ENG KAH CORPORATION BERHAD

199701020152 (435649-H)

ANNUAL REPORT 2022

Innovative | Quality | Hygienic

CONTENTS

26th Annual General Meeting

Kapur Room, Eastin Hotel Penang, 1, Solok Bayan Indah, Queensbay, 11900 Bayan Lepas, Penang

Friday, 16 June 2023

11.00 a.m.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **26th** Annual General Meeting ("AGM") of the Company will be held at Kapur Room, Eastin Hotel Penang, 1, Solok Bayan Indah, Queensbay, 11900 Bayan Lepas, Penang on Friday, **16 June 2023** at 11.00 a.m. for the following purposes: -

ORDINARY BUSINESS

1. To receive the Directors' Report and Audited Financial Statements for the year ended 31 December 2022.

2. To re-elect the following Directors who retired in accordance with Article 88 of the Constitution of the Company, and being eligible have offered themselves for re-election: -
   (i) Mr. Ewe Eng Kah (Resolution 1)
   (ii) En. Muttaqin Bin Othman (Resolution 2)

3. To re-elect Mr. Chua It Chit, the Director who retired in accordance with Article 95 of the Constitution of the Company, and being eligible has offered himself for re-election. (Resolution 3)

4. To approve payment of the Directors' Fees of up to RM100,000 per annum in respect of the financial year ending 31 December 2023. (Resolution 4)

5. To approve payment of benefits payable to Non-Executive Directors up to an amount of RM24,000 from 17 June 2023 until the next AGM of the Company. (Resolution 5)

6. To re-appoint Messrs Grant Thornton Malaysia PLT as Auditors to hold office until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. (Resolution 6)

SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolutions, with or without modifications: -

7. **Authority to issue shares and allot share pursuant to Section 76 of the Companies Act 2016 ("Act")**

   "THAT, subject always to the Act, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Constitution of the Company and approvals of any relevant governmental and/or regulatory authorities, where such approval is required, the Directors be and are hereby empowered pursuant to Section 76 of the Act, to issue and allot shares in the capital of the Company, at any time upon such terms and conditions and for such purposes and to such person(s) whomsoever as the Directors may in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of the shares issued pursuant to this resolution does not exceed ten (10) per centum of the total issued share capital 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 in force until the conclusion of the next AGM of the Company.

   THAT pursuant to Section 85 of the Act read together with Article 10 of the Company's Constitution, approval be and is hereby given to waive the statutory pre-emptive rights conferred upon the shareholders of the Company in respect of the allotment and issuance of new Shares pursuant to the Mandate AND THAT such new Shares when allotted shall rank pari passu in all respects with the existing class of ordinary shares;

   AND FURTHER THAT the Board is exempted from the obligation to offer such new Shares first to the existing shareholders of the Company in respect of the allotment and issuance of new Shares pursuant to the Mandate." (Resolution 7)

8. **Proposed Renewal of Share Buy-Back Authority**

"THAT, subject always to the provisions of the Act, rules, regulations and orders made pursuant to the Act, provisions of the Constitution of the Company, Bursa Securities' Main Market Listing Requirements and approvals of any relevant governmental and/or regulatory authorities, where such approval is required, the Directors be and are hereby authorised to utilise an amount not exceeding the Company's retained profits, to purchase such number of ordinary shares of the Company provided the ordinary shares so purchased shall [in aggregate with the treasury shares as defined under Section 127 of the Act ("Treasury Shares") then still held by the Company] not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company for the time being AND THAT such authority shall commence upon the passing of this resolution until the conclusion of the next AGM of the Company unless earlier revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting AND THAT the Directors may cancel the ordinary shares so purchased or to retain same as Treasury Shares and may distribute the Treasury Shares as share dividend or may resell the same in a manner they deem fit and expedient as prescribed by the Act and the applicable regulations and guidelines of Bursa Securities and any other relevant authorities for the time being in force AND THAT authority be and is hereby given to the Directors to take such steps as are necessary or expedient to implement, finalise and to give effect to the aforesaid transactions with full power to assent to any conditions, modifications, variations and/or amendments as may be required or imposed by the relevant authorities and to do all such acts and things and upon such terms and conditions as the Directors may in their discretion deem fit and expedient in the best interest of the Company in accordance with the Act, regulations and guidelines." (Resolution 8)

9. **Proposed Renewal Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

"THAT, subject always to the provisions of the Act, the Constitution of the Company, the Main Market Listing Requirements of Bursa Securities or other regulatory authorities, approval be and is hereby given to the Company and/or its subsidiaries ("Eng Kah Group") to enter into any of the category of recurrent related party transactions of a revenue or trading nature as set out in Paragraph 2.4 of the Circular/Statement to Shareholders dated 28 April 2023 with the specific related parties mentioned therein which are necessary for Eng Kah Group's day-to-day operations on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company;

THAT such authority shall commence upon the passing of this resolution and shall continue to be in force until: -

(a) the conclusion of the next AGM of the Company following the AGM, at which time the Proposed Mandate will lapse, unless by a resolution passed at the next AGM, the mandate is renewed; or
(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340 (4) of the Act); or
(c) revoked or varied by resolution passed by shareholders in general meeting; whichever is earlier.

THAT authority be and is hereby given to the Directors of the Company to complete and do all such acts and things (including executing such documents as may be required) to give effect to such transactions contemplated and/or authorised by this Ordinary Resolution." (Resolution 9)

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

10. To transact any other ordinary business for which due notice has been given.

Further notice is also hereby given that for purpose of determining a member who shall be entitled to attend this 26th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 9 June 2023. Only a depositor whose name appears on the Record of Depositors as at 9 June 2023 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

By Order of the Board

Ch'ng Lay Hoon
SSM PC No.: 20198000494
MAICSA 0818580
Company Secretary

Penang

28 April 2023

Notes:

1. A member of the Company entitled to attend, speak and vote at this meeting is entitled to appoint a proxy to attend and vote in his place.
2. Where a member appoints more than one (1) proxy [but not more than two (2)], the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or under the hand of its officer or attorney duly authorised.
4. Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
5. All forms of proxy must be deposited at the Company's registered office at Suite 12-A, Level 12, Menara Northam, No. 55, Jalan Sultan Ahmad Shah, 10050 Georgetown Penang, not less than forty-eight (48) hours before the time stipulated for holding the meeting or adjournment thereof.

Explanatory Note On Special Business

i) Authority to Issue Shares (Resolution 7)
The proposed resolution is in relation to authority to allot shares pursuant to Section 76 of the Act, and if passed, will give a renewed mandate to the Directors of the Company, from the date of above AGM, authority to issue and allot shares in the Company up to and not exceeding in total ten per centum (10%) of the issued share capital of the Company for the time being, for such purposes as the Directors consider would be in the interest of the Company ("General Mandate"). This General Mandate, unless revoked or varied at a general meeting of the Company, will expire at the conclusion of the next AGM of the Company or the period within which the next AGM of the Company is required by law to be held whichever is the earlier.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors of the Company at the 25th AGM held on 17 June 2022 and which will lapse at the conclusion of the 26th AGM.

At this juncture, there is no decision to issue new shares. However, should the need arise to issue new shares the General Mandate would avoid any delay and costs in convening a general meeting of the Company to specifically approve such issue of share. If there should be a decision to issue new shares after the General Mandate is obtained, the Company would make an announcement in respect of the purpose and utilization of the proceeds arising from such issue.

ii) Proposed Renewal of Share Buy-Back (Resolution 8)
The proposed resolution, if passed, will provide the mandate for the Company to buy back its own shares up to a limit 10% of the total issued and paid-up share capital of the Company. The explanatory notes on Resolution 8 are set out in Circular/Statement dated 28 April 2023.

iii) Proposed Renewal for Recurrent Related Party Transaction (Resolution 9)
The proposed resolution, if approved, will enable Eng Kah's Group to enter into recurrent related party transactions of a revenue or trading nature with related parties in accordance with paragraph 10.09 of Bursa Securities' Main Market Listing Requirements. The explanatory notes on Resolution 9 are set out in the Circular/Statement to Shareholders dated 28 April 2023.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.27 (2) OF THE MAIN MARKET LISTING REQUIREMENTS
OF THE BURSA MALAYSIA SECURITIES BERHAD

1) Save for re-election of the retiring Directors, there were no directors standing for election at the 26th AGM.

2) The proposed Ordinary Resolution 7 for the general mandate for issue of securities is a renewal mandate. As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors of the Company at last AGM held on 17 June 2022.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ewe Eng Kah
(Executive Chairman)

Ewe Wei Ru
(Managing Director)

Ewe Wee Ting
(Executive Director)

Muttaqin Bin Othman
(Non-Independent Non-Executive Director)

Ong Kim Nam
(Independent Non-Executive Director)

Mohd Farid Bin Azahari
(Independent Non-Executive Director)

Chua It Chit
(Independent Non-Executive Director)
(Appointed w.e.f. 28 November 2022)

AUDIT COMMITTEE

Ong Kim Nam
(Chairman)

Mohd Farid Bin Azahari
(Member)

Chua It Chit
(Member)

Muttaqin Bin Othman
(Member)

NOMINATION COMMITTEE

Chua It Chit
(Chairman)

Ong Kim Nam
(Member)

Mohd Farid Bin Azahari
(Member)

Muttaqin Bin Othman
(Member)

REMUNERATION COMMITTEE

Mohd Farid Bin Azahari
(Chairman)

Muttaqin Bin Othman
(Member)

Ong Kim Nam
(Member)

Chua It Chit
(Member)

AUDITORS

Grant Thornton Malaysia PLT (AF0737)
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel. : +603 2692 4022
Fax. : +603 2732 1010

BANKERS

Alliance Bank Malaysia Berhad
AmBank Islamic Berhad
CIMB Bank Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad
United Overseas Bank (Malaysia) Bhd

BUSINESS ADDRESS

Plot 95 & 97,
Hala Kampung Jawa 2,
Kawasan Perindustrian Bayan Lepas,
11900 Bayan Lepas,
Penang, Malaysia.
Tel. : +604 - 643 5180
Fax. : +604 - 644 2101

Website

www.engkah.com

COMPANY SECRETARY

Ch'ng Lay Hoon
SSM PC No.: 201908000494
(MAICSA 0818580)

REGISTERED OFFICE

Suite 12-A, Level 12,
Menara Northam,
No. 55 Jalan Sultan Ahmad Shah,
10050 George Town,
Penang.
Tel. : +604 228 0511
Fax. : +604 228 0518

SHARE REGISTRAR

Plantation Agencies Sdn. Berhad 195501000033 (2603-D)
3rd Floor, 2, Lebuh Pantai,
10300 Georgetown,
Penang.
Tel. : +604 262 5333
Fax. : +604 262 2018

SOLICITORS

JB Lim & Associates

STOCK EXCHANGE

Main Market of Bursa Malaysia Securities Berhad

CORPORATE STRUCTURE

Eng Kah Corporation Berhad was incorporated in Malaysia under the Companies Act, 1965 on 19 June 1997 as a public limited company under its present name. The company is an investment holding company whilst the principal activities of its subsidiary and joint venture companies are as follows: -

Name of Subsidiary Companies	Date of Incorporation	Issued and Paid-up Share Capital	Effective Equity Interest held by Eng Kah Corporation Berhad (%)	Principal Activities
Eng Kah Enterprise Sdn. Bhd. 198501011125 (143577-M)	14.08.1985/ Malaysia	RM22,399,997	100.00	Manufacturing and sales of personal care, household and perfume products
Eng Kah Enterprise (KL) Sdn. Bhd. 199401039170 (324855-P)	28.11.1994/ Malaysia	RM11,000,000	100.00	Manufacturing and sales of personal care and household products
Eng Kah (H.K.) Limited (696109)	29.11.1999/ Hong Kong	HK$1,000	100.00	Dormant
PT. Eng Kah (31.394.731.9 - 418.000)	14.03.2012/ Republic of Indonesia	IDR14,698,485	100.00	Inactive
Guangzhou Eng Kah Business Consulting Co., Ltd. (440101400136093)	17.07.2013/ People's Republic of China	RMB3,500,000	100.00	Investment holding
EK Universal Marketing Sdn. Bhd. 201501023940 (1149269-D)	22.06.2015/ Malaysia	RM2	100.00	Marketing and distributing of perfumery, personal care, home fragrance and aromatherapy souvenir collections
Name of Joint Venture Company				
Atika Beauty Manufacturing Sdn. Bhd. 201501036955 (1162276-U)	15.10.2015/ Malaysia	RM6,000,000	35.00	Trading of cosmetics, perfumeries, toiletries, personal care and household products.

CORPORATE STRUCTURE (CONT'D)

ENG KAH CORPORATION BERHAD
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Shareholding	Company
100%	**ENG KAH ENTERPRISE SDN. BHD.** 198501011125 (143577-M)
100%	**ENG KAH ENTERPRISE (KL) SDN. BHD.** 199401039170 (324855-P)
100%	**ENG KAH (H.K.) LIMITED** (696109)
100%	**PT. ENG KAH** (31.394.731.9 - 418.000)
100%	**GUANGZHOU ENG KAH BUSINESS CONSULTING CO., LTD.** (440101400136093)
100%	**EK UNIVERSAL MARKETING SDN. BHD.** 201501023940 (1149269-D)
35%	**ATIKA BEAUTY MANUFACTURING SDN. BHD.** 201501036955 (1162276-U)

GROUP FINANCIAL HIGHLIGHTS

Year Ended 31 December	2018	2019	2020	2021	2022
Basic Earnings/(Loss) Per Share (Sen)	9.73	1.10	2.24*	(4.83)	**(3.16)**
Diluted Earnings/(Loss) Per Share (Sen)	9.73	1.10	2.24*	(4.81)	**(3.15)**
Cash and Cash Equivalents (RM'000)	17,313	25,531	23,935	17,086	**13,041**
Dividend Per Share (Sen) #	6.00	3.00	-	3.50	**-**
Debt/Equity Ratios	0.01	0.001	0.0004	0.004	**0.012**
EBITDA (RM'000)	7,869	1,525	4,233	705	**(2,188)**
Net Asset Per Share (RM)	1.02	1.00	1.04	0.56	**0.53**
Profit/(Loss) After Tax (RM'000)	6,887	778	2,647	(5,705)	**(3,728)**
Profit/(Loss) Before Tax (RM'000)	6,810	799	3,415	(285)	**(3,242)**
Revenue (RM'000)	57,821	49,079	51,306	48,477	**50,153**
Share Capital (RM'000)	68,638	68,638	68,638	68,741	**68,741**
Shareholders' Equity (RM'000)	71,989	70,868	73,864	66,347	**62,374**
Total Assets (RM'000)	90,196	80,292	86,779	77,995	**76,875**
Total Borrowings (RM'000)	555	137	33	285	**756**
Total Liabilities (RM'000)	18,207	9,424	12,916	11,648	**14,501**

Note:

Single-tier dividend.
* The weighted average number of ordinary shares in issue of the previous financial year was restated to reflect the retrospective adjustments arising from the issuance of the bonus shares in year 2021.

CHAIRMAN'S STATEMENT

"On behalf of the Board of Directors, I would like to present the Annual Report and Financial Statements of Eng Kah Corporation Berhad for the financial year ended 31 December 2022."

Financial Performance

In the face of challenging market conditions in 2022, the Group took decisive action to improve its financial position by implementing cost reduction measures and improving efficiency. The year yielded mixed financial results, with revenue slightly increased to RM50.15 million and an increase in the loss before tax to RM3.24 million. However, the net loss after tax was RM3.72 million, and the EBITDA was negative declined to RM2.18 million. Additionally, the debt/equity ratio increased to 0.012, and cash and cash equivalents decreased to RM13.04 million. Despite these challenges, the Company remains committed in taking the necessary steps to improve its financial performance, optimize its capital structure in order to achieve long-term sustainable growth. Furthermore, the Group will explore new revenue streams and pursue potential collaborations to diversify its business portfolio and enhance shareholder value.

Performance Review and Prospects

The Group is principally involved in the contract manufacturing of perfumery, colour cosmetic, skin care, toiletry, household products and personal care products.

The performance review and prospects are disclosed in detail in the Management Discussion & Analysis Statement appearing on pages from 11 to 12 of the annual report.

Appreciation

On behalf of the Board of Directors, I would like to extend my sincere gratitude to all our management and staff for their hard work and dedication in navigating through these challenging times.

I also like to extend my thanks to our shareholders, customers, government authorities, bankers, suppliers and business associates for their continued support and cooperation. Your faith in us has been a source of strength and inspiration.

Finally, I would like to thank my fellow Board members for their support, advice, and guidance over the past year. Together, we will continue to steer the Group towards greater success.

EWE ENG KAH
Executive Chairman

MANAGEMENT DISCUSSION & ANALYSIS STATEMENT

Group's Performance Review

Despite the challenges faced in the past year, Eng Kah Corporation Berhad remained committed to delivering quality products and services to its customers while upholding its values of innovation, sustainability, and resilience.

As compared to the year ended 31 December 2021, the Group's performance for the year ended 31 December 2022 was affected by various factors.

Company Profile

The Group is a contract manufacturer primarily involved in the production of perfumery, colour cosmetics, skin care, toiletries, household products, and personal care products. The Group operates three major manufacturing plants, two of which are situated in Penang and one in Nilai, Negeri Sembilan. In the financial year 2022, approximately 25% of the Group's products were exported to overseas countries, with major markets in the Asia Pacific region, including but not limited to China, Hong Kong, Indonesia, Taiwan, Thailand, Myanmar, and Singapore.

Revenue

The Group's financial year ended on 31 December 2022 recorded a positive growth in revenue, reaching RM50.153 million, representing a 3.46% increase from the previous year's revenue of RM48.476 million. The personal care segment recorded an increase of RM2.457 million or 8.13%, while the household segment experienced a slight decrease of RM780,000 or 4.28%.

The Group's strategy of focusing on research and development activities has led to the successful launch of personal care and essential personal hygiene products, resulting in an increase in demand both locally and overseas. The Group remains committed in enhancing its technical know-how and product development capability to achieve sustainable growth and become one of the leading contract manufacturers in the industry.

Loss Before Taxation

Although the figures for the year 2022 show a loss before tax of RM3.242 million, it is important to note that there have been some significant positive changes from the previous year. The personal care segment has improved by 22.8%, and the household segment has seen a notable increase of 31.71%.

While the investment holding segment has shown a decline of 105.31%, it is important to note that this was expected as part of a strategic shift in investment priorities. The Group remains committed to investing in growth opportunities that will bring long-term benefits and profitability.

Inventories

The total value of our inventory figures for the year 2022 amounted to RM28,522,801, which was a significant increase from the RM22,583,048 reported in 2021. This increase was a result of our strategic efforts to support our production processes and meet the needs of our customers.

One of the main reasons for this increase is to ensure that we have sufficient raw materials to support our production processes without any shortage of material. Additionally, this increase allows us to cater to the needs of new customers and expand our market share. Furthermore, by making bulk purchases, we are able to negotiate better prices with our suppliers and also reducing the cost of production.

We also made proactive efforts to purchase inventory before any potential increase in supplier prices, which has contributed to our overall inventory value. Our commitment to ensure a consistent supply of quality products for our customers is reflected in our investment in inventory management.

Trade Receivables

The Group's trade receivables decreased by 19.9% from RM14.521 million in 2021 to RM11.623 million in 2022. 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.

Cash and Cash Equivalents

Our cash and cash equivalents balance at the end of 2022 was RM13.041 million, reflecting a net decrease of RM4.045 million from the previous year. This decrease was primarily driven by net cash outflows used in operating activities of RM2.671 million and investing activities of RM646,000.

Trade Payables

In 2022, our trade payable increased by 24.5% to reach RM8.273 million, compared to RM6.643 million in 2021. We ensure that our outstanding trade payables are paid in accordance with the agreed credit terms, reflecting our commitment to maintaining positive relationships with our suppliers.

Prospects

In the face of the current economic challenges, including disruptions in the supply chain, intensifying geopolitical tensions, high commodity prices, rising operational costs and fluctuating foreign currency exchange rates, the Group's margins are under pressure. Despite this, the Group remains dedicated to improve efficiency in its manufacturing operations and boosting product research and development to better meet the needs of its customers.

One potential area for growth and expansion is to focus on expanding and diversifying its customer base. The Group has been successful in building long-term relationships with its current customers, but by expanding its reach and targeting new demographics, it can unlock new revenue streams and achieve greater market share. To achieve this, the Group plans to participate in leading international beauty trade fairs in Asia, showcasing its products and staying up-to-date with the latest trends in the beauty market.

Another opportunity for the Group is to explore entry into new markets. By expanding its geographical footprint and tapping into untapped markets, the Group can increase its exposure and diversify its revenue streams. The Group will conduct market research to identify high-potential markets, develop entry strategies, and build partnerships with local distributors and suppliers to achieve a successful market entry.

The Group also considers introducing new product lines or services to meet changing consumer needs and preferences. As the market evolves, the Group must adapt and innovate to stay relevant and competitive. To achieve this, the Group continues to invest in research and development to enhance its product offerings and increase competitiveness. It will also continue to promote its unique souvenir products, featuring an impressive 3D printing effect on the glass bottle, to capture the attention of customers and drive sales.

Finally, the Group will invest in sustainability initiatives and green technology to reduce its carbon footprint and improve its environmental impact. Consumers are increasingly conscious of the environmental impact of the products they use, and the Group can differentiate itself by promoting its commitment to sustainability. Additionally, the Group will foster partnerships with local and international organizations to expand its product reach and tap into new markets. By capitalizing on these opportunities, the Group aims to strengthen its position in the industry and continue delivering value to its customers and stakeholders.

With the above strategies, the Group remains confident in delivering satisfactory results for the following financial year.

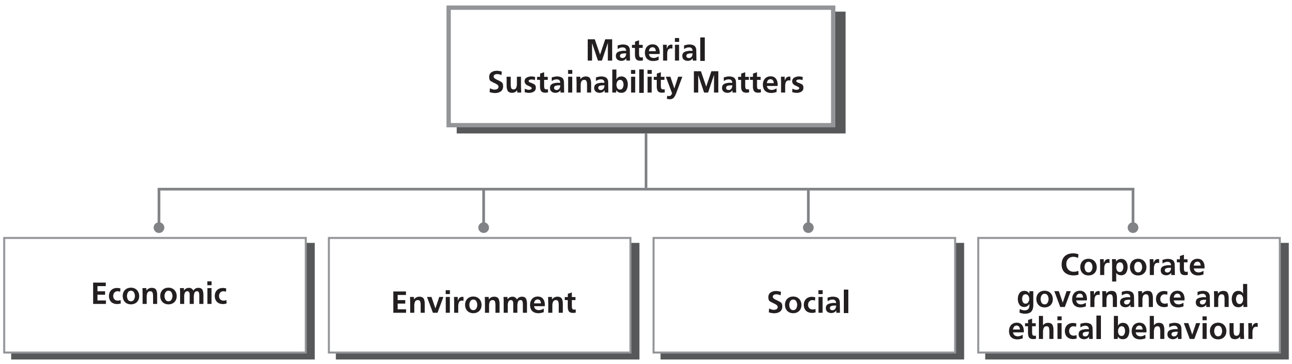
SUSTAINABILITY STATEMENT

The Group takes great pride in presenting its sustainability statement, which emphasizes the organization's unwavering commitment and approach towards sustainability across all facets of its operations, including economic, environmental, and social considerations. The scope of this report extends to all sustainability-related matters that arise from the Group's manufacturing and sale of personal care, household and perfume products, as well as its marketing and distribution of perfumery, personal care, home fragrance, and aromatherapy souvenir collections. This Statement has been prepared on a best effort basis to ensure that it accurately reflects the Group's stance on sustainability and its associated practices.

The Board recognizes that the foremost priority is not only to develop but also to sustain the momentum of our sustainability practices at all times and across all levels of our operations. The Board understands that any plans put in place or to be implemented to drive the Group's sustainability practices must be both realistic and achievable. In order to accomplish this, the Group must cultivate a sustainability mindset and culture that permeates every level of the organization, starting with the establishment of the necessary foundation to drive this initiative holistically.

The Group firmly believes that building a sustainable business requires more than just achieving its corporate objectives; it is crucial to demonstrate the Group's commitment to economic, environmental, social, and corporate governance aspects. Therefore, the Group remains steadfast in its dedication to promoting sustainability through its business practices, as well as through collaborations with like-minded stakeholders to maximize the positive impact on society and the environment.

Those material sustainability matters which are identified by the Group are as the following: -



ECONOMIC

The Group is committed to generating profits while utilizing its resources efficiently and responsibly, ensuring that its core business can operate indefinitely. In order to achieve economic sustainability, the Group offers the best value proposition to its customers, building long-lasting relationships based on reliability, loyalty, and the delivery of high-quality products. The Group also exercises ethical professional judgment in its decision-making processes, taking into account the interests of all stakeholders, while remaining cost-effective and competitive in the marketplace.

Effective communication with customers is crucial for the Group, and it places a high emphasis on it. As such, the Group regularly conducts surveys to gather feedback from its customers on various aspects of its services, including delivery, product quality, technical support, and cost management. The Group values its customers' opinions and feedback, which are collected through customer satisfaction survey forms sent out annually to all customers. The results of these surveys are analyzed and reported at management meetings, where issues are discussed, and improvement plans are formulated and subsequently implemented.

The Group's commitment to economic sustainability is underpinned by its focus on operational efficiency, cost management, and value creation for customers. The Group continuously seeks to optimize its operations by streamlining its supply chain and production processes, reducing waste and minimizing its environmental footprint. By doing so, the Group not only creates value for its customers but also for the wider community by contributing to a more sustainable future.

ECONOMIC (CONT'D)

In addition, the Group believes that transparency and accountability are essential for promoting economic sustainability, and therefore it maintains open and honest communication with all stakeholders, including investors, customers, employees, and the wider community. The Group's financial performance is regularly reported and disclosed to all stakeholders, ensuring that they are kept informed of the Group's operations and financial health.

Overall, the Group's approach to economic sustainability is driven by its commitment to responsible and ethical business practices, its focus on customer value creation, and its dedication to operational efficiency and cost management. By staying true to these principles, the Group aims to build a sustainable business that can withstand the test of time and continue to deliver value to all stakeholders, while contributing to a more sustainable future for generations to come.

ENVIRONMENTAL

The Group places a great deal of emphasis on optimizing resource usage, minimizing waste, and continuously improving its environmental performance across all aspects of its business operations. In line with this commitment, the Group ensures that all materials used and products produced are compliant with relevant authorities' regulations and requirements.

To further safeguard the well-being of its employees, the Group provides a safe and supportive work environment. The Group is keenly aware of its responsibility to care for the environment while conducting business operations and makes decisions with safety and environmental factors in mind.

The Group is also dedicated to environmentally friendly activities that prevent pollution, save energy, and reduce greenhouse gas emissions, such as the adoption of the 3R concept - Reduce, Recycle, and Reuse. In addition, the Group is actively exploring the use of renewable energy resources to achieve carbon neutrality and reduce its carbon footprint.

As a testament to its commitment to environmental sustainability, the Group has been granted ISO 14001:2015 certification for its effective Environmental Management System, which serves to protect the environment.

In line with the Group's commitment to renewable energy, one of our plants has recently installed a solar system to further reduce its carbon footprint and increase its reliance on sustainable energy sources. This initiative demonstrates the Group's continued efforts to promote sustainable practices and reduce its impact on the environment.

SOCIAL

The Group is committed to promoting the professional and personal growth of our employees, recognizing them as our greatest asset. We believe that the development of our human capital is integral to the success of our business, and we have implemented various initiatives to achieve this goal. These include in-house cross training, productivity improvement programs, and workplace diversity initiatives, with the ultimate aim of fostering a sense of unity among employees and achieving sustainable growth in terms of economic, environmental, and social development.

In addition to prioritizing the development of our workforce, the Group remains dedicated to enhancing the work satisfaction, productivity, and well-being of our employees. We recognize the importance of equipping our employees with the necessary skills and mindset to navigate the challenges of our industry and collective future. To achieve this, we have established support systems that include career discussions, performance appraisals, assignment plans, transfer and promotion plans, and mentoring programs that provide informal support and guidance, in addition to coaching and training provided by each employee's direct manager.

Furthermore, the Group has developed robust guidelines to safeguard the health and safety of our employees across all of our business operations. We are committed to ensuring that our employees are equipped with the knowledge and values essential to a safe and healthy workplace. The Group continuously undertakes first aid training, fire drills, and plant evacuation exercises to instill safety practices and maintain a secure work environment. At our manufacturing location, we prioritize the proper functioning and maintenance of safety equipment and systems to ensure the well-being of our employees.

SOCIAL (CONT'D)

Moreover, the Group is dedicated to supporting community initiatives that have a positive social impact in our local communities. We believe that it is important to give back to the communities that support our business operations. The Group is particularly focused on providing support to the handicapped community, who may face additional barriers to employment. To this end, the Group has taken an initiative to hire handicapped employees who are keen to seek employment in our factory, recognizing the value of a diverse and inclusive workforce.

CORPORATE GOVERNANCE & ETHICAL BEHAVIOUR

The Group recognizes the importance of having a robust corporate governance framework and ethical practices to ensure transparency, accountability, and responsible business conduct. This framework enables the Group to build and maintain a sustainable business, while earning the trust and confidence of all its stakeholders, including customers, suppliers, business partners, employees and shareholders.

The Group’s Board is committed to upholding high standards of corporate governance, and has established a comprehensive set of policies and procedures to guide the Group’s operations. These include the Code of Conduct and Ethics, which sets out the Group’s values, principles and standards of behavior, as well as Whistle Blowing Policies and Procedures to encourage employees to report any unethical behavior they observe. In addition, the Group has developed Anti-Bribery and Corruption Policies to ensure that the Group’s business dealings are conducted in an ethical and transparent manner.

The Group’s commitment to corporate governance and ethical practices extends beyond its policies and procedures. The Board ensures that the Group’s management team and employees understand the importance of these principles and how they apply to their work. This is achieved through regular training and communication programs, which aim to raise awareness and understanding of the Group’s policies and procedures, as well as its values and principles.

The Group also engages with its stakeholders to understand their expectations and concerns, and to incorporate their feedback into its decision-making processes. This enables the Group to continuously improve its corporate governance and ethical practices, and to remain responsive to the evolving needs and expectations of its stakeholders.

Overall, the Group’s strong corporate governance culture and ethical practices are integral to its success, and the Board remains committed to upholding these principles and ensuring that they are embedded throughout the Group’s operations. The Group’s Code of Conduct and Ethics, Whistle Blowing Policies and Procedures, and Anti-Bribery and Corruption Policies are available for public viewing on the Group’s website at www.engkah.com.

Code of Conduct and Ethics

The Group remains committed to upholding high standards of ethics and integrity in all its business operations. In order to achieve this, the Code of Conduct and Ethics, Whistle Blowing Policies and Procedures, and Anti-Bribery and Corruption Policies are enforced across all levels of the organization. This ensures that all directors, officers and employees are aware of their ethical responsibilities and are equipped with the necessary knowledge and tools to recognize and deal with ethical issues.

The Group recognizes that maintaining a culture of honesty and accountability is crucial for building and maintaining trust with stakeholders. As such, the Code of Conduct and Ethics is regularly reviewed and updated to reflect changes in ethical standards and emerging risks. The Board and management are committed to focusing on areas of ethical risk and providing guidance to personnel to help them make informed decisions that align with the Group’s values.

To further reinforce its commitment to ethical practices, the Group has put in place mechanisms for reporting unethical conduct. These mechanisms enable employees to report any instances of misconduct, including those involving gifts, gratuities, bribes and corruption, insider trading and money laundering. The Group takes all reports of misconduct seriously and has a zero-tolerance policy towards unethical behavior.

In line with the Group’s commitment to ethical practices, there were no reported incidents of corruption or bribery in the year 2022. The Group will continue to uphold its high standards of ethics and integrity, and work towards building a sustainable business that earns the trust and confidence of all its stakeholders.

CORPORATE GOVERNANCE & ETHICAL BEHAVIOUR (CONT'D)

Whistle Blowing Policies and Procedures

The Group recognizes the importance of promoting a culture of integrity and ethical behaviour in all its business dealings. As such, the Group has established Whistle Blowing Policies and Procedures ("WBPP") to provide a safe and confidential avenue for employees or external parties to report any suspected or actual breaches of laws, regulations, or the Group's policies and guidelines. The WBPP is an important mechanism to ensure that the Group's business practices align with its core values and ethical principles, and to maintain the trust of all stakeholders, including customers, suppliers, business partners, employees and shareholders.

Under the WBPP, any complaint received, whether material or otherwise, will be carefully reviewed by the Board to ensure that appropriate actions are taken to address the issue. The Group understands the importance of confidentiality in protecting the identity of the Whistle Blower, and has therefore included provisions in the WBPP to safeguard the anonymity of the person making the report. The Group's commitment to ethical conduct and transparency is further demonstrated by the fact that there have been no instances of retaliation against any employee who has made a good faith report under the WBPP.

Anti-Bribery and Corruption Policies

At the Group, we strongly believe in upholding the highest ethical standards and practices in all aspects of our business operations. We recognize that good corporate governance is critical in maintaining the trust and confidence of our stakeholders, and as such, we have placed a strong emphasis on promoting a culture of integrity within the organization. Our Board of Directors takes an active role in ensuring that the Group's policies and procedures effectively manage bribery and corruption risks, and comply with relevant laws and regulations.

To further strengthen our commitment towards anti-bribery and corruption, we have formalized our Anti-Bribery and Corruption Policy ("Policy"), which has been developed in accordance with the Malaysian Anti-Corruption Commission ("MACC") Act 2009 (Amendment 2018) ("Act"). The Policy serves as a guide for all employees of the Group in ensuring compliance with relevant laws and regulations on anti-bribery and corruption. Our Head of Human Resources Department has been appointed as the Compliance Officer, and is responsible for overseeing the implementation and monitoring of the Policy.

As part of our commitment to promoting a culture of integrity, we also ensure that our policies and commitments on anti-bribery and corruption are effectively communicated to both internal and external parties. This includes regular training sessions and awareness programs for our employees, as well as ongoing engagement with our business partners and stakeholders to reinforce our commitment towards ethical business practices. Through these efforts, we aim to foster a culture of transparency, honesty and accountability across all levels of the organization.

DIRECTORS' PROFILE

EWE ENG KAH

Malaysian | 77 | Male | Executive Chairman

A Malaysian aged 77, male, was appointed as the Chairman and Managing Director of the Company on 2 May 2002. He was subsequently re-designated from Chairman and Managing Director to Executive Chairman on 29 May 2019. He is the founder of the Eng Kah Group. He has more than 50 years of experience and expertise in the manufacturing of perfumery, cosmetic, skin care, toiletry and household products. He has in-depth knowledge in research & development as well as wide exposure in designing and packaging of products, which he gained his experience from both the local and international markets.

He graduated with a Diploma in Chemistry from Kaoshiung Industrial Institute, Taiwan in 1967.

He attended all the five (5) Board meetings of the Company duly held for the financial year ended 31 December 2022.

EWE WEI RU

Malaysian | 36 | Female | Managing Director

A Malaysian aged 36, female, was appointed as an Executive Director of the Company on 25 August 2011. She was subsequently re-designated from Executive Director to Managing Director on 29 May 2019. She obtained her Bachelor of Commerce degree majoring in Finance & Psychology from University of Melbourne, Australia in 2008 and Postgraduate Diploma of Psychology from Monash University, Australia in 2009. She joined Eng Kah Enterprise Sdn. Bhd. in 2010 as the Head of Costing department and was subsequently appointed as an Executive Director of the Company in 2011.

She attended all the five (5) Board meetings of the Company duly held for the financial year ended 31 December 2022.

EWE WEE TING

Malaysian | 38 | Male | Executive Director

A Malaysian aged 38, male, was appointed as an Executive Director of the Company on 25 August 2011. He obtained his Bachelor of Art, Animation & Interactive Media degree from Royal Melbourne Institute of Technology (RMIT) Melbourne, Australia in 2009. He joined Eng Kah Enterprise Sdn. Bhd. as Personal Assistant to the Group Managing Director in 2010 and was appointed as an Executive Director of the Company in 2011.

He attended all the five (5) Board meetings of the Company duly held for the financial year ended 31 December 2022.

MUTTAQIN BIN OTHMAN

Malaysian | 51 | Male |
Non-Independent Non-Executive Director

A Malaysian aged 51, male, was appointed as a Non-Executive Director of the Company on 2 May 2002 and re-designated as Independent Non-Executive Director of the Company on 1 July 2011. He was subsequently appointed as a Senior Independent Non-Executive Director of the Company on 26 February 2016. He was re-designated as a Non-Independent Non-Executive Director of the Company on 14 April 2023. Presently, he is a Director of Ana Edar Sdn. Bhd.. He has years of experience in the marketing of perfumery, cosmetic, skin care, toiletry and household products. He holds a bachelor degree in Accountancy with Honours from the International Islamic University, Malaysia, where he graduated in 1995.

He is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

He attended all the five (5) Board meetings of the Company duly held for the financial year ended 31 December 2022.

ONG KIM NAM

Malaysian | 67 | Male |
Independent Non-Executive Director

A Malaysian aged 67, male, was appointed as an Independent Non-Executive Director of the Company on 2 May 2002. He was subsequently re-designated from Senior Independent Non-Executive Director to Non-Independent Non-Executive Director on 19 September 2015. He was re-designated as an Independent Non-Executive Director of the Company on 6 April 2018. A Chartered Accountant by profession, he is a member of the Malaysian Institute of Accountants and the Association of Chartered Certified Accountants (United Kingdom). He has over 38 years of experience in the field of auditing, accounting, company secretarial and taxation. Presently, he is the sole practitioner of O.K. Nam Associates, a firm of Chartered Accountants, which is based in Penang. Mr. Ong also sits on the Board of PWF Consolidated Bhd as an Independent Non-Executive Director.

He is appointed as Chairman of the Audit Committee on 14 April 2023. He also is a member of Remuneration Committee and Nomination Committee.

He attended all the five (5) Board meetings of the Company duly held for the financial year ended 31 December 2022.

MOHD FARID BIN AZAHARI

Malaysian | 51 | Male |
Independent Non-Executive Director

A Malaysian aged 51, male, was appointed as an Independent Non-Executive Director of the Company on 9 October 2014. He obtained his Bachelor of Law (LLB)(Hons) and Master of Science (Islamic Banking & Finance) from International Islamic University, Malaysia. A lawyer by profession, he was admitted as an advocate and solicitor at the High Court of Malaya in 1997. He is a partner in JB Lim & Associates, a legal firm based in Penang. He has more than 20 years of experience in the field of banking and corporate law, and has been practicing since the date of admission.

He is the Chairman of the Remuneration Committee and a member of the Audit Committee. He is also a member of the Nomination Committee.

He attended all the five (5) Board meetings of the Company duly held for the financial year ended 31 December 2022.

CHUA IT CHIT

Malaysian | 39 | Male |
Independent Non-Executive Director

A Malaysian aged 39, male, was appointed as an Independent Non-Executive Director of the Company on 28 November 2022. He has 18 years of valuable experience in the Internet industry and has developed critical competency and strong skills in Internet Marketing and Research. In 2004 he founded World Market, an e-Commerce Portal and then co-founded YeahHost, a Server Farm in 2006. In 2009, he founded Game Pro, a game publishing company, through equity financing. After that, he co-founded eJoy land, a new media company in 2014 as well as founded Vilor Berhad in 2016, which invested 23 companies and possessed high potential to succeed within ten months, proving its shrewdness and competitiveness in the business world.

He is appointed as Chairman of the Nomination Committee on 14 April 2023. He is member of the Audit Committee and Remuneration Committee.

His appointment was after the last Board meeting in the financial year ended 31 December 2022. Therefore, he did not attend any Board meetings of the Company duly held for the financial year ended 31 December 2022.

Notes:

1. All the Directors do not have any conflict of interest with the Group.
2. All the Directors have not been convicted for any offences within the past five years other than traffic offences, if any.
3. Mr. Ewe Eng Kah is the husband of Madam Neoh Lay Hwa, the substantial shareholder of the Company, and Mr. Ewe Wee Ting and Ms Ewe Wei Ru are the children of Mr. Ewe Eng Kah and Madam Neoh Lay Hwa.
4. The Directors' shareholdings are as disclosed in page 37 and 38 of this Annual Report.

PROFILE OF KEY SENIOR MANAGEMENT

LEONG YEW WING

Malaysian | 51 | Male | Chief Operating Officer

A Malaysian aged 51, male, he joined the Eng Kah Group in November 2019 as the Chief Operating Officer. He has more than 20 years of management experience in Fast Moving Consumer Goods ("FMCG") industry and Global Strategic Procurement in Fortune 500. He involves closely in R&D, products development and engineering related projects.

He graduated with a Bachelor of Engineering (Hons) in Mechanical Engineering and holding a MBA (Finance) from University of Leeds, United Kingdom.

LEE JUI HONG

Malaysian | 39 | Male | Chief Financial Officer

A Malaysian aged 39, male, he joined the Eng Kah Group in October 2020 as the Finance Advisor. In March 2021, he was appointed as the Chief Financial Officer. He has more than 10 years working experience in accounting, auditing and taxation for various industries ranging from trading, property development, construction, manufacturing, food & beverage to retails. His working experience includes supporting clients during tax investigation, provision of GST implementation and various advisory activities.

He graduated with a Bachelor of Accounting (Hons) from University Utara Malaysia in 2009 and he is a Member of the Malaysian Institute of Accountants (MIA) since 2013.

WILCHARD BAH WEE CIAT

Malaysian | 38 | Male | Chief Marketing Officer

A Malaysian aged 38, male, he joined the Eng Kah Group in October 2022 as the Chief Marketing Officer. He has more than 18 years experiences in logistics and retail industry. He has worked in various roles such as operations, customer service and sales, and has been recognized with multiple top sales awards. He is responsible for the development and execution of marketing strategies to increase brand awareness, drive prospects and enhance customer engagement.

With his vast experience, he has developed a deep understanding of the importance of data-driven insights which has helped him gained valuable insights into customer behavior, product positioning and marketing strategies. His knowledge of both industries enables him to approach challenges from a unique perspective. He priorities to motivate and inspire teams to achieve their goals as a purpose driven, objective oriented and humility in order to build strong relationships with stakeholders, from customers to suppliers and partners. He is committed to staying current with emerging marketing trends and technologies by constantly learning and exploring new ways to leverage emerging technologies and marketing platforms to drive results.

SEAH CHOOI LEONG

Malaysian | 64 | Male | Senior Finance Manager

A Malaysian aged 64, male, he is the Senior Finance Manager of the Eng Kah Group. He joined the Eng Kah Group in 1994 as the Finance Executive and was subsequently promoted to his current position in 2002. Prior to joining the Eng Kah Group, he was attached to Federal Oil Palm Sdn Bhd from 1991 to 1994 as an Accounts Supervisor. He has extensive experience in finance, accounting and banking.

Notes:

1. All the Key Senior Management do not have any conflict of interest with the Group.
2. All the Key Senior Management have not been convicted for any offences within the past five (5) years other than traffic offences, if any.
3. None of the Key Senior Management have any family relationship with the Directors/major shareholders of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors is fully committed to ensure that the highest standards of corporate governance are practiced throughout the Group, in order to protect and enhance shareholders' value. The Board fully supports the recommendations of the Malaysian Code on Corporate Governance ("MCCG") and believes that good corporate governance is essential to attain the Group's business and social objectives.

The Board is pleased to disclose the extent to which the Company has complied with the principles and best practices as set out in the MCCG during the financial year ended 31 December 2022. A Corporate Governance Report ("CG Report") in the prescribed format reports on the compliance with MCCG by the Group throughout the financial year ended 31 December 2022 and reasons thereof if there are inconsistences. The CG Report is disclosed to Bursa Malaysia Securities Berhad ("Bursa Securities") together with the Annual Report and may be viewed via the Company's website at www.engkah.com or Bursa Securities' listed company announcement page at www.bursamalaysia.com.

THE BOARD

Roles and Responsibilities of the Board

The Group is led and directed by an experienced Board who has the overall responsibilities to oversee its business matters. The Board includes members with a wide range of experience and expertise in business, financial, legal and technical aspects, which are relevant for managing the Group professionally and effectively. The Board assumes, amongst others, the following responsibilities:-

- Setting strategic aims and managing relevant resources for the Group to achieve its objectives;

- Evaluating and adopting relevant strategic plans and focus on sustainability of the business of the Group;

- Evaluating, overseeing and managing major business matters of the Group;

- Evaluating and identifying principal business risk and implementing appropriate systems to manage and mitigate these risks;

- Evaluating and approving relevant business ventures as well as acquisitions and disposal of assets of the Group;

- Evaluating and implementing succession plan, including employing and training of relevant key personnel of the Group and reviewing management performance;

- Evaluating the adequacy and integrity of the Group's internal control mechanism and management information systems; and

- Evaluating, developing and implementing relevant investor relation programmes and shareholders' communication policy.

The Group's Executive Chairman and Managing Director are assigned with the authorities and responsibilities to implement policies as approved by the Board, as well as to oversee the Group's day-to-day business operations, and to monitor the aspects of good corporate governance, leadership and effectiveness of the Board. Executive Directors are assigned with the responsibilities to oversee the sales & marketing, production and administrative functions of the Group.

The Group's Independent Directors are assigned with the responsibilities to provide independent views, judgments and advices in order to safeguard the interest of shareholders.

THE BOARD (CONT'D)

Roles and Responsibilities of the Board (Cont'd)

The Board has also set-up Audit Committee, Nomination Committee and Remuneration Committee with clearly defined responsibilities to assist the Board in carrying out its functions and responsibilities effectively. The Independent Directors sit in Board Committees of the Company as the followings: -

Designation	Audit Committee	Nomination Committee	Remuneration Committee
Chairman	Muttaqin Bin Othman	Muttaqin Bin Othman	Mohd Farid Bin Azahari
Members	Mohd Farid Bin Azahari Ong Kim Nam Chua It Chit	Mohd Farid Bin Azahari Ong Kim Nam Chua It Chit	Muttaqin Bin Othman Ong Kim Nam Chua It Chit

Formalised Ethical Standards Through Code of Conduct and Ethics

The Board has formalised a Code of Conduct and ethics for Directors. The Code shall provide proper guidance for Directors with regard to ethical standards to be complied with when carrying out their duties and responsibilities.

A copy of the Code of Conduct is available for reference at the Company's website at www.engkah.com.

Access to Information and Advice

All the Directors have direct access to professional services of the Company Secretary as well as other professional advisors to assist Directors in carrying out their duties.

Prior to Board meetings, all the Directors are furnished with agenda and Board's papers on matters requiring considerations and discussions. All the Directors have full access to information on issues to be discussed in meetings. The Management provides further information, when necessary, during meetings to facilitate the Directors in decision making and carry out their duties and responsibilities.

Company Secretary

The Board is supported by a qualified and competent Company Secretary who is responsible to provide sound governance advice to the Board, ensure proper Board procedures are followed and in compliance with relevant rules and regulations, as well as adoption of corporate governance practices.

The Company Secretary plays an advisory role in all the Board meetings and ensures that all the meetings are properly convened and conducted. Meeting materials are distributed to Directors, which are complete and accurate within a reasonable time period prior to the meetings. All the minutes of Board meetings are properly recorded, maintained and circulated in a timely manner.

Board Charter

The Board has adopted a Board Charter which sets out the principles of good corporate governance governing the Company's Board of Directors, clearly defines the roles and responsibilities of its Board members, as well as to adopt the practice in accordance to applicable laws, rules and regulations. The Board will periodically review the Board Charter and make relevant amendments as and when necessary.

A copy of the Board Charter is available at the Company's website at www.engkah.com.

Whistle-Blowing Policy

The Group is committed to maintaining a high standard of integrity, accountability and ethical behavior in conducting its business operations. Employees and stakeholders are encouraged to report genuine concerns about malpractices, unethical behavior and illegal acts on failure to comply with regulatory requirements, provided that the report is made in good faith. All cases shall be investigated independently and appropriate actions shall be taken if necessary.

A copy of the Whistle-Blowing Policy is available for reference at the Company's website at www.engkah.com.

THE BOARD (CONT'D)

Anti-Bribery and Corruption Policy

The Board of Directors believes that honesty, integrity and transparency are the core values of good corporate governance. The Board is responsible to ensure that the Group has in place policies and procedures that adequately address and manage bribery and corruption risks, promote a culture of integrity within the organisation, the organisation's policies and commitments on anti-bribery and corruption is being communicated to both internal and external parties as well as comply to laws and regulatory requirements on anti-bribery and corruption.

Based on recommendation by the Audit Committee, the Board has formalised its Anti-Bribery and Corruption Policy ("Policy") to comply with the Malaysian Anti-Corruption Commission ("MACC") Act 2009 (Amendment 2018). The Head of Human Resources Department is the Compliance Officer.

A copy of the Anti-Bribery and Corruption Policy is available for reference at the Company's website at www.engkah.com.

BOARD COMMITTEES

The Board has set up three committees namely Audit Committee, Nomination Committee and Remuneration Committee to assist the Board in carrying out its roles and responsibilities.

Nomination Committee

The Nomination Committee consists of the following members:-

Chairman	:	Muttaqin Bin Othman
Members	:	Mohd Farid Bin Azahari
		Ong Kim Nam
		Chua It Chit

The Nomination Committee was established to assist the Board, amongst others, on the following functions:

1. To identify suitable candidates with the relevant expertise and experience and recommend to the Board as candidates for directorships;

2. To nominate Directors for re-election purposes;

3. To recommend candidates to fill the seats for Board's committees;

4. To review the Board's structure, size and composition in order to establish an effective Board; and

5. To develop, maintain and review criteria for recruitment purposes and annual assessment of Directors.

During the financial year, the Nomination Committee deliberated on the following matters: -

- recommending to the Board of Directors based on the assessment conducted for the re-election of the Directors who were retiring by rotation and seeking for re-election at the forthcoming AGM;
- assessment of the independence of the Independent Directors based on the criteria set out in the Main Market Listing Requirements ("MMLR") of Bursa Securities;
- evaluation of the current Board structure, size and composition and effectiveness of the Board as a whole and the Board Committee as well as the contribution and performance of each individual Director;
- evaluation of the character, experience, integrity and competence of the Executive Chairman, Managing Director, Executive Director and Senior Manager and to ensure they have the time to discharge their respective roles; and
- reviewed and assessed the effectiveness of the Audit Committee in carrying out its duties as set out in the terms of reference.

The Board is to make final decisions on appointments recommended by the Nomination Committee.

BOARD COMMITTEES (CONT'D)

Re-election of Directors

The Constitution of the Company has stated that all the Directors are subjected to retirement from office and at least one third of the Board shall retire once every three years by rotation at each Annual General Meeting ("AGM") but shall be eligible for re-election.

The Company Secretary shall ensure that all the relevant information is obtained and all the legal and regulatory requirements are met by the Company before the appointments of directors are made.

Remuneration Committee

The members of the Remuneration Committee are:-

Chairman	:	Mohd Farid Bin Azahari
Members	:	Muttaqin Bin Othman
		Ong Kim Nam
		Chua It Chit

The Remuneration Committee is responsible for establishing a formal and transparent remuneration policies and procedures to attract and retain Directors and Key Senior Management. The Committee takes into account the qualification, experience and level of responsibilities when making recommendation to the Board.

Directors' Remuneration

Details of the Directors' remuneration for the financial year ended 31 December 2022 are as follows:-

Category	Fees RM'000	Benefits in-kind RM'000	Allowance RM'000	Salaries RM'000	Bonuses RM'000	Total RM'000
Executive Directors						
Ewe Eng Kah	-	15	-	933	145	1,093
Ewe Wei Ru	-	-	-	300	8	308
Ewe Wee Ting	-	6	-	180	5	191
Non-Executive Directors						
Ong Kim Nam	28	-	5	-	-	33
Muttaqin Bin Othman	24	-	5	-	-	29
Mohd Farid Bin Azahari	24	-	5	-	-	29
Chua It Chit	-	-	-	-	-	-
Total	76	21	15	1,413	158	1,683

It is inconvenient for the Group to disclose salary, bonus, benefits in-kind and other emoluments of Key Senior Management on a named basis, as the Group is of the view that the disclosure would create negative impact amongst employees due to the sensitivity of the information.

REINFORCE INDEPENDENCE

Annual Assessment of Independent Directors

Independent Directors of the Company are being assessed by the Board annually, with the objective of ensuring the Independent Directors are in the position to provide independent views, judgments and advices to the Board in order to safeguard the interest of shareholders.

The Independent Directors of the Company have fulfilled the criteria as independence as prescribed in the MMLR of Bursa Securities. The composition of the Board has also complied with the MMLR which requires that one third (1/3) of the Board to be Independent Directors.

Tenure of Independent Directors

MCCG has recommended that the tenure of independent director should not exceed a cumulative term of nine years. If a person who has served in the capacity as independent director for more than nine years, the Board must justify and seek shareholders' approval to retain that person as independent director.

Separation of Positions of Chairman and Managing Director

MCCG recommends that the positions of Chairman and Managing Director should be held by different individuals.

The positions of Chairman and Managing Director are not held by the same Director.

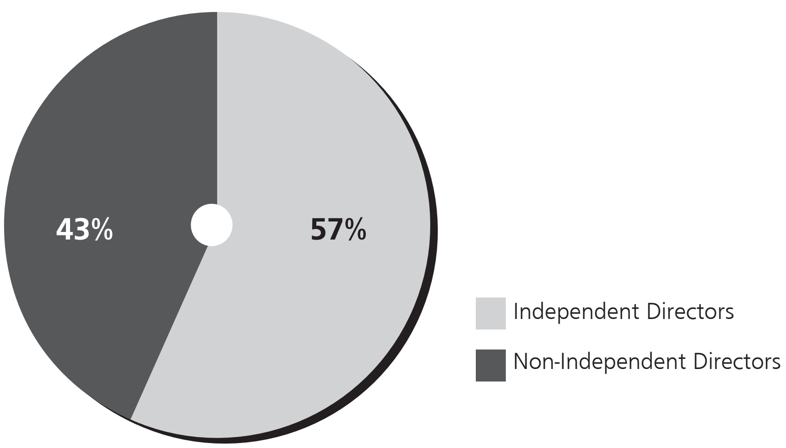
Board Composition and Balance

Currently the Board has seven (7) Directors comprising three (3) Executive Directors, and four (4) Independent Non-Executive Directors. More than one-third of the Board comprises Independent Non-Executive Directors. Independent Non-Executive Directors are equal Board members and provide a balanced and independent views as well as unbiased judgments to the Board in order to safeguard the interest of shareholders.

The Board reviews annually its performance, as well as the performance of Board Committees and individual Directors based on a set of predetermined criteria that is facilitated by the Company Secretary. The Board is satisfied that the composition of the Board and its Board Committees have satisfied the criteria required and Board members posses the relevant knowledge, experience and skills in carrying out their duties and responsibilities.

The Board has also reviewed its size and composition and is satisfied that its current size and composition is effective for proper functioning of the Group.

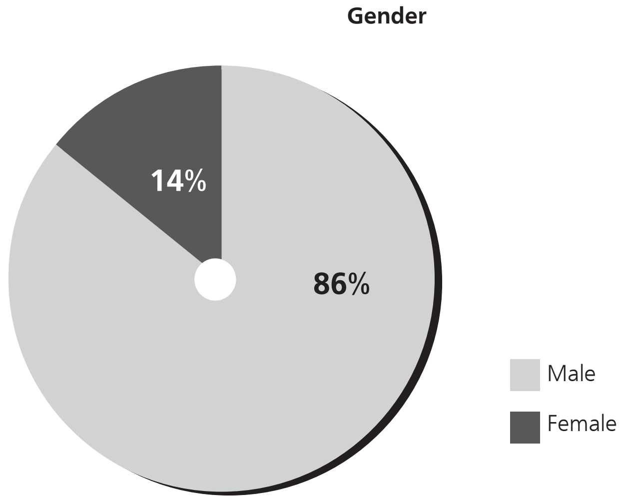
Board Composition & Balance



REINFORCE INDEPENDENCE (CONT'D)

Gender Diversity

The Board is supportive of gender diversity in its Board composition and senior management team. At present, there is one woman Director on the Board out of seven Directors. The Board via the recommendation from the Nomination Committee may evaluate more women participation as and when it deems fit.



FOSTER COMMITMENT

Time Commitment

The Board is satisfied with the level of time committed by Directors in carrying out their respective roles and responsibilities. The Board is scheduled to meet at least four times a year with additional meetings to be convened as and when necessary. All major issues and decisions are discussed and made at formal Board meetings. The Board held five meetings during the financial year ended 31 December 2022.

The following is the record of attendance of the Board members:-

	Directors	Number of meetings attended
1.	Ewe Eng Kah	5/5
2.	Ewe Wei Ru	5/5
3.	Ewe Wee Ting	5/5
4.	Ong Kim Nam	5/5
5.	Muttaqin Bin Othman	5/5
6.	Mohd Farid Bin Azahari	5/5
7.	Chua It Chit	0/0

Directors' Training

Besides attending the Mandatory Accreditation Programme as required by Bursa Securities, the Company has been conducting In-House Training Programme ("IHTP") for Directors. The purpose of the IHTP is for all the Directors to have better understanding on the business operations of the Group. The IHTP covers the functions of accounting & finance; production; internal control; research & development and other aspects with regard to the group's business operations and functions. The IHTP is a programme to facilitate the Board in decision making as well as formulating strategic policy for the Group. If necessary, Directors will also attend other relevant training programmes to further enhance their knowledge and skills.

FOSTER COMMITMENT (CONT'D)

Directors' Training (Cont'd)

The Company Secretary also ensures that all the Directors are provided with information pertaining to their scope of responsibilities under the rules and regulations, and are kept informed by any changes in relevant rules and regulations with regard to the responsibilities of Directors.

UPHOLD INTEGRITY IN FINANCIAL REPORTING

Financial Reporting

The Board has the responsibility to present a clear and understandable assessment of the Group's position and prospects in its quarterly reports to Bursa Securities and annual reports to shareholders.

The Audit Committee assists the Board in reviewing the information to be disclosed to ensure its accuracy, adequacy and completeness as well as to comply with applicable approved accounting standards in Malaysia.

Directors' Responsibility Statement

The Board is responsible for ensuring that the Group's financial statements give a true and fair view of the state of affairs of the Group, as well as its financial results and cash flow positions for the financial year.

In preparing the Group's financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act 2016 have been complied, and supported by reasonable and prudent judgments and estimates when necessary.

The Directors have general responsibilities to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Assessment of Suitability and Independence of External Auditors

The Audit Committee has always maintained a transparent relationship with the external auditors in seeking professional advice and ensuring that the financial statements of the Group are prepared in accordance with the applicable approved accounting standards in Malaysia.

The Audit Committee has set the criteria to assess the suitability and independence of external auditors. The Audit Committee has reviewed and assessed the external auditors in terms of independence, performance, competency and integrity, and recommended their re-appointment to the Board, upon which the shareholders' approval will be sought at the AGM.

RECOGNISE AND MANAGE RISKS

Sound Framework to Manage Risks

The Board acknowledges the importance of good practice of corporate governance and is committed to maintain a sound system of internal control in order to safeguard the Group's assets.

The Board has established a risk management framework and the Audit Committee continuously reviews the adequacy and effectiveness of the risk management processes within the Group.

RECOGNISE AND MANAGE RISKS (CONT'D)

Internal Audit Unit

The Board has established an Internal Audit Unit which reports to the Audit Committee. Its role is to provide the Audit Committee with regular assurance on the continuity, integrity and effectiveness of the internal control system through regular monitoring and reviewing of the internal control framework and management processes.

The Statement on Risk Management and Internal Control which is set out on pages from 29 to 31 of the annual report, provides an overview on the state of internal control system within the Group.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Company recognizes the importance of keeping shareholders informed on all material business matters affecting the Group. As such, the Company always makes necessary announcements and timely release of quarterly financial results and other relevant information through Bursa-Link, Company's website, annual reports, press releases or other channel of communications.

STRENGTHEN THE RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The AGM is a platform for dialogue and interaction with shareholders. The Company has always taken the initiative to communicate and engage with shareholders especially during AGM. Shareholders are always encouraged to enquire issues and discuss matters which are relevant to the business operations of the Group at the AGM.

Notice of AGM together with the Company's annual report are served to shareholders of the Company at least 28 days before the meeting and shareholders who are unable to attend will have the right to appoint proxy to attend and vote on their behalf.

The Company also organizes analysts briefing as well as meetings with fund managers and investors in response to requests from institutional investors, analysts and public investors.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors is required under paragraph 15.26(a) of the MMLR of Bursa Securities to issue a statement explaining its responsibility for preparing the annual audited financial statements.

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and the Company as at the financial year end and of their results and cash flows for the financial year then ended.

The Directors consider that, in preparing the financial statements of the Group and the Company for the financial year ended 31 December 2022, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgment and estimates. The Directors also consider that all applicable Financial Reporting Standards in Malaysia have been complied with and confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company maintain proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and the Company, and that the financial statements comply with the regulatory requirements.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Malaysian Code on Corporate Governance requires public listed companies to maintain a sound system of risk management and internal control to safeguard shareholders' investments and company's assets. Under the provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Main Listing Requirements"), paragraph 15.26(b), Directors of public listed companies are required to produce a statement on the state of the company's internal control in their Annual Report.

The Board of Directors ("Board") continues with its commitment to maintain sound systems of risk management and internal control throughout Eng Kah Corporation Berhad and its subsidiaries ("Group") and in compliance with the Main Listing Requirements and the Statement of Risk Management and Internal Control (Guidelines for Directors of Listed Issuers) ("Internal Control Guidelines"), the Board is pleased to provide the following statement which outlines the nature and scope of risk management and internal control of the Group during the financial year in review.

BOARD RESPONSIBILITY

The Board acknowledges the importance of sound risk management and internal control being embedded into the culture, processes and structures of the Group. The systems of internal control cover risk management and financial, organisational, operational, project and compliance controls. The Board affirms its overall responsibility for the Group's systems of internal control and for reviewing the effectiveness and efficiency of those systems to ensure its viability and robustness. It should be noted, however, that such systems are designed to manage, rather than eliminate, risks of failure to achieve corporate objectives. Inherently, it can only provide reasonable and not absolute assurance against material misstatement or loss.

CONTROL STRUCTURE AND ENVIRONMENT

In furtherance to the Board's commitment to maintain sound systems of risk management and internal control, the Board continues to maintain and implement a structure and environment for the proper conduct of the Group's business operations as follows:

- The Board meets at least quarterly and has set a schedule of matters which is required to be brought to its attention for discussion, thus ensuring that it maintains full and effective supervision over appropriate controls. The Managing Director leads the presentation of board papers and provides explanation of pertinent issues. In addition, the Board is kept updated on the Group's activities and its operations on a regular basis;

- An organisation structure with well-defined scopes of responsibility, clear lines of accountability, and levels of delegated authority;

- A process of hierarchical reporting which provides for a documented and auditable trail of accountability;

- A set of documented internal policies and procedures for operational and human resource management, which is subject to review and improvement. A documented delegation of authority with clear lines of accountability and responsibility serves as a tool of reference in identifying the approving authority for various transactions including matters that require the Board's approval;

- Regular and relevant information provided by management, covering financial and operational performance and key business indicators, for effective monitoring and decision making; and

- Regular visits to operating units by members of the Board and senior management.

RISK MANAGEMENT

The Group has established risk management practices to safeguard the Group's business interest from risk events that may impede the achievement of business strategy and provide assurance to the Group's various stakeholders. The Group Managing Director and Chief Financial Officer have provided the Board the assurance that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, to ensure achievement of corporate objectives.

The main components of the Group's risk governance and structure consists of the Board, the Senior Management and the key personnel of the Group. The structure allows for strategic risk discussions to take place between the Board and the Senior Management on a periodical basis, where necessary. The summary of the accountabilities of the Board, the Senior Management and the key personnel under the risk governance structure are as follows:

a. Board of Directors

- Overall risk oversight responsibility;
- Determines that the principal risks are identified, and appropriate as well as robust systems are implemented to manage these risks; and
- Reviews the adequacy and the integrity of the Group's internal control systems and information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

b. Senior Management and key personnel of the Group

- Oversees the effective implementation of risk policies and guidelines, and cultivation of risk management culture within the organisation; and
- Reviews and monitors periodically the status of the Group's principal risks and their mitigation actions and update the Board accordingly, where necessary.

Regular project-based discussions are conducted and attended by the Group's senior and middle management and key employees. This is part of the ongoing initiative to sustain risk awareness and risk management capabilities.

In essence, Risk Management is conducted through an ongoing process between the Board, the Management and employees in the Group. The Group believes that the risk management framework and guidelines adopted and implemented have strengthened the risk ownership and risk management culture amongst the employees.

INTERNAL AUDIT FUNCTION

The Board acknowledges the importance of the internal audit function and has engaged the services of an independent professional and consulting firm, to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control.

The internal audit adopts a risk-based approach in developing its audit plan which addresses the core business processes of the Group based on their risk profile. Scheduled internal audits are carried out by the internal auditors based on the audit plan presented to and approved by the Audit Committee.

The Audit Committee has full and direct access to the internal auditors and the Audit Committee receives reports on all internal audits performed. The Internal Auditors continue to independently and objectively monitor compliance with regard to policies and procedures, and the effectiveness of the internal controls systems. Significant findings and recommendations for improvement are highlighted to the Management and the Audit Committee, with periodic follow-up of the implementation of action plans. The Management is responsible for ensuring that corrective actions were implemented accordingly.

INTERNAL AUDIT FUNCTION (CONT'D)

Based on the internal auditors' report for the financial year ended 31 December 2022, the Board has reasonable assurance that the Group's systems of internal control are generally adequate and appear to be working satisfactorily. A number of minor internal control weaknesses were identified during the financial year, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

The Board continues to review and implement measures to strengthen the internal control environment of the Group.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITOR

As required under Paragraph 15.23 of the Listing Requirements, the external auditor has reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Company for the financial year ended 31 December 2022 and reported to the Board that nothing has come to their attention which causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and effectiveness of the risk management and internal control of the Group.

This statement is issued in accordance with a resolution of the Board dated 7 April 2023.

AUDIT COMMITTEE REPORT

The Board of Directors is pleased to present the report of the Audit Committee for the financial year ended 31 December 2022.

MEMBERS AND ATTENDANCE

The present members of the Audit Committee and details of their attendance of meetings during the financial year ended 31 December 2022 are as follows:-

Name	Designation	Attendance
Muttaqin Bin Othman	Chairman / Senior Independent Non-Executive Director	5/5
Mohd Farid bin Azahari	Independent Non-Executive Director	5/5
Ong Kim Nam	Independent Non-Executive Director	5/5
Chua It Chit	Independent Non-Executive Director	0/0

The Company has adopted Practice 9.4 of the Malaysia Code on Corporate Governance which stated that the Audit Committee should comprise solely of Independent Directors.

ROLE OF THE AUDIT COMMITTEE

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling the following objectives:-

- assess the Group's process relating to its risks and control environment;
- oversee the Group's financial reporting; and
- evaluate the Group's internal and external audit processes.

COMPOSITION

The Audit Committee members shall be appointed by the Board of Directors amongst the members of the Board. The Committee shall comprise no fewer than three Directors, and all the members must be Independent Non-Executive Directors.

The Board shall at all times ensure that at least one (1) member of the Committee shall be:

- a member of the Malaysian Institute of Accountants ('MIA'); or
- if the Director is not a member of MIA, the Director must have at least three (3) years of working experience and:-
  - the Director must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967, or
  - the Director must be a member of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967 or
- fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").

If a member of the Committee resigns, dies or for any reason ceases to be a member and as a result the number of members is reduced to below three (3), the Board shall within three (3) months of the event, appoints such number of new members as may be required to fill the vacancy.

COMPOSITION (CONT'D)

The Chairman of the Committee shall be an Independent Non-Executive Director. No alternate Director of the Board shall be appointed as a member of the Committee.

The Board shall review the terms of reference and performance of the Committee as well as its members at least once every three (3) years, in order to determine whether the Committee and its members have carried out their duties in accordance with the terms of reference.

QUORUM AND COMMITTEE'S PROCEDURES

Meetings shall be conducted at least four (4) times a year or more frequently as circumstances dictates.

In order to form a quorum for the meeting, the majority of the members present must be Independent Non-Executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting amongst the members present.

The Company Secretary shall be the Secretary of the Committee. The Secretary together with the Chairman, shall draw up an agenda and circulate together with relevant supporting documents, at least seven (7) days prior to each meeting to the members of the Committee. The minutes shall be kept and distributed to members of the Committee as well as the Board of Directors.

The Committee may, as and when deemed necessary, invite other Board members and senior management members to attend the meeting.

The Chairman shall submit an annual report to the Board summarising the Committee's activities during the year and the related significant results and findings.

The Committee shall meet with the management as and when necessary, and at least twice a year with the head of internal audit and external auditors in separate sessions to discuss any matters without the presence of any Executive Directors of the Board.

The Committee shall regulate the manner of proceedings of its meetings, having regard to normal convention on such matter.

AUTHORITY

The Committee is authorised to seek any information it requires from employees, who are required to cooperate with any requests made by the Committee.

The Committee shall have full and unrestricted access to any information pertaining to the Group.

The Committee shall have direct communication channels with the internal audit unit and external auditors as well as senior management of the Group, and shall be able to convene meetings with the external auditors, the internal audit unit or both, without the presence of other Directors and employees of the Company, whenever deemed necessary.

The Committee has the necessary resources which are required to perform its duties. The Committee shall also be able to obtain independent professional or other advices it considers necessary at the expense of the Group.

Whenever the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of Listing Requirements of Bursa Securities, the Committee shall promptly report such matter to Bursa Securities.

DUTIES AND RESPONSIBILITIES

In fulfilling its primary objectives, the Committee shall undertake the following duties and responsibilities:-

- Review with the external auditors, the audit scopes and plans, including any changes to the scopes of the audit plans.

- Review the adequacy of the internal scopes and plans, functions, competency and resources of the internal audit unit and that it has the necessary authority to carry out its work.

- Review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by management on major deficiencies in control system or procedures that are identified.

- Review major audit findings and the management's response during the year with management, external auditors and internal audit unit, including the status of previous audit recommendations.

- Review the independence and objectivity of the external auditors, the audit fees and any question of resignation or dismissal before making recommendation to the Board.

- Review the internal audit programmes and results of the internal audit findings and if necessary, ensure that appropriate action is taken on the recommendations of the internal audit unit.

- Review any appraisal or assessment of the performance of staff of the internal audit unit and to provide opportunity for the resigning staff member, if any, to submit his reason for resigning.

- Review the adequacy and integrity of the internal control system, including risk management and the internal audit unit and/or external auditors' evaluation on the control system.

- Review and consider investigation reports on any major defalcations, frauds and thefts as well as actions taken by management in response to audit findings.

- Review the quarterly announcement to Bursa Securities and year-end financial statements of the Company and the Group before submission to the Board, focusing particularly on:-

  1. changes in or implementation of major accounting policies and practices;
  2. significant and unusual events or adjustments arising from the audits;
  3. the going concern assumption; and
  4. compliance with accounting standards and other legal requirements.

- Review and monitor any related party transactions and conflict of interest situation that may arise within the Company and the Group, including any transactions, procedures, or course of conduct that arises questions of management integrity and must be at arm's length and must not be unfavourable to the Company and its subsidiaries.

- To verify the allocation of options pursuant to Employees Share Option Scheme ("ESOS"), if any.

- To consider other functions or assignments as may be authorised by the Committee and the Board.

REPORTING PROCEDURES AND ACTIVITIES OF AUDIT COMMITTEE

The Chairman of the Committee shall report on each meeting to the Board. The Committee shall prepare reports, at least once a year, to the Board summarizing the Committee's activities during the year in discharging of its duties and responsibilities as well as the related significant results and findings,

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the year under review, the Audit Committee has carried out the following activities:-

1. Financial Reporting

   Reviewed unaudited quarterly financial results of the Group for presentation to the Board for approval and thereafter for the announcement to Bursa Securities. The review focused on any change in accounting policies, materiality, any significant or unusual transactions, and compliance with accounting standard as well as other requirements.

2. Internal Audit

   Reviewed the internal audit reports and to ensure that the internal audit unit has the necessary authority to carry out its works, and the internal audit function is effective and able to function independently. The Audit Committee also reviewed the findings and area of concern as mentioned in the internal audit reports and meetings were held with the internal audit unit to discuss on the recommendations for improvement as proposed by the internal audit unit.

   The name of the internal audit personnel has been disclosed to the Audit Committee. The Audit Committee has also reviewed the experience and qualification of the internal audit personnel, and is of the view that the internal audit personnel is equipped with the relevant qualification and experience, as well as free from any relationships or conflicts of interest, which could impair the objectivity and independence while carrying out the internal audit work. The Audit Committee is also satisfied that the internal audit function is carried out in accordance with a recognized framework.

3. External Auditors

   Reviewed with the external auditors the results of the audit and audit report as well as the financial statements for the financial year ended 31 December 2022. The Audit Committee also reviewed the external auditors' scope of work and audit plans, and the independence of external auditors in carrying out their works. After evaluating the performance of the external auditors, the Audit Committee will recommend its re-appointment and recommendation to the Board.

4. ESOS

   Reviewed and verified the allocations of options pursuant to ESOS offered.

5. Recurrent Related Party Transactions

   Reviewed the recurrent related party transactions to ensure that these transactions are undertaken at arm's length and on normal commercial terms consistent with the Group's business practices and policies, and are not detrimental to the interest of minority shareholders.

INTERNAL AUDIT FUNCTION

The internal audit reports to the Audit Committee and assists the Board in monitoring and managing risks and reviewing internal control mechanism, with the objective of providing reasonable assurance that such system continues to operate satisfactorily and effectively within the Group.

During the financial year ended 31 December 2022, the internal audit has carried out the following activities:-

1. Reviewed and appraised the soundness, adequacy and application of control system for the financial functions of the Group;

2. Reviewed current system and certain risk areas in order to ensure that assets are properly safeguarded;

3. Performed follow-up reviews to ensure appropriate actions are taken to mitigate certain risk areas;

4. Assisted in identifying risks and developing appropriate action plans to mitigate those risks;

5. Identified areas for improvements with recommendation on appropriate actions to be taken.

ADDITIONAL COMPLIANCE INFORMATION

1. MATERIAL CONTRACTS

The Company and its subsidiaries do not have any material contracts involving Directors and major shareholders.

2. AUDIT AND NON-AUDIT FEES

During the financial year, the audit fees and non-audit fees paid/payable to the Company's external auditors by the Company and by the Group incurred for services rendered are as follows:

Type of Fees	Company (RM)	Group (RM)
Audit Fees	34,000	98,000
Non-Audit Fees	2,000	2,000

3. EMPLOYEES SHARE OPTIOIN SCHEME ("ESOS")

Details of the ESOS are disclosed in the Directors' Report and Note 14 of the Notes to the Financial Statements for the financial year ended 31 December 2022. The aggregate maximum allocation applicable to each Director and Senior Management shall not more than 10% of the total Shares made available under this Scheme and 39.70% and 6.18% has been granted to them during the financial year and since commencement of the scheme respectively.

4. INTERNAL AUDIT FUNCTION

The internal audit function was outsourced and the cost incurred for the internal audit function in respect of the financial year ended 31 December 2022 was RM11,270.

5. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE NATURE

Details of the recurrent related party transactions of revenue nature or trading nature have been duly disclosed in Note 27 of the Notes to the Financial Statements for the year ended 31 December 2022.

The Company is proposing to seek a renewal shareholders' mandate at its forthcoming Annual General Meeting pursuant to paragraph 10.09 of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements for recurrent related party transactions of a revenue or trading nature. Details of the proposals are being disclosed in the Circular to Shareholders dated 28 April 2023.

SHAREHOLDINGS & WARRANT HOLDINGS STATISTIC
AS AT 7 APRIL 2023

Total Number of Issued Shares	:	118,121,967
Class of Shares	:	Ordinary shares
Voting Right	:	One vote per share

LIST OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

Name	Direct	% of Shares	Deemed	% of Shares
Ewe Eng Kah	54,360,113	46.02	1,412,605[i]	1.20
Neoh Lay Hwa	1,412,605	1.20	54,360,113[i]	46.02
Tan Thiam Hock	8,698,433	7.36	-	-
Ewe Wei Ru	5,907,750	5.00	-	-
Ewe Wee Ting	5,907,750	5.00	50,600[i]	0.04

Notes: -
(i) Deemed interested by virtue of shares held by spouse

Total Number of Warrant	:	35,436,694

LIST OF SUBSTANTIAL WARRANT-HOLDERS OF THE COMPANY

Name	Direct	% of Shares	Deemed	% of Shares
Ewe Eng Kah	15,526,323	43.81	423,781[i]	1.20
Neoh Lay Hwa	423,781	1.20	15,526,323[i]	43.81

Notes: -
(i) Deemed interested by virtue of warrants held by spouse

DIRECTORS' SHAREHOLDINGS IN THE COMPANY

Name	Direct	% of Shares	Deemed	% of Shares
Ewe Eng Kah	54,360,113	46.02	1,412,605[i]	1.20
Ewe Wee Ru	5,907,750	5.00	-	-
Ewe Wee Ting	5,907,750	5.00	50,600[i]	0.04
Muttaqin Bin Othman	33,166	0.03	-	-
Ong Kim Nam	11,000	0.01	36,666[i]	0.03
Mohd Farid Bin Azahari	-	-	-	-
Chua It Chit	-	-	414,400[ii]	0.35

Notes: -
(i) Deemed interested by virtue of securities held by spouse
(ii) Deemed interested by virtue of Section 8(4) of the Companies Act 2016

DIRECTORS' WARRANT HOLDINGS IN THE COMPANY

Name	Direct	% of Warrants	Deemed	% of Shares
Ewe Eng Kah	15,526,323	43.81	423,781[i]	1.20
Ewe Wei Ru	1,560,950	4.40	-	-
Ewe Wee Ting	1,560,950	4.40	-	-
Muttaqin Bin Othman	9,950	0.03	-	-
Ong Kim Nam	3,300	0.01	11,000[i]	0.03
Mohd Farid Bin Azahari	-	-	-	-
Chua It Chit	-	-	-	-

Notes: -
(i) Deemed interested by virtue of securities held by spouse

DISTRIBUTION SCHEDULE OF SHAREHOLDINGS

No. of Holders	Size of Holdings	Total Holdings	%
123	less than 100 shares	5,932	0.01
200	100 to 1,000 shares	82,169	0.07
771	1,001 to 10,000 shares	3,724,199	3.15
383	10,001 to 100,000 shares	12,238,881	10.36
54	100,001 to less than 5% of issued shares	32,840,073	27.80
5	5% and above of issued shares	69,230,713	58.61
1,536		118,121,967	100.00

DISTRIBUTION SCHEDULE OF WARRANT HOLDINGS

No. of Holders	Size of Holdings	Total Holdings	%
190	less than 100 warrants	8,676	0.02
339	100 to 1,000 warrants	213,115	0.60
513	1,001 to 10,000 warrants	1,829,360	5.17
152	10,001 to 100,000 warrants	5,278,961	14.90
26	100,001 to less than 5% of issued warrants	12,396,559	34.98
3	5% and above of issued warrants	15,710,023	44.33
1,223		35,436,694	100.00

SHAREHOLDINGS & WARRANT HOLDINGS STATISTIC (CONT'D)

AS AT 7 APRIL 2023

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES HELD	%
1.	EWE ENG KAH	32,453,025	27.47
2.	EWE ENG KAH	16,263,755	13.77
3.	TAN THIAM HOCK	8,698,433	7.36
4.	EWE WEE TING	5,907,750	5.00
5.	EWE WEI RU	5,907,750	5.00
6.	EWE KIM SIANG	5,751,568	4.87
7.	EWE ENG KAH	5,643,333	4.78
8.	TAN BOOI CHARN	2,000,000	1.69
9.	KONG KEAT YEE	1,520,000	1.29
10.	THUM PI YEE	1,470,632	1.24
11.	NEOH LAY HWA	1,409,855	1.19
12.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB PRIVATE FUND - SERIES 3	1,116,666	0.95
13.	LIM MEI NING	1,033,333	0.87
14.	LONG KUAI HONG	900,000	0.76
15.	TOO CHIN KIONG	900,000	0.76
16.	TAN YAU LAM	889,700	0.75
17.	THAM YEN THIM	834,995	0.71
18.	TAN TIANG HUAT	819,500	0.69
19.	CHOI KIM JOO	743,866	0.63
20.	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR LIEW KIM SIONG	648,200	0.55
21.	HO KIONG CHAN	641,000	0.54
22.	VILOR PARTNERS BERHAD	414,400	0.35
23.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES FOR LIM GHIM CHAI	400,000	0.34
24.	WOON MEE KIN	387,416	0.33
25.	LIM SOON HUAT	276,650	0.23
26.	BOEY MEI KEAT	251,666	0.21
27.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEE KEAN LAM	218,333	0.18
28.	MAZNAH BINTI ABDUL JALIL	215,091	0.18
29.	QUAH THIAN SENG	200,000	0.17
30.	MAYBANK NOMINEES (TEMPATAN) SDN BHD ER YOCK KEE	196,666	0.17

LIST OF THIRTY (30) LARGEST WARRANT HOLDERS

	NAME	NO. OF WARRANTS HELD	%
1.	EWE ENG KAH	9,735,907	27.47
2.	EWE ENG KAH	4,097,416	11.56
3.	LONG KUAI HONG	1,876,700	5.30
4.	EWE KIM SIANG	1,697,330	4.79
5.	EWE ENG KAH	1,693,000	4.78
6.	EWE WEE TING	1,560,950	4.40
7.	EWE WEI RU	1,560,950	4.40
8.	KAW KENG WAI	767,000	2.16
9.	TAN BOOI CHARN	600,000	1.69
10.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VINCENT	500,000	1.41
11.	NEOH LAY HWA	422,956	1.19
12.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB PRIVATE FUND - SERIES 3	335,000	0.95
13.	LIM MEI NING	310,000	0.87
14.	TOO CHIN KIONG	270,000	0.76
15.	THAM YEN THIM	250,498	0.71
16.	TAN TIANG HUAT	245,850	0.69
17.	TAN YAU LAM	228,000	0.64
18.	CH'NG SIEW SUAN	204,950	0.58
19.	LEE HE YAM	200,000	0.56
20.	TAN BEE YOOK	200,000	0.56
21.	WONG SIEH MING	200,000	0.56
22.	EWE HONG KHOON	195,600	0.55
23.	HO KIONG CHAN	192,300	0.54
24.	NG CHING SOONG	141,500	0.40
25.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BOON KIM YU (CCTS)	134,700	0.38
26.	TAY KA KEON @ TAY KAH TAIT	134,350	0.38
27.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE ENG MIN (CCTS)	123,900	0.35
28.	WOON MEE KIN	116,225	0.33
29.	YEW KOK MENG @ YOW KOK MENG	111,500	0.31
30.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG KAM PENG	100,000	0.28

FINANCIAL STATEMENTS

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The Directors hereby submit their report and 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 5 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
(Loss)/Profit for the financial year	**(3,728,580)**	**818,658**

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year were not 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.

RESERVES AND PROVISIONS

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

The details and salient terms of warrant are disclosed in Note 12 to the financial statements.

ISSUE OF SHARE CAPITAL AND DEBENTURE

There was no changes in the issued and paid up capital of the Company during the financial year.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Company's ESOS is governed by the By-Laws which were approved by the shareholders at an Extraordinary General Meeting held on 7 January 2015. The ESOS shall be in force for a period of ten years commencing from 2 February 2015 and will expire on 1 February 2025.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (Cont'd)

The movement of the share options during the financial year is as follows:

		Number of share options over ordinary shares				
Grant date	**Exercise price RM**	**Balance at 1.1.2022**	**Granted**	**Exercised**	**Forfeited**	**Balance at 31.12.2022**
6.5.15	1.09	12,073,288	-	-	(536,662)	11,536,626
29.5.15	1.09	268,324	-	-	(38,332)	229,992
1.12.15	1.03	49,998	-	-	(16,666)	33,332
24.8.20	0.38	1,123,329	-	-	(199,999)	923,330
24.5.21	0.74	500,000	-	-	-	500,000

The salient features of the ESOS are disclosed in Note 14 to the financial statements.

Details of options granted to Directors are disclosed in the section of Directors' Interests in this report.

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:

Ewe Eng Kah*
Ewe Wei Ru*
Ewe Wee Ting*
Muttaqin Bin Othman
Ong Kim Nam
Mohd Farid Bin Azahari
Chuah It Chit (Appointed on 28 November 2022)

* Directors of the Company and subsidiaries

Directors of the subsidiaries:

Ewe Kim Siang
Neoh Lay Hwa

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 1.1.2022	**Bought**	**Sold**	**Balance at 31.12.2022**
Direct interest:				
Ewe Eng Kah	**52,157,813**	**2,202,300**	**-**	**54,360,113**
Ewe Wei Ru	**4,000,000**	**1,907,750**	**-**	**5,907,750**
Ewe Wee Ting	**4,000,000**	**1,907,750**	**-**	**5,907,750**
Muttaqin Bin Othman	**33,166**	**-**	**-**	**33,166**
Ong Kim Nam	**11,000**	**-**	**-**	**11,000**
Deemed Interest:				
[1] Ewe Eng Kah	**1,412,605**	**-**	**-**	**1,412,605**
[1] Ong Kim Nam	**36,666**	**-**	**-**	**36,666**
[1] Ewe Wee Ting	**-**	**50,600**	**-**	**50,600**
[2] Chua It Chit	**-**	**322,600**	**-**	**322,600**

	Number of options over ordinary shares			
	Balance at 1.1.2022	**Bought**	**Exercised**	**Balance at 31.12.2022**
Direct interest:				
Ewe Eng Kah	**1,750,000**	**-**	**-**	**1,750,000**
Ewe Wei Ru	**1,750,000**	**-**	**-**	**1,750,000**
Ewe Wee Ting	**1,750,000**	**-**	**-**	**1,750,000**
Deemed Interest:				
[1] Ewe Eng Kah	**1,750,000**	**-**	**-**	**1,750,000**

	Number of Warrants			
	Balance at 1.1.2022	**Granted**	**Exercised**	**Balance at 31.12.2022**
Direct interest:				
Ewe Eng Kah	**15,526,323**	**-**	**-**	**15,526,323**
Ewe Wei Ru	**1,200,000**	**360,950**	**-**	**1,560,950**
Ewe Wee Ting	**1,200,000**	**360,950**	**-**	**1,560,950**
Muttaqin Bin Othman	**9,950**	**-**	**-**	**9,950**
Ong Kim Nam	**3,300**	**-**	**-**	**3,300**
Deemed Interest:				
[1] Ewe Eng Kah	**423,781**	**-**	**-**	**423,781**
[1] Ong Kim Nam	**11,000**	**-**	**-**	**11,000**

DIRECTORS' INTERESTS IN SHARES (CONT'D)

[1] Deemed interest pursuant to section 59(11)(c) of the Companies Act 2016 by virtue of the shares held by his spouse.

[2] Deemed interest pursuant to section 8(4) of the Companies Act 2016 by virtue of the shares held in Vilor Berhad and Vilor Partners Berhad.

By virtue of the interests in the Company, **Mr. Ewe Eng Kah** is also deemed interested in the shares of all the subsidiaries of the Company, to the extent that the Company has interests.

Other than the above, none of the other Directors holding office at the end of the financial year had any interests in shares in the Company and its related corporations during the financial year.

DIRECTORS' REMUNERATION AND BENEFITS

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

	COMPANY RM	SUBSIDIARIES RM	GROUP RM
Fees	76,000	48,000	124,000
Salaries, allowance and bonus	15,000	1,801,752	1,816,752
Defined contribution plans	-	75,046	75,046
Benefits-in-kind	-	47,074	47,074
	91,000	1,971,872	2,062,872

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling the 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, other than the share options granted pursuant to the ESOS.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS OR AUDITORS

No indemnity has been given to or insurance effected for any of the Directors, officers or auditors 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 provision for doubtful debts, and satisfied themselves that adequate provision had been made for doubtful debts and there were no bad debts to be written off; 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 to realise.

OTHER STATUTORY INFORMATION (CONT'D)

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

(i) which would render it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

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

(iii) which have arisen which would render adherence to the existing methods of valuation of assets or liabilities 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 of the Company misleading.

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

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

(ii) any contingent liability in respect of the Group and of the Company that 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.

AUDITORS

The total amount of fees paid to or receivable by the auditors, **Grant Thornton Malaysia PLT**, as remuneration for their services as auditors of the Group and of the Company for the financial year ended 31 December 2022 are RM100,000 and RM36,000 respectively. Further details are disclosed in Note 22 to the financial statements.

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

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

....	....
Ewe Eng Kah	**Ewe Wei Ru**

Penang,

Date: 7 April 2023

DIRECTORS' STATEMENT

In the opinion of the Directors, the financial statements set out on pages 53 to 112 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 their 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,

....	....
Ewe Eng Kah	**Ewe Wei Ru**

Date: 7 April 2023

STATUTORY DECLARATION

I, **Lee Jui Hong**, (NRIC No: 840229-07-5425) the Officer primarily responsible for the financial management of **Eng Kah Corporation Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 53 to 112 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 Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Penang, this 7th)
day of April 2023)

....
Lee Jui Hong
NRIC No: 840229-07-5425
MIA No.: 36118
Chartered Accountant

Before me,

....
Goh Suan Bee
No.: P125
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ENG KAH CORPORATION BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Eng Kah Corporation 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 the summary of accounting policies, as set out on pages 53 to 112.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key Audit Matters	How our audit addressed the Key Audit Matters

Valuation for inventories
(Note 8 to the financial statements)
 	
The Group holds significant inventories as at 31 December 2022 which exposes the Group to a risk that the inventories may become slow moving or obsolete and eventually non-saleable or recoverable below their carrying amounts.
 	
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.
	Our audit procedures in relation to the valuation of inventories included, amongst others, the following:
	
	• Obtaining an understanding of:
	  - the Group's inventory management process; and
	  - how the Group identifies and assesses inventories write-downs.
	• Attending the year end physical inventory count and paying attention to the physical condition of inventories;
	• Reviewing the ageing analysis of inventories and testing the reliability thereof;

Key Audit Matters (Cont'd)

Key Audit Matters	How our audit addressed the Key Audit Matters
	• Reviewing the consistency of the application of management's methodology in determining and estimating the inventories written down from year to year; • Reviewing and testing the net realisable value of inventories on a sampling basis; and • Evaluating the reasonableness and adequacy of the inventories written down recognised for identified exposures.
Impairment of trade receivables *(Note 9 to the financial statements)* The Group has significant trade receivables as at the reporting date and is subject to credit risk exposures. 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.	Our audit procedures in relation to impairment of trade receivables included, amongst others, the following: • Obtaining an understanding of: - the Group's control over the customer collection process; - the process of identifying and assessing the impairment of trade receivables; and - the basis of how the Group makes the accounting estimates for the impairment of trade receivables. • Reviewing the application of the Group's policy for calculating the expected credit losses and whether it complies with MFRS 9; • Reviewing the ageing analysis of the trade receivables and testing the reliability thereof; • Reviewing subsequent collections for major customers and overdue amounts; • Examining other evidence including customer correspondence; and • Assessing 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.

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.

Information Other than the Financial Statements and Auditors' Report Thereon (Cont'd)

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional 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 or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

Other Matter

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

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

Tan Veer Leen
No. 03627/12/2023 J
Chartered Accountant

Kuala Lumpur

Date: 7 April 2023

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	NOTE	GROUP 2022 RM	GROUP 2021 RM	COMPANY 2022 RM	COMPANY 2021 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	**20,303,202**	19,793,627	**-**	-
Investment in subsidiaries	5	**-**	-	**55,759,084**	25,768,385
Investment in a joint venture	6	**238,029**	224,688	**521,724**	521,724
Amount due from subsidiaries	7	**-**	-	**16,464,653**	47,349,082
		20,541,231	20,018,315	**72,745,461**	73,639,191
Current assets					
Inventories	8	**28,522,801**	22,583,048	**-**	-
Trade receivables	9	**11,623,316**	14,521,547	**-**	-
Other receivables, deposits and prepayments	10	**1,851,202**	2,771,028	**5,863**	6,911
Current tax assets		**1,295,678**	1,015,349	**40,371**	-
Cash and cash equivalents	11	**13,040,873**	17,085,607	**1,958,590**	320,888
		56,333,870	57,976,579	**2,004,824**	327,799
TOTAL ASSETS		**76,875,101**	77,994,894	**74,750,285**	73,966,990
EQUITY AND LIABILITIES					
Share capital	12	**68,741,084**	68,741,084	**68,741,084**	68,741,084
Other reserves	13	**1,968,860**	2,315,202	**2,017,777**	2,027,078
(Accumulated losses)/Retained profits	15	**(8,336,266)**	(4,709,577)	**3,877,283**	3,058,625
Total equity		**62,373,678**	66,346,709	**74,636,144**	73,826,787
Non-current liabilities					
Lease liability	16	**161,214**	222,967	**-**	-
Deferred tax liabilities	17	**1,137,230**	982,230	**-**	-
		1,298,444	1,205,197	**-**	-
Current liabilities					
Trade payables	18	**8,272,758**	6,643,056	**-**	-
Other payables and accruals	19	**4,335,145**	3,711,519	**109,174**	109,194
Amount due to a subsidiary	7	**-**	-	**4,967**	4,967
Borrowings	20	**530,000**	-	**-**	-
Lease liability	16	**64,872**	62,159	**-**	-
Current tax liabilities		**204**	26,254	**-**	26,042
		13,202,979	10,442,988	**114,141**	140,203
Total liabilities		**14,501,423**	11,648,185	**114,141**	140,203
TOTAL EQUITY AND LIABILITIES		**76,875,101**	77,994,894	**74,750,285**	73,966,990

The accompanying notes form an integral part of the financial statements

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		GROUP		COMPANY	
		2022	2021	**2022**	2021
	NOTE	**RM**	RM	**RM**	RM
Revenue	**21**	**50,153,336**	48,476,621	**-**	-
Cost of sales		**(41,162,445)**	(39,821,115)	**-**	-
Gross profit		**8,990,891**	8,655,506	**-**	-
Other income		**1,035,796**	4,855,531	**10**	21
Impairment loss on financial assets		**(254,373)**	(50,105)	**-**	(169,619)
Administrative expenses		**(12,858,132)**	(13,263,566)	**(311,447)**	(531,432)
Selling and distribution expenses		**(285,877)**	(325,441)	**-**	-
Other expenses	**22**	**-**	-	**-**	(9,775,631)
Operating loss		**(3,371,695)**	(128,075)	**(311,437)**	(10,476,661)
Finance income		**133,171**	148,015	**1,443,366**	1,492,611
Finance costs		**(17,085)**	(8,323)	**-**	-
Share of results of a joint venture		**13,341**	(297,036)	**-**	-
(Loss)/Profit before tax	**22**	**(3,242,268)**	(285,419)	**1,131,929**	(8,984,050)
Taxation	**23**	**(486,312)**	(5,419,826)	**(313,271)**	(324,533)
(Loss)/Profit for the financial year		**(3,728,580)**	(5,705,245)	**818,658**	(9,308,583)
Other comprehensive (loss)/ income, net of tax:					
Item that will be reclassified subsequently to profit or loss:					
Foreign currency translation differences for foreign operations		**(337,041)**	512,637	**-**	-
Total comprehensive (loss)/income for the financial year, attributable to owners of the Company		**(4,065,621)**	(5,192,608)	**818,658**	(9,308,583)
Loss per share attributable to owners of the Company (sen)	**24**				
- Basic		**(3.16)**	(4.83)		
- Diluted		**(3.15)**	(4.81)		

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

GROUP	NOTE	Share Capital RM	Non-distributable Other Reserves RM	Distributable (Accumulated losses)/ Retained Profits RM	Total Equity RM
2022					
Balance at beginning		**68,741,084**	**2,315,202**	**(4,709,577)**	**66,346,709**
Total comprehensive loss for the financial year		**-**	**(337,041)**	**(3,728,580)**	**(4,065,621)**
Transactions with owners of the Company					
Grant of ESOS to employees	**13.2**	**-**	**92,590**	**-**	**92,590**
ESOS forfeited due to resignation	**13.2**	**-**	**(101,891)**	**101,891**	**-**
Total transactions with owners		**-**	**(9,301)**	**101,891**	**92,590**
Balance at end		**68,741,084**	**1,968,860**	**(8,336,266)**	**62,373,678**
2021					
Balance at beginning		68,637,705	1,913,580	3,312,309	73,863,594
Total comprehensive loss for the financial year		-	512,637	(5,705,245)	(5,192,608)
Transactions with owners of the Company					
Dividends	25	-	-	(2,476,510)	(2,476,510)
Grant of ESOS to employees	13.2	-	77,993	-	77,993
ESOS forfeited due to resignation	13.2	-	(159,869)	159,869	-
Exercise of ESOS	13.2	103,379	(29,139)	-	74,240
Total transactions with owners		103,379	(111,015)	(2,316,641)	(2,324,277)
Balance at end		68,741,084	2,315,202	(4,709,577)	66,346,709

The accompanying notes form an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

COMPANY	NOTE	Share Capital RM	Non-distributable Other Reserves RM	Distributable Retained Profits RM	Total Equity RM
2022					
Balance at beginning		**68,741,084**	**2,027,078**	**3,058,625**	**73,826,787**
Total comprehensive income for the financial year		**-**	**-**	**818,658**	**818,658**
Transactions with owners of the Company					
Grant of ESOS to employees	**13.2**	**-**	**92,590**	**-**	**92,590**
ESOS forfeited due to resignation	**13.2**	**-**	**(101,891)**	**-**	**(101,891)**
Total transactions with owners		**-**	**(9,301)**	**-**	**(9,301)**
Balance at end		**68,741,084**	**2,017,777**	**3,877,283**	**74,636,144**
2021					
Balance at beginning		68,637,705	2,138,093	15,006,870	85,782,668
Total comprehensive loss for the financial year		-	-	(9,308,583)	(9,308,583)
Transactions with owners of the Company					
Dividends	25	-	-	(2,476,510)	(2,476,510)
Grant of ESOS to employees	13.2	-	77,993	-	77,993
ESOS forfeited due to resignation	13.2	-	(159,869)	(163,152)	(323,021)
Exercise of ESOS	13.2	103,379	(29,139)	-	74,240
Total transactions with owners		103,379	(111,015)	(2,639,662)	(2,647,298)
Balance at end		68,741,084	2,027,078	3,058,625	73,826,787

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before tax	**(3,242,268)**	(285,419)	**1,131,929**	(8,984,050)
Adjustments for:				
Allowance for expected credit losses	**254,373**	50,105	**-**	169,619
Depreciation	**1,170,090**	1,129,635	**-**	-
Grant of ESOS to employees	**92,590**	77,993	**-**	-
Gain on disposal of property, plant and equipment	**(11,811)**	(962)	**-**	-
Impairment loss on investment in subsidiaries	**-**	-	**-**	9,775,631
Finance costs	**17,085**	8,323	**-**	-
Finance income	**(133,171)**	(148,015)	**(1,443,366)**	(1,492,611)
Inventories written down	**214,784**	823,948	**-**	-
Property, plant and equipment written off	**-**	13,833	**-**	-
Share of results of a joint venture	**(13,341)**	297,036	**-**	-
Gain on disposal of a joint venture	**-**	(606,781)	**-**	-
Unrealised loss on foreign exchange	**626,660**	121,510	**-**	-
Operating (loss)/profit before working capital changes	**(1,025,009)**	1,481,206	**(311,437)**	(531,411)
Changes in:				
Inventories	**(6,154,537)**	(3,685,891)	**-**	-
Receivables	**2,834,902**	(579,506)	**1,048**	(5,911)
Payables	**2,328,767**	(1,463,356)	**(20)**	(19,012)
Cash used in operations	**(2,015,877)**	(4,247,547)	**(310,409)**	(556,334)
Income tax paid	**(637,684)**	(1,201,591)	**(379,684)**	(297,680)
Income tax refunded	**-**	383,633	**-**	-
Finance cost paid	**(17,085)**	(8,323)	**-**	-
Net cash used in operating activities	**(2,670,646)**	(5,073,828)	**(690,093)**	(854,014)

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	NOTE	GROUP 2022 RM	GROUP 2021 RM	COMPANY 2022 RM	COMPANY 2021 RM
Net cash used in operating activities brought forward		**(2,670,646)**	(5,073,828)	**(690,093)**	(854,014)
CASH FLOWS FROM INVESTING ACTIVITIES					
Finance income received		**133,171**	148,015	**1,443,366**	1,492,611
Proceeds from disposal of property, plant and equipment		**13,400**	4,629	**-**	-
Proceeds from disposal of a joint venture		**-**	699,732	**-**	-
Purchase of property, plant and equipment	A	**(1,681,254)**	(844,125)	**-**	-
Net changes in subsidiaries' balances		**-**	-	**884,429**	(546,554)
Withdrawal/(Placement) of fixed deposits with licensed banks		**889,081**	4,573,460	**(1,623,364)**	1,315,796
Net cash (used in)/from investing activities		**(645,602)**	4,581,711	**704,431**	2,261,853
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		**-**	(2,476,510)	**-**	(2,476,510)
Proceeds from exercise of ESOS		**-**	74,240	**-**	74,240
Drawdown of banker's acceptances	B	**530,000**	-	**-**	-
Repayment of lease liability	B	**(59,040)**	(77,523)	**-**	-
Net cash from/(used in) financing activities		**470,960**	(2,479,793)	**-**	(2,402,270)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(2,845,288)**	(2,971,910)	**14,338**	(994,431)
Effects of foreign exchange rate changes		**(310,365)**	695,572	**-**	-
CASH AND CASH EQUIVALENTS AT BEGINNING		**14,573,162**	16,849,500	**320,888**	1,315,319
CASH AND CASH EQUIVALENTS AT END		**11,417,509**	14,573,162	**335,226**	320,888
Represented by:					
Short term funds with licensed financial institutions		**638,284**	688,864	**301,691**	295,987
Fixed deposits with licensed banks		**1,687,757**	5,097,916	**1,623,364**	-
Cash and bank balances		**10,714,832**	11,298,827	**33,535**	24,901
Less: Fixed deposits with maturity more than 3 months		**(1,623,364)**	(2,512,445)	**(1,623,364)**	-
		11,417,509	14,573,162	**335,226**	320,888

NOTES TO STATEMENTS OF CASH FLOWS

A. Purchase of property, plant and equipment

GROUP	**2022 RM**	2021 RM
Aggregate cost of plant and equipment acquired	**1,681,254**	1,174,125
Financed via lease liabilities arrangements	**-**	(330,000)
	1,681,254	844,125

B. Reconciliation of liabilities arising from financing activities

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

GROUP	**Balance at beginning RM**	**Addition RM**	**Cash flows RM**	**Balance at end RM**
2022				
Borrowings	**-**	**-**	**530,000**	**530,000**
Lease liability	**285,126**	**-**	**(59,040)**	**226,086**
Total liabilities arising from financing activities	**285,126**	**-**	**470,960**	**756,086**
2021				
Lease liabilities, representing total liability arising from financing activities	32,649	330,000	(77,523)	285,126

C. Cash outflows for leases as a lessee

GROUP	**2022 RM**	2021 RM
Payment relating to short-term leases	**137,260**	31,800
Payment of lease liability	**59,040**	77,523
Interest paid in relation to lease liability	**13,860**	8,323
Total cash outflows for leases	**210,160**	117,646

1. CORPORATE INFORMATION

General

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 registered office of the Company is located at Suite 12-A, Level 12, Menara Northam, No. 55, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang, Malaysia.

The principal place of business of the Company is located at Plot 95 & 97, Hala Kampung Jawa 2, Kawasan Perindustrian Bayan Lepas, 11900 Bayan Lepas, Penang, Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 7 April 2023.

Principal Activities

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

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

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 applicable 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 under 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 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.

2. BASIS OF PREPARATION (CONT'D)

2.2 Basis of Measurement (Cont'd)

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.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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 has 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.

2.3 Functional and presentation currency

Ringgit Malaysia is the presentation currency of the Group and of the Company.

Ringgit Malaysia is also the functional currency of the Company. The functional currency is the currency of the primary economic environment in which the Company operates. The Group's foreign operations have different functional currencies.

2.4 Adoption of new standards/amendments/improvements to MFRSs

The Group and the Company have consistently applied the accounting policies set out in Note 3 to all years presented in these financial statements.

At the beginning of the current financial year, the Group and the Company adopted new standards/amendments/improvements to MFRS which are mandatory for the financial periods beginning on or after 1 January 2022.

Initial application for the above amendments to standards did not have any material impacts to the financial statements of the Group and of the Company upon adoption.

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards issued but not yet effective

The following are accounting standards that have been issued by the Malaysian Accounting Standards Board but have not been adopted by the Group and by 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*# Initial Application of MFRS 17 and MFRS 9 – Comparative Information
Amendments to MFRS 101 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current
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*# Lease liability in a Sale and Leaseback
Amendments to MFRS 101 Presentation of Financial Statements – Non-current Liabilities with Covenants

Deferred to a date to be determined by the MASB
Amendments to MFRS 10 and MFRS 128 Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Not applicable to the Group's operation
* Not applicable to the Company's operation

The initial application of the above applicable standards are not expected to have any material impacts 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.

2.6.1 Judgements made in applying accounting policies

There are no significant areas of critical judgement in applying accounting policies that would have a significant effect on the amount recognised in the financial statements.

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (Cont'd)

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) Useful lives of depreciable assets

Management estimates the useful lives of the property, plant and equipment and right-of-use assets to be within 5 to 99 years and reviews the useful lives of depreciable assets at the end of each reporting year. As at 31 December 2022, management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting the adjustment to the Group's assets.

(ii) Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the time the estimates are made. The Group's core business is subject to economical changes which may cause selling prices to change rapidly and the Group's result to change.

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 8 to the financial statements.

(iii) 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 forecast 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 28.3.1 to the financial statements.

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 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 proceeds and its carrying amount is recognised in profit or loss.

(ii) Basis of consolidation

The Group 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 3.13 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 owners’ 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.

3. ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (Cont'd)

(iii) Business combinations

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.

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.

When the excess is negative, a bargain purchase gain is recognised immediately 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) Acquisitions 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 a fair value through other comprehensive income depending on the level of influence retained.

(vi) Joint arrangements

A joint venture is a type of joint arrangement whereby the parties have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investments in joint venture are accounted for using the equity method. Under the equity method, investment in a joint venture is carried in the statements of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

3. ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (Cont'd)

(vi) Joint arrangements (Cont'd)

The share of the result of a joint venture is reflected in profit or loss. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, where there has been a change recognised directly in the equity of a joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statements of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

When the Group's share of losses exceeds its interest in a joint venture, 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 joint venture.

The financial statements of the joint venture are prepared as of the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies of the joint venture in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its joint venture. The Group determines at each end of the reporting period whether there is any objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the amount in the "share of profit of investments accounted for using the equity method" in profit or loss.

Upon loss of significant influence over the joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in a joint venture decrease but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

In the Company's separate financial statements, investments in a joint venture are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(vii) Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised profits arising on transactions between the Group and its joint ventures 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 joint ventures. Unrealised losses on such transactions are also eliminated unless cost cannot be recovered.

3. ACCOUNTING POLICIES (CONT'D)

3.2 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. 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 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 at the following annual rates:

Freehold buildings	2%
Plant and machinery	10%
Equipment, furniture and fittings	10%
Motor vehicles	20%

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

The residual value, useful life and depreciation method are reviewed at the end of each financial 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.

3.3 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.

3.3.1 Group 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.

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, if any. The cost of right-of-use assets consist of initial cost incurred, lease liabilities recognised and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

- Leasehold land - Amortised over lease period of 45 - 99 years
- Leasehold buildings - Amortised over period of 50 - 71 years
- Motor vehicle - 5 years

3. ACCOUNTING POLICIES (CONT'D)

3.3 Leases (Cont'd)

3.3.1 Group as a lessee (Cont'd)

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 test as disclosed in Note 3.4.

On the statements of financial position, right-of-use assets are included in property, plant and equipment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities 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. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of premises (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). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

3.3.2 Group as a lessor

Leases in which the Group 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 the 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 other income in the period in which they are earned.

3.4 Impairment of non-financial assets

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

3. ACCOUNTING POLICIES (CONT'D)

3.4 Impairment of non-financial assets (Cont'd)

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised as expenses in profit or loss immediately.

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 asset's 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.

3.5 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.

3.5.1 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.

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.

3. ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (Cont'd)

3.5.1 Financial assets (Cont'd)

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

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 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 cash equivalents, amount due from subsidiaries and trade and other receivables excluding prepayment.

(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.

3. ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (Cont'd)

3.5.1 Financial assets (Cont'd)

(iii) Derecognition (Cont'd)

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.

(iv) Impairment

The Group and the Company recognise an allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost. Expected credit losses 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 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 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 full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

3. ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (Cont'd)

3.5.2 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 exclude sales tax payable 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

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.

3.5.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement 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. ACCOUNTING POLICIES (CONT'D)

3.6 Inventories

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

Costs of raw materials are determined using weighted average method. Cost includes the original purchase price plus direct cost of bringing these inventories to their present condition and location.

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

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

3.7 Cash and Cash Equivalents

Cash comprises cash in hand, cash at bank, short-term funds with licensed financial institution and fixed deposits with licensed banks. 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.

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of fixed deposits with maturity more than 3 months.

3.8 Provisions

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

3.9 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.

3.10 Research and Development Expenditure

All general research and development expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

3.11 Revenue Recognition

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

3. ACCOUNTING POLICIES (CONT'D)

3.11 Revenue Recognition (Cont'd)

The performance obligations to recognise revenue are as follows:

(i) Revenue from sale of goods

Revenue is recognised at a point in time when control of the goods is transferred to the customer, generally on the delivery of the goods.

Deposits received from customers which are non-refundable are recognised as contract liabilities which included in other payables.

(ii) Finance income

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

(iii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

3.11.1 Contract balances

This refers to the closing balances of the trade receivables as at the end of 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).

3.12 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.

Employees’ share options scheme (“ESOS”)

Eligible employees of the Group and of the Company received remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share options reserve over the vesting period.

3. ACCOUNTING POLICIES (CONT'D)

3.12 Employee Benefits (Cont'd)

Employees' share options scheme ("ESOS") (Cont'd)

The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's and the Company's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

No expense is recognised for options that do not ultimately vest, except for options were vesting is conditional upon market or non-vesting condition, which are tested as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share options reserve is transferred to retained profits upon expiry of the share options.

The proceeds received net of directly attributable transaction costs are credited to share capital when the options are exercised.

3.13 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 statement of financial position and their tax bases. Deferred tax is not recognised for temporary differences arising from the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

3.14 Sales and Service Tax ("SST")

Revenue, expenses and assets are recognised net of the amount of SST, except:

- when the SST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- when receivables and payables are stated with the amount of SST included.

The net SST payable to the taxation authority is included as part of payables in the statements of financial position.

3. ACCOUNTING POLICIES (CONT'D)

3.15 Foreign Currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of 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.

Foreign operations

The assets and liabilities of foreign operations are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Exchange differences are recognised in other comprehensive income and accumulated in the foreign translation reserve (“FTR”) in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the exchange difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, the significant influence or joint control is lost, the cumulative amount in the FTR related to the foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FTR in equity.

3.16 Segment Reporting

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

3. ACCOUNTING POLICIES (CONT'D)

3.17 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.

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity. Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

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 or approved.

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; or
- (iii) Is a member of the key management personnel of the Group or of the ultimate holding company of the Group.

(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 the Group and the Company entity 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 ultimate holding company or the Group.
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

4. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Equipment, furniture and fittings RM	Motor vehicles RM	Total RM
2022							
At cost							
Balance at beginning	**1,269,053**	**4,818,574**	**20,882,025**	**35,159,235**	**4,827,368**	**2,334,366**	**69,290,621**
Additions	**-**	**-**	**-**	**1,551,433**	**129,821**	**-**	**1,681,254**
Disposals	**-**	**-**	**-**	**(11,876)**	**-**	**(290,374)**	**(302,250)**
Balance at end	**1,269,053**	**4,818,574**	**20,882,025**	**36,698,792**	**4,957,189**	**2,043,992**	**70,669,625**
Accumulated depreciation							
Balance at beginning	**-**	**1,705,976**	**8,404,743**	**33,182,817**	**4,194,082**	**2,009,376**	**49,496,994**
Current charge	**-**	**77,612**	**422,502**	**479,901**	**104,992**	**85,083**	**1,170,090**
Disposals	**-**	**-**	**-**	**(10,288)**	**-**	**(290,373)**	**(300,661)**
Balance at end	**-**	**1,783,588**	**8,827,245**	**33,652,430**	**4,299,074**	**1,804,086**	**50,366,423**
Carrying amount	**1,269,053**	**3,034,986**	**12,054,780**	**3,046,362**	**658,115**	**239,906**	**20,303,202**
2021							
At cost							
Balance at beginning	1,269,053	4,818,574	20,786,215	34,690,449	4,637,150	2,244,584	68,446,025
Additions	-	-	95,810	497,398	212,036	368,881	1,174,125
Disposals	-	-	-	(3,200)	(19,040)	(279,099)	(301,339)
Written off	-	-	-	(25,412)	(2,778)	-	(28,190)
Balance at end	1,269,053	4,818,574	20,882,025	35,159,235	4,827,368	2,334,366	69,290,621
Accumulated depreciation							
Balance at beginning	-	1,628,364	7,982,401	32,774,384	4,121,174	2,173,065	48,679,388
Current charge	-	77,612	422,342	423,155	91,116	115,410	1,129,635
Disposals	-	-	-	(1,707)	(16,866)	(279,099)	(297,672)
Written off	-	-	-	(13,015)	(1,342)	-	(14,357)
Balance at end	-	1,705,976	8,404,743	33,182,817	4,194,082	2,009,376	49,496,994
Carrying amount	1,269,053	3,112,598	12,477,282	1,976,418	633,286	324,990	19,793,627

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

Information on right-of-use assets are as follows:

	Carrying amount included in property, plant and equipment	Depreciation charge for the financial year	Additions
	RM	RM	RM
2022			
Leasehold land	**3,034,986**	**77,612**	**-**
Building	**8,928,824**	**327,380**	**-**
Motor vehicle	**239,773**	**73,775**	**-**
2021			
Leasehold land	3,112,598	77,612	-
Building	9,256,203	327,220	95,810
Motor vehicle	313,549	96,591	368,881

The right-of-use assets are included in the same items as where the corresponding underlying assets would be presented if they were owned.

5. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2022	2021
	RM	RM
Unquoted shares, at cost	**63,487,799**	33,487,799
ESOS granted to employees of subsidiaries	**2,046,916**	2,056,217
Less: Impairment loss		
Balance at beginning	**(9,775,631)**	-
Current year	**-**	(9,775,631)
Balance at end	**(9,775,631)**	(9,775,631)
	55,759,084	25,768,385

In prior year, the net assets of a subsidiary were lower than the Company's cost of investment which resulted in an impairment loss recognised accordingly.

During the financial year, the Company subscribed for additional 20,000,000 and 10,000,000 redeemable preference shares of RM1 per share for total cash consideration of RM20,000,000 and RM10,000,000 in Eng Kah Enterprise Sdn. Bhd. and Eng Kah Enterprise (KL) Sdn. Bhd. respectively by capitalising part of the interest free advances due from the subsidiaries.

5. INVESTMENT IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:

Name of Companies	Principal place of business	Effective Equity Interest 2022 %	2021 %	Principal Activities
Eng Kah Enterprise Sdn. Bhd.	Malaysia	**100**	100	Manufacturing and sales of personal care, household and perfume products.
Eng Kah Enterprise (KL) Sdn. Bhd.	Malaysia	**100**	100	Manufacturing and sales of personal care, and household products.
EK Universal Marketing Sdn. Bhd.	Malaysia	**100**	100	Marketing and distributing of perfume, personal care, home fragrance and aromatherapy souvenir collections.
* Eng Kah (H.K.) Limited	Hong Kong	**100**	100	Dormant.
* PT. Eng Kah	Republic of Indonesia	**100**	100	Inactive.
* Guangzhou Eng Kah Business Consulting Co., Ltd.	People's Republic of China	**100**	100	Investment holding.

* Not audited by Grant Thornton Malaysia PLT.

6. INVESTMENT IN A JOINT VENTURE

	GROUP 2022 RM	GROUP 2021 RM	COMPANY 2022 RM	COMPANY 2021 RM
Unquoted shares, at cost:				
- in Malaysia	**2,100,000**	2,100,000	**2,100,000**	2,100,000
Share of post-acquisition reserve	**(1,861,971)**	(1,875,312)	**-**	-
Less: Impairment loss	**-**	-	**(1,578,276)**	(1,578,276)
	238,029	224,688	**521,724**	521,724

6. INVESTMENT IN A JOINT VENTURE (CONT'D)

The details of the joint venture are as follows:

Name of Company	Principal place of business	Effective Equity Interest 2022 %	2021 %	Principal Activities
Atika Beauty Manufacturing Sdn. Bhd. ("Atika")	Malaysia	**35**	35	Trading of cosmetics, perfumeries, toiletries, personal care and household products.

The following table summarises the financial information of Atika reconciles the information to the carrying amount of the Group's interest in the joint ventures, which is accounted for using the equity method.

GROUP

Atika	2022 RM	2021 RM
As at 31 December		
Non-current assets	**631,591**	1,263,341
Current assets	**1,236,996**	1,574,183
Current liabilities	**(1,188,504)**	(2,195,557)
Net assets	**680,083**	641,967
Financial year ended 31 December		
Total comprehensive income/(loss)	**38,116**	(848,673)
Included in the total comprehensive income are:		
Revenue	**4,008,010**	1,759,171
Depreciation	**189,146**	260,579
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets	**238,029**	224,688
Group's share of total comprehensive income/(loss) for the financial year ended 31 December	**13,341**	**(297,036)**

Disposal of joint venture company - Cosway (Guangzhou) Cosmetic Manufacture Co., Ltd.

2021

On 24 September 2021, Guangzhou Eng Kah Business Consulting Co., Ltd. entered into a Share Sales Agreement ("SSA") with a third party to dispose 30% of equity interest in Cosway (Guangzhou) Cosmetic Manufacture Co., Ltd. (indirectly held through Guangzhou Eng Kah Business Consulting Co., Ltd.) comprising 2,000,000 ordinary shares for a total cash consideration of RM699,732. The disposal was completed on 30 September 2021.

7. AMOUNT DUE FROM/TO SUBSIDIARIES

	COMPANY	
	2022	2021
	RM	RM
Amount due from subsidiaries		
Non trade		
- Non-current	**16,634,272**	47,518,701
- Less: Allowance for expected credit losses		
Balance at beginning	**(169,619)**	-
Current year	**-**	(169,619)
Balance at end	**(169,619)**	(169,619)
	16,464,653	47,349,082
Amount due to a subsidiary		
Non trade	**4,967**	4,967

The amount due from subsidiaries is unsecured, interest bearing at **3.20**% (2021: 3.20%) per annum and classified based on the expected timing of realisation.

The amount due to a subsidiary is unsecured, non-interest bearing and repayable on demand.

8. INVENTORIES

	GROUP	
	2022	2021
	RM	RM
Raw materials	**22,692,175**	18,215,685
Work-in-progress	**1,640,676**	1,302,157
Finished goods	**4,189,950**	3,065,206
At carrying amount	**28,522,801**	22,583,048
Cost of inventories recognised in profit or loss:		
Inventories recognised as cost of sales	**40,947,661**	38,997,167
Inventories written down	**214,784**	823,948

9. TRADE RECEIVABLES

	GROUP	
	2022	2021
	RM	RM
Trade receivables	**12,746,974**	15,390,832
Less: Allowance for expected credit losses		
Balance at beginning	**(869,285)**	(819,180)
Current year	**(254,373)**	(50,105)
Balance at end	**(1,123,658)**	(869,285)
	11,623,316	14,521,547

Included herein is an amount of:

(i) RM1,697,537 due from a joint venture in prior year; and
(ii) **RM384,421** (2021: RM255,103) due from a company in which a Director of the Company has substantial financial interest.

Trade receivables are non-interest bearing and are generally on **30 to 90 days** (2021: 30 to 90 days) credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The currency profile of trade receivables is as follows:

	GROUP	
	2022	2021
	RM	RM
Ringgit Malaysia	**10,379,507**	12,745,531
United States Dollar	**1,053,949**	1,593,185
Renminbi	**-**	61,850
Others	**189,860**	120,981
	11,623,316	14,521,547

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
Other receivables	**519,154**	1,650,504	**-**	2,048
Refundable deposits	**97,383**	55,983	**1,000**	-
Non-refundable deposits	**1,144,119**	982,429	**-**	-
Prepayments	**90,546**	82,112	**4,863**	4,863
	1,851,202	2,771,028	**5,863**	6,911

Included in the Group's other receivables is an amount of **RM382,060** (2021: RM1,254,753) due from a joint venture of the Company.

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

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
Ringgit Malaysia	**922,521**	1,906,076	**5,863**	6,911
United States Dollar	**195,032**	860,310	**-**	-
Renminbi	**729,167**	338	**-**	-
Others	**4,482**	4,304	**-**	-
	1,851,202	2,771,028	**5,863**	6,911

11. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
Short term funds with licensed financial institutions	**638,284**	688,864	**301,691**	295,987
Fixed deposits with licensed banks	**1,687,757**	5,097,916	**1,623,364**	-
Cash and bank balances	**10,714,832**	11,298,827	**33,535**	24,901
Cash and cash equivalents in statements of financial position	**13,040,873**	17,085,607	**1,958,590**	320,888
Fixed deposit with maturity more than 3 months	**(1,623,364)**	(2,512,445)	**(1,623,364)**	-
Cash and cash equivalents in statements of cash flows	**11,417,509**	14,573,162	**335,226**	320,888

11. CASH AND CASH EQUIVALENTS (CONT'D)

The currency profile of cash and cash equivalents is as follows:

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
Ringgit Malaysia	**3,971,482**	7,893,881	**1,958,590**	320,888
United States Dollar	**474,185**	143,435	**-**	-
Renminbi	**8,588,455**	9,041,301	**-**	-
Others	**6,751**	6,990	**-**	-
	13,040,873	17,085,607	**1,958,590**	320,888

Short term funds with licensed financial institutions of the Group and of the Company are primarily invested in money market. The funds can be redeemed at any point in time upon request.

The effective interest rates per annum as at the end of the reporting period are as follows:

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	%	%	**%**	%
Short term funds with licensed financial institutions	**1.02 – 2.99**	1.25 - 3.00	**1.60**	1.60
Fixed deposits with licensed banks	**1.55 – 3.00**	1.05 - 2.53	**2.40 - 2.60**	-

The maturities of the fixed deposits with licensed banks as at the end of the reporting period ranged from **1 to 12 months** (2021: 1 month to 12 months).

12. SHARE CAPITAL

	GROUP AND COMPANY			
	Number of ordinary shares		Amount	
	2022	2021	**2022**	2021
			RM	RM
Issued and fully paid with no par value:-				
At beginning of financial year	**118,121,967**	70,757,427	**68,741,084**	68,637,705
Exercise of ESOS	**-**	116,000	**-**	103,379
Bonus issue	**-**	47,248,540	**-**	-
At end of financial year	**118,121,967**	118,121,967	**68,741,084**	68,741,084

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

12. SHARE CAPITAL (CONT'D)

In previous financial year, the Company:

(a) Increased its issued and paid-up ordinary share capital from RM68,637,705 to RM68,741,084 by issuance of 116,000 new ordinary shares via exercise of share options under Employees' Share Option Scheme ("ESOS") at an exercise price of RM0.64 each;

(b) completed a bonus issue of 47,248,540 ordinary shares on the basis of two (2) bonus shares for every three (3) existing ordinary shares held on 12 April 2021; and

(c) issued 35,436,694 units of free warrants ("Warrants") on the basis of one (1) warrant for every two (2) existing ordinary shares held by the shareholders.

The main features of the Warrants are as follows:-

(a) each of the Warrant entitles the registered holder at any time during the exercise period to subscribe for one new ordinary share in the Company at an exercise price of RM1.19;

(b) the Warrants shall be exercisable at any time within 5 years commencing on and including the date of the issuance of the Warrants. Any Warrants which are not exercised during the exercise period shall thereafter lapse and cease to be valid;

(c) the exercise price and the number of Warrants are subject to adjustment in the event of alteration to the share capital of the Company in accordance with the provisions set out in the deed poll; and

(d) all new ordinary shares to be issued arising from the exercise of the Warrants shall rank *pari passu* in all respects with the then existing ordinary shares of the Company except that such new ordinary shares shall not be entitled to any dividends, rights, allotments and other distributions on or prior to the date of allotment of the new ordinary shares arising from the exercise of the Warrants.

The Warrants were constituted under the Deed Poll dated 24 March 2021. None of the Warrants were exercised during the financial year and the unexercised Warrants remained as at 31 December 2022 are 35,436,694.

13. OTHER RESERVES

	GROUP		**COMPANY**	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
Non-distributable:				
Foreign currency translation reserve (Note 13.1)	**(48,917)**	288,124	**-**	-
ESOS reserve (Note 13.2)	**2,017,777**	2,027,078	**2,017,777**	2,027,078
	1,968,860	2,315,202	**2,017,777**	2,027,078

13.1 Foreign currency translation reserve

GROUP

This is in respect of foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

13. OTHER RESERVES (CONT'D)

13.2 ESOS reserve

	GROUP AND COMPANY	
	2022	2021
	RM	RM
Balance at beginning	**2,027,078**	2,138,093
Grant of ESOS to employees	**92,590**	77,993
Exercised of ESOS	**-**	(29,139)
Forfeited due to resignation	**(101,891)**	(159,869)
Balance at end	**2,017,777**	2,027,078

The ESOS reserve represents the equity-settled share options granted to the employees of certain subsidiaries and the Company's Executive Directors. The ESOS reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of the share options and is reduced by the exercise or lapse of the share options.

14. EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Company's ESOS is governed by the By-Laws which were approved by the shareholders at an Extraordinary General Meeting held on 7 January 2015. The ESOS shall be in force for a period of ten (10) years commencing from 2 February 2015 and will expire on 1 February 2025.

The salient features of the ESOS are as follows:

(i) the maximum number of new shares of the Company which may be issued and allotted pursuant to the exercise of the share options shall not in aggregate exceed fifteen per centum (15%) of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS.

(ii) any employee (including Executive Directors) shall be eligible to participate in the ESOS if, as at the date of offer, that person is at least eighteen (18) years of age or above and is employed full time.

(iii) not more than ten per centum (10%) (or such percentage as allowable by the relevant authorities) of the shares available under the ESOS should be allocated to any individual director or employee who, either singly or collectively through his/her associates, holds twenty per centum (20%) or more in the issued and paid-up share capital of the Company.

(iv) the option price shall be the higher of either the 5-day weighted average market price of the Company's shares at the date of offer, with a discount of not more than ten per centum (10%) as may be permitted by relevant authorities from time to time during the duration of the ESOS.

(v) the options shall not carry any voting rights at any general meeting of the Company and shall not be entitled to any dividends, rights and/or other distributions.

(vi) the new shares to be allotted and issued upon exercise of any option shall upon allotment rank *pari passu* in all respects with the existing shares of the Company.

14. EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (CONT'D)

Movement of share options during the financial year

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year:

	2022		2021	
	Number of share option	**WAEP**	Number of share option	WAEP
		RM		RM
Batch 1				
Grant date	**6.5.15**		6.5.15	
Balance at beginning	**12,073,288**	**1.09**	7,814,000	1.09*
Adjustment	**-**	**-**	5,209,288 *	1.09*
Forfeited	**(536,662)**	**1.09**	(950,000) *	1.09*
Balance at end	**11,536,626**	**1.09**	12,073,288	1.09*
Batch 2				
Grant date	**29.5.15**		29.5.15	
Balance at beginning	**268,324**	**1.09**	174,000	1.09*
Adjustment	**-**	**-**	115,991 *	1.09*
Forfeited	**(38,332)**	**1.09**	(21,667) *	1.09*
Balance at end	**229,992**	**1.09**	268,324	1.09*
Batch 3				
Grant date	**1.12.15**		1.12.15	
Balance at beginning	**49,998**	**1.03**	70,000	1.03*
Adjustment	**-**	**-**	46,665 *	1.03*
Forfeited	**(16,666)**	**1.03**	(66,667) *	1.03*
Balance at end	**33,332**	**1.03**	49,998	1.03*
Batch 4				
Grant date	**24.8.20**		24.8.20	
Balance at beginning	**1,123,329**	**0.38**	810,000	0.38*
Adjustment	**-**	**-**	462,662 *	0.38*
Forfeited	**(199,999)**	**0.38**	(33,333) *	0.38*
Exercised	**-**	**-**	(116,000)	0.38*
Balance at end	**923,330**	**0.38**	1,123,329	0.38*
Batch 5				
Grant date	**24.5.21**		24.5.21	
Balance at beginning	**500,000**	**0.74**	-	-
Granted	**-**	**-**	525,000	0.74
Forfeited	**-**	**-**	(25,000)	0.74
Balance at end	**500,000**	**0.74**	500,000	0.74

* *In year 2021, the respective exercise prices and number of options over ordinary shares have been adjusted in accordance with the provisions of the By-Laws as a result of the Bonus Issues.*

14. EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (CONT'D)

Fair value of share options granted

The fair values of the share options granted were estimated at the grant date using the Black-Scholes model, taking into account the terms and conditions upon which the share options were granted.

The following table lists the inputs to the Black-Scholes model for the ESOS granted:

	Batch 1	**Batch 2**	**Batch 3**	**Batch 4**	**Batch 5**
Grant date	**6.5.15**	**29.5.15**	**1.12.15**	**24.8.20**	**24.5.21**
Fair value (RM)	0.15	0.20	0.14	0.15	0.32
Expected volatility (%)	10.00	12.82	10.00	32.50	62.18
Risk-free interest rate (% per annum)	3.93	3.57	3.93	2.12	2.49
Dividend yield (%)	6.00	3.96	4.22	0.00	0.00
Expected life of options (years)	9.75	9.48	9.18	4.44	3.70
Weighted average exercise price (RM)	1.09	1.09	1.03	0.38	0.74
Weighted average share price (RM)	2.03	2.00	1.83	0.72	0.71

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

15. (ACCUMULATED LOSSES)/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.

16. LEASE LIABILITY

Set out below are the movements of lease liability during the financial year:

GROUP	**2022** **RM**	2021 RM
At beginning of financial year	**285,126**	32,649
Additions	**-**	330,000
Lease interest	**13,860**	8,323
Payment for interest	**(13,860)**	(8,323)
Lease payment/cash outflow	**(59,040)**	(77,523)
	226,086	285,126

16. LEASE LIABILITY (CONT'D)

A summary of the effective interest rates per annum and the maturities of the lease liability is as follows:

	Effective interest rates per annum (%)	Total RM	Within one year RM	More than one year and less than five years RM
2022				
Lease liability	**2.09**	**226,086**	**64,872**	**161,214**
2021				
Lease liability	2.09 - 2.70	285,126	62,159	222,967

The lease liability is secured by the right-of-use asset as disclosed in Note 4 to the financial statements.

17. DEFERRED TAX LIABILITIES

	GROUP	
	2022	2021
	RM	RM
Balance at beginning	**982,230**	938,230
Recognised in profit or loss	**130,000**	21,000
	1,112,230	959,230
Under provision in prior year	**25,000**	23,000
Balance at end	**1,137,230**	982,230

The deferred tax liabilities as at the end of the reporting period are represented by temporary differences arising from:

	GROUP	
	2022	2021
	RM	RM
Property, plant and equipment	**2,030,034**	1,652,230
Provisions	**(892,804)**	(670,000)
	1,137,230	982,230

18. TRADE PAYABLES

The currency profile of trade payables is as follows:

	GROUP	
	2022	2021
	RM	RM
Ringgit Malaysia	**7,970,411**	5,985,990
United States Dollar	**262,646**	374,321
Renminbi	**39,701**	212,864
Others	**-**	69,881
	8,272,758	6,643,056

The trade payables are non-interest bearing and are normally settled on **30 to 120 days** (2021: 30 to 120 days) credit terms.

19. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
Other payables	**2,236,644**	1,750,448	**1,674**	1,694
Deposits received from customers				
- refundable	**983,499**	975,032	**-**	-
- non-refundable	**213,555**	150,855	**-**	-
Accruals	**467,743**	333,214	**107,500**	107,500
SST payable	**433,704**	501,970	**-**	-
	4,335,145	3,711,519	**109,174**	109,194

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

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
Ringgit Malaysia	**4,237,133**	3,512,623	**109,174**	109,194
United States Dollar	**92,776**	193,817	**-**	-
Others	**5,236**	5,079	**-**	-
	4,335,145	3,711,519	**109,174**	109,194

20. BORROWINGS

GROUP

The banker's acceptances are secured by way of corporate guarantee by the Company. The interest rate for borrowings are charged at a range between 3.82% and 4.04% (2021: Nil) during the financial year.

21. REVENUE

21.1 Disaggregated revenue information

	GROUP	
	2022	2021
	RM	RM
Sales of goods recognised at a point in time, representing total revenue from contracts with customers	**50,153,336**	48,476,621
Geographical segments		
Malaysia	**37,734,836**	34,777,036
Asia Pacific	**10,185,852**	11,527,292
United States of America	**1,311,942**	1,305,331
Australia	**920,706**	866,962
	50,153,336	48,476,621

21.2 Performance obligations

Performance obligations of respective revenue are disclosed in Note 3.11 to the financial statements.

22. (LOSS)/PROFIT BEFORE TAX

This is arrived at:

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
After charging:				
Auditors' remuneration related to:				
Statutory audits				
- Grant Thornton Malaysia PLT	**98,000**	91,000	**34,000**	30,000
- Other auditors	**12,010**	10,336	**-**	-
Assurance-related services:				
- Grant Thornton Malaysia PLT	**2,000**	6,000	**2,000**	6,000
Allowance for expected credit losses	**254,373**	50,105	**-**	169,619
Depreciation	**1,170,090**	1,129,635	**-**	-
Directors' fees	**124,000**	124,000	**76,000**	76,000
Expenses relating to short term leases	**137,260**	31,800	**-**	-
Impairment loss on investment in subsidiaries	**-**	-	**-**	9,775,631
Inventories written down	**214,784**	823,948	**-**	-
Finance costs:				
- Lease liability	**13,860**	8,323	**-**	-
- Banker's acceptances	**3,225**	-	**-**	-
Property, plant and equipment written off	**-**	13,833	**-**	-
Realised loss on foreign exchange	**99,074**	44,696	**-**	-
Research and development expenditure				
- staff costs	**969,265**	1,084,630	**-**	-
- others	**557,347**	557,523	**-**	-
* Staff costs	**11,876,297**	12,742,895	**15,000**	15,000

22. (LOSS)/PROFIT BEFORE TAX (CONT'D)

This is arrived at (Cont'd):

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
And crediting:				
Gain on disposal of property, plant and equipment	**11,811**	962	**-**	-
Finance income:				
- short term funds with licensed financial institutions	**17,252**	9,766	**10,474**	4,051
- fixed deposits with licensed banks	**110,544**	137,567	**37,999**	17,056
- bank balances	**5,375**	682	**-**	-
- interest charged to subsidiaries	**-**	-	**1,394,893**	1,471,504
Rental income	**260,054**	157,080	**-**	-
Realised gain on foreign exchange	**487,908**	153,864	**-**	-

*** Staff costs**

- Salaries, wages, allowance and bonus	**11,492,157**	12,350,651	**15,000**	15,000
- EPF	**1,123,230**	1,261,547	**-**	-
- SOCSO and EIS	**137,585**	137,334	**-**	-
- Equity-settled share-based payments	**92,590**	77,993	**-**	-
	12,845,562	13,827,525	**15,000**	15,000
Less: Charge to research and development expenditure	**(969,265)**	(1,084,630)	**-**	-
	11,876,297	12,742,895	**15,000**	15,000

22. (LOSS)/PROFIT BEFORE TAX (CONT'D)

Directors' remuneration

Included in the Group's staff costs is Directors' remuneration as shown below:

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
Executive Directors of the Company				
- Salaries and bonus	**1,571,555**	1,571,555	**-**	-
- EPF	**61,273**	175,499	**-**	-
	1,632,828	1,747,054	**-**	-
Executive Directors of subsidiaries				
- Salaries and bonus	**230,197**	230,045	**-**	-
- EPF	**13,773**	13,752	**-**	-
	1,876,798	1,990,851	**-**	-
Less: Charge to research and development expenditure	**(349,105)**	(349,105)	**-**	-
	1,527,693	1,641,746	**-**	-
Benefits-in-kind				
- Executive Directors of the Company	**20,450**	21,064	**-**	-
- Executive Directors of subsidiaries	**26,624**	21,323	**-**	-
	47,074	42,387	**-**	-
	1,574,767	1,684,133	**-**	-
Non-executive Directors of the Company				
- Allowance	**15,000**	15,000	**15,000**	15,000

23. TAXATION

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
Based on results for the financial year				
- Current tax:				
- Malaysian income tax	**382,271**	381,533	**313,271**	324,533
- Foreign tax	**-**	24,285	**-**	-
	382,271	405,818	**313,271**	324,533
- Deferred tax relating to the origination and reversal of temporary differences	**130,000**	21,000	**-**	-
(Over)/under provision in prior years				
- Current tax	**(50,959)**	4,970,008	**-**	-
- Deferred tax	**25,000**	23,000	**-**	-
	(25,959)	4,993,008	**-**	-
	486,312	5,419,826	**313,271**	324,533

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

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
(Loss)/Profit before tax	**(3,242,268)**	(285,419)	**1,131,929**	(8,984,050)
Share of results of a joint venture	**(13,341)**	297,036	**-**	-
	(3,255,609)	11,617	**1,131,929**	(8,984,050)
Income tax at Malaysian statutory tax rate of 24%	**(781,346)**	2,788	**271,663**	(2,156,172)
Income not subject to tax	**(25,413)**	(888,394)	**-**	-
Expenses not deductible for tax purpose	**290,630**	353,424	**41,608**	2,480,705
Deferred tax assets not recognised	**1,028,400**	959,000	**-**	-
(Over)/Under provision in prior years	**(25,959)**	4,993,008	**-**	-
	486,312	5,419,826	**313,271**	324,533

23. TAXATION (CONT'D)

The following 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:

	GROUP	
	2022	2021
	RM	RM
Property, plant and equipment	**1,000**	-
Unabsorbed tax losses	**5,679,000**	2,862,000
Unutilised capital allowances	**2,791,000**	1,324,000
	8,471,000	4,186,000

The potential deferred tax asset of the Group has not been recognised in respect of this item as it is not probable that whether sufficient future taxable profits will be available against which the Group can utilise the benefit. The Group's unabsorbed tax losses can be carried forward to offset against future taxable profits of the Group.

Effective Year of Assessment 2019 as announced in the Annual Budget, the unabsorbed tax losses of the Group as of 31 December 2018 and thereafter will be available for carry forward for a period of 10 consecutive years. Upon expiry of the 10 years, the unabsorbed tax losses will be disregarded.

The expiry terms of the unabsorbed tax losses are as follows:

	GROUP	
	2022	2021
	RM	RM
Year of assessment 2031	**2,862,000**	2,862,000
Year of assessment 2032	**2,817,000**	-
	5,679,000	2,862,000

24. LOSS PER SHARE

GROUP

(a) Basic loss per share

The basic loss per share is calculated by dividing the loss 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:

	2022	2021
Loss for the financial year attributable to owners of the Company (RM)	**(3,728,580)**	(5,705,245)
Weighted average number of ordinary shares in issue	**118,121,967**	118,091,457
Basic loss per share (sen)	**(3.16)**	(4.83)

(b) Diluted loss per share

The diluted loss per share of the Group is calculated by dividing the loss attributable to owners of the Company for the financial year by the weighted average number of ordinary shares in issue during the financial year adjusted for the dilutive effects of all potential ordinary shares as follows:

	2022	2021
Loss for the financial year attributable to owners of the Company (RM)	**(3,728,580)**	(5,705,245)
Weighted average number of ordinary shares in issue	**118,121,967**	118,091,457
Adjustment for conversion of ESOS	**107,614**	411,015
	118,229,581	118,502,472
Diluted loss per share (sen)	**(3.15)**	(4.81)

25. DIVIDENDS

	GROUP AND COMPANY	
	2022	2021
	RM	RM
In respect of the financial year ended 31 December 2020:		
- Interim single tier dividend of RM0.035 per ordinary share paid on **30 March 2021**	**-**	2,476,510

26. SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's business and geographical segments. The primary format and 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.	Personal care	Manufacturing of cosmetics, skin care, perfume and toiletry products
ii.	Household	Manufacturing of household products
iii.	Others	Investment holding

26. SEGMENTAL INFORMATION (CONT'D)

By business segment

	Personal care RM	Household RM	Others RM	Elimination RM	Note	Total RM
2022						
Revenue						
Revenue from external customers	32,693,995	17,459,341	-	-		50,153,336
Inter-segment revenue	221,163	-	-	(221,163)	A	-
Total revenue	32,915,158	17,459,341	-	(221,163)		50,153,336
Result						
Segment results	(2,875,390)	(164,585)	(331,720)	-		(3,371,695)
Finance income						133,171
Finance costs						(17,085)
Share of results of a joint venture						13,341
Loss before tax						(3,242,268)
Taxation						(486,312)
Loss for the financial year						(3,728,580)
Assets						
Segment assets	41,633,228	22,895,526	10,812,640	-		75,341,394
Investment in a joint venture						238,029
Current tax assets						1,295,678
Total assets						76,875,101
Liabilities						
Segment liabilities	10,452,110	2,571,383	340,496	-		13,363,989
Deferred tax liabilities						1,137,230
Current tax liabilities						204
Total liabilities						14,501,423
Other segment information						
Depreciation	734,150	405,244	30,696			1,170,090
Additions to non-current assets	495,501	1,166,679	19,074			1,681,254
Non-cash expenses other than depreciation	1,054,541	122,055	-		B	1,176,596

26. SEGMENTAL INFORMATION (CONT'D)

By business segment (Cont'd)

	Personal care RM	Household RM	Others RM	Elimination RM	Note	Total RM
2021						
Revenue						
Revenue from external customers	30,237,378	18,239,243	-	-		48,476,621
Inter-segment revenue	1,664,017	-	-	(1,664,017)	A	-
Total revenue	31,901,395	18,239,243	-	(1,664,017)	-	48,476,621
Result						
Segment results	(3,727,975)	(246,525)	3,846,425	-		(128,075)
Finance income						148,015
Finance costs						(8,323)
Share of results of joint ventures						(297,036)
Loss before tax						(285,419)
Taxation						(5,419,826)
Loss for the financial year						(5,705,245)
Assets						
Segment assets	44,774,130	22,337,337	9,643,390	-		76,754,857
Investment in a joint venture						224,688
Current tax assets						1,015,349
Total assets						77,994,894
Liabilities						
Segment liabilities	7,819,442	2,420,860	399,399	-		10,639,701
Deferred tax liabilities						982,230
Current tax liabilities						26,254
Total liabilities						11,648,185
Other segment information						
Depreciation	657,159	337,621	134,855	-		1,129,635
Additions to non-current assets	706,766	442,912	24,447	-		1,174,125
Non-cash expenses other than depreciation	927,790	158,637	-	-	B	1,086,427

26. SEGMENTAL INFORMATION (CONT'D)

Notes to segmental information:

A Inter-segment revenue are eliminated on consolidation.

B Other non-cash expenses other than depreciation consist of the following items:

	2022	2021
	RM	RM
Allowance for expected credit losses	**254,373**	50,105
Equity-settled share-based payments	**92,590**	77,993
Gain on disposal of property, plant and equipment	**(11,811)**	(962)
Inventories written down	**214,784**	823,948
Property, plant and equipment written off	**-**	13,833
Unrealised loss on foreign exchange	**626,660**	121,510
	1,176,596	1,086,427

By geographical segments

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

	Revenue		**Non-current assets**	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
Malaysia	**37,734,836**	34,777,036	**20,541,231**	20,018,315
Asia Pacific	**10,185,852**	11,527,292	**-**	-
United States of America	**1,311,942**	1,305,331	**-**	-
Australia	**920,706**	866,962	**-**	-
	50,153,336	48,476,621	**20,541,231**	20,018,315

Information about major customers

Total revenue from **1** (2021: 1) major customers which individually contributed to 10% or more of the Group's revenue amounted to **RM 17,731,454** (2021: RM14,349,515), arising from the sales of the personal care and household products segment.

27. RELATED PARTY DISCLOSURES

(i) Identity of related parties

The Group has related party relationship with its subsidiaries, joint ventures, key management personnel and the following parties:

Related party	**Relationship**
Universal Joy Sdn. Bhd. ("UJSB")	: A company in which a Director of the Company, Mr. Ewe Wee Ting, had 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	2021	**2022**	2021
	RM	RM	**RM**	RM
Finance costs charged to subsidiaries	**-**	-	**1,394,893**	1,471,504
Management fee received from joint ventures				
- Atika	**24,000**	20,000	**-**	-
Sales to				
- Atika	**50,750**	-	**-**	-
- UJSB	**878,945**	404,887	**-**	-
Purchase of property, plant & equipment from a joint venture				
- Atika	**236,099**	149,711	**-**	-
Waiver of debts to				
- Atika	**112,904**	-	**-**	-

(iii) Compensation of key management personnel

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly and entity that provides key management personnel services to the Group and to the Company.

27. RELATED PARTY DISCLOSURES (CONT'D)

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

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

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
Directors' fees	**124,000**	124,000	**76,000**	76,000
Short term employee benefits	**2,608,297**	2,904,896	**15,000**	15,000
Defined contribution plans	**173,792**	315,792	**-**	-
Equity settled share-based payments	**45,385**	33,117	**-**	-
Benefits-in-kind	**47,074**	42,387	**-**	-
	2,998,548	3,420,192	**91,000**	91,000
Analysed as:				
- Directors	**2,062,872**	2,172,238	**91,000**	91,000
- Other key management personnel	**935,676**	1,247,954	**-**	-
	2,998,548	3,420,192	**91,000**	91,000

Directors of the Group and the Company and other key management personnel have been granted the following number of share options under the ESOS:

	GROUP		COMPANY	
	2022	2021	**2022**	2021
Balance at beginning	**9,566,666**	5,950,000	**-**	-
Granted	**-**	200,000	**-**	-
Exercised	**-**	(80,000)	**-**	-
Forfeited	**-**	(416,666)	**-**	-
Adjustments*	**-**	3,913,332	**-**	-
Balance at end	**9,566,666**	9,566,666	**-**	-

* *In year 2021, number of options over ordinary shares have been adjusted in accordance with the provisions of the By-Laws as a result of the Bonus Issues.*

28. FINANCIAL INSTRUMENTS

28.1 Categories of financial instruments

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

GROUP	Carrying amount RM	AC RM
2022		
Financial assets		
Trade receivables	**11,623,316**	**11,623,316**
Other receivables and refundable deposits	**616,537**	**616,537**
Cash and cash equivalents	**13,040,873**	**13,040,873**
	25,280,726	**25,280,726**
Financial liabilities		
Trade payables	**8,272,758**	**8,272,758**
Other payables and accruals excluding non-refundable deposits received and SST payable	**3,687,886**	**3,687,886**
Borrowings	**530,000**	**530,000**
	12,490,644	**12,490,644**
2021		
Financial assets		
Trade receivables	14,521,547	14,521,547
Other receivables and refundable deposits	1,706,487	1,706,487
Cash and cash equivalents	17,085,607	17,085,607
	33,313,641	33,313,641
Financial liabilities		
Trade payables	6,643,056	6,643,056
Other payables and accruals excluding non-refundable deposits received and SST payable	3,058,694	3,058,694
	9,701,750	9,701,750

28. FINANCIAL INSTRUMENTS (CONT'D)

28.1 Categories of financial instruments (Cont'd)

COMPANY	Carrying amount RM	AC RM
2022		
Financial assets		
Amount due from subsidiaries	**16,464,653**	**16,464,653**
Refundable deposits	**1,000**	**1,000**
Cash and cash equivalents	**1,958,590**	**1,958,590**
	18,424,243	**18,424,243**
Financial liabilities		
Other payables and accruals	**109,174**	**109,174**
Amount due to a subsidiary	**4,967**	**4,967**
	114,141	**114,141**
2021		
Financial assets		
Other receivables	2,048	2,048
Amount due from subsidiaries	47,349,082	47,349,082
Cash and cash equivalents	320,888	320,888
	47,672,018	47,672,018
Financial liabilities		
Other payables and accruals	109,194	109,194
Amount due to a subsidiary	4,967	4,967
	114,161	114,161

28.2 Financial Risk Management

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

28. FINANCIAL INSTRUMENTS (CONT'D)

28.3 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 and other receivables. The Company's exposure to credit risk arises principally from advances to its subsidiaries. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

28.3.1 Trade receivables

The Group extends credit terms to customers that range between 30 to 90 days. Credit terms extended to its customers is based on careful evaluation on 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 requires deposits from the customers.

The maximum exposure to credit risk arising from trade receivables is represented by the carrying amount in the statements of financial position.

The ageing analysis of trade receivables of the Group as at the end of the reporting period is as follows:

		Allowance for expected credit losses		
	Gross RM	Individually impaired RM	Collectively impaired RM	Net RM
GROUP				
2022				
Not past due	**3,207,967**	**(390)**	**-**	**3,207,577**
1 to 30 days past due	**3,036,553**	**(508)**	**-**	**3,036,045**
31 to 60 days past due	**3,337,159**	**(624)**	**-**	**3,336,535**
More than 60 days past due	**3,165,295**	**(1,051,030)**	**(71,106)**	**2,043,159**
	9,539,007	**(1,052,162)**	**(71,106)**	**8,415,739**
	12,746,974	**(1,052,552)**	**(71,106)**	**11,623,316**
2021				
Not past due	5,393,181	-	-	5,393,181
1 to 30 days past due	4,613,376	-	-	4,613,376
31 to 60 days past due	1,917,393	-	-	1,917,393
More than 60 days past due	3,466,882	(798,179)	(71,106)	2,597,597
	9,997,651	(798,179)	(71,106)	9,128,366
	15,390,832	(798,179)	(71,106)	14,521,547

28. FINANCIAL INSTRUMENTS (CONT'D)

28.3 Credit Risk (Cont'd)

28.3.1 Trade receivables (Cont'd)

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 **RM8,415,739** (2021: RM9,128,366) that are past due but not impaired at the end of the reporting period as the management is of the view that these debts will be collected in due course.

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

As at the end of the reporting period, the Group has significant concentration of credit risk in the form of outstanding balance due from **1 customer** (2021: 1 customer) representing **53%** (2021: 33%) of the total trade receivables.

Maximum exposure to credit risk

An impairment analysis is performed as at the end of the reporting period using a provision matrix to measure the expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available as at the end of the reporting period about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk is represented by the carrying amount of trade receivables as disclosed in Note 9 to the financial statements.

28.3.2 Other receivables

Other receivables are mainly in relation to the amount due from a joint venture.

As at the end of the reporting period, there was no indication that the amount due from a joint venture is not recoverable.

28.3.3 Intercompany advances

The Company provides advances to its subsidiaries and monitors their results 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.

28.4 Financial guarantees

The maximum exposure to credit risk amounted to RM898,000 (2021: Nil) represented by the bank guarantees and outstanding banking facilities utilised by the subsidiaries as at the end of the reporting year.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 Financial guarantees (Cont'd)

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiary companies. The Company monitors on an on-going basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting year, there was no indication that any subsidiaries would default on repayment.

Financial guarantees have not been recognised since the fair value on initial recognition was not material.

28.5 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.

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

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than five years RM
GROUP				
2022				
Non-derivative financial liabilities				
Trade payables	**8,272,758**	**8,272,758**	**8,272,758**	**-**
Other payables and accruals excluding non-refundable deposits received and SST payable	**3,687,886**	**3,687,886**	**3,687,886**	**-**
Borrowings	**530,000**	**530,000**	**530,000**	**-**
	12,490,644	**12,490,644**	**12,490,644**	**-**
2021				
Non-derivative financial liabilities				
Trade payables	6,643,056	6,643,056	6,643,056	-
Other payables and accruals excluding non-refundable deposits received and SST payable	3,058,694	3,058,694	3,058,694	-
	9,701,750	9,701,750	9,701,750	-

28. FINANCIAL INSTRUMENTS (CONT'D)

28.5 Liquidity risk (Cont'd)

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than five years RM
COMPANY				
2022				
Non-derivative financial liabilities				
Other payables and accruals	**109,174**	**109,174**	**109,174**	**-**
Amount due to a subsidiary	**4,967**	**4,967**	**4,967**	**-**
Financial guarantee*	**-**	**898,000**	**898,000**	**-**
	114,141	**1,012,141**	**1,012,141**	**-**
2021				
Non-derivative financial liabilities				
Other payables and accruals	109,194	109,194	109,194	-
Amount due to a subsidiary	4,967	4,967	4,967	-
	114,161	114,161	114,161	-

* The exposure to liquidity risk is included for illustration purpose only as the related guarantees have no yet crystallised.

The above amounts reflected the contractual undiscounted cash flows, which may differ from the carrying values of financial liabilities at the reporting date.

28.6 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 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 RM	2021 RM	**2022 RM**	2021 RM
Fixed rate instrument				
Financial assets	**1,687,757**	5,097,916	**18,088,017**	47,349,082
Floating rate instruments				
Financial assets	**638,284**	688,864	**301,691**	295,987
Financial liability	**530,000**	-	**-**	-

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Interest Rate Risk (Cont'd)

Sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, 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.

Sensitivity analysis for variable rate instruments

An increase/decrease of 25 basis points as at the end of the reporting period would have an insignificant impact to the Group's and the Company's (loss)/profit before tax/equity for the financial year. These changes are considered to be reasonably possible based on observation of current market conditions. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

28.7 Foreign Currency Risk

The objectives of the Group's foreign exchange policy 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 a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Renminbi ("RMB") and Euro ("EUR").

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 held constant, of the Group's loss before tax for the financial year. A 10% strengthening of the RM against the following currencies at the end of the reporting period would have decreased/increased loss before tax by the amount shown below and a corresponding weakening would have an equal but opposite effect.

The changes of the below will have opposite effect in equity as compared to the net loss of the Group for current financial year.

	2022	2021
	RM	RM
USD	**136,774**	202,874
RMB	**927,792**	882,878
EUR	**-**	6,185
Others	**19,586**	5,732
Increase in loss before tax	**1,084,152**	1,097,669

29. FAIR VALUE MEASUREMENT

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.

The carrying amounts of the non-current portion of borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

30. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management policy is to maintain a strong capital base to support their business 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 period under review as compared to the previous financial year.

There were no external capital requirements imposed on the Group and the Company as at the end of the reporting period.

LIST OF PROPERTIES

Locations/ Address	Description/ Existing Use	Land/ Built-up Area (sq. ft.)	Approximately Age of Building (year)	Tenure	Carrying Amount ("CA") @ 31.12.2022 (RM'000)	Date of Valuation
Lot No.71392 (Plot No. 95) Mukim 12, Hala Kampung Jawa 2, Kawasan Perindustrian Bayan Lepas Daerah Barat Daya, 11900 Penang	Large single-storey factory with an annexed 2-storey office	88,289/ 61,689	30	60-year leasehold expiring on 18.04.2049	3,937	15.08.2000
Lot No.0010698 Geran No.00128889 Mukim of Setul, Lot 152, Jalan Permata 1, Arab Malaysian Industrial Park, 71800 Nilai, Negeri Sembilan	Two units single storey factory/ warehouse building with two storey office	124,396/ 54,523	23	Freehold	4,395	17.08.2000
P.T. No. 7, H.S. (D) No.283181, Section 23, Town of Shah Alam, District of Petaling, Selangor (Lot 14A, Jalan 23/2, Kawasan MIEL Section 23, 40300 Shah Alam, Selangor)	1 1/2 storey semi-detached factory building	33,831/ 17,991	30	Leasehold for 99 years expiring on 14.11.2095	2,783	21.08.2000
Lot No. 71392 (Plot No. 97) Mukim 12, Hala Kampung Jawa 2, Kawasan Perindustrian Bayan Lepas Daerah Barat Daya, 11900 Penang	Two and three storey office and factory building	66,014/ 77,203	32	60 years leasehold expiring on 18.4.2049	4,887	19.02.2004 (Date of purchase)

Locations/ Address	Description/ Existing Use	Land/ Built-up Area (sq. ft.)	Approximately Age of Building (year)	Tenure	Carrying Amount ("CA") @ 31.12.2022 (RM'000)	Date of Valuation
P.T. L39, H.S.(D) 18532 Mukim 12, No. 78, Lorong Mahsuri 10, Bayan Baru, 11900 Penang	Double storey terrace house	3,508/ 2,600	41	99 years leasehold expiring on 30.11.2078	357	18.07.2007 (Date of purchase)
			Total		**16,359**	

PROXY FORM

ENG KAH CORPORATION BERHAD
199701020152 (435649-H)

CDS ACCOUNT NO.	NO. OF SHARES HELD

I/We, ____
Full name of a member in BLOCK LETTERS as per Identity Card("MYKAD")/Passport/Certificate of Incorporation)

MYKAD/Passport No./Company No. ______________________ of ______________________

____
(Address in full)

telephone no. ______________, being a member of **ENG KAH CORPORATION BERHAD** ("the Company")

hereby appoint ____
(Full name of proxy in BLOCK LETTERS as per MYKAD/Passport)

MYKAD/Passport No. ______________________ of ______________________

____
(Address in full)

And/or failing him ____
(Full name of proxy in BLOCK LETTERS as per MYKAD/Passport)

MYKAD/Passport No. ______________________ of ______________________

____
(Address in full)

or failing the abovenamed proxies, the Chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the 26th Annual General Meeting of the Company, to be held at Kapur Room, Eastin Hotel Penang, 1, Solok Bayan Indah, Queensbay, 11900 Bayan Lepas, Penang on Friday, 16 June 2023 at 11.00 a.m. and at any adjournment thereof. My/our proxy/proxies is to be vote as indicated below:

	Resolution	**For**	**Against**
1.	Re-election of Mr. Ewe Eng Kah as Director		
2.	Re-election of En Muttaqin Bin Othman as Director		
3.	Re-election of Mr. Chua It Chit as Director		
4.	Payment of Directors' fees for the financial year ending 31 December 2023		
5.	Payment of benefits payables to Non-Executive Directors		
6.	Re-appointment of Auditors		
7.	Approval to issue and allot shares pursuant to Section 76 of the Companies Act 2016		
8.	Approval on the renewal on share buy-back by the Company		
9.	Approval on the renewal on shareholders' mandate for recurrent related party transactions		

(Please indicate with "X" in the spaces on how you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain from voting at his discretion.)

Dated this ________ day of ____________ 2023

The proportions of my/our holding to be represented by my/our proxies are as follows: -		
	No. of Shares	Percentage
First Proxy		
Second Proxy		
Total		**100%**

____
Signature(s)/Common Seal of Member(s)

NOTES:

1. *A member of the Company entitled to attend, speak and vote at this meeting is entitled to appoint a proxy to attend and vote in his place.*
2. *Where a member appoints more than one (1) proxy [but not more than two (2)], the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
3. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or under the hand of its officer or attorney duly authorised.*
4. *Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.*
5. *All forms of proxy must be deposited at the Company's registered office at Suite 12-A, Level 12, Menara Northam, No. 55, Jalan Sultan Ahmad Shah, 10050 Georgetown Penang, not less than forty-eight (48) hours before the time stipulated for holding the meeting or adjournment thereof.*
6. *For the purpose of determining a member who shall be entitled to attend this 26th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, to issue a General Meeting Record of Depositors as at 9 June 2023. Only a depositor whose name appears on the Record of Depositors as at 9 June 2023 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.*

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To:

The Company Secretary
Eng Kah Corporation Berhad
Company No. 199701020152 (435649-H)
Suite 12-A, Level 12, Menara Northam
No. 55 Jalan Sultan Ahmad Shah,
10050 Georgetown, Penang, Malaysia

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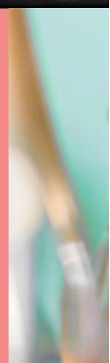

ENG KAH CORPORATION BERHAD
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11900 Penang, Malaysia.

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