lighting industry is expected to remain positive in the intermediate to long-term, driven primarily by the intensifying adoption of LED lighting in essential automotive designs coupled with increasing vehicle production, advancements in technological and changing consumer preferences for advanced lighting solutions.

The growth fundamentals of automotive LED lighting remain strong, as the demand for new lighting applications and design developments in the automotive industry has been growing rapidly in recent years. This is driven by several key factors such as the increasing focus on energy-efficient lighting systems, safety and visibility features such as the adoption of advanced driver assistance system (ADAS) and adaptive lighting systems, and design aesthetics. As there is a growing global focus on reducing carbon emissions and addressing climate change, the automotive manufacturers will likely develop more sustainable technologies which would improve the lighting applications and thus is expected to continuously raise the density of LED applications in newer car designs. Governments are implementing policies to reduce greenhouse gas emissions, which are expected to drive the acceptance of electric vehicles ("EV"). As EV cars require more efficient and sustainable lighting solutions to maximise their range and reduce energy consumption, this would be a boon to LED demand.

The constant awareness and interest in automotive LED lighting has been and will continue to provide a firm foundation for sustaining the Group's strategic expansion in this specialised area of automotive business. Looking ahead, as these technologies continue to evolve and become more widely adopted, we see significant opportunities in the continued demand growth for the latest technology driven and advanced external lighting applications with newly added intelligent features and state-of-the-art optics design for automotive.

We firmly believe that our position in the automotive lighting industry, combined with our commitment to innovation and customer service, will support us in being well-positioned to capitalise on these opportunities. This will be fundamental to drive the Group's long-term growth and success and strengthening our competitive position in the industry for the years to come.

GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE (CONT'D)

Group's Prospects

JHM is primarily engaged in the manufacture and assembly of Automotive Surface Mount Technology ("SMT") / Printed Circuit Board Assembly ("PCBA") and Automotive Level 2 LED Lighting modules and is one of the main Electronics Manufacturing Services ("EMS") player in providing one-stop solutions from fabrication of tooling, design to final assembly and test of LED Lighting modules/applications.

In line with the Group's long-term business strategy, we are developing sustainable partnership with key customers to ensure recurring revenue streams as well as expanding our customer base. The Automotive segment is the largest revenue contributor to the Group, accounting for approximately 61% of the Group's total revenue for FY2022. To enhance our competitive position, we continue to focus on developing technical knowledge and expertise to expand our capabilities to build and assemble the complete automotive lighting products according to customers' specifications and requirements. This would position the Group in growing into a Tier 1 automotive lighting manufacturer and enable us to leverage the opportunity to deal directly with automotive original equipment manufacturers (OEM).

On the non-Automotive portfolio of the business, the Industrial segment accounted for approximately 39% of the Group's FY2022 total revenue. The Group continues to enhance its mechanical manufacturing capabilities in Die Casting and Computer Numerical Control ("CNC") high precision machining. This would strengthen our growth strategy to capture emerging opportunities in the Industrial segment to mitigate the risk of dependence on Automotive segment.

The group will continue to strive and accord the highest efficiency and innovative means with lean manufacturing and effective costs management as key performance drivers. This will ensure we have a sustainable operation base while nurturing our human resource depth to meet continuous product innovation and customer-centric ever-changing demands. We are committed to maintain focus on our core competencies and effectively leveraging our resources to achieve our targeted objectives. By focusing on these key strengths, this would enable us to drive the Group's business forward with long term goals to adapt to evolving market conditions and vast emerging growth opportunities for the year ahead.

The business outlook for JHM is positive and encouraging, with Automotive and Industrial industry continues to be the growth catalyst for JHM. The Group believes that with our continuing pursuit of excellence and steadfast execution of our strategies, we are confident to continue to deliver value to our customers and shareholders.

Board Changes

End of February 2023 saw a minor change in the Board Room composition with the appointment of Mr. Lim Khai Teng as an Executive Director of the Company. Mr. Lim brings with him more than twenty (20) years of valuable working experience, mainly in the field of manufacturing, engineering and product design. He was previously attached to several well-known Multinational Corporation ("MNC").

We also had to bid farewell to two former Executive Directors, Mr. Khor Thean Lee and Mr. Koh Yew Wah in the latter part of year 2022 and I wish to record our sincere thanks and appreciation to both of them for their valuable contribution and active participation in serving the Board since 2016 and 2017 respectively.

Appreciation

On behalf of the Board of Directors, I would like to take this opportunity to convey our sincere appreciation to our customers, suppliers, affiliates, business partners and shareholders for your continuous support and confidence in our Group.

I would also like to extend my sincere appreciation to all our staffs and employees for your tremendous perseverance and determination as well as the commendable team spirit you have all exhibited. These very noble traits and personal attributes are the fundamentals in ensuring the Group secures continuous success and advancement in all future opportunities.

Last but not least, my sincere thanks to all Board Members for your leadership, patience, prudent advice and valuable contributions. As always, I eagerly look forward to your unconditional support and continuous commitment to ensure the future growth and success of the Group. I am confident that with the right business strategy and direction complemented by expansion plans, JHM would continue to deliver remarkable performance for our shareholders, notwithstanding the challenging business environment and economic uncertainties in the year ahead.

Thank you.

Dato' Seri Tan King Seng
Group Chief Executive Officer

MANAGEMENT DISCUSSION & ANALYSIS

1. OVERVIEW OF BUSINESS OPERATION

The business operation is segmented into three (3) business segments as below:

- a) Electronics business unit;
- b) Mechanical business unit; and
- c) Others

The above was disclosed in Note 36 (Operating Segment) of the notes to the financial statements.

The key performance for the Group is mainly contributed from electronic and mechanical business units which are serving the automotive and industrial industry respectively. Details as below:

(a) Electronic Business Unit

- Design, Surface Mount Technology ("SMT") production and assembly of automotive rear, interior and front headlamp lighting, inclusive of shifter control and turn signal indicator (*Automotive industry*);
- SMT production and assembly for Industrial products, i.e. motor controller (*Industrial industry*).

(b) Mechanical Business Unit

- One stop solution provider for high precision, high speed tooling design, fabrication and production for Micro Electronic Components (*Industrial industry*);
- Production on LEDs application to support 3D effects as well as signature lighting effect substrate (*Automotive industry*);
- manufacturing of sheet metal enclosures and value-added electro-mechanical assembly for a broad range of industries which includes electronics (semiconductors and telecommunication), medical device and instrumentation industries (*Industrial industry*);
- manufacturing of precision mechanical parts, die casting, moulding of precision plastic lenses and modular assembly (*Industrial industry*).

The resource allocation and assessment of performance are mainly based on the nature of business for each of the subsidiaries of JHM. Morrissey Technology Sdn. Bhd. ("MTSB"), Morrissey Integrated Dynamics Sdn. Bhd. ("MIDSB"), Mace Instrumentation Sdn. Bhd. ("MISB") are operating under the Mechanical Business Unit and Morrissey Assembly Solution Sdn. Bhd. ("MASSB"), JH Morrissey Sdn. Bhd. ("JMSB"), Mace Hermetic Components Sdn. Bhd. ("MHCSB") and JHM Dekai Auto Lighting Sdn. Bhd. ("JDAL") are operating under the Electronics Business Unit.

For additional segmental information, please refer to Note 36 (Operating Segment) under the notes to the financial statements.

2. FINANCIAL RESULTS AND FINANCIAL CONDITION

Financial performance

The Group achieved revenue of RM355.76 million in the financial year ended 31 December 2022 ("FY2022"), an increase of 19.96% from RM296.57 million recorded in the financial year ended 31 December 2021 ("FY2021"). The Group recorded a profit after tax ("PAT") of RM21.02 million in FY2022, a decrease of 38.52% compared to RM34.19 million in FY2021.

Revenue:

The main factor contributing to the increase in revenue is the growth from both automotive and industrial segments.

PAT:

The higher net profit in FY2021 was primarily due to an increase in other income derived from compensation for profit guarantee shortfall of RM3.46 million from the acquisition of Mace Instrumentation Sdn. Bhd. and gain of RM2.74 million from the disposal of two pieces of leasehold lands.

Apart from the above, the lower PAT in FY2022 was mainly due to the below factors:

- (i) Unrealised loss of RM0.62 million was recorded in FY2022 as compared to unrealised gain of RM4.42 million being captured in FY2021;
- (ii) Increase in labour cost as a result of the increase in minimum wages implemented from May 2022 onwards;
- (iii) Higher finance cost due to higher borrowing drawn down coupled with interest rate hike especially in US Dollar denominated loans;
- (iv) Additional tax of RM4.89 million raised by the Inland Revenue Board of Malaysia for the year of assessments 2018 and 2019 as per the announcement made on 22 November 2022; and

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

2. FINANCIAL RESULTS AND FINANCIAL CONDITION (CONT'D)

Financial performance (Cont'd)

- (v) Depreciation cost have increased from RM13.21 million to RM15.25 million with additional capital expenditure of RM33.59 million in FY2022.

Liquidity and capital resources

In terms of liquidity, the operations continues to generate positive cash flows and closed the year with cash and cash equivalents of RM61.94 million [FY2021: RM46.62 million]. The increase in cash and cash equivalents was mainly due to proceeds of RM35.33 million received from the private placement as announced on 23 December 2022. Net cash generated from operating activities was RM7.68 million in FY2022 compared to RM26.68 million for FY2021. The lower amount generated from operating activities was mainly due to increase in trade receivables and inventions from major customer and purchase of inventories respectively.

3. REVIEW OF OPERATING ACTIVITIES BY INDUSTRY

Automotive Industry

The automotive segment is the largest revenue contributor to the Group, contributing approximately 61% [FY2021: 61%] of the Group's total revenue for FY2022.

During the financial year under review, the revenue from the automotive segment was mainly attributable to the export of automotive LED lighting modules to the Group's customers who in turn supply to tier 1 automotive manufacturers in USA.

JHM has been actively working towards growing its automotive segment and it is expecting more automotive customers to be on board in this financial year ending 2023.

Industrial Industry

The industrial segment is the second largest revenue contributor to the Group, contributing approximately 39% [FY2021: 39%] of the Group's total revenue for FYE2022.

During the financial year under review, the revenue from the industrial segment was mainly attributable to the sales of, amongst others, Printed Circuit Board Assembly ("PCBA") for fan speed controllers, fine pitch connector pins and sheet metal enclosures. These sales were mainly generated from customers based in Singapore and Malaysia.

Moving forward, the Group intends to continue to capture growth opportunities in the industrial segment by further enhancing its mechanical manufacturing capabilities in die casting and Computer Numerical Control ("CNC") high precision machining.

4. OPERATIONAL AND FINANCIAL RISKS

Operational Risks - Dependence on Automotive industry

Our Group is dependent on automotive sector for a significant portion of its revenue. However, the Group is taking the necessary steps to diversify the revenue contribution by industrial industry. Details as below:

Segmental industry	FYE 2020	FYE 2021	FYE 2022
Automotive	62%	61%	61%
Industrial products	37%	39%	39%
Others	1%	-	-
	100%	100%	100%

As part of the Group's risk diversification strategy, we continue developing new automotive customers to broaden the automotive customers' base. Currently, we are successfully serving a total of eight (8) automotives customers as at FY2022.

Financial Risks Management

The Group's financial risks are set out in Note 37.2 under the notes to the financial statements.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

5. FORWARD-LOOKING

Outlook

The market is showing signs of stabilising, ie. decelerating interest rate hikes, and expectation of a mild recession (as opposed to a hard landing) for the developed countries and these are positive to Malaysia EMS companies as the Western countries are one of the main sources of consumption of our products for their locally assembled products.

The US-China trade war has created ample of opportunities for EMS companies locally to grow as a result of MNCs' reconfiguration of their manufacturing supply chains to ASEAN from China. There have been enquiries on these potential relocation opportunities and we are engaging and assessing on these prospects to bring additional revenue especially in automotive to the Group.

We expect the Group's outlook remains positive and is continuing with the business expansion plans to support new customers from automotive as well as industrial segments. Barring any unforeseen circumstances, the Board believes that with our continuing pursuit of excellence and steadfast execution of our strategies, the Group's prospects in the financial year ending 31 December 2023 remains optimistic.

6. DIVIDEND POLICY

The Board of Directors highly values the unwavering support the Group has received from its loyal shareholders over the years. While the Board recognises the importance of rewarding the shareholders for their support, the decision to declare dividend is subject to several factors, including earnings, capital commitment, financial conditions, future expansion and other factors.

In view of ongoing market challenges and the need to maintain a good cash flow position, the Board has not recommended a dividend payment for FYE2022. Nevertheless, once the Group is in a comfortable position to distributing dividends, the Board is committed to resuming the payment of dividends in the future.

DIRECTORS' PROFILE

DATO' SERI TAN KING SENG

67, Male, Malaysian

Dato' Seri Tan King Seng, aged 67, male, a Malaysian, was appointed to the Board on 13 April 2006 and is presently the Executive Director/Group Chief Executive Officer of the Company. He graduated with a Bachelor of Science Degree in Mechanical Engineering from National Cheng Kung University of Taiwan in 1983. Dato' Seri Tan started his career as an engineer with Intel Technology Sdn. Bhd. in 1984, and thereafter in Hewlett Packard Sdn. Bhd. in 1989. Prior to starting his own business in 1995, he was a Senior Production Engineer in charge of Optoelectronic Production in Hewlett Packard Sdn. Bhd.

CHEAH CHOON GHEE

60, Male, Malaysian

Cheah Choon Ghee, aged 60, male, a Malaysian, was appointed to the Board on 11 December 2007 and is presently the Executive Director of the Company. Prior to his appointment to the Board, he was the Senior Administration Manager of the Group. He graduated with a Diploma in Electronic Engineering from Tunku Abdul Rahman College in 1984. Mr. Cheah started his career as an Assistant Engineer with National Semiconductor Sdn. Bhd. in 1985. He left National Semiconductor Sdn. Bhd. in 1989 and joined Cintronic Marketing Sdn. Bhd. as its Administrator Manager in charge of the company's operation until 1995. In 1996, Mr. Cheah joined Allied Stamping Corporation Sdn. Bhd. as its Sales Director overseeing the company's business and later left in year 2000. Currently, Mr. Cheah is appointed as Chief Operating Officer in charge of the Mace Instrumentation Sdn. Bhd. ("MISB")

He is a director and shareholder of Noble Matters Sdn. Bhd., which is a major shareholder of the Company.

LOW SOO KIM

45, Female, Malaysian

Low Soo Kim, aged 45, female, a Malaysian, was appointed to the Board on 26 February 2021 and is presently the Executive Director of the Company. Ms. Low graduated with a Bachelor of Accounting (Hons) from University of Malaya in 2002 and is a member of the Malaysian Institute of Accountants.

She started her career in the tax division of Ernst & Young Tax Consultants Sdn. Bhd. ("EY") and left EY in January 2009 when she held the position of Assistant Tax Manager. She joined a manufacturing company, a wholly owned subsidiary of a Public Listed Company ("PLC") as Accounts/Finance Manager in year 2009 and was promoted to Group Financial Controller of the PLC in year 2013. She joined the Company as Finance Manager on 30 November 2015 and she is currently holds a position as Finance Director in the Company. Ms. Low is in charge of Group's financial reporting, investor relations and corporate planning.

LIM KHAI TENG

49, Male, Malaysian

Lim Khai Teng, aged 49, male, a Malaysian, was appointed to the Board on 27 February 2023 and is presently the Executive Director of the Company. He graduated with a Bachelor of Science Degree in Physic & Microelectronics from Campbell University in 1997 and Master in Microelectronics Engineering from Multimedia University in 2000. Mr. Lim started his career as a Process and Equipment Engineer at Intel Technology (M) Sdn. Bhd.; excel through his career ladder as a Corporate Program Management Director in Singapore MNC. He held several Strategic Leadership roles in Malaysia MNC; managing operation in Osram Laser Module Head, Product Design & Development both in Original Equipment Manufacturer ("OEM"), Electronic Manufacturing Services ("EMS") and Outsource Assembly and Test Operations ("OSAT"). In addition, he has contributed and broadened his regional management experience as part of Senior Leadership Team in China & Thailand. He is currently the Vice President of Operations overseeing the overall business and operations functions at Morrissey Technology Sdn. Bhd. and Morrissey Assembly Solution Sdn. Bhd.

WONG CHI YENG

61, Female, Malaysian

Wong Chi Yeng, aged 61, female, a Malaysian, was appointed to the Board on 4 January 2017 and is presently the Independent Non-Executive Director. She serves as a member of Nomination Committee and Remuneration Committee and as Chairman of the Audit Committee and Risk Management Committee.

She graduated from University of Malaya, Kuala Lumpur with a Bachelor of Accounting (Honours) in 1987. She started her career as an auditor in a Chartered Accountants firm in Penang in 1987. Mdm. Wong is currently a Director of Interresources Tax Advisory Sdn Bhd. She is a member of both Malaysian Institute of Accountants and Chartered Tax Institute of Malaysia. She is also an Audit Committee member of The Institute of Internal Auditors Malaysia (CACD).

DIRECTORS' PROFILE (CONT'D)

LAI FAH HIN

67, Male, Malaysian

Lai Fah Hin, aged 67, male, a Malaysian, was appointed to the Board on 30 August 2017 and is presently the Independent Non-Executive Director. He serves as a member of the Audit Committee and Risk Management Committee and Remuneration Committee. He graduated with Malaysian Certificate of Education in year 1975.

Mr. Lai started his career in the government service (Royal Malaysia Police) on 1 October 1977 as a Police Inspector. In year 2006, he was promoted to Deputy Superintendent of Police (DSP) and he became an officer in charge of Police District (OCPD) (South West District of Penang) in year 2014 until his retirement on 11 July 2016. He is currently a Chief of Security of MTT Group of Companies and Security Consultant of Bandar Kepala Batas Sdn. Bhd., a subsidiary of Hunza Properties Berhad.

LIM CHUN THANG

58, Male, Malaysian

Lim Chun Thang, aged 58, male, a Malaysian, was appointed as the Non-Executive Chairman/Independent Non-Executive Director of the Company on 23 August 2018. He serves as Chairman of Nomination Committee and Remuneration Committee.

He graduated from Middlesex University, London with a Bachelor Degree in Accounting and Finance (Honours). Upon returning from London, he joined Arab-Malaysian Merchant Bank in 1995 and left in 1997 as a Corporate Finance Officer. Subsequently, he joined a few companies with his main scope of work in planning the success of their listings on Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad).

Thenceforth, from 2002 to 2018, he was attached to a public listed company in Malaysia, as the Personal Assistant to the Group Chairman and Managing Director in assisting the Group Chairman and Managing Director mainly in overseeing the Group's corporate planning related matters; investor relations by dealing with fund managers, institutional shareholders, the press and analyst; the Group's compliance with corporate governance and listing requirements. He had also participated in Board meetings and involved in various corporate exercises of the Group.

KHOR CHENG KWANG

51, Male, Malaysian

Khor Cheng Kwang, aged 51, male, a Malaysian, was appointed as the Independent Non-Executive Director of the Company on 3 March 2020. He serves as a member of the Audit Committee and Risk Management Committee.

He graduated with Diploma in Mechanical & Manufacturing Engineering from Tunku Abdul Rahman College (TARC) in 1996 and subsequently further his studies with a Master of Science (Msc) in Manufacturing Systems Engineering from The Queen's University of Belfast, United Kingdom in 1997.

In December 1997, he joined Intel Technology (M) Sdn. Bhd. as an engineer. His last position held was Intel marketing manager, responsible for business development for embedded communication products and solutions in China and Asia-Pacific region, working closely with MNCs, OEMs & ODMs corporations. He was part of the Malaysian Development Economic Corporation's (MDEC) program 'Grow the Tech Sector' which promoted embedded technology under the country's Economic Transformation Program (ETP).

In 2012, he became the Founder and Managing Director of Metro Green Adventure Sdn Bhd., a company specialising in eco-friendly initiatives, educational, coaching and 'Building Future' programs for the corporates and the educational institutions. In addition to his directorship in the Company, he currently holds directorship in other private limited companies.

Notes:

1. None of the Directors of the Company have any family relationship with any Director and/or major shareholder of the Company.
2. All the Directors do not have any conflict of interest with the Company.
3. Other than traffic offences, none of the Directors of the Company have any convictions for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
4. The Directors' shareholdings are as disclosed in page 119 of this Annual Report.

Directors' Directorships and Substantial Shareholdings in Other Public Companies

None of our Directors hold or have held any directorships in other public companies and listed companies, save as below:

1. Mr. Lim Chun Thang, who is currently an Independent Non-Executive Director of Eurospan Holdings Berhad, company listed on the Main Market of Bursa Malaysia Securities Berhad

PROFILE OF KEY SENIOR MANAGEMENT

DATO' SERI TAN KING SENG

Executive Director/ Group Chief Executive Officer

aged 67, male, Malaysian

Dato' Seri Tan's profile is set out on page 13 of this Annual Report.

CHEAH CHOON GHEE

Executive Director/Chief Operating Officer of MISB

aged 60, male, Malaysian

Mr. Cheah's profile is set out on page 13 of this Annual Report.

LOW SOO KIM

Executive Director/Finance Director

aged 45, female, Malaysian

Ms. Low's profile is set out on page 13 of this Annual Report

LIM KHAI TENG

Executive Director/ Vice President of Operations of Morrissey Technology Sdn. Bhd. and Morrissey Assembly Solution Sdn. Bhd.

aged 49, male, Malaysian

Mr. Lim's profile is set out on page 13 of this Annual Report.

AZHAR BIN JAAFAR

Senior Director of Operations of Morrissey Assembly Solution Sdn. Bhd.

aged 55, male, Malaysian

Azhar bin Jaafar, aged 55, male, a Malaysian, was appointed as Director of Operations in Morrissey Assembly Solution Sdn. Bhd. on 15 July 2018 and was promoted to Senior Director of Operations in year 2022. En. Azhar completed high school in 1984 and graduated with Bachelor of Business Administration from Greenwich University in 2002. He started his career in 1985 as a production Supervisor in Statsym Sdn. Bhd., Selangor, responsible for in-circuit testing and temperature cycle burn-in.

In 1993, he started joining a multinational EMS company at various functions such as Production Manager, Focus Factory Manager, Operation Director and Assistant General Manager responsible for end-to-end Surface Mount Technology operations.

Notes:

1. None of the key senior management of the Company have any family relationship with any Director and/or major shareholder of the Company.
2. All the above Key Senior Management do not have any conflict of interest with the Company.
3. Other than traffic offences, none of the Key Senior Management of the Company has any convictions for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
4. None of our Key Senior Management hold or have held any directorships in other public and listed companies.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") is committed to ensure that a high standard of corporate governance is practiced throughout the Company and its subsidiaries ("the Group") in discharging its responsibilities with integrity, transparency and professionalism to protect and enhance shareholders' value and the financial position of the Group. The Board has always been vigilant of the fiduciary duties entrusted upon the Board as a principle guide in discharging its duties.

The Board is pleased to provide a Corporate Governance Overview Statement pursuant to Paragraph 15.25 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") that explains an overview of the application of the corporate governance practices of the Group during the financial year ended 31 December 2022 ("FY 2022") in this Annual Report with reference to the following three (3) principles as set out in the Malaysian Code on Corporate Governance issued by Securities Commission Malaysia on 28 April 2021 ("MCCG"):

A. Board Leadership and Effectiveness;

B. Effective Audit and Risk Management; and

C. Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

The Board has also provided specific disclosures on the application of each Practices in its Corporate Governance Report ("CG Report"). This CG Report was announced together with the Annual Report of the Company on 28 April 2023. Shareholders may obtain this CG Report by accessing this link www.jhm.net.my for further details.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

(I) Board Responsibilities

The Group acknowledges the pivotal role played by the Board in the stewardships of its direction and operations. To fulfil this role, the Board is responsible for the following:

- a) Review, approve and monitor the overall strategies and direction of the Group;
- b) Identify the principal risks and implementing appropriate system to manage such risks;
- c) Oversee and evaluate the conduct and performance of the Group's business;
- d) Review the adequacy of the Group's internal control policy; and
- e) Ensure that appropriate plans are in place in respect of the succession plan of the Group.

The Board has overall responsibility for the proper conduct of the Group.

Clear functions of the Board and Management

To ensure the effective discharge of its function and responsibilities, the Board had established a Board Charter which clearly set out the relevant matters reserved for the Board's approval, as well as those is delegated to the Board committees and Group Chief Executive Officer.

Key matters reserved for Board's decision include, inter alia, the following:-

- a) Approval of business strategy, group operational plan and annual budget;
- b) Acquisition and disposal of assets of the Company or its subsidiaries that are material in nature;
- c) Approval of investment or divestment in a company/business/property/undertaking;
- d) Approval of investment or divestment of a capital project which represents a significant diversification from the existing business activities;
- e) Any other significant business direction; and
- f) Corporate proposal on fund raising.

Appointment to the Board

The Board has established the Nomination Committee for the purpose of making recommendations on suitable candidates for appointment to the Board and for assessing Directors on an ongoing basis. Candidates recommended must be approved and appointed by the Board. The Nomination Committee is responsible for recommending the right candidates with the required skills, experience and attributes to the Board for appointment.

Further details on the Nomination Committee are set out on pages 21 and 22 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

(I) Board Responsibilities (Cont'd)

Retirement and Re-election of Directors

In accordance with the Company's Constitution, one-third (1/3) of the Directors including the Managing Director shall retire by rotation from office at each Annual General Meeting ("AGM") and they shall be eligible for re-election at the AGM. The Directors to retire shall be the Directors who have been longest in office since their appointment or last re-election. In addition, all Directors including the Managing Director shall be subject to retirement by rotation at least once every three (3) years.

Directors who are standing for re-election at the Eighteenth AGM of the Company to be held on 31 May 2023 are as per detailed set out in the Notice of the Eighteenth AGM.

Board Meetings and Time Commitment

The Board is to meet at least four (4) times a year with additional meetings convened as and when necessary. Besides Board meetings, the Board also exercises control on matters that require Board's approval through Directors' Circular Resolutions. Amongst others, key matters such as approval of annual and quarterly results, financial statements, major acquisitions and disposals, major capital expenditure, risk management policies are discussed and decided by the Board.

During the financial year, the Board met four (4) times. The Board is satisfied with the time commitment given by the Directors of the Company in discharging their duties for FY2022 as evidenced by the attendance record of the Directors at the Board Meeting. The details of attendance of the Directors during FY2022 are as follows: -

Name of Directors	Number of Meetings Attended	Percentage of Attendance
Lim Chun Thang	4/4	100%
Dato' Seri Tan King Seng	4/4	100%
Cheah Choon Ghee	4/4	100%
Low Soo Kim	4/4	100%
Wong Chi Yeng	4/4	100%
Lai Fah Hin	3/4	75%
Khor Cheng Kwang	4/4	100%
Koh Yew Wah (resigned on 30 August 2022)	3/3	100%
Khor Thean Lee (resigned on 3 June 2022)	2/2	100%

The Directors are in compliance with the provision of MMLR on the restriction of not holding more than five directorships in the listed issuers.

Company Secretaries

The Board is of the view that current Company Secretaries are suitably qualified, competent and can support the Board in carrying out its roles and responsibilities. The Company Secretaries ensures there is a quorum for all meetings and that such meetings are convened in accordance with the relevant Terms of Reference. The minutes prepared by the Company Secretaries memorialise the proceedings of all meetings including pertinent issues, the substance of inquiries and responses, members' suggestions and the decision made. This reflects the fulfillment of the Board's fiduciary duties and the significant oversight role performed by the respective Board Committees.

The Board obtained appropriate advice and services, if necessary, from Company Secretaries to ensure adherence to Board meeting procedures and compliance with regulatory requirements.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

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

(I) Board Responsibilities (Cont'd)

Code of Ethics

The Directors observed the code in accordance with the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.

Code of Conduct

In order to enhance the standard of corporate governance and behaviours, the Board observed the Company's Code of Conduct which sets out standards of business and ethical conduct based on general principles including, amongst others, integrity and honesty, fair dealing and confidentiality as guidance to all directors and employees in the conduct of their business.

Board Charter

The Board has adopted a charter to provide a reference for directors in relation to the Board's roles, duties and responsibilities, division of responsibilities between the Board, the Board Committees, the Chairman and Group Chief Executive Officer. The Charter, which serves as referencing point for Board's activities to enable Directors to carry out their stewardship role and discharge their fiduciary duties to the Group, also contains a formal schedule of matters reserved to the Board for deliberation and decision so that control and direction of the Group's business are in its hands.

The Charter is available on the Company's website at www.jhm.net.my in line with Practice 2.1 of the MCCG 2021. The Board will review the Board Charter from time to time in order to ensure consistency with the Board's strategic intent and relevant standards of corporate governance.

Sustainability

The Group recognises the importance of sustainability and its increasing impact to the business and is committed to the goal of developing a sustainable future.

The Group is committed to provide a safe workplace for its employees and conducting its business in a way that is environmentally safe and sound. The sustainability activities are set out in the Sustainability Statement on pages 26 to 33 of this Annual Report.

Gender, Ethnicity and Age Diversity Policy

The Board has adopted gender diversity policy which can be found on the Company's website at www.jhm.net.my. In considering Board member appointment, the Board provides equal opportunity to candidates who have the necessary skills, experience, competencies and other attributes regardless of gender, ethnicity and age. The Board is taking steps to identify women candidates for appointment to the Board. The Board is currently having two (2) women members out of eight (8) members.

The Board acknowledges the best practice of the MCCG 2021 for the Board comprises at least 30% women Directors. In heading this, there was a positive development for the Company in making greater strides towards notable gender diversity on the Board with the appointments of Ms. Wong Chi Yeng to the Board on 4 January 2017 and Ms. Low Soo Kim on 26 February 2021.

The Board is mindful that any gender representation should be in the best interest of the Company. Although the Company has not reached the 30% women representation target at Board level as required, the Board decisions are made objectively in the best interests of the Group taking into account diverse perspectives and insights. The Board is of the view that it is important to recruit and retain the best available talent regardless of gender, ethnicity and age to maximise the effectiveness of the Board.

The Board notwithstanding the view that diversity should be in tandem with expertise, experience and skills and not gender alone. Hence, the Nomination Committee has been tasked to look for suitably qualified female candidate when there is a vacancy.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

(I) Board Responsibilities (Cont'd)

Internal Corporate Disclosure Policies and Procedures

Along with good corporate governance practices, the Company is committed to provide the investors and the public with comprehensive, accurate and material information on a timely basis.

In line with this commitment and in order to enhance transparency and accountability, the Board has adopted an Internal Corporate Disclosure Policies and Procedures to facilitate the handling and disclosure of material information on a timely and accurate manner.

Directors' Training

The Directors are encouraged to attend continuous education programmes such as seminars and conferences. This is to keep themselves abreast with the latest development in statutory laws, regulations and best practices, where appropriate, in line with the changing business environment and the need to be cognizant of commercial opportunities and risks as well as to be adequately equipped to execute judicious decision making.

All members of the Board have attended and successfully completed the Mandatory Accreditation Programme ("MAP") as required by the Bursa Securities.

During the financial year ended 31 December 2022, the Directors of the Company had attended seminar or conference organised externally. The programmes attended by the Directors during the financial year, include the following:

Name	No. of days	Mode of Training	Title
Dato' Seri Tan King Seng	2 hours	Webinar	Russia- Ukraine Tension – Impact on Businesses (AmBank)
Cheah Choon Ghee	2 hours	Webinar	Russia- Ukraine Tension – Impact on Businesses (AmBank)
Low Soo Kim	4 hours	Webinar	ESG DAY Forward Thinkers Journey that Converge (AmBank)
	2 hours	Webinar	Russia- Ukraine Tension – Impact on Businesses (AmBank)
	1 day	Webinar	Hasil – CTIM Tax Forum 2022
	1 day	Webinar	Managing Transfer Documentation and Audit
	4 hours	Seminar	Tax Forum: BEPS 2.0 developments (Ernst & Young)
Wong Chi Yeng	2 hours	Webinar	Audit Oversight Board ("AOB")'s Conversation with Audit Committees AOB Conversation with Audit Committee
	4 hours	Webinar	Conduct of Directors and Common Breaches or Listing Requirements
	4 hours	Webinar	Taxation of Foreign Source Income
	2 days	Conference	National Tax Conference 2022 (CTIM)

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

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

(I) Board Responsibilities (Cont'd)

Directors' Training (Cont'd)

Name	No. of days	Mode of Training	Title
Lim Chun Thang	1 day	Webinar	Corporate Governance Case Studies (MAICSA)
Lai Fah Hin	4 hours	Webinar	ESG DAY Forward Thinkers Journey that Converge (AmBank)
	1.5 hours	Webinar	Market Outlook Q2 2022 (AmBank)
Khor Cheng Kwang	4 hours	Webinar	ESG DAY Forward Thinkers Journey that Converge (AmBank)
	5 hours	Workshop	Energy Workshop
	2 hours	Webinar	AOB Conversation with Audit Committee (April 2022)
	2 hours	Webinar	AOB Conversation with Audit Committee (November 2022)
	1.5 hours	Webinar	Market Outlook Q2 2022 (AmBank)

In addition to the above training attended, the Directors also received updates from time to time from Company Secretaries on the amendments or any updates on the Listing Requirements, Companies Act 2016 as well as Malaysian Code on Corporate Governance.

Supply of Information

The Board members have full and unrestricted access to information on the Group's business and affairs in discharging their duties. Prior to the meetings, all Directors are provided with sufficient and timely reports and supporting documents which are circulated in advance of each meeting to ensure sufficient time is given to understand the key issues and contents. In addition, the Board is kept informed of the updates and requirements issued by Bursa Securities and various regulatory authorities.

Where necessary, the Directors may engage independent professional advice at the Company's expense on specific issues to enable the Board to discharge their duties on the matters being deliberated.

Committees of the Board

The Board, in discharging its fiduciary duties and responsibilities has appointed the following Board Committees with specific terms of reference to assist the Board:-

- Audit Committee and Risk Management Committee
- Nomination Committee
- Remuneration Committee

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

(I) Board Responsibilities (Cont'd)

Audit Committee and Risk Management Committee

The summary of the activities of the Company's Audit Committee and Risk Management Committee during the financial year are set out under the Audit Committee Report on pages 36 to 39 of this Annual Report.

Nomination Committee

The Nomination Committee currently comprises of the following members:-

Name of Directors	Designation
Lim Chun Thang (Chairman)	Independent Non-Executive Director
Wong Chi Yeng	Independent Non-Executive Director

The Committee consists entirely of Non-Executive Directors, where all its members are independent. The Nomination Committee meets at least once a year and as and when necessary and may make decisions by way of circular resolutions.

The duties and responsibilities of the Nomination Committee are guided by its terms of reference. The main responsibilities of the Nomination Committee included the following:-

- Nominate the right candidates with the required skills, experience and attributes for recommendation to and appointment by the Board.
- Regularly review the structure, size and composition (including the skills, knowledge and experience) required by the Board compared to its current position and make recommendations to the Board with regard to any changes.
- Review and recommend the membership of the Audit Committee and Risk Management Committee and Remuneration Committee, in consultation with the Chairman of those committees.
- Assess the effectiveness of the Board and the contribution of individual directors and his/her independence where applicable.
- To develop, maintain and review the criteria to be used in the recruitment process and annual assessment of directors.

The Nomination Committee has developed criteria to assess the effectiveness of the Board, the Board committees and individual Director. The evaluation on the Board's effectiveness is divided into four sections on the following key areas:-

- Adding value
- Conformance
- Stakeholder Relationship
- Performance management

The process also assess the competencies of each Director in the areas of integrity and ethics, governance, strategic perspective, business acumen, judgement and decision making, teamwork, communication and leadership.

The Nomination Committee also undertakes annual assessment of the independence of the independent directors based on required mix skills, criteria of independence as per requirements of MMLR, meeting attendance, ability to ensure effective checks and balances on the Board's decision making process, constructively challenge business propositions and contributes to the development of business strategy and direction of the Company, ensures that adequate systems and controls to safeguard the interests of the Company are in place and continuous updating of knowledge and enhancing of skills through attendance of business related trainings.

The Company has adopted the Fit and Proper Policy on 30 May 2022. When considering new appointment as well as Directors who are seeking for re-election as Director in the Company, the Nomination Committee shall evaluate the balance of skills, knowledge and experience on the board. In identifying suitable candidates, the Committee should consider the following fit and proper criteria of the candidates:-

- (i) Character and Integrity
- (ii) Experience and Competence
- (iii) Time and Commitment

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (CONT'D)

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

(I) Board Responsibilities (Cont'd)

Nomination Committee (Cont'd)

The Company has conducted the Fit and Proper assessment on 27 February 2023 on Directors who were proposed for re-election at the Eighteenth AGM of the Company in accordance with the Fit and Proper Policy. The Nomination Committee is satisfied with the performance of the retiring directors.

A familiarisation programme, including visits to the Group's business and operations premises and meetings with senior management will be arranged for new Directors to facilitate their understanding of the Group.

The Nomination Committee had met three (3) times during FY2022 and activities of the Nomination Committee are summarised as follows:

- (a) Reviewed and assessed the effectiveness of the Board, the committees of the Board and the contribution of each individual director, including Independent Non-Executive Directors and Principal Officer.
- (b) Reviewed and recommended the re-election and re-appointment of Directors who were retiring and seeking for re-election and re-appointment at Eighteenth AGM.
- (c) Reviewed and assessed the independence of the Independent Non-Executive Directors.
- (d) Reviewed the Directors' Fit and Proper policy.
- (e) Reviewed the terms of office and performance of an Audit Committee and its members.

Remuneration Committee

The Remuneration Committee currently comprises the following members:

Name of Directors	Designation
Lim Chun Thang (Chairman)	Independent Non-Executive Director
Wong Chi Yeng	Independent Non-Executive Director
Lai Fah Hin	Independent Non-Executive Director

The Committee consists of three (3) Independent Non-Executive Directors. The Committee is responsible for recommending to the Board the appropriate remuneration of the Executive Directors in all forms to commensurate with the respective contributions of the Executive Directors. The Executive Directors are to abstain from deliberation and voting on the decision in respect of their own remuneration packages.

The remuneration of the Non-Executive Directors is a matter for the Board as a whole and the Director concerned is required to abstain from deliberation and voting on decisions relating to his/her own remuneration. Directors' fees and benefit payable are subject to shareholders' approval at the forthcoming AGM.

(II) Board Composition

The Company is led and managed by a well-balanced Board which consists of members with wide range of business, technical and financial background. The Board is entrusted with the proper stewardship of the Company's resources for the best interest of its shareholders and also to steer the Group towards achieving the maximum economic value. The members of the Board, who have extensive experience and expertise in a wide range of related and unrelated industries, have been selected based on their skills, knowledge and their ability to add strength to the leadership. The business and financial experience of each member of the Board has inevitably contributed to the success in steering the Group towards sustaining its financial performance.

The Board is currently made up of eight (8) members as follows:-

- Four (4) Executive Directors, and
- Four (4) Independent Non-Executive Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

(II) Board Composition (Cont'd)

This is in compliance with the one-third requirement for Independent Non-Executive Directors to be appointed to the Board under MMLR. The Nomination Committee and the Board assesses the independence of the Independent Non-Executive Directors annually, taking into account the individual Director's ability to exercise independent judgement at all times and to contribute to the effective functioning of the Board. The Nomination Committee and the Board had reviewed and assessed its Independent Non-Executive Directors.

There is a clear division of authority between the Chairman and Executive Directors, to ensure a balance of power and authority. The Independent Non-Executive Directors are independent from Management and have no relationships that could interfere with the exercise of their independent judgement. They play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision making process.

All decisions of the Board are made based on majority decision and no individual Board member can make any decision on behalf of the Board, unless duly authorised by the Board. As such, no individual or a group of individuals dominate the decision-making process.

Tenure of Independent Directors

The Board notes the recommendation of the MCCG on the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. However, upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to the Director's re-designation as Non-Independent Director.

Presently, the tenure of all the Independent Non-Executive Directors does not exceed a cumulative term of nine (9) years as recommended by the MCCG.

Separation of Roles of Chairman and Group Chief Executive Officer

The role of the Independent Non-Executive Chairman and Group Chief Executive Officer are distinct and separate to ensure that there is a balance of power and authority. The Independent Non-Executive Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board.

The Group Chief Executive Officer has overall responsibility for the day-to-day management of the business and implementation of the Board's policies and decisions. The Group Chief Executive Officer is responsible to ensure due execution of strategic goals, effective operations within the Group, and to explain, clarify and inform the Board on key matters pertaining to the Group.

(III) Remuneration

The objective of the Company's policy on Directors' remuneration is to attract and retain the appropriate Directors of their caliber to run the Group successfully. In general, the remuneration is structured so as to link rewards to corporate and individual performance, as in the case of the Executive Directors and senior management. As for the Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken individually by the Director concerned.

While the Board has formalised its remuneration policies, it is the policy of the Company and the Group that all Executive Directors and Senior Management are remunerated based on the Group's performance, market conditions and their responsibilities whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience, level of responsibilities assumed in the Board Committees and the Board, their attendance and/or special skills and expertise they bring to the Board. This policy is available on the Company's website at www.jhm.net.my.

The aggregate remuneration paid or payable to all Directors of the Company during the financial year ended 31 December 2022 is listed on named basis with the detailed remuneration breakdown is available on Practice 8.1 of CG Report.

The disclosure on the remuneration of Senior Management in relation to Practice 8.2 of MCCG are provided in the CG Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

(I) Audit Committee and Risk Management Committee ("AC")

The Board has established an effective and independent AC. The members of AC comprising fully Independent Non-Executive Directors and the Chairman of the AC is not the Chairman of the Board. With the present composition structure and practice, the AC is able to objectively review and report its findings and recommendations to the Board.

A summary of the activities of the AC during the financial year are set out in AC's Report on pages 36 to 39 of this Annual Report.

The AC discusses the nature and scope of audit and reporting obligations with the external auditors before commencement of audit engagement. It is also the practice of the AC to respond to auditors' enquiries and recommendations, if any, to ensure compliance with various approved accounting standards in the preparation of the Group's financial statements.

The AC is empowered by the Board to review all issues in relation to appointment and re-appointment, resignation or dismissal of external auditors. The AC has also assessed the suitability and independence of the external auditors. The external auditor attends AC meetings when necessary and have direct access to the AC and Internal Auditors for independent discussion.

The external auditors met with the Audit Committee twice in the financial year ended 31 December 2022 without the presence of the Executive Directors, with the purposes of finalising the Group's audited financial statement and approving the audit planning memorandum. The external auditors have confirmed that they are independent throughout the conduct of audit engagement in accordance with terms of professional and regulatory requirements.

(II) Risk Management and Internal Control Framework

The Board affirms the importance of maintaining a sound system of internal controls and risk management practices to good corporate governance. In order to enhance consistency within the Group, the Board has appointed an external consultant to provide professional services for internal control assessment and to carry out internal audit function for the Group.

The Statement on Risk Management and Internal Control set out on pages 34 and 35 of this Annual Report provides an overview of the state of internal control within the Group.

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

(I) Communication with Stakeholders

The Group acknowledges the importance of timely dissemination of information to shareholders and accordingly, ensures that they are well informed of any major developments of the Group. Such information is communicated through:

- Announcements and corporate disclosure to Bursa Securities that are available on the website www.bursamalaysia.com;
- Company website at www.jhm.net.my provides corporate information on the Group; and
- Annual Report of the Company.

(II) Conduct of General Meetings

The AGM is the principal forum for dialogue with all shareholders and the Board encourages shareholders to attend and participate in the AGM. Shareholders are provided with an opportunity to enquire about the Group's activities and prospects as well as to communicate their expectations and concerns. Shareholders are also encouraged to participate in the question and answer session.

In compliance with the MMLR, all resolutions set out in the notice of any general meeting or notice of resolution will be voted by the poll.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

(II) Conduct of General Meetings (Cont'd)

A copy of the Annual Report and the notice of the AGM are sent to all shareholders at least 28 days before the AGM. The notice of AGM is also published in a nationally circulated daily newspaper. The Board is available to respond to shareholders' questions during the meeting. Where appropriate, the Board will undertake to provide written answers to any questions that cannot be readily answered at the meeting.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

Shareholders are also informed of and invited to attend any Extraordinary General Meetings through circulars and notices of meetings.

Statement of Compliance with Corporate Governance

The Company is committed to achieve high standards of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings. The Board considers that it has complied substantially with the principles and recommendations as stipulated in the MCCG throughout FY2022.

This statement is made in accordance with the resolution of the Board dated 26 April 2023.

SUSTAINABILITY STATEMENT

CORPORATE SUSTAINABILITY STATEMENT

The Board of Directors is pleased to present the Sustainability Statement of the Group, which has been prepared based on the Bursa Malaysia Securities Berhad Sustainability Reporting Guide and toolkits.

Sustainability in the context of this Statement is defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

To sustain its operations for the long-term, the Board recognises that sustainable development is an important and integral part of the pursuit of value creation for shareholders, employees, customers and society at large. In this regard, the Board is responsible for setting the Group's sustainability strategies. In fact, sustainability practices are embedded in the Group's day to day operations. In this report, the Board has set the key elements of the Group's practices with respect to economic, environmental and social sustainability matters.

A. GOVERNANCE STRUCTURE

The Group is presently at Phase 2 of the governance structure as prescribed by the Bursa Malaysia Sustainability Reporting Guide. The governance structure for the Group's Sustainability is as per below.



B. SCOPE

This Sustainability Statement covers the following subsidiaries, as they are the three most significant subsidiaries of the Group, together contributing approximately 99.40% of the Group's revenue:

- (a) Morrissey Technology Sdn. Bhd. ("MTSB")
- (b) Morrissey Assembly Solution Sdn. Bhd. ("MASSB")
- (c) Mace Instrumentation Sdn. Bhd. ("MISB")

In order to enable the Group to achieve sustainable growth and enhance long-term value for its shareholders, the Group applies a good corporate governance framework, environmentally responsible practices and sound social policies. In 2022, the Group continues with this commitment as a good and responsible corporate citizen.

C. STAKEHOLDERS' ENGAGEMENT







The Board of Directors recognises that the Directors can make better progress in their sustainability journey by collaborating with the stakeholders. The Group continuously engage the stakeholders to identify and respond to their concerns.

SUSTAINABILITY STATEMENT (CONT'D)

CORPORATE SUSTAINABILITY STATEMENT (CONT'D)

C. STAKEHOLDERS' ENGAGEMENT (CONT'D)

We strive to improve our stakeholders' engagement approach by identifying the sustainability stakeholders as follows.

Key Stakeholders	Engagement objectives	Stakeholders' Interest
Shareholders and Investors 	To assist investors in making informed investment decisions by providing timely and regular updates on financial performance, business strategy and other issues.	<ul style="list-style-type: none"> - Strong financial performance - Sustainability reporting
Employees 	To create a safe and healthy workplace and provide training programmes.	<ul style="list-style-type: none"> - Employee welfare - Training and development
Customers 	To create stronger market integrity. To value add in service offerings and help gaining market competitiveness.	<ul style="list-style-type: none"> - Operational matters - Customers' satisfaction - Value added services and products
Suppliers 	To drive sustainability across the supply chain.	<ul style="list-style-type: none"> - Sustainable practices
Government and Regulators 	To comply with applicable laws and regulations across all operations.	<ul style="list-style-type: none"> - Regulatory compliance - Annual reporting - Sustainability reporting
Local Communities 	To support local communities in economic, environmental and social development.	<ul style="list-style-type: none"> - Financial contributions and non-financial contributions

D. MATERIAL SUSTAINABILITY MATTERS

The principal businesses of the Group are designing and manufacturing of precision miniature engineering metal parts and components, precision mechanical parts, die casting and assembling and dealing of test measurement equipment as well as manufacturing and assembling of electronic components. These businesses require the hiring of many operational employees.

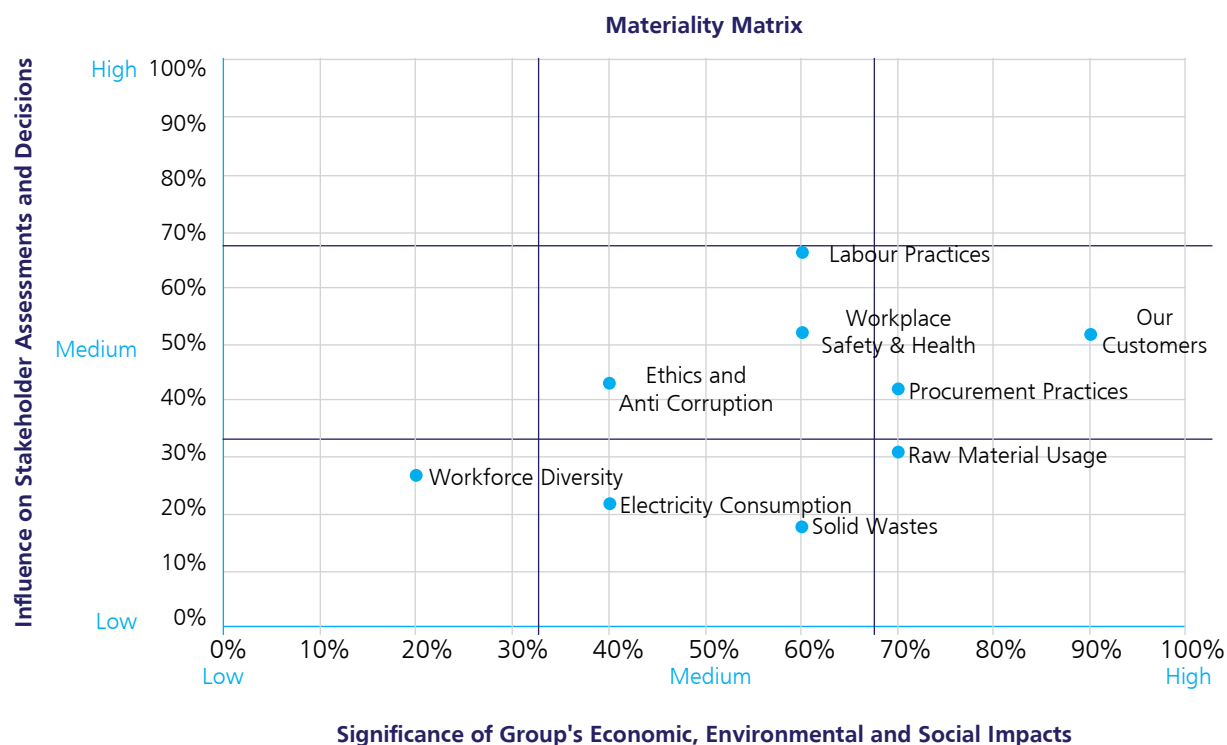
The Group's operations do not release harmful emissions into the air or discharge hazardous effluent into the drainage system. By their nature, there are minimal industrial wastes generated from the operations which go to the landfill. For example, metal scraps generated from the production of manufacturing of precision miniature engineering metal parts and components are fully recyclable.

SUSTAINABILITY STATEMENT (CONT'D)

D. MATERIAL SUSTAINABILITY MATTERS (CONT'D)

Materiality Matrix

The Materiality Matrix shows the Material Sustainability Matters with their significance to the Group's economic, environmental and social impact and the influence on the stakeholder's assessments and decision:



Sustainability Management

The Sustainability efforts of the Group are set out below.

Economic

We recognise the value brought to our stakeholders by building sustainable relationships with stakeholders and utilising our resources to contribute to economic growth.

The Group's products play an important role in supporting the local economy. As one of the key local microelectronics components suppliers for the automotive as well as industrial sectors, we place high priority on customer engagement with various customer feedback channels in order to ensure our customers are satisfied, not only with our products but also services.

(1) Our Customers

In fulfilling the Group's objective of ensuring that the Group provides a one-stop engineering solution to our customers, from the design and development of our automotive and industrial products to the complete design, fabrication and assembly of tooling. To ensure high quality performance, the subsidiaries, MTSB, MASSB and MISB successfully maintained the following certifications in the financial year 2022:

Company	Certifications
MTSB	ISO 9001:2015, ISO 14001: 2015 and IATF 16949: 2016
MASSB	ISO 9001:2015, ISO 14001: 2015, IATF 16949: 2016, ISO 13485:2016
MISB	ISO 9001:2015

SUSTAINABILITY STATEMENT (CONT'D)

Sustainability Management (Cont'd)

Economic (Cont'd)

(1) Our Customers (Cont'd)

Consistency in delivering high and acceptable quality products ensure that the Group's products are of high quality, minimising wastages as well as avoiding unnecessary costs associated with product returns.

Product acceptance level is one of the key matrices the management uses to measure the Group's performance in meeting customer's satisfaction. In the financial year 2022, the average defective return rate received from customers was as below:



Company	Average defective
MTSB	Below 6 defect parts per million
MASSB	
MISB	Defective RMA return rate (cases of part number) returned from customers not more than 3% per month

(2) Our Suppliers

As a Malaysian entity, the management emphasises buying from local suppliers. By supporting local suppliers, the management hopes to grow the local vendors' capability and capacity in serving the manufacturing industry as well as strengthening the microelectronics components supply chain. A strong and competitive supply chain will in turn enable the Group to consistently produce high quality products. In addition, with their support, the Group will be in a better position to move up the value chain in the long term.



In FY2022, below are the percentage for the number of local vendors in of the Group.

	FY 2022	FY 2021	FY 2020
MTSB and MASSB	58%	66%	62%
MISB	57%	54%	58%
Average	58%	60%	60%

The slight decline in local vendor percentage is mainly due to new overseas customer on board during the financial year ended 31 December 2022. This has resulted an increase of overseas vendors as they are the appointed vendors by a new customer.

(3) Business Strategy

In line with the Group's long-term business strategy, we are developing sustainable partnership with key customers to ensure recurring revenue streams as well as expanding our customer base.

For its automotive segment, the Group focuses on developing technical knowledge and expertise to grow into a tier 1 automotive lighting manufacturer to build complete lamp products according to customers' specifications and requirements. This would enable the Group to deal directly with automotive original equipment manufacturers (OEM).

For its non-automotive segment, the Group continues to enhance its mechanical manufacturing capabilities in Die casting and Computerised Numerical Control (CNC) machining. This would strengthen the group to capture growth opportunities in the Industrial segment to mitigate the risk of dependence on Automotive segment.

As an effort in progressing towards full Industry 4.0 adoption as an effective one-stop engineering solution centre, the Group is focusing on adopting a higher degree of automation to optimise operational cost-efficiency, improve yields and enhance productivity for the long-term. The Group also undertakes sustainable initiatives including technological advancements, investment in new technologies, machinery and equipment upgrading and development of talent pool. This includes adoption of Information Technology Systems in the production floor to minimise lead-time and improve quality control as well as robotic arms integration and automated material handlers.



With this strategy in place, the Group is ready to capture the vast business opportunities and achieve long-term sustainable business growth.

SUSTAINABILITY STATEMENT (CONT'D)

Sustainability Management (Cont'd)

Environmental

We are committed to a holistic approach in incorporating sustainability practices into our daily activities. Metal scraps generated from the production are fully recyclable. The Group's operations do not release harmful emissions into the air or discharge hazardous effluent into the drainage system. By their nature, there are minimal industrial wastes generated from operations which go to the landfill. The Group complies with the sustainability conditions set by our customers, which include not using environmentally harmful raw materials in its products. These environmental-friendly measures have significantly reduced the wastage on materials and electricity consumption to a minimum level. We also ensure that FY2022 manufacturing factories are certified as an ISO 14001 organisation holder by an international body. We also ensure compliance with the Environmental Quality Act 1994 ("EQA") at all times. In FY2022, none of the Group's subsidiaries was subject to penalties due to non-compliance with EQA.

(1) Wastage and Scraps

In our industry metal scraps are the by-products of production. Thus, the minimisation of metal scraps is one of the primary objectives of the Group in achieving greater production efficiency, lowering production costs, and eventually resulting in higher profitability. While meeting financial objective is essential, a reduction of metal scraps will reduce the energy consumption at the downstream level in scrap recycling.

Non-recyclable production waste is disposed off responsibly through Department of Environment approved scheduled waste contractors.

The percentage of metal scraps per tonnage of goods produced in the current financial year are as follows:

	FY 2022	FY 2021	FY 2020
MTSB and MASSB	59%	63%	68%
MISB	32%	48%	49%
Average	46%	56%	59%

(2) Electricity Consumption

The Group's manufacturing process involves the use of machines and equipment that are powered by electricity. In seeking to improve the efficiency of electricity consumption and costs, the management monitors the Group's electricity usage on a monthly basis. The Group seeks to progressively increase automation in production, and inevitably, the consumption of electricity is expected to increase while overall production cost is expected to reduce.



Measures to control electricity use are an important factor in the Group's business sustainability. Apart from financial profitability, efficient use of electricity will result in lesser harm to the environment.

For the financial year 2022, the electricity consumption was as below:

	FY 2022	FY 2021	FY 2020
MTSB and MASSB	7.49 million kw/mt	7.63 million kw/mt	4.97 million kw/mt
MISB	3.28 million kw/mt	3.30 million kw/mt	3.46 million kw/mt
Average	5.39 million kw/mt	5.47 million kw/mt	4.22 million kw/mt

There was an increase of 53.52% for MTSB and MASSB from 4.97 million kw/mt for FY 2020 to 7.63 million kw/mt for FY 2021. This was mainly due to the upgrading of the production facility and expansion of warehouse for MASSB which was completed in 4th Quarter of 2020.

SUSTAINABILITY STATEMENT (CONT'D)

Sustainability Management (Cont'd)

Social

As a responsible manufacturing employer, the Group strives to provide and maintain a safe and healthy workplace for its employees. As corporate citizen, we are conscious about the impact we have on society.

(1) Employees

We recognise that our employees are key to the success of the Group. In this respect, the Group has always ensured that laws and regulations relating to labour are fully complied with.



i. Training and Learning

To support lifelong learning, employees are provided with training programmes in numerous areas. During the financial year, our employees were trained in the following areas:

- Safety & Health
- Waste Management
- Accounting & Tax rules and regulations
- Quality/Systems Compliance Training
- Various technical on-job trainings
- Employment Act 1955 (latest amendments)

ii. Workforce Diversity

The Group provides equal opportunity for employees to progress in their careers in the Group. Employees are evaluated based on a set of matrices which include performance targets and job dedication.

The Management practices gender neutrality in its hiring practices. The gender representation in the Group at the end of the financial year is as follows:-

	Female		Male		Total
Management and executive positions	67	5.5%	88	7.3%	155
Other positions	533	43.9%	525	43.3%	1,058
Total	600	49.4%	613	50.5%	1,213

iii. Employee welfare and motivational activities

The management recognises the importance of employees having work-life balance. In addition to compliance with employer obligations under the law, employees are celebrated at events such as employee appreciation dinner in conjunction with Labour Day, annual dinner, team building and recreational activities for the employees.



MISB Football Team

SUSTAINABILITY STATEMENT (CONT'D)

Sustainability Management (Cont'd)

Social (Cont'd)

(1) Employees (Cont'd)

iv. Safety at Workplace

The Group places a high priority in ensuring a safe and healthy working environment at all its factories. In doing so, the Board ensures that the requirements of Occupation Safety and Health 1994 ("OSHA") are complied with as well as observing good safety and health practices. In FY2022, none of the Group's subsidiaries were subject to penalties due to non-compliance with OSHA.

The key safety and health measures in place in the Group are as follows:

- (a) Appointment of a safety officer. The responsibility of the safety officer is to manage matters relating to safety and health. In addition to safety officers, there is a safety committee set up at each factory with the purpose of providing a forum for management and workers to identify and resolve safety and health related issues.
- (b) Ensuring that employees are well aware of the safety and health procedures. The Group provides personal protective equipment to employees in the production areas, which is required to be worn during work. Emergency Eyewash & Shower station has been installed during the year.

The Group has conducted the below test/assessment for employees during the year:

- Health Screening Program by Kementerian Kesihatan Malaysia
- Chemical Health Risk Assessment
- Chemical Exposure Monitoring for employees who are handling chemicals
- Audiometry Test employees who expose to noise level exceeding action level at the workplace
- Local Exhaust Ventilation (LEV) assessment



- (c) Providing adequate training to employees. Safety and health related trainings attended by employees in FY2022 include:

- Radiation Safety Refresher
- Forklift operation
- Chemical and scheduled waste management
- Fire safety Organisation (FSO) training and drills
- Hearing Conservation Program
- First Aid & CPR training
- Emergency Preparedness & Response, Safety Precaution for The Machine Handling, PPE & Safety
- Handling Method for General & Scheduled Waste



(2) Society

i. Contribution to the Community

Being a corporate citizen, we are aware of our responsibilities towards the local society and community. Our contribution continues with our participation and donations in fund raising activities to local charitable organisations. We contribute by sponsoring RM1,000,000 to the Penang Rotary Club Dialysis Centre for a five-year period from 2017-2021. JHM has continued its sponsorship to the Penang Rotary Club Dialysis Centre during the financial year ended 31 December 2022.

SUSTAINABILITY STATEMENT (CONT'D)

Sustainability Management (Cont'd)

Social (Cont'd)

(2) Society (Cont'd)

i. Contribution to the Community (Cont'd)

JHM also participates in sponsoring charitable events such as the "Spin for Charity" organised by Penang Adventist Hospital. The event was held on 8th May 2022 (Sunday) at Gurney Plaza, Penang to raise RM200,000 for Dr. J Earl Gardner Fund.



Mock cheque Presentation for Spin for Charity

ii. Internship Programmes

In support of undergraduates from local universities and colleges in gaining practical experience and relevant skills, the Group provides opportunities for undergraduates to undertake their internship programmes within the Group.

In 2022, the Group offered internships for students of universities, colleges and polytechnics from different states of Malaysia, which have benefited a total of 9 (2021:8) students.

(3) Ethics and Anti – Corruption

We have laid out a Code of Conduct that outlines the behaviour we expect of our employees. The Group is committed to upholding the highest standard of integrity and transparency in our conduct of business and will continue to take measures towards a corruption-free environment.

The Group does not tolerate any cases of corruption and any appearance of cases of ethical transgressions. To support this, the Anti-Bribery and Corruption Policy is established to support the Group's Code of Conduct.

Employees are encouraged to report any violations of the Group's policies as outlined in our Whistleblowing Policy.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(A) INTRODUCTION

The Board of Directors is pleased to provide this Statement on Risk Management and Internal Control of JHM Consolidation Berhad and its subsidiaries. This Statement has been prepared in accordance with the Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers issued by the Institute of Internal Auditors Malaysia and as adopted by Bursa Malaysia Securities Berhad.

(B) BOARD RESPONSIBILITY

The Board affirms its overall responsibility for the adequacy and effectiveness of the Group's risk management and internal control system. Effective risk management and internal control processes play a key role in the pursuit of the Group's business objectives and sustaining success.

The risk management and internal control system are designed to identify and manage the Group's risk with the acceptable risk profile, rather than to eliminate the risk of failure in achieving the business objectives. Thus, they provide reasonable but not absolute assurance against material misstatement of financial information or losses, contingencies, fraud or any irregularities.

(C) RISK MANAGEMENT FRAMEWORK

The Board has engaged an external consultant to assist the Board in establishing a risk management framework for the Group. Under this framework, risks relevant to the Group were identified and quantified and have been compiled into the risk profiles of the various operating units in the Group.

Relevant business risks and their potential impact and likelihood of crystallisation are evaluated on an ongoing basis by the key executives and senior management. Key risks affecting the Group are deliberated at Board meetings. Such process has been in place for the financial year under review up to the date of approval of this statement.

The Group's Risk Management Working Groups ("RMWG") are responsible to perform a periodic review and assessment. The RMWG consist of the Chief Operating Officer/ Vice President of Operations, Business Unit Directors and the respective Department Heads.

The risks are identified and assessed by employing the following methodologies:

- Identification of risks by the process owners;
- Assessment of the likelihood and impact of the risks identified;
- Evaluating the control strategies in relation to the risks;
- Formulating action plan to address control deficiencies; and
- Setting Key Risk Indicators to monitor the risks.

Formal database of risks and controls information arising from the annual risk assessment exercise shall be captured in the format of risk registers. The identified risks are assessed and rated from low, moderate, high to significant depending on the severity of consequence, the likelihood of its occurrence and financial impact on the Group's cash flows and profits. Thereafter, RMWG and where applicable the owner of the risk profile shall present the Group's Risk Report and update the Audit Committee and Risk Management Committee annually on the status of the Group's Enterprise Risk Management process, changes in risk profiles and the corresponding controls which are in place.

The Group's risk management and internal control system does not apply to its associate company which falls within the control of its major shareholder.

(D) KEY ELEMENTS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The risk management and internal control systems are embedded in the various work processes and procedures of the Group.

The key elements of risk management and controls in place are as follows:

- Authorizing Board Committee Members to investigate and report on any areas of improvement for the betterment of the Group;
- Conducting in-depth study on major variances and deliberating irregularities at Board meetings and Audit Committee and Risk Management Committee meetings so as to identify the causes of the problems and to formulate appropriate solutions;

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

(D) KEY ELEMENTS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

The key elements of risk management and controls in place are as follows: (Cont'd)

- Delegating necessary authority to the Group Chief Executive Officer in order for him to play a major role as the link between the Board and Senior Management in implementing the Board's expectation of effective system of internal control and managing the Group's various operations;
- Maintaining an organisational chart which sets out each individual's responsibility, authority and reporting lines;
- Ensuring that the Management is informed of the development of action plan for enhancing system of internal controls and allowing various management personnel to have access to important information for effective decision-making;
- Senior Management personnel make frequent on-site visits to the business and operating premises so as to acquire a first-hand information on various operational matters and addressing the issues accordingly; and
- Systematic and regular audits on the compliance of ISO14001, ISO9001, IATF16949, AS9100 Rev C and ISO13485 by external quality assurance auditors.

(E) INTERNAL AUDIT FUNCTION

The Board has outsourced the internal audit function to an external consultant. The Board believes that, due to its independence and objectivity, the consultant has provided the Board much assurance about the state of internal controls of the Group. The internal auditors report directly to the Audit Committee and Risk Management Committee.

The internal audit function carries out its internal audit works through a risk-based approach. Based on the risk profile of the Group, the internal audit function prepares its audit plan by focusing on areas of high risk. During the course of carrying out their reviews, full cooperation of the staff and unrestricted access to all information were given to the internal auditors in order to discharge their duties.

During the financial year, the internal auditors carried out reviews on the following areas to assess the adequacy and effectiveness of internal controls and risk management processes:

- Quality Assurance ("QA") procedures on Incoming QA and Incoming Non-Conforming, In Process QA and In Process Non-Conforming, Outgoing QA, Customer return and ISO Audit in Mace Instrumentation Sdn. Bhd.;
- Overview of Control Environment of System Applications and Products ("SAP") Implementation (Operations & Material), Data Safeguard and Segregation of Duties, Programme Changes, Data Backup and integrity, SAP System Tolerance in Morrissey Technology Sdn. Bhd. and Morrissey Assembly Solution Sdn. Bhd.; and
- Inventory management procedures, policies and controls in Mace Instrumentation Sdn. Bhd.

The internal auditors noted some weaknesses in the controls, and these together with improvement recommendations have been reported to the Audit Committee and Risk Management Committee. However, none of the weaknesses have resulted in material losses, contingencies or uncertainties to the Group.

The fees paid to the internal auditors in respect of the internal audit function of the Group for the financial year 2022 amounted to RM37,023.

(F) CONCLUSION

The Board has received assurance from the Group Chief Executive Officer and the Finance Director that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control systems of the Group.

Overall, the Board and Management are satisfied that the process of identifying, evaluating and managing significant risks that may affect achievement of the Group's business objectives are in place. There are continuing efforts to strengthen the internal control environment taking into consideration the recommendations from the internal auditors.

This statement is made in accordance with the resolution of the Board dated 26 April 2023 and has been reviewed by the External Auditors.

AUDIT COMMITTEE REPORT

FORMATION

The Audit Committee was formed by the Board of Directors on 14 April 2006. The said Committee is now known as Audit Committee and Risk Management Committee ("AC").

MEMBERS

The AC currently consists of the following members: -

1. Wong Chi Yeng - Chairman
(Independent Non-Executive Director)
2. Lai Fah Hin - Member
(Independent Non-Executive Director)
3. Khor Cheng Kwang - Member
(Independent Non-Executive Director)

MEETINGS AND ATTENDANCE

During the financial year under review, the AC held four (4) meetings with all the members of the AC in attendance as follows: -

Name of AC Members	Number of Meetings Attended	Percentage of Attendance
Wong Chi Yeng	4/4	100%
Lai Fah Hin	3/4	75%
Khor Cheng Kwang	4/4	100%

The AC meetings were attended by the AC members and Senior Management. The Company Secretaries acted as Secretaries at the meetings to record and maintain minutes for the proceedings of the meetings.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

In line with the terms and reference of the AC, the following activities were carried out by AC for the financial year ended 31 December 2022 ("FY2022") in discharging its functions and duties: -

i. Financial Reporting Oversight

Reviewed the quarterly unaudited financial results with the finance team and thereafter recommended to the Board for approval, for announcement to Bursa Malaysia Securities Berhad ("Bursa Securities").

ii. Oversee Activities of External Auditors in dealing with the Group

- a) Discussed and reviewed the external auditors' audit planning report for the FY2022 outlining their audit team, audit timeline, recent development of the Group, identified risks and audit approach, key areas of audit focus, communication of other significant audit matters, updates on accounting standards and audit fees.
- b) The AC reviewed the external auditors' findings arising from audits and their recommendations.
- c) The AC also discussed and reviewed with external auditors the applicability of the new accounting standards and new financial reporting regime issued by the Malaysian Accounting Standards Board.
- d) The AC reviewed and evaluated the performance and independence of the external auditors. The AC was satisfied with the performance and independence of the external auditors and recommended their re-appointment to the Board.
- e) The AC reviewed the external auditors' audit completion for the financial year ended 31 December 2021.
- f) The AC met two times with the external auditors without the presence of the Executive Directors and management staff to discuss any issues of concern to the External Auditors arising from the annual statutory audit.
- g) The AC reviewed the audit fees of the external auditors for the year prior to the Board of Directors for approval.

AUDIT COMMITTEE REPORT (CONT'D)

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (CONT'D)

iii. Internal Audit ("IA")

- a) Reviewed the IA plan for the financial year ending 31 December 2023 as tabled by the internal auditors.
- b) Reviewed IA reports from internal auditors and assessed the internal auditors' findings, recommendations together with the management's comments.
- c) Reviewed the Risk Management Report in respect of risk management working group of Morrissey Technology Sdn. Bhd. ("**MTSB**"), Morrissey Assembly Solution Sdn. Bhd. ("**MASSB**") and Mace Instrumentation Sdn. Bhd. ("**MISB**").

iv. Related Party Transaction

Reviewed any related party transaction and conflict of interest situation that may arise within the Company and the Group.

v. Other matters considered by Committee

- a) Reviewed the Financial Analysis and Debtors Ageing Report prepared by the Management.
- b) Reviewed the Term of Reference of AC.

HOW THE AUDIT COMMITTEE DISCHARGED AND MET ITS RESPONSIBILITIES DURING THE FINANCIAL YEAR

a) Financial Reporting

The AC reviewed the quarterly unaudited financial results of the Company and the Group and made recommendations to the Board for approval and for announcement to Bursa Securities as follows:

Date of meetings	Financial Statements
25 February 2022	Unaudited Fourth Quarter Interim Financial Report for the quarter ended 31 December 2021
30 May 2022	Unaudited First Quarter Interim Financial Report for the quarter ended 31 March 2022
26 August 2022	Unaudited Second Quarter Interim Financial Report for the quarter ended 30 June 2022
30 November 2022	Unaudited Third Quarter Interim Financial Report for the quarter ended 30 September 2022

b) External Auditors

- i) The AC met twice with the External Auditors on 25 February 2022 and 30 November 2022 respectively without the presence of any Executive Director or Management of the Company to review on the issues relating to financial controls and operational efficiencies of the Company and its subsidiaries arising from the audit.
- ii) On 25 February 2022, the AC reviewed the External Auditors' Audit Findings Report for the financial year ended 31 December 2021.
- iii) On 25 February 2022, the AC also evaluated the performance and independence of the External Auditors covering areas such as calibre, quality process / performance, audit team, independence and objectivity, audit scope and planning, audit fees as well as the audit communications of the External Auditors. The AC having been satisfied with the independence and performance of Messrs Grant Thornton Malaysia PLT ("GTM"), had recommended the re-appointment of GTM as External Auditors to the Board for consideration and tabled to the shareholders for approval at the Seventeenth Annual General Meeting.
- iv) On 30 November 2022, the AC reviewed and evaluated the audit planning memorandum prepared by GTM for the financial year ending 31 December 2022 which covered the following subject matters:
 - audit team;
 - objective and scope of audit;
 - recent developments of the Group;
 - identified risks and audit approach including areas of significant risk and key areas of audit focus;
 - communication of other matters;
 - proposed audit timeline and reporting schedule; and
 - proposed audit fees

AUDIT COMMITTEE REPORT (CONT'D)

HOW THE AUDIT COMMITTEE DISCHARGED AND MET ITS RESPONSIBILITIES DURING THE FINANCIAL YEAR (CONT'D)

b) External Auditors (Cont'd)

- v) The proposed audit fees for the External Auditors in respect of their audit of the financial statements of the Company and its subsidiaries were analysed and reviewed by the AC for recommendation to the Board for approval.

c) Internal audit

- i) On 25 February 2022, the AC evaluated the performance of the internal audit function of the Company covering the adequacy of scope, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.
- ii) On 25 February 2022, the AC reviewed the internal audit report ("IAR") which covers Quality Assurance ("QA") procedures on Incoming QA and Incoming Non-Conforming, In Process QA and In Process Non-Conforming, Outgoing QA, Customer return and ISO Audit in MISB.;
- iii) On 25 February 2022 and 26 August 2022, the AC reviewed the risk management reports in respect of risk management working group of MISB, MTSB and MASSB on the areas of strategic, operations and financial;
- iv) On 26 August 2022, the AC reviewed the internal audit which covers Control Environment of System Applications and Products ("SAP") Implementation (Operations & Material), Data Safeguard and Segregation of Duties, Programme Changes, Data Backup and integrity, SAP System Tolerance of MTSB and MASSB.
- v) On 30 November 2022, the AC reviewed the internal audit which covers Inventory management procedures, policies and controls in MISB.
- vi) On 30 November 2022, the AC reviewed and approved the Internal Audit Plan for the financial year ending 31 December 2023.

The IAR findings, description, implications, recommendation to improve any weaknesses and the management action plan and comments thereto were tabled to the AC for their review and deliberations. The management was invited to attend the meetings as and when necessary to brief the AC on matters relating to their area of responsibility.

Some weaknesses in the internal control were identified for the year under review and measures have been or are being taken to address these weaknesses. The Internal Auditors monitored the implementation of management's action plan on the outstanding issues through follow up reports to ensure that all key risk and control weaknesses are being properly addressed.

EXECUTIVE SHARE OPTION SCHEME

Executive Share Option Scheme ("ESOS") which had been approved by the shareholders of the Company at an Extraordinary General Meeting held on 24 January 2018 and shall be in force for a duration of five years from 3 April 2018 until 2 April 2023. However, the ESOS may at the absolute discretion of the Board upon the recommendation by the ESOS committee be extended, provided always that the initial ESOS period stipulated above and such extension made pursuant to the By-Laws shall not in aggregate exceed a duration of ten (10) years.

The Company has extended its existing ESOS for another five (5) years until 2 April 2028 in accordance with the terms of the By-Laws of the ESOS.

No share options were granted to the employees pursuant to the ESOS during the financial year.

AUDIT COMMITTEE REPORT (CONT'D)

INTERNAL AUDIT FUNCTION

The Group has appointed an independent professional firm to carry out the internal audit function. In order to act independently from the management, the external consultant will report directly to the Audit Committee and Risk Management Committee and assists the Board in monitoring and reviewing the effectiveness of the risk management, internal control and corporate governance process within the Group.

The independent internal audit function and activities were carried out according to the internal audit plan presented by the external consultant. The internal audit plan is derived based on a risk-based assessment of all units and operations of the Group.

The internal audit reports highlight any deficiencies or findings which are discussed with the management and relevant action plans agreed and to be implemented. Significant findings are presented in the Audit Committee and Risk Management Committee Meetings for consideration and reporting to the Board. A follow-up audit review is also conducted to determine whether all audit recommendations are effectively implemented.

Further details on the internal audit function and its activities are set out in the Statement on Risk Management and Internal Control on page 34 to 35 of this Annual Report.

The Board is of the view that there is no significant breakdown or weaknesses in the system of internal controls of the Group that may result in material losses incurred by the Group for the financial year ended 31 December 2022.

STATEMENT OF DIRECTORS' RESPONSIBILITY

IN RELATION TO THE AUDITED FINANCIAL STATEMENTS

This statement is prepared pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are required to prepare audited financial statements that give a true and fair view of the state of affairs, including the cash flow and results, of the Group and of the Company as at the end of each financial year.

In preparing these financial statements, the Directors have considered the following:-

- The Group and the Company have used appropriate accounting policies, and are consistently applied;
- That reasonable and prudent judgements and estimates were made; and
- That the approved accounting standards in Malaysia have been applied.

The Directors are responsible for ensuring that the Company maintains proper accounting records which disclose with reasonable accuracy of the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016.

The Directors have general responsibility for taking such steps that are reasonably available to them to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities.

This statement is made in accordance with the resolution passed by the Board Of Directors dated 26 April 2023

ADDITIONAL COMPLIANCE INFORMATION

1. MATERIAL CONTRACTS INVOLVING DIRECTORS, CHIEF EXECUTIVE OR MAJOR SHAREHOLDERS' INTEREST

There were no material contracts entered into by the Company and its subsidiaries involving interests of Directors, chief executive who is not a Director or major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

2. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

There was no recurrent related party transactions of a revenue or trading nature during the financial year ended 31 December 2022.

3. UTILISATION OF PROCEEDS

On 23 December 2022, the Company completed the listing of 48,400,000 new ordinary shares to third party investors through private placement. The placement shares were issued at an issue price of RM0.73 per ordinary share and total proceeds of RM35.33 million was received from the said placement.

The total proceeds raised of RM35.33 million has been utilised as follows:

Details of Utilisation	Proposed Utilisation (RM'000)	Proposed utilisation based on proceed received (RM'000)	Actual Utilisation RM'000	Balance of unutilised Proceed as at 31 March 2023 (RM'000)	Intended Timeframe for Utilisation RM'000
*Capital expenditure for its existing automotive segment and industrial products segment	5,000	3,860	2,450	1,410	Within 12 months
*General working capital requirements	28,000	21,640	6,477	15,163	Within 12 months
*Investment in embedded design	5,000	3,860	NIL	3,860	Within 24 months
*Partial repayment of interest-bearing borrowing	7,220	5,580	5,580	NIL	Within 12 months
Estimated expenses in relation to the Private Placement	500	390	351	39	Immediate
	45,720	35,330	14,858	20,472	

Note:-

*The Company had on 3 November 2022 announced to vary the utilisation of the proceeds raised from the Private Placement for the purpose of "Construction of Batu Kawan Factory" to the above details of utilisation.

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

4. AUDIT FEES

During the financial year ended 31 December 2022, the amount of audit fees payable to external auditors by the Company and the Group respectively were as follow:-

	Audit Fee (RM)
Company	42,000
Group	151,000

5. ASSURANCE RELATED AND NON-AUDIT SERVICES

During the financial year ended 31 December 2022, the amount of assurance related and non-audit services fees payable to external auditors and its affiliate by the Company and the Group respectively were as follow:-

	Assurance Related and Non-Audit Services fees (RM)*
Company	6,000
Group	37,700

- * Assurance related and non-audit services rendered by Grant Thornton Malaysia PLT and its affiliate for the financial year ended 31 December 2022:-
- Review statement on risk management and internal control
 - Tax compliance services fee

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DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended **31 December 2022**.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

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

RESULTS

	GROUP RM	COMPANY RM
Profit for the financial year	21,018,988	8,887,212
Attributable to:		
Owners of the Company	21,653,963	8,887,212
Non-controlling interests	(634,975)	-
	21,018,988	8,887,212

In the opinion of the directors, the results of operations of the Group and of the Company for the financial year ended **31 December 2022** have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

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

The directors do not recommend any final dividend payment for the financial year.

RESERVES AND PROVISIONS

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

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company has issued 48,400,000 new ordinary shares at an issue price of RM0.73 per ordinary share pursuant to a private placement for cash.

The new ordinary shares rank *pari passu* in all respects with the existing ordinary shares of the Company.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The effective date for the implementation of the Company's ESOS is 3 April 2018 which is the date of full compliance of all relevant requirements of Rule 6.44(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The ESOS shall be in force for a period of five (5) years from 3 April 2018 and will expire on 2 April 2023. On 15 March 2023, the Company has extended its existing ESOS period for another five (5) years until 2 April 2028.

There were no options granted during the financial year.

The salient features of the ESOS are disclosed in Note 40 to the financial statements.

DIRECTORS' REPORT (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

DIRECTORS

The directors of the Company in office since the beginning of the financial year to the date of this report are:

Directors of the Company:

Lim Chun Thang
 * Dato' Seri Tan King Seng
 * Cheah Choon Ghee
 Low Soo Kim
 Wong Chi Yeng
 Lai Fah Hin
 Khor Cheng Kwang
 Lim Khai Teng (appointed on 27.2.23)
 Khor Thean Lee (resigned on 3.6.22)
 Koh Yew Wah (resigned on 30.8.22)

Director of a subsidiary:

Tan Chee Ming

* The director is also director of the Company's subsidiaries

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests of directors in office at the end of the financial year in shares of the Company and its related corporations during the financial year are as follows:

	Number of ordinary shares			
	Balance at 1.1.22	Bought	Sold	Balance at 31.12.22
Direct Interest:				
Dato' Seri Tan King Seng	190,700,000	1,360,000	-	192,060,000
Cheah Choon Ghee	5,830,000	-	(4,000,000)	1,830,000
Low Soo Kim	-	50,000	-	50,000
Wong Chi Yeng	30,000	-	-	30,000
Lai Fah Hin	40,000	-	-	40,000
Khor Cheng Kwang	-	39,400	-	39,400
Deemed Interest:				
¹ Cheah Choon Ghee	67,441,452	-	-	67,441,452
² Lai Fah Hin	60,000	-	-	60,000

¹ Deemed interested pursuant to Section 8 of the Companies Act 2016 by virtue of his substantial shareholdings in Noble Matters Sdn. Bhd.

² Deemed interested pursuant to Section 59(11)(c) of the Companies Act 2016 by virtue of shares held by his spouse.

By virtue of his interests in the shares of the Company, **Dato' Seri Tan King Seng** is also deemed interested in the shares of all the subsidiaries, to the extent that the Company has interests.

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

DIRECTORS' REPORT (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

DIRECTORS' REMUNERATION AND BENEFITS

During the financial year, the fees and other benefits received and receivable by the directors of the Company are as follows:

	COMPANY RM	SUBSIDIARIES RM	GROUP RM
Fees	144,000	-	144,000
Salaries, allowances and bonus	11,500	2,052,620	2,064,120
Defined contribution plan	-	306,621	306,621
Social security contribution	-	3,932	3,932
Employment insurance scheme	-	269	269
Benefits-in-kind	-	135,755	135,755
	155,500	2,499,197	2,654,697

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown above) by reason of a contract made by the Company or a related corporation with a director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, other than those related party transactions disclosed in the notes to the financial statements.

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

INDEMNITY AND INSURANCE FOR DIRECTORS OR OFFICERS

No indemnity has been given to or insurance effected for any of the directors or officers of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION

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

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no bad debts to be written off and no provision for doubtful debts was required; and
- (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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

- (i) that would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of the Group and of the Company; or
- (ii) that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (iii) that have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

DIRECTORS' REPORT (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

OTHER STATUTORY INFORMATION (CONT'D)

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

- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

In the opinion of the directors:

- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

SIGNIFICANT EVENT

The details of the significant event are disclosed in Note 41 to the financial statements.

AUDITORS

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

The total amount of fees paid to or receivable by the auditors and its affiliate as remuneration for their services to the Group and the Company for the financial year ended 31 December 2022 are as follows:

	GROUP RM	COMPANY RM
Statutory audit	151,000	42,000
Assurance related and non-audit services	37,700	6,000
Total	188,700	48,000

The Company has agreed to indemnify the auditors to the extent permissible under the provisions of the Companies Act 2016 in Malaysia. However, no payment has been made under this indemnity for the financial year.

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

.....
Dato' Seri Tan King Seng

.....
Cheah Choon Ghee

Penang,

Date: 26 April 2023

DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 53 to 117 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 December 2022** and of their financial performance and cash flows for the financial year then ended.

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

.....
Dato' Seri Tan King Seng

.....
Cheah Choon Ghee

Date: 26 April 2023

STATUTORY DECLARATION

I, **Low Soo Kim**, the director primarily responsible for the financial management of **JHM Consolidation Berhad** do solemnly and sincerely declare that the financial statements set out on pages 53 to 117 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 Penang, this **26th**)
day of **April 2023**.)

.....
Low Soo Kim
MIA No. 28242

Before me,

.....
Goh Suan Bee (P125)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF JHM CONSOLIDATION BERHAD
REGISTRATION NO. 200501009101 (686148-A)
(INCORPORATED IN MALAYSIA)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **JHM Consolidation Berhad**, which comprise the statements of financial position as at **31 December 2022** of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of the accounting policies, as set out on pages 53 to 117.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at **31 December 2022** and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>Goodwill impairment assessment (Note 9 to the financial statements)</p> <p>As at the reporting date, the Group has goodwill amounting to RM21.53 million which has been allocated to its manufacturing segment as the cash generating unit ("CGU").</p> <p>The management is required to perform annual impairment assessment for its goodwill. We focus on this area as management's assessment of the value in use of the CGU involves estimation uncertainty and judgements about the future results of the business and key assumptions applied to future cash flows projection.</p>	<p>Our audit procedures in relation to the goodwill impairment assessment included, amongst others, the following:</p> <ul style="list-style-type: none">• Evaluated the model used in determining the value in use of the CGU as well as assessed the discount rate used;• Challenged the reasonableness of key assumptions based on our knowledge of the business and industry;• Compared actual performance of the CGU to assumptions applied in prior years model and assessed the accuracy of management's estimates;• Performed sensitivity analysis on the key assumptions inputted to the model and understood the impact on the overall carrying value of goodwill with the alterations to the key assumptions; and• Assessed the adequacy of disclosures in the financial statements.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF JHM CONSOLIDATION BERHAD
REGISTRATION NO. 200501009101 (686148-A)
(INCORPORATED IN MALAYSIA)

Key Audit Matters (Cont'd)

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>Valuation of inventories (Note 11 to the financial statements)</p> <p>The Group has significant balance of inventories as at 31 December 2022 which exposed the Group to a risk that the inventories may become slow moving or obsolete and eventually non-saleable or recoverable below their carrying amounts.</p> <p>We focused on this area as it involves estimation uncertainty by the management in determining the accuracy of inventories written down and in assessing the adequacy of inventories not stated at the lower of cost and net realisable value.</p>	<p>Our audit procedures in relation to valuation of inventories included, amongst others the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of: <ul style="list-style-type: none"> - how the Group accounts for the inventory costing, including material prices and cost elements related to production overheads absorption such as labour and other production costs; - how the Group identifies and assesses inventory write-downs; and - how the Group makes the accounting estimates for inventory write-downs. • Attended the year end physical inventory count and paid attention to the physical condition of inventories; • Reviewed and tested the accuracy of the raw material prices and cost absorption against the underlying documents on a sampling basis; • Reviewed and tested the net realisable value of inventories on a sampling basis; • Checked the subsequent movements of the raw materials to identify any slow moving items; • Reviewed the consistency of the application of management's methodology in determining and estimating the inventories written down from year to year; and • Evaluated the adequacy of the inventories written down recognised for identified exposures.
<p>Impairment of trade receivables (Notes 12 to the financial statements)</p> <p>The Group has significant trade receivables as at 31 December 2022 and it is subject to credit risk exposure.</p> <p>We focus on this area as the assessment of the expected credit losses of trade receivables involves management's judgement and estimation uncertainty in determining the probability of default occurring by considering the ageing of trade receivables, historical loss experience and forward-looking information.</p>	<p>Our audit procedures in relation to impairment of trade receivables included, amongst others, the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of: <ul style="list-style-type: none"> - the Group's control over the trade receivables' collection process; - how the Group identifies and assesses the impairment of trade receivables; and - how the Group makes the accounting estimates for impairment of trade receivables. • Reviewed the application of the Group's policy for calculating expected credit losses and whether it complies with MFRS 9; • Reviewed the ageing of the trade receivables and tested the reliability thereof; • Reviewed subsequent collections for major customers and overdue amounts; • Made inquiries of management regarding the action plans to recover overdue balances; • Examined other evidences including customer correspondences; and • Assessed the recoverability of balances and the adequacy of impairment loss for significant outstanding balances based on the expected credit loss model applied by the Group.

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF JHM CONSOLIDATION BERHAD
REGISTRATION NO. 200501009101 (686148-A)
(INCORPORATED IN MALAYSIA)

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF JHM CONSOLIDATION BERHAD

REGISTRATION NO. 200501009101 (686148-A)

(INCORPORATED IN MALAYSIA)

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

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

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

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

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

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Grant Thornton Malaysia PLT
AF: 0737
201906003682 (LLP0022494-LCA)
Chartered Accountants

Penang

Date: 26 April 2023

Loo Wei Teng
No. 03487/03/2024 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	NOTE	GROUP			COMPANY		
		2022	(Restated)	(Restated)	2022	(Restated)	(Restated)
		RM	2021	1.1.2021	RM	2021	1.1.2021
			RM	RM		RM	RM
ASSETS							
Non-current assets							
Property, plant and equipment	4	146,031,494	126,802,896	101,104,742	652,863	743,268	693,150
Investment properties	5	-	-	-	28,509,045	29,049,707	29,590,369
Right-of-use assets	6	3,040,674	2,171,519	3,416,609	-	-	-
Investment in subsidiaries	7	-	-	-	103,161,098	81,286,173	48,785,998
Investment in associates	8	-	1,241,378	-	1,500,000	1,550,004	-
Goodwill on consolidation	9	21,531,534	21,531,534	21,531,534	-	-	-
Amount due from subsidiaries	10	-	-	-	8,781,092	19,023,220	14,059,287
		170,603,702	151,747,327	126,052,885	142,604,098	131,652,372	93,128,804
Current assets							
Inventories	11	95,211,505	70,735,058	34,577,575	-	-	-
Trade receivables	12	155,343,066	126,025,810	131,961,448	-	-	-
Other receivables, deposits and prepayments	13	4,091,861	7,909,176	5,791,268	17,463	130,275	2,723,607
Amount due from subsidiaries	10	-	-	-	-	30	25,861,526
Contract costs	14	4,610,913	2,674,539	2,093,758	-	-	-
Tax recoverable		411,107	4,358,895	2,012,128	220,200	143,062	13,980
Cash and bank balances	15	61,941,734	46,619,531	30,745,532	34,805,371	3,981,261	10,252,184
		321,610,186	258,323,009	207,181,709	35,043,034	4,254,628	38,851,297
Non-current assets held for sale	16	-	-	5,096,266	-	-	-
		321,610,186	258,323,009	212,277,975	35,043,034	4,254,628	38,851,297
TOTAL ASSETS		492,213,888	410,070,336	338,330,860	177,647,132	135,907,000	131,980,101
EQUITY AND LIABILITIES							
Equity attributable to owners of the company							
Share capital	17	132,532,586	97,550,900	97,550,900	132,532,586	97,550,900	97,550,900
Capital reserves	18	(276,976)	(276,976)	(276,976)	-	-	-
Retained profits	19	173,906,350	152,252,387	120,669,035	29,210,422	20,323,210	14,456,242
		306,161,960	249,526,311	217,942,959	161,743,008	117,874,110	112,007,142
Non-controlling interests		301,891	311,891	495,731	-	-	-
Total equity		306,463,851	249,838,202	218,438,690	161,743,008	117,874,110	112,007,142
Non-current liabilities							
Borrowings	20	31,207,849	54,247,315	32,737,956	12,892,916	15,188,505	17,494,532
Lease liabilities	6	2,070,075	1,465,628	2,515,428	-	-	-
Deferred tax liabilities	21	5,552,332	4,619,806	2,013,770	593,000	318,000	-
		38,830,256	60,332,749	37,267,154	13,485,916	15,506,505	17,494,532
Current liabilities							
Trade payables	22	59,987,732	53,240,848	32,211,027	-	-	-
Other payables and accruals	23	20,572,212	17,073,433	22,881,628	96,727	219,589	205,364
Borrowings	20	53,747,779	24,433,828	21,999,758	2,321,481	2,306,796	2,273,063
Lease liabilities	6	925,399	571,294	687,077	-	-	-
Contract liabilities	24	4,511,037	2,214,059	3,080,553	-	-	-
Refund liabilities	25	114,912	279,870	196,058	-	-	-
Tax payable		7,060,710	2,086,053	1,568,915	-	-	-
		146,919,781	99,899,385	82,625,016	2,418,208	2,526,385	2,478,427
Total liabilities		185,750,037	160,232,134	119,892,170	15,904,124	18,032,890	19,972,959
TOTAL EQUITY AND LIABILITIES		492,213,888	410,070,336	338,330,860	177,647,132	135,907,000	131,980,101

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	NOTE	GROUP		COMPANY	
		2022 RM	2021 RM	2022 RM	2021 RM
Revenue	26	355,760,894	296,565,025	10,194,623	12,064,317
Cost of sales		<u>(296,463,710)</u>	<u>(241,193,974)</u>	<u>-</u>	<u>-</u>
Gross profit		59,297,184	55,371,051	10,194,623	12,064,317
Other income	27	4,545,932	12,738,667	993,906	-
Administrative expenses		<u>(23,741,935)</u>	<u>(23,259,172)</u>	<u>(1,366,568)</u>	<u>(1,359,015)</u>
Operating profit		40,101,181	44,850,546	9,821,961	10,705,302
Finance costs	28	(3,236,887)	(2,011,333)	(551,158)	(1,545,176)
Finance income	29	312,969	403,734	-	-
Share of results of associates		<u>(811,003)</u>	<u>(308,626)</u>	<u>-</u>	<u>-</u>
Profit before tax	30	36,366,260	42,934,321	9,270,803	9,160,126
Income tax expense	31	<u>(15,347,272)</u>	<u>(8,746,834)</u>	<u>(383,591)</u>	<u>(505,158)</u>
Profit for the financial year, representing total comprehensive income for the financial year		<u>21,018,988</u>	<u>34,187,487</u>	<u>8,887,212</u>	<u>8,654,968</u>
Total comprehensive income attributable to:					
Owners of the Company		21,653,963	34,371,352	8,887,212	8,654,968
Non-controlling interests		<u>(634,975)</u>	<u>(183,865)</u>	<u>-</u>	<u>-</u>
		<u>21,018,988</u>	<u>34,187,487</u>	<u>8,887,212</u>	<u>8,654,968</u>
Earnings per share attributable to owners of the Company (sen)					
- Basic/Diluted	32	<u>3.88</u>	<u>6.16</u>		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

NOTE	Attributable to owners of the Company					Total Equity RM
	Share Capital RM	Capital Reserve RM	Distributable Retained Profits RM	Non-controlling Interests RM	Total RM	
2022						
Balance at beginning, restated	97,550,900	(276,976)	152,252,387	311,891	249,526,311	249,838,202
Total comprehensive income for the financial year	-	-	21,653,963	(634,975)	21,653,963	21,018,988
Transactions with owners of the Company:						
17 Issuance of ordinary shares	35,332,000	-	-	-	35,332,000	35,332,000
17 Issuance of shares to non-controlling interests	-	-	-	624,975	-	624,975
Share issuance expenses	(350,314)	-	-	-	(350,314)	(350,314)
Total transactions with owners of the Company	34,981,686	-	-	624,975	34,981,686	35,606,661
Balance at end	132,532,586	(276,976)	173,906,350	301,891	306,161,960	306,463,851
2021						
Balance at beginning	113,230,900	(15,956,976)	120,669,035	495,731	217,942,959	218,438,690
- As previously stated	(15,680,000)	15,680,000	-	-	-	-
- Effect of reclassification to share capital	97,550,900	(276,976)	120,669,035	495,731	217,942,959	218,438,690
Balance at beginning, restated	-	-	34,371,352	(183,865)	34,371,352	34,187,487
Total comprehensive income for the financial year	-	-	-	25	-	25
Transactions with owners of the Company:						
33 Issuance of shares to non-controlling interests	-	-	(2,788,000)	-	(2,788,000)	(2,788,000)
Dividend	-	-	(2,788,000)	25	(2,788,000)	(2,787,975)
Total transactions with owners of the Company	97,550,900	(276,976)	152,252,387	311,891	249,526,311	249,838,202
Balance at end, restated						

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Share Capital RM	Distributable Retained Profits RM	Total Equity RM
	NOTE			
2022				
Balance at beginning, restated		97,550,900	20,323,210	117,874,110
Total comprehensive income for the financial year		-	8,887,212	8,887,212
<i>Transactions with owners of the Company:</i>				
Issuance of ordinary shares	17	35,332,000	-	35,332,000
Shares issuance expenses	17	(350,314)	-	(350,314)
Total transactions with owners of the Company		34,981,686	-	34,981,686
Balance at end		132,532,586	29,210,422	161,743,008
2021				
Balance at beginning				
- As previously stated		113,230,900	14,456,242	127,687,142
- Effect of reclassification to share capital	42	(15,680,000)	-	(15,680,000)
Balance at beginning, restated		97,550,900	14,456,242	112,007,142
Total comprehensive income for the financial year		-	8,654,968	8,654,968
<i>Transactions with owners of the Company:</i>				
Dividend	33	-	(2,788,000)	(2,788,000)
Balance at end, restated		97,550,900	20,323,210	117,874,110

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

NOTE	GROUP		COMPANY	
	2022 RM	(Restated) 2021 RM	2022 RM	(Restated) 2021 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	36,366,260	42,934,321	9,270,803	9,160,126
Adjustments for:				
Accretion of interest on lease liabilities	118,902	116,158	-	-
Depreciation of:				
- property, plant and equipment	14,315,284	12,453,888	90,405	86,757
- investment properties	-	-	540,662	540,662
- right-of-use assets	931,795	758,134	-	-
Interest expense	3,117,985	1,895,175	551,158	558,110
Interest income	(351,596)	(523,315)	(178,323)	(600,892)
Inventories written off	-	209,495	-	-
Gain on derecognition of right-of-use asset and lease liability	-	(19,285)	-	-
Gain on disposal of non-current assets held for sale	-	(2,744,597)	-	-
Gain on disposal of property, plant and equipment	(195,941)	(118,490)	-	-
Gross dividend income	-	-	(8,300,000)	(10,000,000)
Loss on disposal of investment in an associate	380,371	-	-	-
Property, plant and equipment written off	11,725	2,453	-	-
Rent concession	-	(28,800)	-	-
Reversal of inventories written down	(377,147)	(104,061)	-	-
Share of results of associates	811,003	308,626	-	-
Unrealised loss/(gain) on foreign exchange	620,816	(4,428,952)	-	-
Unwinding discount on financial assets	-	-	(987,066)	987,066
Operating profit before working capital changes	55,749,457	50,710,750	987,639	731,829
Changes in:				
Inventories	(24,099,300)	(36,262,917)	-	-
Receivables	(28,127,614)	7,811,594	112,812	2,593,332
Contract costs	(1,936,374)	(120,301)	-	-
Payables	12,569,258	14,732,840	(122,862)	14,225
Contract liabilities	2,296,978	(406,014)	-	-
Refund liabilities	(164,958)	83,812	-	-
Cash generated from operations	16,287,447	36,549,764	977,589	3,339,386
Income tax paid	(7,011,676)	(7,880,633)	(185,729)	(316,240)
Income tax refunded	1,519,375	147,938	-	-
Interest paid	(3,117,985)	(1,895,175)	(551,158)	(558,110)
Real property gains tax paid	-	(237,732)	-	-
Net cash from operating activities	7,677,161	26,684,162	240,702	2,465,036
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of associates	(750,000)	(1,550,004)	(750,000)	(1,550,004)
Incorporation of subsidiaries	-	-	-	(175)
Gross dividend received	-	-	8,300,000	10,000,000
Interest received	210,438	388,435	178,323	600,892
Net change in subsidiaries' balances	-	-	(10,645,701)	(12,589,503)
Placement of fixed deposits	-	(1,000,000)	-	-
Proceeds from disposal of an associate	800,004	-	800,004	-
Proceeds from disposal of non-current assets held for sale	-	7,840,863	-	-
Proceeds from disposal of property, plant and equipment	237,510	130,000	-	-
Purchase of property, plant and equipment	(25,260,257)	(33,961,727)	-	(136,875)
Net cash (used in)/from investing activities	(24,762,305)	(28,152,433)	(2,117,374)	(3,675,665)

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

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		GROUP		COMPANY	
		(Restated)		(Restated)	
		2021		2021	
NOTE	2022	2021	2022	2021	
	RM	RM	RM	RM	
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	-	(2,788,000)	-	(2,788,000)	
Proceeds from issuance of ordinary shares	35,332,000	-	35,332,000	-	
Proceeds from issuance of ordinary shares to non-controlling interests of a subsidiary	624,975	25	-	-	
Share issuance expense	(350,314)	-	(350,314)	-	
Net changes in short term borrowings	B 9,363,381	19,741,882	-	-	
Repayment of finance lease liabilities	B (9,703,470)	(6,480,570)	-	-	
Drawdown of term loans	B 2,446,200	12,520,299	-	-	
Repayment of term loans	B (5,126,565)	(4,238,524)	(2,280,904)	(2,272,294)	
Repayment of lease liabilities	B (961,300)	(746,700)	-	-	
Net cash from/(used in) financing activities	31,624,907	18,008,412	32,700,782	(5,060,294)	
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
	14,539,763	16,540,141	30,824,110	(6,270,923)	
EFFECT OF FOREIGN EXCHANGE RATE CHANGES					
	(203,769)	2,914	-	-	
CASH AND CASH EQUIVALENTS AT BEGINNING					
	38,348,375	21,805,320	3,981,261	10,252,184	
CASH AND CASH EQUIVALENTS AT END					
	52,684,369	38,348,375	34,805,371	3,981,261	
Cash and cash equivalents represented by:					
Cash and bank balances	61,941,734	46,619,531	34,805,371	3,981,261	
Less: Bank overdraft	(845,051)	-	-	-	
Fixed deposits pledged to licensed banks	(8,412,314)	(8,271,156)	-	-	
	52,684,369	38,348,375	34,805,371	3,981,261	
A. Purchase of property, plant and equipment					
Total acquisition cost	33,597,176	38,166,005	-	136,875	
Acquired under finance lease liabilities	B (8,336,919)	(4,204,278)	-	-	
Total cash acquisition	25,260,257	33,961,727	-	136,875	

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

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

B. Liabilities arising from financing activities

Reconciliation between the opening and closing balances in the statements of financial position for liabilities arising from financing activities of the Group and of the Company is as follows:

	Balance at beginning RM	Cash flows RM	Others ¹ RM	Balance at end RM
GROUP				
2022				
Borrowings excluding bank overdraft	78,681,143	5,316,465	112,969	84,110,577
Lease liabilities	2,036,922	(961,300)	1,919,852	2,995,474
Total liabilities arising from financing activities	<u>80,718,065</u>	<u>4,355,165</u>	<u>2,032,821</u>	<u>87,106,051</u>
2021				
Borrowings excluding bank overdraft	52,933,778	25,747,365	-	78,681,143
Lease liabilities	3,202,505	(746,700)	(418,883)	2,036,922
Total liabilities arising from financing activities	<u>56,136,283</u>	<u>25,000,665</u>	<u>(418,883)</u>	<u>80,718,065</u>
COMPANY				
2022				
Borrowings, representing total liabilities arising from financing activities	<u>17,495,301</u>	<u>(2,280,904)</u>	<u>-</u>	<u>15,214,397</u>
2021				
Borrowings, representing total liabilities arising from financing activities	<u>19,767,595</u>	<u>(2,272,294)</u>	<u>-</u>	<u>17,495,301</u>

¹ Others consist of non-cash movement as follows:

	2022 RM	2021 RM
Accretion of interest on lease liabilities	118,902	116,158
Addition of lease liabilities	1,800,950	-
Rent concession	-	(28,800)
Derecognition of lease liability	-	(506,241)
Unrealised loss on foreign exchange	112,969	-
	<u>2,032,821</u>	<u>(418,883)</u>

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The registered office of the Company is located at 48 Jalan Chow Thye, 10050 George Town, Penang.

The principal place of business of the Company is located at 15-1-21, Bayan Point, Medan Kampung Relau, 11900 Bayan Lepas, Penang.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 April 2023.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the summary of accounting policies as set out in Note 3 to the financial statements.

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

Fair value measurement

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

2. BASIS OF PREPARATION (CONT'D)

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is also the functional currency of the Company and its subsidiaries.

2.4 Adoption of Amendments/Improvements to MFRSs

The accounting policies adopted by the Group and the Company are consistent with those of the previous financial years except for the adoption of the following amendments/improvements to MFRSs that are mandatory for the current financial year.

Effective for annual period beginning on or after 1 April 2021

Amendment to MFRS 16 Leases: Covid-19 - Related Rent Concessions beyond 30 June 2021

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 3 Business Combinations: Reference to the Conceptual Framework

Amendments to MFRS 116 Property, Plant and Equipment: Property, Plant and Equipment - Proceeds before Intended Use

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract

Annual Improvements to MFRS Standards 2018 - 2020

Initial application of the above amendments/improvements to MFRSs did not have any material impact to the financial statements of the Group and of the Company upon adoption.

2.5 Standards Issued But Not Yet Effective

The following are accounting standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company:

Effective for annual periods beginning on or after 1 January 2023

MFRS 17 Insurance Contracts and Amendments to MFRS 17 Insurance Contracts

Amendments to MFRS 17 Insurance Contracts: Initial application of MFRS 17 and MFRS 9 - Comparative Information

Amendments to MFRS 101 Presentation of Financial Statements: Disclosure of Accounting Policies

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

Amendments to MFRS 112 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Effective for annual periods beginning on or after 1 January 2024

Amendments to MFRS 16 Leases: Lease Liability in a Sale and Leaseback

Amendments to MFRS 101 Presentation of Financial Statements: Non-Current Liabilities with Covenants

Effective date yet to be confirmed

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The initial application of the above standard and amendments to MFRSs is not expected to have any material impact to the financial statements of the Group and of the Company upon adoption.

2.6 Significant Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant Accounting Estimates and Judgements (Cont'd)

2.6.1 Judgements made in applying accounting policies

In the process of applying the Group's and the Company's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Determining the lease term of contracts with renewal and termination options - Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group has included the extension options period as part of the lease term for lease of factory buildings as it is reasonably certain that the extension options will be exercised. The periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

2.6.2 Key sources of estimation uncertainty

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

(i) Impairment of property, plant and equipment

The Group performs an impairment review as and when there are impairment indicators to ensure that the carrying amount of the property, plant and equipment does not exceed its recoverable amount. The recoverable amount represents the higher of its fair value less cost to sale or value-in-use. Value-in-use represents present value of the estimated future cash flows expected to arise from operations. Therefore, in arriving at the recoverable amount, the management exercises judgement in determining the assumptions used in the fair value less cost to sale and value-in-use.

The carrying amount of the Group's property, plant and equipment at the end of the reporting period is disclosed in Note 4 to the financial statements.

(ii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in assumptions are disclosed in Note 9 to the financial statements.

(iii) Inventories

The management reviews for damage, slow-moving and obsolete inventories. This review requires judgements and estimates. Possible changes in these estimates could result in revision to the valuation of inventories.

The carrying amount of the Group's inventories as at the end of the reporting period is disclosed in Note 11 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant Accounting Estimates and Judgements (Cont'd)

2.6.2 Key sources of estimation uncertainty (Cont'd)

(iv) Impairment in investment in subsidiaries and associates

Investment in subsidiaries and associates are tested for impairment whenever there is objective evidence or indication that these assets may be impaired. Judgment is required to determine if any such indication exists, based on the evaluation of both internal and external sources of information. If any such indication exists, management assesses the recoverable amount of the investment in subsidiaries and associates based on the fair value less cost to sell which approximates the extent of the net assets held by the subsidiaries and associates at the end of the reporting period. If the recoverable amount of the investment in subsidiaries and associates is less than its carrying amount, an impairment loss is recognised in profit or loss to reduce the carrying amount of the investment in subsidiaries and associates.

(v) Provision for expected credit loss ("ECL") of receivables

The Group uses a provision matrix to calculate ECL for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

The information about the ECL on the Group's trade receivables is disclosed in Note 37.3.1 to the financial statements.

(vi) Estimating variable consideration for returns and volume rebates

The Group estimates variable consideration to be included in the transaction price for the sales of mechanical components with rights of return and volume rebates.

The Group developed a statistical model for forecasting sales returns. The model used the historical return data to come up with the expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining a customer's rebate entitlement is dependent upon the customer's historical rebates entitlement and accumulated purchases to date.

(vii) Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. ACCOUNTING POLICIES

The following accounting policies adopted by the Group and by the Company are consistent with those adopted in the previous financial years unless otherwise indicated below.

3.1 Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Investment in subsidiaries is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

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

(ii) Basis of consolidation

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

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

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

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

(iii) Business combination

Business combinations are accounted for using the acquisition method from the acquisition date which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interest in the acquiree, plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less
- the net recognised amount at fair value of the identifiable assets acquired and liabilities assumed.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D)

3.1 Basis of Consolidation (Cont'd)

(iii) Business combination (Cont'd)

When the excess is negative, a bargain purchase gain is recognised in profit or loss.

For each business combination, the Group elects whether to recognise non-controlling interest in the acquiree at fair value, or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iv) Acquisition of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserve.

(v) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as fair value through other comprehensive income depending on the level of influence retained.

(vi) Non-controlling interests

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

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) Associate

An associate is defined as one in which the Company has significant influence, but not control, over the financial and operating policies.

Investment in an associate is accounted for in the consolidated financial statements by the equity method of accounting based on audited financial statements of the associate, where appropriate. Under the equity method of accounting, the Group's share of profits and losses of the associate during the year is included in the profit or loss. The Group's interest in associate is carried in the statements of financial position at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves as well as goodwill on acquisition. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in the associate. When there has been a change in the equity of an associate, the Group recognises its share of any changes and disclose when applicable, in the statements of changes in equity.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investment is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D)

3.1 Basis of Consolidation (Cont'd)

(vii) Associate (Cont'd)

The equity method of accounting is discontinued when the Group's share of losses of the associate exceeds the carrying amount of investment, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

In the Company's separate financial statements, investment in an associate is stated at cost less any accumulated impairment losses.

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

(viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised profits arising on transactions between the Group and its associate which are included in the carrying amount of the related assets and liabilities are eliminated to the extent of the Group's interest in the associate. Unrealised losses on such transactions are also eliminated unless cost cannot be recovered.

3.2 Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses.

Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

3.3 Property, Plant and Equipment

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

Property, plant and equipment are depreciated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

Categories	Years
Leasehold land	30 to 60
Freehold office lot	50
Buildings	50
Plant and machinery	3 to 10
Office equipment, furniture and fittings	5 to 10
Electrical installation	10
Renovation	10
Motor vehicles	5

Freehold land is not depreciated as it has an infinite life.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D)

3.3 Property, Plant and Equipment (Cont'd)

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

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

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

3.4 Investment Properties

Investment properties are properties which are owned or right-of-use asset held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost, including transaction costs. Cost includes expenditures that are directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Investment properties are depreciated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

Categories	Years
Leasehold land	24
Buildings	50

Freehold land is not depreciated as it has an infinite life.

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained profits; the transfer is not made through profit or loss.

3.5 Leases

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D)

3.5 Leases (Cont'd)

As a lessee

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

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets of factory buildings are depreciated on a straight-line basis over their lease term of 2 to 6 years.

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

The right-of-use assets are also subject to impairment.

(ii) Lease liabilities

At the commencement date of the lease, lease liabilities are recognised and measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

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

(iii) Short term leases and leases of low-value assets

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

As a lessor

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D)

3.6 Impairment of Non-Financial Assets

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

Goodwill is tested for impairment annually as at the end of each reporting period, and when circumstances indicate that the carrying amount maybe impaired.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGU to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset of CGU is the greater of its value in use and its fair value less costs of disposal. To compute value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

Impairment loss recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (groups of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

3.7 Financial Instruments

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

3.7.1 Financial assets

(i) Initial recognition and measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D)

3.7 Financial Instruments (Cont'd)

3.7.1 Financial assets (Cont'd)

(i) Initial recognition and measurement (Cont'd)

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at AC are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

(ii) Subsequent measurement

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

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

The Group and the Company do not have any financial assets measured at FVOCI and FVTPL as at the end of the reporting period.

Financial assets at amortised cost

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

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's and the Company's statements of financial position) when:

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

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, it evaluates if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D)

3.7 Financial Instruments (Cont'd)

3.7.1 Financial assets (Cont'd)

(iv) Impairment

The Group and the Company recognise allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets, and lease receivables. ECLs are a probability-weighted estimate of credit losses.

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

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

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

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

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

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

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

3.7.2 Financial liabilities

(i) Initial recognition and measurement

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

The Group's and the Company's financial liabilities include trade and other payables and accruals and borrowings.

(ii) Subsequent measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D)

3.7 Financial Instruments (Cont'd)

3.7.2 Financial liabilities (Cont'd)

(ii) Subsequent measurement (Cont'd)

The Group and the Company do not have any financial liabilities measured at fair value through profit or loss as at the end of the reporting period.

Financial liabilities at amortised cost

This is the category most relevant to the Group and to the Company. After initial recognition, trade and other payables and interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statements of comprehensive income.

(iii) Derecognition

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

3.7.3 Offsetting of financial instruments

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

3.7.4 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss if incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in statements of comprehensive income over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

3.8 Inventories

Inventories comprise raw materials, work-in-progress, finished goods and consumables and are stated at the lower of cost and net realisable value.

Cost of raw material and consumables is determined on the first-in, first-out basis.

Cost of work-in-progress and finished goods includes materials, direct labour and attributable production overheads.

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

3.9 Cash and Cash Equivalents

Cash comprises cash in hand, cash at bank and demand deposits. Cash equivalents are short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted and net of fixed deposit pledged.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D)

3.10 Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

3.11 Borrowing Costs

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

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

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

3.12 Revenue Recognition

Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods. The Group and the Company have generally concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

The performance obligations to recognise revenue are as follows:

3.12.1 Sales of electronic components

Revenue from sales of electronic components encompasses manufacturing and assembling of electronic components and is recognised at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

3.12.2 Sales of mechanical components

Revenue from sales of mechanical components encompasses the design and manufacturing of precision miniature engineering metal parts and components, precision mechanical parts, die casting and assembling and dealing of testing measuring equipment and is recognised at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained only to the extent that it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Contracts for the manufacturing, assembling and dealing of testing measuring equipment provide customers with volume rebates. The volume rebates give rise to variable consideration.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D)

3.12 Revenue Recognition (Cont'd)

3.12.2 Sales of mechanical components (Cont'd)

Rights of return

Certain contracts provide the customers with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in MFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Volume rebates

The Group provides retrospective volume rebates to certain customers as specified in its sales contract with its customers. Rebates are offset against future amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold. The Group then applies the requirements on constraining the estimates of variable consideration and recognises a refund liability for the expected future rebates.

3.12.3 Interest income

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

3.12.4 Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

3.12.5 Rental income

Rental income is recognised on a straight-line basis over the lease terms.

3.12.6 Contract balances

This refers to the closing balances of the trade receivables and contract liabilities as at the end of the reporting period.

Trade receivables

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

Contract liabilities

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

3.12.7 Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D)

3.12 Revenue Recognition (Cont'd)

3.12.8 Contract costs

Costs to fulfil a contract

The Group recognises a contract cost that relates directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group, will be used in satisfying performance obligations in the future and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the assets relate. An impairment loss is recognised in the profit or loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contracts cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

3.13 Employee Benefits

Short term benefits

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

Defined contribution plans

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense as incurred.

3.14 Income Tax

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

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

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

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D)

3.15 Foreign Currency Translations

Transactions in foreign currencies are translated to the functional currency of the respective entities within the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities measured at historical cost in a foreign currency at the end of the reporting period are translated to the functional currency at the exchange rate at the date of the transaction except for those measured at fair value shall be translated at the exchange rate at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

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

3.16 Share Capital, Share Issuance Costs and Dividends

Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Share issuance costs

Incremental external costs directly attributable to the issuance of new shares are deducted against equity.

Dividends

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained profits and recognised as a liability in the period in which they are declared and approved.

3.17 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly by the chief operating decision maker, which in this case are the Executive Directors of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.18 Contingencies

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

3.19 Related Parties

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

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) Has control or joint control over the Group.
- (ii) Has significant influence over the Group.
- (iii) Is a member of the key management personnel of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D)

3.19 Related Parties (Cont'd)

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

4. PROPERTY, PLANT AND EQUIPMENT

GROUP

2022

At cost

Balance at beginning	8,576,720	6,015,240	687,389	19,851,535	113,993,487	15,622,493	3,860,727	17,698,041	5,716,922	24,373,286	216,395,840
Additions	-	-	-	-	10,402,942	2,124,341	647,858	2,778,753	2,313,516	15,329,766	33,597,176
Disposals	-	-	-	-	(381,287)	(7,500)	-	-	(646,651)	-	(1,035,438)
Write offs	-	-	-	-	(12,620)	(12,189)	-	(7,650)	-	-	(32,459)
Reclassification	-	21,562,200	-	-	3,811,173	-	-	112,904	-	(25,486,277)	-

Balance at end

	8,576,720	27,577,440	687,389	19,851,535	127,813,695	17,727,145	4,508,585	20,582,048	7,383,787	14,216,775	248,925,119
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Accumulated depreciation

Balance at beginning	-	648,714	177,675	1,326,596	65,580,227	8,203,165	1,962,958	7,509,718	4,183,891	-	89,592,944
Current charge	-	320,329	13,748	458,247	8,657,965	1,973,607	313,772	1,741,910	835,706	-	14,315,284
Disposals	-	-	-	-	(381,286)	(6,187)	-	-	(606,396)	-	(993,869)
Write offs	-	-	-	-	(6,473)	(12,130)	-	(2,131)	-	-	(20,734)

Balance at end

	-	969,043	191,423	1,784,843	73,850,433	10,158,455	2,276,730	9,249,497	4,413,201	-	102,893,625
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Carrying amount

	8,576,720	26,608,397	495,966	18,066,692	53,963,262	7,568,690	2,231,855	11,332,551	2,970,586	14,216,775	146,031,494
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

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

GROUP (CONT'D)

	Freehold land	Leasehold land	Freehold office lot	Buildings	Plant and machinery	Office equipment, furniture and fittings	Electrical installation	Renovation	Motor vehicles	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
2021											
At cost											
Balance at beginning	8,576,720	6,015,240	687,389	19,851,535	106,154,612	12,662,195	3,335,481	15,457,498	5,412,202	332,228	178,485,100
Additions	-	-	-	-	7,497,279	1,856,633	525,246	2,166,495	541,160	25,579,192	38,166,005
Disposals	-	-	-	-	-	(4,800)	-	-	(236,180)	-	(240,980)
Write offs	-	-	-	-	(11,025)	(3,000)	-	-	(260)	-	(14,285)
Reclassification	-	-	-	-	352,621	1,111,465	-	74,048	-	(1,538,134)	-
Balance at end	8,576,720	6,015,240	687,389	19,851,535	113,993,487	15,622,493	3,860,727	17,698,041	5,716,922	24,373,286	216,395,840
Accumulated depreciation											
Balance at beginning	-	404,574	163,927	891,487	57,927,830	6,517,088	1,699,856	6,035,033	3,740,563	-	77,380,358
Current charge	-	244,140	13,748	435,109	7,663,419	1,688,787	263,102	1,474,685	670,898	-	12,453,888
Disposals	-	-	-	-	-	(2,160)	-	-	(227,310)	-	(229,470)
Write offs	-	-	-	-	(11,022)	(550)	-	-	(260)	-	(11,832)
Balance at end	-	648,714	177,675	1,326,596	65,580,227	8,203,165	1,962,958	7,509,718	4,183,891	-	89,592,944
Carrying amount	8,576,720	5,366,526	509,714	18,524,939	48,413,260	7,419,328	1,897,769	10,188,323	1,533,031	24,373,286	126,802,896

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

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

COMPANY

	Freehold land RM	Leasehold land RM	Buildings RM	Office equipment, furniture and fittings RM	Electrical installation RM	Renovation RM	Capital work- in-progress RM	Total RM
2022								
At cost								
Balance at beginning, restated/end	-	-	-	50,172	90,000	723,700	4,953	868,825
Accumulated depreciation								
Balance at beginning, restated	-	-	-	10,252	6,750	108,555	-	125,557
Current charge	-	-	-	9,035	9,000	72,370	-	90,405
Balance at end	-	-	-	19,287	15,750	180,925	-	215,962
Carrying amount	-	-	-	30,885	74,250	542,775	4,953	652,863
2021								
At cost								
Balance at beginning								
- As previously stated	8,576,720	4,785,240	16,831,535	8,250	-	723,700	-	30,925,445
- Effect of reclassification to investment properties (Note 42)	(8,576,720)	(4,785,240)	(16,831,535)	-	-	-	-	(30,193,495)
Balance at beginning, restated	-	-	-	8,250	-	723,700	-	731,950
Additions	-	-	-	41,922	90,000	-	4,953	136,875
Balance at end, restated	-	-	-	50,172	90,000	723,700	4,953	868,825
Accumulated depreciation								
Balance at beginning								
- As previously stated	-	204,031	399,095	2,615	-	36,185	-	641,926
- Effect of reclassification to investment properties (Note 42)	-	(204,031)	(399,095)	-	-	-	-	(603,126)
Balance at beginning, restated	-	-	-	2,615	-	36,185	-	38,800
Current charge	-	-	-	7,637	6,750	72,370	-	86,757
Balance at end, restated	-	-	-	10,252	6,750	108,555	-	125,557
Carrying amount	-	-	-	39,920	83,250	615,145	4,953	743,268

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

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

- (i) The carrying amount of property, plant and equipment which are pledged to licensed banks as securities for banking facilities granted to the Company and certain subsidiaries as disclosed in Note 20 to the financial statements are as follows:

	GROUP	
	2022	2021
	RM	RM
Freehold land, leasehold land, freehold office lot and buildings	53,747,775	32,977,899
Plant and machinery	8,058,880	9,662,494
	61,806,655	42,640,393

- (ii) The carrying amount of leased assets which are pledged as securities for the finance lease liabilities as disclosed in Note 20 to the financial statements are as follows:

	GROUP	
	2022	2021
	RM	RM
Plant and machinery	24,900,085	23,878,337
Motor vehicles	2,748,893	1,264,522
	27,648,978	25,142,859

- (iii) The information of right-of-use assets which are included in the property, plant and equipment is as follows:

GROUP

	Carrying Amount RM	Current Depreciation RM	Reclassification RM
2022			
Leasehold land	26,608,397	320,329	21,562,200
2021			
Leasehold land	5,366,526	244,140	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

5. INVESTMENT PROPERTIES

COMPANY

	Freehold land RM	Leasehold land RM	Buildings RM	Total RM
2022				
At cost				
Balance at beginning, restated/end	<u>8,576,720</u>	<u>4,785,240</u>	<u>16,831,535</u>	<u>30,193,495</u>
Accumulated depreciation				
Balance at beginning, restated	-	408,062	735,726	1,143,788
Current charge	-	204,032	336,630	540,662
Balance at end	<u>-</u>	<u>612,094</u>	<u>1,072,356</u>	<u>1,684,450</u>
Carrying amount	<u>8,576,720</u>	<u>4,173,146</u>	<u>15,759,179</u>	<u>28,509,045</u>
2021				
At cost				
Balance at beginning				
- As previously stated	-	-	-	-
- Effect of reclassification from property, plant and equipment (Note 42)	8,576,720	4,785,240	16,831,535	30,193,495
Balance at beginning, restated/end	<u>8,576,720</u>	<u>4,785,240</u>	<u>16,831,535</u>	<u>30,193,495</u>
Accumulated depreciation				
Balance at beginning				
- As previously stated	-	-	-	-
- Effect of reclassification from property, plant and equipment (Note 42)	-	204,031	399,095	603,126
Balance at beginning, restated	-	204,031	399,095	603,126
Current charge	-	204,031	336,631	540,662
Balance at end, restated	<u>-</u>	<u>408,062</u>	<u>735,726</u>	<u>1,143,788</u>
Carrying amount	<u>8,576,720</u>	<u>4,377,178</u>	<u>16,095,809</u>	<u>29,049,707</u>

- (i) The investment properties have an open market value of approximately **RM29,200,000** (2021: RM29,200,000). The valuations are performed by independent professional valuers using the market comparison approach. The appraised values were derived from observable prices per square foot for comparable properties in similar locations (i.e. Level 3). Please refer to Note 2.2 to the financial statements for definition of Level 1 to 3 of the fair value hierarchy.
- (ii) The entire investment properties are pledged to licensed banks as securities for banking facilities granted to the Company as disclosed in Note 20 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

5. INVESTMENT PROPERTIES (CONT'D)

(iii) Company as lessor

The Company has entered into operating leases on its investment properties. These leases have terms of between two to three years.

The following are recognised in profit or loss in respect of investment properties:

	COMPANY	
	2022	2021
	RM	RM
Rental income from income generating properties	1,716,300	1,463,425
Direct operating expenses	<u>100,230</u>	<u>100,310</u>

Future minimum rental receivables under non-cancellable operating leases are as follows:

	COMPANY	
	2022	2021
	RM	RM
Within one year	361,250	1,009,500
More than one year and less than five years	<u>-</u>	<u>361,250</u>
	<u>361,250</u>	<u>1,370,750</u>

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Group as a lessee

The Group has lease contracts for factory buildings used in its operations that have lease terms between 2 to 3 years, with an option to renew the lease for another 3 years. The lease contracts restrict the Group from assigning and subleasing the leased assets.

The Group also has certain leases of hostels with lease terms of 12 months or less and leases of low-value assets such as office equipment. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Right-of-use assets

Set out below are the carrying amount of right-of-use assets recognised and the movements during the financial year:

	Factory buildings	
	2022	2021
	RM	RM
Balance at beginning	2,171,519	3,416,609
Additions	1,800,950	-
Depreciation	(931,795)	(758,134)
Derecognition	<u>-</u>	<u>(486,956)</u>
Balance at end	<u>3,040,674</u>	<u>2,171,519</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)

Lease liabilities

Set out below are the carrying amount of lease liabilities recognised and the movements during the financial year:

	Factory buildings	
	2022	2021
	RM	RM
Balance at beginning	2,036,922	3,202,505
Additions	1,800,950	-
Accretion of interest	118,902	116,158
Derecognition	-	(506,241)
Payments	(961,300)	(746,700)
* Rent concession	-	(28,800)
Balance at end	2,995,474	2,036,922
Represented by:		
Non-current liabilities	2,070,075	1,465,628
Current liabilities	925,399	571,294
	2,995,474	2,036,922

The maturity analysis of lease liabilities is disclosed in Note 37.4 to the financial statements.

The followings are the amounts recognised in profit or loss:

	GROUP	
	2022	2021
	RM	RM
Accretion of interest on lease liabilities	118,902	116,158
Depreciation expense of right-of-use assets	931,795	758,134
Expenses relating to leases of low value assets	20,600	19,532
Expenses relating to short-term leases	853,739	822,019
Gain on derecognition of right-of-use asset and lease liability	-	(19,285)
* Rent concession	-	(28,800)
Total amount recognised in profit or loss	1,925,036	1,667,758

* Rent concession was in relation to the rental expenses waived by the landlord in the previous financial year.

The total cash outflows for leases during the financial year are **RM1,835,639** (2021: RM1,588,251).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

7. INVESTMENT IN SUBSIDIARIES

		COMPANY	
	2022	(Restated)	(Restated)
	RM	2021	1.1.2021
		RM	RM
Unquoted shares, at cost	103,161,098	81,286,173	48,785,998

Details of the subsidiaries, which are all incorporated and principal place of business in Malaysia, are as follows:

Name of Companies	Effective		Principal Activities
	Equity Interest		
	2022	2021	
Morrissey Technology Sdn. Bhd.	100%	100%	Design and manufacturing of precision miniature engineering metal parts and components.
JH Morrissey Sdn. Bhd.	100%	100%	International procurement office and research and development centre.
Morrissey Assembly Solution Sdn. Bhd. ("MASSB")	100%	100%	Manufacturing and assembling of electronic components.
Morrissey Aerosystems Sdn. Bhd.	80%	80%	Manufacturing of machined metal parts, secondary processes, sub-assemblies and assembly of LED lighting for aerospace industry. Currently, the company has not commenced operations.
Morrissey Integrated Dynamics Sdn. Bhd. ("MIDSB")	100%	100%	Manufacturing of precision mechanical parts, die casting, moulding of precision plastic lenses and modular assembly.
Mace Instrumentation Sdn. Bhd.	100%	100%	Manufacturing, assembling and dealing of testing measuring equipment.
Mace Hermetic Components Sdn. Bhd. ("MHCSB")	75%	75%	Design and manufacture of mechanical parts, electronic and electrical component and semiconductor module assembly.
JHM Dekai Auto Lighting Sdn. Bhd. ("JDALSB")	100%	100%	Manufacturing and module assembling for electronics and electrical components.

7.1 Subscription of ordinary shares in subsidiaries

2022

During the financial year, the Company has subscribed additional 1,874,925 and 20,000,000 ordinary shares in MHCSB and MIDSB respectively for a total consideration of RM1,874,925 and RM20,000,000 respectively by way of converting amount due from MHCSB and MIDSB respectively.

2021

During the financial year, the Company has subscribed additional 25,000,000 and 7,500,000 ordinary shares in MASSB and MIDSB for a total consideration of RM25,000,000 and RM7,500,000 respectively by way of converting amount due from MASSB and MIDSB respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

7.2 Incorporation of new subsidiaries

2021

- (i) On 4 February 2021, the Company incorporated a 75% owned subsidiary, MHCSB, with an issued and paid-up share capital of RM75 comprising 75 ordinary shares. The remaining RM25 comprising 25 ordinary shares were subscribed by third party individuals.
- (ii) On 18 August 2021, the Company incorporated a wholly-owned subsidiary, JDALSB with an issued and paid-up share capital of RM100 comprising 100 ordinary shares.

7.3 Subsidiaries with material non-controlling interests

Summarised financial information of non-controlling interests has not been included as the non-controlling interests of the subsidiaries are not individually material to the Group.

8. INVESTMENT IN ASSOCIATES

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Unquoted shares, at cost	1,550,000	1,550,004	1,500,000	1,550,004
Share of post-acquisition reserves	(1,550,000)	(308,626)	-	-
	-	1,241,378	1,500,000	1,550,004

Details of the associates, which are all incorporated and principal place of business in Malaysia, are as follows:

Name of Companies	Effective Equity Interest		Principal Activities
	2022	2021	
Mass Precision Sdn. Bhd. ("MPSB")	30%	30%	Designing and engineering, fabrication, precision machining, assembly, painting, stamping and metal finishing.
* Skywooo Manufacturing Sdn. Bhd. ("SMSB")	-	40%	Manufacturing, sales, distribution and retail sale of all parts, components, tools, electrical, electronic accessories for motor vehicles.

* Not audited by Grant Thornton Malaysia PLT

The Group's share of the associates' current year loss and accumulated losses amounting to **RM464,716** and **RM464,716** (2021: RM Nil and RM Nil) respectively have not been recognised in the Group's comprehensive income as equity accounting has ceased when the Group's share of losses of these associates exceeded the carrying amount of its investment in associates.

2022

- (i) On 18 May 2022, the Company has disposed of 66,667 ordinary shares, representing 40% equity interest in SMSB for a total cash consideration of RM800,004.
- (ii) On 26 July 2022, the Company has subscribed additional 750,000 ordinary shares in MPSB for a total cash consideration of RM750,000. No changes in the equity interest subsequent to the subscription of additional ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

8. INVESTMENT IN ASSOCIATES (CONT'D)

2021

- (i) On 10 February 2021, the Company had subscribed 3 ordinary shares, representing 30% equity interest in MPSB for a total cash consideration of RM3. Subsequently on 14 September 2021, the Company had subscribed additional 749,997 ordinary shares in MPSB for a total cash consideration of RM749,997.
- (ii) On 1 July 2021, the Company had subscribed 66,667 ordinary shares, representing 40% equity interest in SMSB for a total cash consideration of RM800,004.

The following table summarises the financial information of MPSB and SMSB, reconciles the information to the carrying amount of the Group's interest in the associates, which is accounted for using the equity method.

GROUP

	MPSB RM	SMSB RM	Total RM
As at 31 December 2022			
Assets and liabilities			
Non-current assets	16,223,379	-	16,223,379
Current assets	5,125,461	-	5,125,461
Non-current liabilities	(4,592,256)	-	(4,592,256)
Current liabilities	(18,305,637)	-	(18,305,637)
Net liabilities	(1,549,053)	-	(1,549,053)
Reconciliation of net liabilities to carrying amount			
Group's share of net (liabilities)/assets	(464,716)	695,218	230,502
Goodwill	-	485,157	485,157
Proceeds from disposal	-	(800,004)	(800,004)
Loss on disposal	-	(380,371)	(380,371)
Carrying amount in the statements of financial position	(464,716)	-	(464,716)
As at 31 December 2021			
Assets and liabilities			
Non-current assets	12,229,685	126,084	12,355,769
Current assets	2,774,289	4,408,154	7,182,443
Non-current liabilities	(5,686,993)	-	(5,686,993)
Current liabilities	(7,902,241)	(3,704,742)	(11,606,983)
Net assets	1,414,740	829,496	2,244,236
Reconciliation of net assets to carrying amount			
Group's share of net assets	424,422	331,799	756,221
Goodwill	-	485,157	485,157
Carrying amount in the statements of financial position	424,422	816,956	1,241,378
Year ended 31 December 2022			
Results			
Revenue	2,382,612	3,162,569	5,545,181
Loss for the year, representing total comprehensive loss for the year	(5,463,793)	908,547	(4,555,246)
Group's share of total comprehensive loss	(1,174,422)	363,419	(811,003)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

8. INVESTMENT IN ASSOCIATES (CONT'D)

	MPSB RM	SMSB RM	Total RM
Year ended 31 December 2021			
Results			
Revenue	-	2,925,035	2,925,035
Loss for the year, representing total comprehensive loss for the year	(1,085,260)	42,381	(1,042,879)
Group's share of total comprehensive loss	(325,578)	16,952	(308,626)

Contingent liabilities and capital commitments

The associates have no contingent liabilities or capital commitments as at the end of the reporting period.

9. GOODWILL ON CONSOLIDATION

The goodwill is allocated to the Group's subsidiary, Mace Instrumentation Sdn. Bhd. as the cash-generating unit ("CGU").

For annual impairment testing purposes, the recoverable amount of the CGU are determined based on their value-in-use, which apply a discounted cash flow model using cash flow projections based on approved financial budget and projections covering a five (5)-year period.

Key assumptions used in value-in-use calculations

The key assumptions on which the management has based on for the computation of value-in-use are as follows:

(i) Cash flow projections and growth rate

The 5-year cash flow projections are prepared based on management's past experience. The revenue for the first year of the 5-year cash flow projections is prepared based on the most recent approved financial budget by the Board of Directors and a **6.80%** (2021: 11.00%) annual growth rate is applied.

(ii) Discount rate

The pre-tax discount rate of **7.65%** (2021: 9.03%) is applied to the cash flow projections, which is based on the weighted average cost of capital of the Group for the financial year.

Sensitivity to changes in key assumptions

The management believes that any reasonable change in the key assumptions would not cause the recoverable amounts of the CGU to differ materially from their carrying amounts.

10. AMOUNT DUE FROM SUBSIDIARIES

	COMPANY	
	2022 RM	2021 RM
Non-current:		
Interest bearing at 3.67% (2021: 2.55%) per annum	7,314,311	17,977,149
Non-interest bearing	1,466,781	1,046,071
	8,781,092	19,023,220
Current:		
Non-interest bearing	-	30

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

10. AMOUNT DUE FROM SUBSIDIARIES (CONT'D)

The amount due from subsidiaries is non-trade related, unsecured and classified based on the expected timing of realisation.

11. INVENTORIES

	GROUP	
	2022	2021
	RM	RM
At cost		
Raw materials	67,336,593	44,392,050
Work-in-progress	6,761,765	7,912,637
Finished goods	11,352,381	7,083,485
Consumables	469,627	513,708
Goods-in-transits	9,291,139	10,833,178
	95,211,505	70,735,058
Cost of inventories recognised in profit or loss:		
Inventories recognised as cost of sales	296,840,857	241,088,540
Inventories written off	-	209,495
Reversal of inventories written down	(377,147)	(104,061)

The reversal of inventories written down was made during the financial year when the related inventories were sold above their carrying amounts.

12. TRADE RECEIVABLES

The currency profile of trade receivables is as follows:

	GROUP		
	2022	(Restated)	(Restated)
	RM	2021	1.1.2021
		RM	RM
Ringgit Malaysia	10,064,802	18,801,362	16,953,431
United States Dollar	145,278,264	107,224,448	115,008,017
	155,343,066	126,025,810	131,961,448

The trade receivables are non-interest bearing and generally on **30 to 150 days** (2021: 30 to 150 days; 1.1.2021: 30 to 150 days) credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2022	2021	2022	2021
	RM	RM	RM	RM
Other receivables	79,566	90,962	-	-
Refundable deposits	1,507,871	1,341,636	1,000	1,000
Non-refundable deposit	-	100,000	-	-
Deposits for purchase of machinery	533,432	4,389,259	-	-
Prepayments	1,970,992	1,987,319	16,463	129,275
	4,091,861	7,909,176	17,463	130,275

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

The currency profile of other receivables, deposits and prepayments is as follows:

	GROUP		COMPANY	
	2022	2021	2022	2021
	RM	RM	RM	RM
Ringgit Malaysia	3,097,581	5,006,698	17,463	130,275
United States Dollar	716,438	2,472,805	-	-
Euro	277,842	429,673	-	-
	4,091,861	7,909,176	17,463	130,275

14. CONTRACT COSTS

	2022	GROUP (Restated)	COMPANY (Restated)
	RM	2021 RM	1.1.2021 RM
Cost to fulfill contract			
- Manufacture of tooling	4,610,913	2,674,539	2,093,758

Cost to fulfill contract in relation to the manufacture of tooling comprises costs incurred to manufacture tooling which the related tooling sales has yet to be recognised as revenue.

These costs are amortised to profit or loss when the related tooling sales is recognised. During the financial year, the amount of amortisation is **RM2,471,696** (2021: RM2,407,040).

15. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2022	2021	2022	2021
	RM	RM	RM	RM
Unencumbered:				
Short term money market deposit	20,707,205	691,428	18,141,994	127,561
Short term funds with licensed financial institutions	-	16,582,887	-	3,844,962
Cash in hand and at banks	32,822,215	21,074,060	16,663,377	8,738
	53,529,420	38,348,375	34,805,371	3,981,261
Encumbered:				
Fixed deposits with licensed banks	8,412,314	8,271,156	-	-
	61,941,734	46,619,531	34,805,371	3,981,261

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

15. CASH AND BANK BALANCES (CONT'D)

The currency profile of cash and bank balances is as follows:

	GROUP		COMPANY	
	2022	2021	2022	2021
	RM	RM	RM	RM
Ringgit Malaysia	52,928,216	40,328,332	34,805,371	3,981,261
United States Dollar	9,013,283	6,290,963	-	-
Others	235	236	-	-
	61,941,734	46,619,531	34,805,371	3,981,261

Short term funds with licensed financial institutions of the Group and of the Company are primarily invested in a mixture of money market instruments with different maturity period.

The encumbered fixed deposits are pledged to licensed banks for banking facilities granted to certain subsidiaries as disclosed in Note 20 to the financial statements.

The effective interest rate per annum and maturity of the short term money market deposit of the Group and of the Company as at the end of the reporting period are **2.70%** (2021: 1.70%) per annum and **1 day** (2021: 1 day) respectively.

The effective interest rate per annum and maturity of the fixed deposits with licensed banks of the Group as at the end of the reporting period are **1.55% to 2.25%** (2021: 1.55% to 1.85%) per annum and **12 months** (2021: 12 months) respectively.

16. NON-CURRENT ASSETS HELD FOR SALE

In the previous financial year, the Group had entered into two Sale and Purchase Agreements to dispose of two of its leasehold land for a cash consideration of RM3,959,827 and RM3,881,036 respectively. Consequently, these leasehold land are reclassified to non-current assets held for sale. On 3 April 2021 and 11 May 2021 respectively, the sales of these leasehold land have been completed.

17. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2022	2021	2022	(Restated) 2021
			RM	RM
Issued and fully paid with no par value:				
Balance at beginning				
- As previously stated	557,600,000	557,600,000	97,550,900	113,230,900
- Effect of reclassification (Note 42)	-	-	-	(15,680,000)
Balance at beginning, restated	557,600,000	557,600,000	97,550,900	97,550,900
Issuance of ordinary shares pursuant to private placement	48,400,000	-	35,332,000	-
Shares issuance expenses	-	-	(350,314)	-
Balance at end	606,000,000	557,600,000	132,532,586	97,550,900

During the financial year, the Company has issued 48,400,000 new ordinary shares at an issue price of RM0.73 per ordinary share pursuant to a private placement for cash.

The new ordinary shares rank *pari passu* in all respects with the existing ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

18. CAPITAL RESERVE

	2022 RM	GROUP (Restated) 2021 RM	(Restated) 1.1.2021 RM
Premium paid to non-controlling interests to acquire additional equity interest in an existing subsidiary	276,976	276,976	276,976

19. RETAINED PROFITS

COMPANY

The franking of dividends of the Company is under the single tier system and therefore, there is no restrictions on the Company to distribute dividends subject to the availability of retained profits.

20. BORROWINGS

	2022 RM	GROUP 2021 RM	COMPANY 2022 RM	2021 RM
Non-current liabilities				
Secured:				
<u>Finance lease liabilities</u>				
Minimum payments:				
Within one year	7,202,563	7,071,090	-	-
More than one year and less than two years	4,467,146	6,104,816	-	-
More than two years and less than five years	5,392,130	5,728,893	-	-
More than five years	346,708	-	-	-
	17,408,547	18,904,799	-	-
Future finance charges	(1,330,154)	(1,459,855)	-	-
	16,078,393	17,444,944	-	-
Amount due within one year included under current liabilities	(6,547,182)	(6,319,173)	-	-
	9,531,211	11,125,771	-	-
<u>Term loans</u>				
Total amount repayable	27,743,728	30,311,124	15,214,397	17,495,301
Amount due within one year included under current liabilities	(6,067,090)	(5,296,376)	(2,321,481)	(2,306,796)
	21,676,638	25,014,748	12,892,916	15,188,505
<u>Revolving credit</u>				
Total amount repayable	-	19,014,479	-	-
Amount due within one year included under current liabilities	-	(907,683)	-	-
	-	18,106,796	-	-
	31,207,849	54,247,315	12,892,916	15,188,505

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

20. BORROWINGS (CONT'D)

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Current liabilities				
Secured:				
Bank overdraft	845,051	-	-	-
Bankers' acceptance	21,105,532	11,910,596	-	-
Finance lease liabilities	6,547,182	6,319,173	-	-
Revolving credit	19,182,924	907,683	-	-
Term loans	6,067,090	5,296,376	2,321,481	2,306,796
	53,747,779	24,433,828	2,321,481	2,306,796
Total borrowings	84,955,628	78,681,143	15,214,397	17,495,301

The borrowings are secured by way of:

- A first party legal charge over the freehold land, leasehold land, freehold office lot and buildings of certain subsidiaries as disclosed in Note 4 to the financial statements;
- A first party legal charge over the freehold land, leasehold land and buildings of the Company as disclosed in Note 5 to the financial statements;
- A fixed charge over the plant and machinery of a subsidiary as disclosed in Note 4 to the financial statements;
- Fixed deposits with licensed banks of certain subsidiaries as disclosed in Note 15 to the financial statements;
- A third party first fixed charge over the properties of a company in which a director of the Company has substantial financial interest;
- Corporate guarantee of the Company; and
- Leased assets as disclosed in Note 4 to the financial statements.

The currency profile of borrowings is as follows:

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Ringgit Malaysia	48,862,931	48,690,964	15,214,397	17,495,301
United States Dollar	36,092,697	29,990,179	-	-
	84,955,628	78,681,143	15,214,397	17,495,301

A summary of the effective interest rates and maturities of the borrowings is as follows:

	Effective interest rates per annum (%)	Total RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
GROUP						
2022						
Bank overdraft	6.70	845,051	845,051	-	-	-
Bankers' acceptance	4.02 to 6.09	21,105,532	21,105,532	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

20. BORROWINGS (CONT'D)

GROUP	Effective interest rates per annum (%)	Total RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
2022						
Finance lease liabilities	1.88 to 3.62	16,078,393	6,547,182	4,099,069	5,096,236	335,906
Revolving credit	5.65	19,182,924	19,182,924	-	-	-
Term loans	3.50 to 7.70	27,743,728	6,067,090	6,017,844	12,503,408	3,155,386
2021						
Bankers' acceptance	2.75 to 3.27	11,910,596	11,910,596	-	-	-
Finance lease liabilities	1.88 to 4.90	17,444,944	6,319,173	5,675,734	5,450,037	-
Term loans	1.80 to 3.50	30,311,124	5,296,376	5,348,391	14,063,479	5,602,878
Revolving credit	1.35	19,014,479	907,683	966,113	2,898,340	14,242,343
COMPANY						
2022						
Term loans	3.90 to 4.01	15,214,397	2,321,481	2,363,655	7,373,875	3,155,386
2021						
Term loans	2.92 to 3.15	17,495,301	2,306,796	2,341,524	7,244,103	5,602,878

21. DEFERRED TAX LIABILITIES

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Balance at beginning	4,619,806	2,013,770	318,000	-
Recognised in profit or loss	251,808	1,491,751	26,000	41,000
	4,871,614	3,505,521	344,000	41,000
Under provision in prior year	680,718	1,114,285	249,000	277,000
Balance at end	5,552,332	4,619,806	593,000	318,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

21. DEFERRED TAX LIABILITIES (CONT'D)

The deferred tax liabilities of the Group and of the Company are represented by temporary differences arising from:

	GROUP		COMPANY	
	2022	2021	2022	2021
	RM	RM	RM	RM
Property, plant and equipment	5,575,342	4,817,176	149,000	157,000
Investment properties	-	-	444,000	161,000
Others	(23,010)	(197,370)	-	-
	5,552,332	4,619,806	593,000	318,000

22. TRADE PAYABLES

The currency profile of trade payables is as follows:

	GROUP	
	2022	2021
	RM	RM
Ringgit Malaysia	15,789,132	15,688,318
United States Dollar	44,106,563	37,489,305
Singapore Dollar	1,817	18,439
Euro	82,504	23,212
Taiwan Dollar	-	18,431
Others	7,716	3,143
	59,987,732	53,240,848

The trade payables are non-interest bearing and are normally settled within **30 to 180 days** (2021: 30 to 180 days) credit terms.

23. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2022	2021	2022	2021
	RM	RM	RM	RM
Other payables	15,804,569	11,085,416	11,727	141,589
Accruals	4,767,643	5,988,017	85,000	78,000
	20,572,212	17,073,433	96,727	219,589

Included in other payables of the Group are an amount of:

- (i) **RM7,525,000** (2021: RM35,275) due to a director of the Company; and
- (ii) **RM Nil** (2021: RM999,975) due to shareholders of a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

23. OTHER PAYABLES AND ACCRUALS (CONT'D)

The currency profile of other payables and accruals is as follows:

	GROUP		COMPANY	
	2022	2021	2022	2021
	RM	RM	RM	RM
Ringgit Malaysia	18,339,764	16,834,437	96,727	219,589
United States Dollar	414,170	211,383	-	-
Singapore Dollar	1,563,560	-	-	-
Others	254,718	27,613	-	-
	20,572,212	17,073,433	96,727	219,589

24. CONTRACT LIABILITIES

	GROUP	
	2022	(Restated) 2021
	RM	RM
Deposits received from customers		
Balance at beginning	-	-
- As previously stated	-	-
- Effect of reclassification from trade receivables (Note 42)	2,214,059	3,080,553
Balance at beginning, restated	2,214,059	3,080,553
Revenue recognised during the financial year	(3,401,407)	(3,486,835)
Progress billing issued during the financial year	5,698,385	2,620,341
Balance at end	4,511,037	2,214,059

Contract liabilities of the Group represent deposits received from customers in advance to manufacture tooling.

25. REFUND LIABILITIES

	GROUP	
	2022	2021
	RM	RM
Arising from rights of return	-	190,380
Arising from volume rebates	114,912	89,490
	114,912	279,870

Refund liabilities arising from rights of return represent the sales return from the customers.

Refund liabilities arising from volume rebates represent volume rebates provided to certain customers who are entitled to the rebate on accumulated purchases to date. The rebates will be offset against outstanding balance owing by the customers. The volume rebates provided are expected to be materialised in the next financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

26. REVENUE

26.1 Disaggregated revenue information

	GROUP		COMPANY	
	2022	2021	2022	2021
	RM	RM	RM	RM
Types of goods or service				
Sales of goods	352,320,860	292,850,234	-	-
Tooling sales	3,401,407	3,486,835	-	-
Total revenue from contracts with customers	355,722,267	296,337,069	-	-
Gross dividend income from subsidiaries	-	-	8,300,000	10,000,000
Interest income	38,627	119,581	178,323	600,892
Rental income	-	108,375	1,716,300	1,463,425
Other revenue	38,627	227,956	10,194,623	12,064,317
Total revenue	355,760,894	296,565,025	10,194,623	12,064,317
Geographical markets				
United States of America	168,606,413	141,549,900	-	-
Malaysia	112,514,792	113,111,624	-	-
Asia-Pacific	73,690,967	41,265,827	-	-
Europe	683,442	203,811	-	-
Oceania	226,653	205,907	-	-
Total revenue from contracts with customers	355,722,267	296,337,069	-	-
Timing of revenue recognition				
Revenue recognised at a point in time	355,722,267	296,337,069	-	-

26.2 Contract balances

	GROUP	
	2022	2021
	RM	RM
Trade receivables (Note 12)	155,343,066	126,025,810
Refund liabilities (Note 24)	4,511,037	2,214,059

26.3 Performance obligations

Performance obligations of the respective revenue are disclosed in Note 3.12 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

27. OTHER INCOME

	GROUP		COMPANY	
	2022	2021	2022	2021
	RM	RM	RM	RM
Compensation for shortfall of profit guarantee	-	3,463,794	-	-
Gain on derecognition of right-of-use asset and lease liability	-	19,285	-	-
Gain on disposal of non-current assets held for sale	-	2,744,597	-	-
Gain on disposal of property, plant and equipment	195,941	118,490	-	-
Realised gain on foreign exchange	3,761,133	276,285	-	-
Rent concession	-	28,800	-	-
Scrap sales	373,477	183,383	6,840	-
Sundry income	215,381	1,475,081	-	-
Unrealised gain on foreign exchange	-	4,428,952	-	-
Unwinding discount on financial assets	-	-	987,066	-
	4,545,932	12,738,667	993,906	-

28. FINANCE COSTS

	GROUP		COMPANY	
	2022	2021	2022	2021
	RM	RM	RM	RM
Accretion of interest on lease liabilities	118,902	116,158	-	-
Interest expenses on:				
- bank overdraft	14,231	10,681	-	-
- bankers' acceptance	590,634	68,246	-	-
- finance lease liabilities	844,354	950,142	-	-
- others	-	276	-	-
- revolving credit	646,710	43,596	-	-
- term loans	1,022,056	822,234	551,158	558,110
Unwinding discount on financial assets	-	-	-	987,066
	3,236,887	2,011,333	551,158	1,545,176

29. FINANCE INCOME

	GROUP		COMPANY	
	2022	2021	2022	2021
	RM	RM	RM	RM
Interest income from financial institutions	312,969	403,734	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

30. PROFIT BEFORE TAX

This is arrived at:

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
After charging:				
Auditors' remuneration				
- Statutory audit				
- Grant Thornton Malaysia PLT				
- current year	151,000	138,000	42,000	39,000
- over provision in prior year	(5,000)	-	(5,000)	-
Assurance related and non-audit services				
- Grant Thornton Malaysia PLT	3,000	3,000	3,000	3,000
- Affiliate of Grant Thornton Malaysia PLT	34,700	30,500	3,000	2,500
Depreciation of:				
- property, plant and equipment	14,315,284	12,453,888	90,405	86,757
- investment properties	-	-	540,662	540,662
- right-of-use assets	931,795	758,134	-	-
Emoluments for non-executive directors ⁽ⁱ⁾	155,500	156,000	155,500	156,000
Expenses relating to leases of low value assets	20,600	19,532	-	-
Expenses relating to short-term leases	853,739	822,019	-	-
Inventories written off	-	209,495	-	-
Property, plant and equipment written off	11,725	2,453	-	-
Realised loss on foreign exchange	412,222	1,742,904	-	-
Loss on disposal of investment in an associate	380,371	-	-	-
Staff costs ⁽ⁱⁱ⁾	53,044,174	46,474,931	-	-
Unrealised loss on foreign exchange	620,816	-	-	-
And crediting:				
Reversal of inventories written down	377,147	104,061	-	-
⁽ⁱ⁾ Emoluments for non-executive directors				
- Fees	144,000	144,000	144,000	144,000
- Allowance	11,500	12,000	11,500	12,000
	155,500	156,000	155,500	156,000
⁽ⁱⁱ⁾ Staff costs				
- Salaries, allowances, bonus and wages	47,337,845	41,630,966	-	-
- EPF	4,999,359	4,258,736	-	-
- SOCSO	637,603	528,869	-	-
- EIS	69,367	56,360	-	-
	53,044,174	46,474,931	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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30. PROFIT BEFORE TAX (CONT'D)

Directors' remuneration

The aggregate amount of remuneration received and receivable by the directors of the Company and its subsidiaries are as follows:

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Executive directors of the Company:				
- Salaries, allowances and bonus	2,052,620	2,025,161	-	-
- EPF	306,621	294,174	-	-
- SOCSO	3,932	4,126	-	-
- EIS	269	269	-	-
	2,363,442	2,323,730	-	-
Benefits-in-kind	135,755	53,021	-	-
	2,499,197	2,376,751	-	-

31. INCOME TAX EXPENSE

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Malaysian income tax:				
Based on results for the financial year				
- Current tax	(10,507,000)	(8,310,000)	(112,000)	(187,000)
- Deferred tax relating to the origination and reversal of temporary differences	(251,808)	(1,491,751)	(26,000)	(41,000)
- Real property gains tax	-	(237,732)	-	-
	(10,758,808)	(10,039,483)	(138,000)	(228,000)
(Under)/Over provision in prior year				
- Current tax	(3,907,746)	2,406,934	3,409	(158)
- Deferred tax	(680,718)	(1,114,285)	(249,000)	(277,000)
	(4,588,464)	1,292,649	(245,591)	(277,158)
	(15,347,272)	(8,746,834)	(383,591)	(505,158)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

31. INCOME TAX EXPENSE (CONT'D)

The reconciliation of tax expense of the Group and of the Company is as follows:

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Profit before tax	36,366,260	42,934,321	9,270,803	9,160,126
Add: Share of results of associates	811,003	308,626	-	-
	37,177,263	43,242,947	9,270,803	9,160,126
Income tax at Malaysian statutory tax rate of 24%	(8,922,543)	(10,304,237)	(2,224,993)	(2,198,430)
Income not subject to tax	47,232	3,601,872	2,232,043	2,427,640
Expenses not deductible for tax purposes	(1,121,850)	(1,886,163)	(145,850)	(457,210)
Utilisation of reinvestment allowance	1,467,503	50,777	-	-
Deferred tax assets not recognised	(2,229,150)	(1,264,000)	-	-
Effects of real property gains tax	-	(237,732)	-	-
	(10,758,808)	(10,039,483)	(138,000)	(228,000)
(Under)/Over provision in prior year	(4,588,464)	1,292,649	(245,591)	(277,158)
	(15,347,272)	(8,746,834)	(383,591)	(505,158)

In the previous financial year, a wholly-owned subsidiary of the Company was subjected to an Inland Revenue Board ("IRB") tax audit covering the years of assessment 2016 to 2019, where the IRB in turn raised assessments for additional tax liabilities and penalties amounting to RM5,626,683.

The additional assessment was raised mainly pursuant to the changes in the Paragraph 3(3)(a) of P.U.(A)161/2019 ("PU Order") for the significant increase in export allowance incentive ("Incentive"). PU Order states that at least 60% of the issued share capital of the qualifying company is to be owned directly by Malaysian citizen. Based on the foregoing, a company which is owned indirectly by Malaysian citizen would not qualify for the Incentive.

The Group has highlighted its grievances to Chartered Tax Institute of Malaysia who will initiate discussions with the Minister of Finance and IRB to reconsider reinstating the indirect shareholding into the PU Order for the purpose of qualifying for Incentive as the current PU Order has not met the objective of encouraging an exporter to export goods. The tax penalty of RM733,915 has been waived by IRB subsequently.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

31. INCOME TAX EXPENSE (CONT'D)

The deferred tax assets (gross amount) have not been recognised as at the end of the reporting period as it is not probable that future taxable profit will be available against which they may be utilised. As at the end of the reporting period, the Group's deferred tax position are as follows:

	GROUP	
	2022 RM	2021 RM
Deferred tax assets recognised:		
Property, plant and equipment	3,480,877	1,609,500
Unabsorbed capital allowances	(3,480,877)	(1,609,500)
	-	-
Deferred tax assets not recognised:		
Unused tax losses	(16,171,883)	(9,660,297)
Unabsorbed capital allowances	(10,251,490)	(7,550,097)
Unabsorbed reinvestment allowance	(4,981,000)	(4,981,000)
Others	(743,775)	(668,631)
	(32,148,148)	(22,860,025)

The gross amount and future availability of unused tax losses and unabsorbed allowances which are available to be carried forward for set-off against future taxable income are estimated as follows:

	GROUP	
	2022 RM	2021 RM
Unused tax losses	16,171,883	9,660,297
Unabsorbed capital allowances	13,732,367	9,159,597
Unabsorbed reinvestment allowance	4,981,000	4,981,000

The unused tax losses can be carried forward for ten (10) consecutive years of assessment immediately following that year of assessment ("YA") of which tax losses was incurred and this is effective from YA 2019. Unabsorbed reinvestment allowance at the end of the qualifying reinvestment allowance period of fifteen years can be carried forward for seven (7) consecutive YAs while unabsorbed capital allowances can be carried forward indefinitely.

The unabsorbed reinvestment allowance will be disregarded in YA 2032 while the unused tax losses will be disregarded in the following YAs:

	GROUP	
	2022 RM	2021 RM
YA 2029	297,000	297,000
YA 2030	2,211,000	2,211,000
YA 2031	3,091,000	3,091,000
YA 2032	4,061,297	4,061,297
YA 2033	6,511,586	-
	16,171,883	9,660,297

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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32. EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the profit attributable to owners of the Company for the financial year by the weighted average number of ordinary shares in issue during the financial year as follows:

	GROUP	
	2022 RM	2021 RM
Profit attributable to owners of the Company (RM)	21,653,963	34,371,352
Weighted average number of ordinary shares in issue	558,663,736	557,600,000
Basic earnings per share (sen)	3.88	6.16

(ii) Diluted earnings per share

The earnings per share is not diluted as the Company does not have any dilutive potential ordinary shares as at the end of the reporting period.

33. DIVIDEND

	GROUP AND COMPANY	
	2022 RM	2021 RM
In respect of financial year ended 31 December 2020:		
- Second interim single tier dividend of 0.5 sen per share	-	2,788,000

34. CAPITAL COMMITMENTS

	GROUP	
	2022 RM	2021 RM
Authorised and contracted for:		
- Machines	-	6,083,586
- Renovation of factory building	390,666	89,379
	390,666	6,172,965
Authorised and contracted for:		
- Plant and equipment	121,350	-
- Machines	12,942,651	6,857,317
- Renovation of factory building	576,464	2,892,152
	13,640,465	9,749,469

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

35. RELATED PARTY DISCLOSURES

(i) Identity of related parties

The Company has related party relationship with its subsidiaries, associates, key management personnel, and the following party:

Related party	Relationship
E2E Technology Sdn. Bhd. ("E2E")	A company in which certain directors of the Company have substantial financial interests.

(ii) Related party transactions

Related party transactions have been entered into at terms agreed between the parties during the financial year.

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Purchases of inventories from E2E	-	158,521	-	-
Purchase of plant and equipment from E2E	-	3,060,987	-	-
Sub-contractor charges from E2E	-	6,599	-	-
Sales of factory equipment to an associate, SMSB	-	10,000	-	-
Gross dividend income from subsidiaries	-	-	8,300,000	10,000,000
Interest receivable from subsidiaries	-	-	139,696	481,311
Rental income received from subsidiaries	-	-	1,716,300	1,355,050
Net advance to subsidiaries	-	-	12,047,931	25,688,766

(iii) Compensation of key management personnel

Key management personnel are those persons including directors having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company, directly or indirectly.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

35. RELATED PARTY DISCLOSURES (CONT'D)

(iii) Compensation of key management personnel (Cont'd)

The remuneration of the directors and other members of key management during the financial year is as follows:

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Fees	144,000	144,000	144,000	144,000
Salaries and other short-term employee benefits	3,380,590	2,909,056	11,500	12,000
Defined contribution plan	464,270	398,988	-	-
Social security contribution	9,673	7,302	-	-
Employment insurance scheme	925	632	-	-
Benefits-in-kind	162,439	73,504	-	-
	4,161,897	3,533,482	155,500	156,000
Analysed as:				
- Directors	2,654,697	2,532,750	155,500	156,000
- Other key management personnel	1,507,200	1,000,732	-	-
	4,161,897	3,533,482	155,500	156,000

36. OPERATING SEGMENT

Operating segment is presented in respect of the Group's business segments. The business segments are based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Business Segments

The Group comprises the following main business segments:

- (i) Electronic business unit Manufacturing and assembling of electronic components.
- (ii) Mechanical business unit Design and manufacturing of precision miniature engineering metal parts, precision mechanical parts, die casting and assembling and dealing of testing measuring equipment.
- (iii) Others Investment holding.

Performance is measured based on segment operating profit as included in the internal management reports that are reviewed by the Group's Chief Executive Officer (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Management monitors the operating results of its business units separately for the purpose of making decision about resource allocation and performance assessment.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current financial period and previous financial year.

Segment assets exclude tax assets and unallocated assets.

Segment liabilities exclude tax liabilities and unallocated liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

36. OPERATING SEGMENT (CONT'D)

By business segments

2022

	Electronic RM	Mechanical RM	Others RM	Elimination RM	Note	Total RM
Revenue						
External customers	217,648,828	138,073,439	38,627	-		355,760,894
Inter-segment revenue	<u>2,513,064</u>	<u>528,203</u>	<u>10,155,996</u>	<u>(13,197,263)</u>	A	<u>-</u>
Total revenue	<u>220,161,892</u>	<u>138,601,642</u>	<u>10,194,623</u>	<u>(13,197,263)</u>		<u>355,760,894</u>
Results						
Segment results	23,849,973	16,970,492	(719,284)	-		40,101,181
Finance costs						(3,236,887)
Finance income						312,969
Share of results of associates						<u>(811,003)</u>
Profit before tax						36,366,260
Tax expense						<u>(15,347,272)</u>
Profit for the financial year						<u>21,018,988</u>
Assets						
Segment assets	296,823,819	110,835,368	670,326	-		408,329,513
Goodwill						21,531,534
Tax recoverable						411,107
Cash and bank balances						<u>61,941,734</u>
Total assets						<u>492,213,888</u>
Liabilities						
Segment liabilities	114,543,515	43,281,355	15,312,125	-		173,136,995
Deferred tax liabilities						5,552,332
Tax payable						<u>7,060,710</u>
Total liabilities						<u>185,750,037</u>
Other segment information						
Additions to non-current assets	19,562,999	15,835,127	-	-	B	35,398,126
Depreciation						
- property, plant and equipment	6,109,867	7,574,350	631,067	-		14,315,284
- right-of-use assets	257,565	674,230	-	-		931,795
Non-cash item other than depreciation	(613,875)	792,230	380,371	-	C	558,726

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

36. OPERATING SEGMENT (CONT'D)

2021

	Electronic RM	Mechanical RM	Others RM	Elimination RM	Note	Total RM
Revenue						
External customers	164,993,508	131,343,561	227,956	-		296,565,025
Inter-segment revenue	<u>2,219,538</u>	<u>670,253</u>	<u>11,836,361</u>	<u>(14,726,152)</u>	A	<u>-</u>
Total revenue	<u>167,213,046</u>	<u>132,013,814</u>	<u>12,064,317</u>	<u>(14,726,152)</u>		<u>296,565,025</u>
Results						
Segment results	22,227,771	23,758,830	(1,136,055)	-		44,850,546
Finance costs						(2,011,333)
Finance income						403,734
Share of results of associates						<u>(308,626)</u>
Profit before tax						42,934,321
Tax expense						<u>(8,746,834)</u>
Profit for the financial year						<u>34,187,487</u>
Assets						
Segment assets	192,432,095	113,963,653	31,164,628	-		337,560,376
Goodwill						21,531,534
Tax recoverable						4,358,895
Cash and bank balances						<u>46,619,531</u>
Total assets						<u>410,070,336</u>
Liabilities						
Segment liabilities	87,352,180	48,458,205	17,715,890	-		153,526,275
Deferred tax liabilities						4,619,806
Tax payable						<u>2,086,053</u>
Total liabilities						<u>160,232,134</u>
Other segment information						
Additions to non-current assets	26,962,177	11,066,953	136,875	-	B	38,166,005
Depreciation						
- property, plant and equipment	5,285,860	6,540,609	627,419	-		12,453,888
- right-of-use assets	-	758,134	-	-		758,134
Non-cash item other than depreciation	(4,408,408)	(2,707,671)	-	-	C	(7,116,079)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

36. OPERATING SEGMENT (CONT'D)

Notes to segment information:

- A. Inter-segment revenue are eliminated on consolidation.
- B. Additions to non-current assets consist of total cost incurred to acquire property, plant and equipment and additions of right-of-use assets.
- C. Other material non-cash expenses/(income) other than depreciation consist of the following items:

	2022 RM	2021 RM
Accretion of interest on lease liabilities	118,902	116,158
Gain on derecognition of right-of-use asset and lease liability	-	(19,285)
Gain on disposal of non-current assets held for sale	-	(2,744,597)
Gain on disposal of property, plant and equipment	(195,941)	(118,490)
Inventories written off	-	209,495
Loss on disposal of investment in an associate	380,371	-
Property, plant and equipment written off	11,725	2,453
Rent concession	-	(28,800)
Reversal of inventories written down	(377,147)	(104,061)
Unrealised loss/(gain) on foreign exchange	620,816	(4,428,952)
	558,726	(7,116,079)

Geographical Segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers as disclosed in Note 26.1 to the financial statements. Segment assets are based on the geographical location of assets.

The entire non-current assets of the Group are derived from Malaysia.

Information about major customers

Total revenue from **3** (2021: 2) major customers which individually contributed to 10% or more of the Group's revenue from electronic and mechanical segment amounted to **RM244,746,101** (2021: RM171,420,876).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

37. FINANCIAL INSTRUMENTS

37.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC"):

	Carrying amount RM	AC RM
GROUP		
2022		
Financial assets		
Trade receivables	155,343,066	155,343,066
Other receivables and refundable deposits	1,587,437	1,587,437
Cash and bank balances	61,941,734	61,941,734
	218,872,237	218,872,237
Financial liabilities		
Trade payables	59,987,732	59,987,732
Other payables and accruals	20,572,212	20,572,212
Borrowings	84,955,628	84,955,628
	165,515,572	165,515,572
2021		
Financial assets		
Trade receivables	126,025,810	126,025,810
Other receivables and refundable deposits	1,432,598	1,432,598
Cash and bank balances	46,619,531	46,619,531
	174,077,939	174,077,939
Financial liabilities		
Trade payables	53,240,848	53,240,848
Other payables and accruals	17,073,433	17,073,433
Borrowings	78,681,143	78,681,143
	148,995,424	148,995,424
COMPANY		
2022		
Financial assets		
Refundable deposits	1,000	1,000
Amount due from subsidiaries	8,781,092	8,781,092
Cash and bank balances	34,805,371	34,805,371
	43,587,463	43,587,463
Financial liabilities		
Other payables and accruals	96,727	96,727
Borrowings	15,214,397	15,214,397
	15,311,124	15,311,124

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 Categories of financial instruments (Cont'd)

	Carrying amount RM	AC RM
2021		
Financial assets		
Refundable deposits	1,000	1,000
Amount due from subsidiaries	19,023,250	19,023,250
Cash and bank balances	3,981,261	3,981,261
	<u>23,005,511</u>	<u>23,005,511</u>
Financial liabilities		
Other payables and accruals	219,589	219,589
Borrowings	17,495,301	17,495,301
	<u>17,714,890</u>	<u>17,714,890</u>

37.2 Financial risk management

The Group and the Company are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group and the Company operate within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative activities.

37.3 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and to the Company. The Group's exposure to credit risk arises principally from its trade receivables while the Company's exposure to credit risk arises principally from advances to its subsidiaries and financial guarantees provided to financial institutions in respect of credit facilities granted to the subsidiaries.

37.3.1 Trade receivables

The Group extends credit terms to customers that range between **30 to 150 days** (2021: 30 to 150 days). Credit period extended to its customers is based on careful evaluation of the customers' financial condition and payment history. Receivables are monitored on an ongoing basis via Group's management reporting procedures and action will be taken for long outstanding debts. In order to further minimise its exposure to credit risk, the Group, in some instances, requires letters of credits and deposits from the customers.

New customers are subject to a credit evaluation process and existing customers' risk profiles are reviewed regularly with a view to set appropriate terms of trade and credit limits. Where appropriate, further sales are suspended and legal actions are taken to attempt recoveries and mitigate losses for delinquent accounts.

The Group assesses expected credit losses ("ECL") under MFRS 9 on trade receivables based on a provision matrix. The expected credit loss rates are based on the payment profile for sales in the past as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward looking macroeconomic factors affecting the customer's ability to settle the outstanding amount. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed.

The Group applies the simplified approach to recognise lifetime expected credit losses for all trade receivables. The Group's ECL calculated under MFRS 9 is not material as at the end of the reporting period and hence, it was not provided for.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

37. FINANCIAL INSTRUMENTS (CONT'D)

37.3 Credit risk (Cont'd)

37.3.1 Trade receivables (Cont'd)

The ageing analysis of the Group's trade receivables as at the end of the reporting period is as follows:

	2022 RM	2021 RM
Not past due	117,469,079	117,801,697
1 to 30 days past due	17,688,224	7,387,680
31 to 60 days past due	18,910,776	432,161
61 to 90 days past due	1,107,031	213,947
Past due more than 90 days	167,956	190,325
	37,873,987	8,224,113
	155,343,066	126,025,810

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment record with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

The Group has trade receivables amounting to **RM37,873,987** (2021: RM8,224,113) that are past due but not impaired as the management is of the view that these debts will be collected in due course.

As at the end of the reporting period, the Group has significant concentration of credit risk in the form of outstanding balance due from **2 customers** (2021: 1 customer), representing **87%** (2021: 66%) of total trade receivables.

37.3.2 Intercompany balances

The Company provides advances to its subsidiaries and monitors the results of the subsidiaries regularly.

The maximum exposure to credit risk is represented by the carrying amount in the statements of financial position.

As at the end of the reporting period, there was no indication that the advances to its subsidiaries are not recoverable. The Company does not specifically monitor the ageing of these advances.

37.3.3 Financial guarantees

The Company provides unsecured financial guarantees to financial institutions for banking facilities granted to certain subsidiaries. The limit of the financial guarantee and the maximum exposure of the financial guarantee are **RM116,864,239** (2021: RM112,640,239) and **RM76,338,689** (2021: RM71,431,125) respectively.

The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by them. As at the end of the reporting period, there was no indication that the subsidiaries would default on repayment. The directors considered that the fair value of the financial guarantee contracts on initial recognition is insignificant.

37.4 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due. The Group and the Company actively manage their debt maturity profile, operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met. As part of their overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash and cash equivalents to meet their working capital requirements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

37. FINANCIAL INSTRUMENTS (CONT'D)

37.4 Liquidity risk

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

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than two years and less than five years RM	More than five years RM
GROUP					
2022					
<i>Non-derivative financial liabilities</i>					
Trade payables	59,987,732	59,987,732	59,987,732	-	-
Other payables and accruals	20,572,212	20,572,212	20,572,212	-	-
Borrowings	84,955,628	88,523,029	54,627,185	30,330,420	3,565,424
Lease liabilities	2,995,474	3,189,800	1,023,600	2,166,200	-
	168,511,046	172,272,773	136,210,729	32,496,620	3,565,424
2021					
<i>Non-derivative financial liabilities</i>					
Trade payables	53,240,848	53,240,848	53,240,848	-	-
Other payables and accruals	17,073,433	17,073,433	17,073,433	-	-
Borrowings	78,681,143	85,174,829	26,143,302	37,570,990	21,460,537
Lease liabilities	2,036,922	3,188,700	776,700	2,412,000	-
	151,032,346	158,677,810	97,234,283	39,982,990	21,460,537
COMPANY					
2022					
<i>Non-derivative financial liabilities</i>					
Other payables and accruals	96,727	96,727	96,727	-	-
Borrowings	15,214,397	17,107,985	2,875,148	11,014,121	3,218,716
* Financial guarantees	-	76,338,689	76,338,689	-	-
	15,311,124	93,543,401	79,310,564	11,014,121	3,218,716
2021					
<i>Non-derivative financial liabilities</i>					
Other payables and accruals	219,589	219,589	219,589	-	-
Borrowings	17,495,301	19,422,858	2,797,015	10,833,561	5,792,282
* Financial guarantees	-	71,431,125	71,431,125	-	-
	17,714,890	91,073,572	74,447,729	10,833,561	5,792,282

* This has been included for illustration purpose only as the related financial guarantees have not crystallised as at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

37. FINANCIAL INSTRUMENTS (CONT'D)

37.5 Interest rate risk

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

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

	GROUP		COMPANY	
	2022	2021	2022	2021
	RM	RM	RM	RM
Fixed rate instruments				
Financial assets	29,119,519	25,545,471	25,456,305	21,949,672
Financial liabilities	<u>57,008,477</u>	<u>48,600,875</u>	<u>-</u>	<u>-</u>
Floating rate instrument				
Financial liabilities	<u>27,947,151</u>	<u>30,080,268</u>	<u>15,214,397</u>	<u>17,495,301</u>

Sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

An increase of 25 basis point at the end of the reporting period would have decreased the Group's profit before tax and equity by **RM69,868** (2021: RM75,201) and **RM53,100** (2021: RM57,153) respectively and the Company's profit before tax and equity by **RM38,036** (2021: RM43,738) and **RM28,907** (2021: RM33,241) respectively. A corresponding decrease would have an equal but opposite effect. These changes are considered to be reasonably possible based on observation of current market condition. This analysis assumes that all other variables remain constant.

37.6 Foreign currency risk

The objectives of the Group's foreign exchange policies are to allow the Group to manage exposures that arise from trading activities effectively within a framework of controls that does not expose the Group to unnecessary foreign exchange risks.

The Group is exposed to foreign currency risk mainly on sales and purchases that are denominated in currencies other than the functional currency of the Group entities. The Group also holds cash and bank balances denominated in foreign currencies for working capital purposes. The currency giving rise to this risk is primarily United States Dollar ("USD").

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currencies exchange rates against Ringgit Malaysia, with all other variables being held constant, of the Group's profit before tax. A 10% strengthening of the RM against the following currencies at the end of the reporting period would have decreased profit before tax by the amount shown below and a corresponding weakening would have an equal but opposite effect. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

37. FINANCIAL INSTRUMENTS (CONT'D)

37.6 Foreign currency risk (Cont'd)

Sensitivity analysis for foreign currency risk (Cont'd)

	2022 RM	2021 RM
USD	(7,439,456)	(4,829,735)
Others	163,224	(33,907)
Decreased in profit before tax	(7,276,232)	(4,863,642)
Decreased in equity	(5,529,936)	(3,696,368)

38. FAIR VALUE MEASUREMENT

38.1 Fair value measurement of financial instruments

The carrying amounts of the Group's and of the Company's financial assets and financial liabilities as at the end of the reporting period approximate their fair values due to their short term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amount of the non-current portion of finance lease liabilities is reasonable approximation of fair values due to the insignificant impact of discounting.

38.2 Non-financial assets that are measured at fair value

The directors determine the recurring fair values of the Company's investment properties based on the followings:

- With reference to valuation report by external independent professional valuer using the market comparison method, being comparison of current price in an active market for similar properties in the same location and condition and where necessary, adjusting for location, accessibility, visibility, time, size, present market trends and other differences; and
- Current market values with reference to the selling prices of similar properties.

Details of the Company's investment properties and information about the fair value hierarchy are as follows:

	Level 1 RM	Level 2 RM	Level 3 RM	Total fair value RM	Carrying amount RM
COMPANY					
2022					
Investment properties	-	-	29,200,000	29,200,000	28,509,045
2021					
Investment properties	-	-	29,200,000	29,200,000	29,049,707

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

38. FAIR VALUE MEASUREMENT (CONT'D)

38.2 Non-financial assets that are measured at fair value (Cont'd)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment properties.

Level 3 fair value of investment properties have been generally derived using the market comparison approach. Selling price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as at the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1, Level 2 and Level 3 during the financial year.

39. CAPITAL MANAGEMENT

The primary objective of the Group's capital management policy is to maintain a strong capital base to support its businesses and to maximise shareholders' value.

The Group and the Company manage their capital structure and make adjustments to it in the light of changes in economic conditions or expansion of the Group and of the Company. The Group and the Company may adjust the capital structure by issuing new shares, returning capital to shareholders or adjusting the amount of dividends to be paid to shareholders or sell assets to reduce debts. No changes were made in the objective, policy and process during the financial year under review as compared to the previous financial year.

The Group and the Company consider their total equity and total loans and borrowings to be the key components of their capital structure. The Group and the Company monitor capital using a debt to equity ratio, which is calculated as total borrowings divided by total equity as follows:

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Total borrowings	84,955,628	78,681,143	15,214,397	17,495,301
Less: Cash and bank balances	(61,941,734)	(46,619,531)	(34,805,371)	(3,981,261)
Net debt/(cash)	23,013,894	32,061,612	(19,590,974)	13,514,040
Total equity	306,463,851	249,838,202	161,743,008	117,874,110
Gearing ratio	0.08	0.13	N/A⁽ⁱ⁾	0.11

40. EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The effective date for the implementation of the Company's ESOS is 3 April 2018 which is the date of full compliance of all relevant requirements of Rule 6.44(1) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The ESOS shall be in force for a period of five (5) years from 3 April 2018 and will expire on 2 April 2023. On 15 March 2023, the Company has extended its existing ESOS period for another five (5) years until 2 April 2028.

There were no options granted during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

40. EMPLOYEE SHARE OPTION SCHEME ("ESOS") (CONT'D)

The salient features of the ESOS are as follows :

- (i) the total number of options offered under the ESOS shall not exceed ten per centum (10%) of the issued and paid-up share capital of the Company at any point in time during the duration of the ESOS;
- (ii) an employee (including executive and non-executive directors) shall be eligible to participate in the ESOS if the employee is at least eighteen (18) years of age on the date of offer; employed for a continuous period of at least six (6) months in the Group and has not served a notice to resign or received a notice of termination prior to the offer date;
- (iii) not more than fifty per centum (50%) of the new shares available under the ESOS shall be allocated, in aggregate, to directors and senior management of the Group. In addition, not more than ten per centum (10%) of the new shares available under the ESOS shall be allocated to any individual director or employee who, either singly or collectively through person connected with the director or employee, holds twenty per centum (20%) or more in the issued and paid-up share capital of the Company, or such adjustment which may be made under the By-Law, the maximum number of new shares that may be offered and allotted to any employee shall be determined at the discretion of the ESOS Committee, subject to always to the provisions of the Listing Requirements relating to allocation to directors and employees;
- (iv) the option price shall be the higher of a price which is at a discount of not more than ten per centum (10%) from the weighted average market price of the shares as shown in the daily official list issued by the Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the date of offer, or such other percentage of discount as may be permitted by the Bursa Securities or any other relevant authorities from time to time during the duration of the ESOS;
- (v) the new shares to be allotted upon any exercise of the options shall upon allotment and issuance rank pari passu in all respects with the existing issued and paid-up shares of the Company except that the new shares so issued will not be entitled for any dividend, rights, allotments and/or other distribution where the entitlement date (namely the date as at the close of business on which shareholders must be entered in the Record of Depositors with the Bursa Depository in order to be entitled to any dividends, rights, allotments and/or other distributions) precedes the date of allotment of the ESOS;
- (vi) the ESOS shall come into force for a period of five (5) years from the effective date. The Company may, if the Board of Directors deem fit, extend the ESOS for another five (5) years; and
- (vii) the new shares to be issued and allotted to a director or employee pursuant to the exercise of option will not be subject to any retention period or restriction except for non-executive director, who must not sell, transfer or assign any new shares obtained through the exercise of option offered to him under the ESOS within one (1) year from the date of offer.

41. SIGNIFICANT EVENT

On 23 December 2022, the Company has completed the private placement exercise following the listing of and quotation for 48,400,000 new ordinary shares at an issue price of RM0.73 per ordinary share on the Main Market of Bursa Malaysia Securities Berhad.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2022

42. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation as follows:

	As previously stated RM	Reclassification RM	Restated RM
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As at 31 December 2021

Statements of financial position

GROUP

Trade receivables	126,486,290	(460,480)	126,025,810
Contract costs	-	2,674,539	2,674,539
Share capital	113,230,900	(15,680,000)	97,550,900
Capital reserves	(15,956,976)	15,680,000	(276,976)
Contract liabilities	-	2,214,059	2,214,059

COMPANY

Property, plant and equipment	29,792,975	(29,049,707)	743,268
Investment properties	-	29,049,707	29,049,707
Investment in subsidiaries	96,966,173	(15,680,000)	81,286,173
Share capital	113,230,900	(15,680,000)	97,550,900

As at 1 January 2021

Statements of financial position

GROUP

Trade receivables	130,974,653	986,795	131,961,448
Contract costs	-	2,093,758	2,093,758
Share capital	113,230,900	(15,680,000)	97,550,900
Capital reserves	(15,956,976)	15,680,000	(276,976)
Contract liabilities	-	3,080,553	3,080,553

COMPANY

Property, plant and equipment	30,283,519	(29,590,369)	693,150
Investment properties	-	29,590,369	29,590,369
Investment in subsidiaries	64,465,998	(15,680,000)	48,785,998
Share capital	113,230,900	(15,680,000)	97,550,900

LIST OF PROPERTIES

Title/Location	Date of Acquisition	Description	Built-up Area / Land area	Existing Use	Tenure	Approximate Age of Buildings	Carrying Amount as at 31/12/2022 RM
15-1-20 & 15-1-21, Bayan Point, Medan Kampung Relau, 11900 Penang	18.09.2006	Office Lot	2,132 sq. ft.	Sales and administration office	Freehold	24 years	295,967
15-1-22, Bayan Point, Medan Kampung Relau, 11900 Penang	10.10.2012	Office Lot	1,066 sq. ft.	Sales and administration office	Freehold	24 years	200,000
HS(D) 87019 PT 19554 Bandar Sungai Petani Daerah Kuala Muda, Kedah Darul Aman	23.05.2018	Industrial Land & Building	45,317 sq. ft.	Factory building	Freehold	27 years	3,014,378
HS(D) 87781 PT 19560 Bandar Sungai Petani Daerah Kuala Muda, Kedah Darul Aman	23.05.2018	Industrial Land & Building	71,318 sq. ft.	Factory building	Freehold	25 years	4,542,560
HS(D) 87778 PT 19559 Bandar Sungai Petani Daerah Kuala Muda, Kedah Darul Aman	23.05.2018	Industrial Land & Building	81,358 sq. ft.	Factory building	Freehold	25 years	4,560,665
HS(D) 10078 PT 6692 Bandar Kulim Daerah Kulim, Kedah Darul Aman	05.08.2013	Industrial Land & Building	82,215 sq. ft.	Factory building	Leasehold for 60 years expiring on 22/8/2046	22 years	3,990,459
Lot 1341, Section 38 Bandar Kulim Daerah Kulim, Kedah Darul Aman	02.04.2019	Industrial Land & Building	227,119 sq. ft.	Factory building	Leasehold for 60 years expiring on 9/9/2043	25 years	15,945,947
P326D, Batu Kawan Industrial Park, Penang	28.05.2021	Industrial Land	392,040 sq. ft.	Vacant land	Leasehold for 60 years expiring on 2/11/2082	N/A	21,502,305

ANALYSIS OF SHAREHOLDINGS

AS AT 6 APRIL 2023

Class of Shares	:	Ordinary shares
Voting Rights	:	On a show of hands, 1 vote
	:	On a poll, 1 vote for 1 ordinary share

LIST OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

Name	Number of Shares Held			
	Direct	%	Deemed	%
DATO' SERI TAN KING SENG	192,130,000	31.705	50,000*	0.008
NOBLE MATTERS SDN. BHD.	67,441,452	11.129	-	-
CHEAH CHOON GHEE	1,830,000	0.302	67,441,452 [#]	11.129
ONG HOCK SEONG	-	-	67,441,452 [#]	11.129

[#] Deemed interested by virtue of his shareholdings of not less than 20% in Noble Matters Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

* Deemed interest held through his son pursuant to Section 59(11)(c) of the Companies Act 2016.

DIRECTORS' SHAREHOLDINGS IN THE COMPANY

Name	Number of Shares Held			
	Direct	%	Deemed	%
DATO' SERI TAN KING SENG	192,130,000	31.705	50,000*	0.008
CHEAH CHOON GHEE	1,830,000	0.302	67,441,452 [#]	11.129
LAI FAH HIN	40,000	0.007	60,000 [^]	0.010
WONG CHI YENG	30,000	0.005	-	-
LIM CHUN THANG	-	-	-	-
KHOR CHENG KWANG	39,400	0.007	-	-
LOW SOO KIM	50,000	0.008	-	-
LIM KHAI TENG	-	-	-	-

Note :

[#] Deemed interested by virtue of his shareholdings of not less than 20% in Noble Matters Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

[^] Other interest held through his spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

* Deemed interest held through his son pursuant to Section 59(11)(c) of the Companies Act 2016.

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of shareholdings	Number of Shareholders	% of Shareholders	Number of Shares	% of Shares
Less than 100 shares	17	0.137	351	0.000
100 to 1,000 shares	2,075	16.716	1,408,977	0.233
1,001 to 10,000 shares	6,781	54.628	33,211,400	5.480
10,001 to 100,000 shares	3,119	25.127	93,391,820	15.411
100,001 to less than 5% of issued shares	419	3.376	218,416,000	36.042
5% and above of issued shares	2	0.016	259,571,452	42.834
Total	12,413	100.000	606,000,000	100.00

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 6 APRIL 2023

LIST OF THIRTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES HELD	%
1	TAN KING SENG	55,432,000	9.147
2	TAN KING SENG	52,270,000	8.625
3	TAN KING SENG	48,000,000	7.921
4	NOBLE MATTERS SDN.BHD.	42,143,316	6.954
5	TAN KING SENG	36,428,000	6.011
6	NOBLE MATTERS SDN.BHD.	25,298,136	4.175
7	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	16,863,800	2.783
8	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	13,264,000	2.189
9	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT SHARIAH PROGRESS FUND	11,965,700	1.975
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (PRINCIPAL EQITS)	9,098,900	1.502
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD SAW KONG BENG	7,330,600	1.210
12	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	6,000,000	0.990
13	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD AIIMAN ASSET MANAGEMENT SDN BHD FOR LEMBAGA TABUNG HAJI	5,505,600	0.909
14	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR DANA MAKMUR PHEIM (211901)	3,318,000	0.548
15	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN BOON PING (KLC/PIV)	3,200,000	0.528
16	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (AM INV)	2,985,000	0.493
17	AMANAHA RAYA BERHAD KUMPULAN WANG BERSAMA	2,940,000	0.485
18	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ARIM)	2,635,400	0.435
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG WAH PENG	2,592,400	0.428
20	TEY THIAN SING @ TEE THIAN KERN	2,250,000	0.371
21	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN BOON PING (7004677)	2,050,000	0.338
22	AMANAHRAYA TRUSTEES BERHAD ASN EQUITY 2	2,000,000	0.330
23	AMANAHRAYA TRUSTEES BERHAD PUBLIC MUTUAL PRS EQUITY FUND	2,000,000	0.330
24	CARTABAN NOMINEES (TEMPATAN) SDN BHD CORSTON-SMITH ASSET MANAGEMENT SDN BHD FOR CORSTON-SMITH ASEAN CORPORATE GOVERNANCE FUND	1,975,400	0.326
25	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH KOK POH (7007891)	1,950,000	0.322
26	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD AIIMAN ASSET MANAGEMENT SDN BHD FOR SUN LIFE MALAYSIA TAKAFUL BERHAD	1,937,700	0.320
27	CHEAH CHOON GHEE	1,830,000	0.302
28	AFFIN HWANG NOMINEES (ASING) SDN BHD EXEMPT AN FOR LIM & TAN SECURITIES PTE LTD (CLIENTS A/C)	1,742,100	0.288
29	SHUM THIN SOON	1,650,000	0.272
30	AMANAHRAYA TRUSTEES BERHAD AHAM GROWTH FUND	1,632,400	0.269
Total		368,288,452	60.774

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighteenth Annual General Meeting of the Company will be held at Room The Light 1, Level 1, The Light Hotel, Lebuhr Tenggiri 2, Bandar Seberang Jaya, 13700 Seberang Jaya, Pulau Pinang, Malaysia on Wednesday, 31 May 2023 at 2.30 p.m. for the following purposes:-

AGENDA

As Ordinary Business:

- | | | |
|----|--|--|
| 1. | To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2022 together with the Reports of the Directors and Auditors thereon. | Please refer to the Explanatory Notes |
| 2. | To approve the payment of Directors' fees and Directors' benefits of RM159,000.00 for the financial year ending 31 December 2023. | Ordinary Resolution 1 |
| 3. | To re-elect Ms. Wong Chi Yeng who retires in accordance with the Article 95 of the Company's Constitution. | Ordinary Resolution 2 |
| 4. | To re-elect Mr. Khor Cheng Kwang who retires in accordance with the Article 95 of the Company's Constitution. | Ordinary Resolution 3 |
| 5. | To re-elect Mr. Lim Khai Teng who retires in accordance with the Article 102 of the Company's Constitution. | Ordinary Resolution 4 |
| 6. | To re-appoint Messrs. Grant Thornton Malaysia PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. | Ordinary Resolution 5 |

As Special Business :

To consider and if thought fit, to pass with or without modifications the following resolutions :-

7. ORDINARY RESOLUTION

AUTHORITY TO ISSUE SHARES

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016 (the "**Act**"), Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**") and/or the approvals of the relevant regulatory authorities, where required, the Directors be and are hereby empowered to issue and allot shares in the Company, at such time and upon such terms and conditions, for such purposes and to such person or persons whomsoever the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Securities for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.

AND THAT the existing shareholders of the Company hereby waive their pre-emptive rights to be offered new shares ranking equally to the existing issued shares in the Company pursuant to Section 85 of the Act read together with Article 57 of the Constitution of the Company arising from any issuance of new shares of the Company pursuant to Sections 75 and 76 of the Act."

Ordinary Resolution 6

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

As Special Business : (Cont'd)

To consider and if thought fit, to pass with or without modifications the following resolutions :- (Cont'd)

8. ORDINARY RESOLUTION

PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES ("PROPOSED SHARE BUY-BACK AUTHORITY")

"THAT subject to Sections 112, 113 and 127 of the Act, the provisions of the Listing Requirements of Bursa Securities and all other applicable laws, rules, regulations and guidelines for the time being in force, the Directors of the Company be and are hereby authorised, to make purchase(s) of ordinary shares in the Company on Bursa Securities subject to the following:-

- (a) The maximum number of shares which may be purchased and/or held by the Company shall not exceed 10% of the total number of issued shares of the Company for the time being;
- (b) The maximum fund to be allocated by the Company for the purpose of purchasing its shares shall not exceed the retained profits of the Company; and
- (c) Upon completion of the purchase by the Company of its own shares, the Directors of the Company are authorised to deal with the shares so bought-back in their absolute discretion in any of the following manner:-
 - (i) cancel the shares so purchased; or
 - (ii) retain the shares so purchased as treasury shares and held by the Company; or
 - (iii) retain part of the shares so purchased as treasury shares and cancel the remainder; or
 - (iv) distribute the treasury shares as dividends to shareholders and/or resell on Bursa Securities and/or cancel all or part of them; or
 - (v) transfer all or part of the treasury shares for purposes of an employees' share scheme, and/or as purchase consideration; or

in any other manner as prescribed by the Act, rules, regulations and guidelines pursuant to the Act, the Listing Requirements and other relevant guidelines issued by Bursa Securities and any other relevant authority for the time being in force;

AND THAT the authority conferred by this resolution will commence immediately upon passing of this ordinary resolution and shall continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting ("**AGM**") of the Company following the general meeting at which such resolution was passed at which time the said authority will lapse unless renewed by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed under Section 340(4) of the Act); or
- (c) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

As Special Business : (Cont'd)

To consider and if thought fit, to pass with or without modifications the following resolutions :- (Cont'd)

8. ORDINARY RESOLUTION

PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES ("PROPOSED SHARE BUY-BACK AUTHORITY") (CONT'D)

whichever is earlier, but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the Listing Requirements and other relevant guidelines issued by the Bursa Securities or any other relevant authorities.

AND THAT the Directors of the Company be and are authorised to take all such steps to implement, finalise and give full effect to the Proposed Share Buy-Back Authority with full power to assent to any conditions, modifications, revaluations and/or amendments as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter in accordance with the Act, the Listing Requirements and other relevant guidelines issued by Bursa Securities and any other relevant authorities."

**Ordinary
Resolution 7**

9. To transact any other business for which due notices shall have been given in accordance with the Companies Act 2016.

By Order of the Board,

CHEE WAI HONG (BC/C/1470)
SSM PC No. 202008001804
TAN SHE CHIA (MAICSA 7055087)
SSM PC No. 202008001923

Company Secretaries

Penang

Date : 28 April 2023

Notes :

1. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
2. The proxy form must be duly completed and deposited at the Registered Office of the Company, 48, Jalan Chow Thye, 10050 George Town, Penang not less than 48 hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint not more than 2 proxies to attend and vote at the same meeting.
4. Where a member appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.
6. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("**Central Depositories Act**"), it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee as defined under the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**Omnibus Account**"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
8. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to the Article 69 of Company's Constitution and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("**ROD**") as at 24 May 2023 and only a Depositor whose name appears on such ROD shall be entitled to attend, speak and vote at this meeting or appoint proxy to attend and/or speak and/or vote in his/her behalf.
9. All resolutions as set out in this notice of Eighteenth Annual General Meeting are to be voted by poll.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Explanatory Note on Ordinary Business

Item 1 of the Agenda

To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Reports of the Directors and Auditors thereon.

This item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require shareholders' approval for the audited financial statements. Therefore, this item will not be put forward for voting.

Ordinary Resolution 1 – Payment of Directors' fees and Directors' benefits

The proposed Ordinary Resolution 1 is to facilitate payment of Directors' fees and Directors' benefits on current financial year basis, calculated based on the number of scheduled Board and Committee meetings for 2023 and assuming that all Non-Executive Directors will hold office until the end of the financial year. In the event the Directors' fees and Directors' benefits proposed is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for additional fees and benefits to meet the shortfall.

Ordinary Resolutions 2, 3 and 4 – Re-election of Directors

The following Directors are standing for re-election as Directors of the Company pursuant to Article 95 and Article 102 of the Company's Constitution respectively at the Eighteenth Annual General Meeting of the Company and being eligible have offered themselves for re-election in accordance with the Company's Constitution :-

- a) Ms. Wong Chi Yeng (Article 95)
 - b) Mr. Khor Cheng Kwang (Article 95)
 - c) Mr. Lim Khai Teng (Article 102)
- (collectively referred to as "**Retiring Directors**")

The Board has through the Nomination Committee ("**NC**") carried out the necessary assessment of the Retiring Directors and concluded that the Retiring Directors met the criteria as prescribed under Paragraph 2.20A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on character, experience, integrity, competence and time commitment to effectively discharge their role as Directors.

The Board has also through the NC carried out assessment on the independence of the Independent Non-Executive Directors ("**INEDs**") and is satisfied with the independence and performance of the INEDs.

The Board has endorsed the NC's recommendation to seek shareholders' approval for the re-election of the Retiring Directors. The details and profiles of the Retiring Directors are provided in the Directors' profile on pages 13 and 14 of the Annual Report 2022.

Explanatory Note on Special Business

Ordinary Resolution 6 – Authority to issue shares

Renewal of authority to allot and issue shares pursuant to Section 75 and Section 76 of the Companies Act 2016

The proposed Ordinary Resolution 6, if passed, will give authority to the Board of Directors of the Company to issue and allot shares in the Company up to an amount not exceeding 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company without convening a general meeting. This would avoid any delay and costs in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting.

As at the date of this Notice, the Company has not issued any new shares pursuant to the general authority granted to the Directors at the Seventeenth Annual General Meeting held on 30 May 2022 and which will lapse at the conclusion of the Eighteenth Annual General Meeting to be held on 31 May 2023.

A renewal of this authority is being sought at the Eighteenth Annual General Meeting under proposed Ordinary Resolution 6.

Pursuant to Section 85 of the Companies Act 2016 read together with Article 57 of the Constitution of the Company, the shareholders have pre-emptive rights to be offered any new shares in the Company which rank equally to the existing issued shares in the Company.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Explanatory Note on Special Business (Cont'd)

Ordinary Resolution 6 – Authority to issue shares (Cont'd)

Renewal of authority to allot and issue shares pursuant to Section 75 and Section 76 of the Companies Act 2016 (Cont'd)

The proposed Ordinary Resolution 6, if passed, would allow the Directors to issue new shares to any person under the said mandate without having to offer the new shares in the Company to be issued equally to all existing shareholders of the Company prior to issuance.

This authority if granted will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital, acquisition(s) and/or settlement of banking facility(ies).

Ordinary Resolution 7 - Proposed Share Buy-Back Authority

The proposed Ordinary Resolution 7, if passed, will allow the Directors of the Company to exercise the power of the Company to purchase up to 10% of the total number of issued shares of the Company at any time within the time period stipulated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The details of the proposal are set out in the statement to shareholders dated 28 April 2023.

PERSONAL DATA POLICY

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

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

As at date of this notice, there are no individuals who are standing for election as Directors (excluding the above Directors who are standing for re-election) at this forthcoming Annual General Meeting.

The Company will seek shareholders' approval on the general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to the proposed Ordinary Resolution 6 as stated in the Notice of Annual General Meeting of the Company for the details.

PROXY FORM

JHM CONSOLIDATION BERHAD
Company No. 200501009101 (686148-A)
(Incorporated in Malaysia)

CDS Account No.	
No. of ordinary shares held	

I/We (FULL NAME IN BLOCK LETTERS)

(NRIC No./Passport No./Registration No.) of

..... (FULL ADDRESS) being a

*member/members of **JHM CONSOLIDATION BERHAD** (the "Company"), hereby appoint

Name of Proxy	NRIC No./Passport No.	Proportion of Shareholdings Represented	
		No. of Shares	%
Address			
E-mail	Contact No.		

*and

Name of Proxy	NRIC No./Passport No.	Proportion of Shareholdings Represented	
		No. of Shares	%
Address			
E-mail	Contact No.		

to attend and vote for *me/ us and on *my/ our behalf at the Eighteenth Annual General Meeting of the Company to be held at Room The Light 1, Level 1, The Light Hotel, Lebuh Tenggiri 2, Bandar Seberang Jaya, 13700 Seberang Jaya, Pulau Pinang, Malaysia on Wednesday, 31 May 2023 at 2.30 p.m. and at every adjournment thereof to vote as indicated below :

AGENDA

To receive the Audited Financial Statements for the year ended 31 December 2022 together with the Reports of the Directors and Auditors thereon			
Resolutions		For	Against
Ordinary Resolution 1	Approval of payment of Directors' fees and Directors' benefits for the financial year ending 31 December 2023		
Ordinary Resolution 2	Re-election of Ms. Wong Chi Yeng as Director		
Ordinary Resolution 3	Re-election of Mr. Khor Cheng Kwang as Director		
Ordinary Resolution 4	Re-election of Mr. Lim Khai Teng as Director		
Ordinary Resolution 5	Re-appointment of Messrs. Grant Thornton Malaysia PLT as Auditors and to authorise the Directors to fix the Auditors' remuneration		
Ordinary Resolution 6	Authority under Section 75 and Section 76 of the Companies Act 2016 for the Directors to issue shares		
Ordinary Resolution 7	Proposed Share Buy Back Authority		

Please indicate with an "X" in the spaces provided above as to how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.

In the case of a vote taken by a show of hands, the First Proxy shall vote on *my/our behalf.

No. of shares held

As witness my hand this day of , 2023.

* Strike out whichever is not desired

Signature of Member (s)/ Common Seal

Contact No.:

Notes :

- A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
- The proxy form must be duly completed and deposited at the Registered Office of the Company, 48, Jalan Chow Thye, 10050 George Town, Penang not less than 48 hours before the time appointed for holding the meeting.
- A member shall be entitled to appoint not more than 2 proxies to attend and vote at the same meeting.
- Where a member appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a member of the Company is an exempt authorised nominee as defined under the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
- For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to the Article 69 of Company's Constitution and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("ROD") as at 24 May 2023 and only a Depositor whose name appears on such ROD shall be entitled to attend, speak and vote at this meeting or appoint proxy to attend and/or speak and/or vote in his/her behalf.
- All resolutions as set out in this notice of Eighteenth Annual General Meeting are to be voted by poll.

Please fold here to seal



THE COMPANY SECRETARIES
JHM CONSOLIDATION BERHAD
Company No. 200501009101 (686148-A)
48, Jalan Chow Thye
10050 George Town
Pulau Pinang

Please fold here to seal

JHM Consolidation Berhad 200501009101 (686148-A)

15-1-21 Bayan Point,
Medan Kampung Relau,
11900 Penang.

☎ : 604 646 5121

📠 : 604 645 7326

www.jhm.net.my