EuroSpan

EUROSPAN HOLDINGS BERHAD (351927-M)

EST.1972

PERFECTION AT EASE

Annual Report 2022

CONTENTS

PERFECTION AT EASE

Eurospan Holdings Berhad achieves great position of perfection at ease with its dedication to deliver the best to the market. Despite being in a comfortable position, the Company will never stop improving and developing greater capabilities to satisfy customers and stakeholders. Eurospan will reach higher than ever, progressively maintain the perfection the Company aims for.

VISION

Leading through innovation.

MISSION

We will target niche markets that appreciate our innovative design. Stress on continuous improvement and human capital development, thus satisfying all our stakeholders.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Guan Kok Beng
Executive Chairman

Guan Shaw Yin
Managing Director

Guan Shaw Kee
Deputy Managing Director

Sim Yee Fuan
Independent Non-Executive Director

Lim Chun Thang
Independent Non-Executive Director

Ch'ng Lay Hoon
Independent Non-Executive Director

AUDIT COMMITTEE

Sim Yee Fuan
Chairman
Independent Non-Executive Director

Lim Chun Thang
Member
Independent Non-Executive Director

Ch'ng Lay Hoon
Member
Independent Non-Executive Director

REMUNERATION COMMITTEE

Ch'ng Lay Hoon
Chairman
Independent Non-Executive Director

Lim Chun Thang
Member
Independent Non-Executive Director

Sim Yee Fuan
Member
Independent Non-Executive Director

NOMINATING COMMITTEE

Lim Chun Thang
Chairman
Independent Non-Executive Director

Sim Yee Fuan
Member
Independent Non-Executive Director

COMPANY SECRETARY

Lim Kim Teck (MAICSA 7010844)
SSM PC No. 202008002059

REGISTERED OFFICE

35, 1st Floor, Jalan Kelisa Emas 1
Taman Kelisa Emas
13700 Seberang Jaya
Penang
Malaysia
Tel : 604-397 6672
Fax : 604-397 6675

SHARE REGISTRAR

Plantation Agencies Sdn Berhad
3rd Floor
2, Lebuh Pantai
10300 George Town
Penang
Malaysia
Tel : 604-262 5333
Fax : 604-262 2018

EXTERNAL AUDITORS

Grant Thornton Malaysia PLT
201906003682 (LLP0022494-LCA) & AF 0737
Level 5 Menara BHL
51, Jalan Sultan Ahmad Shah
10050 George Town
Penang
Malaysia
Tel: 04-228 7828
Fax: 04-227 9828

PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Bhd.
Public Bank Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Sector : Consumer Products & Services
Stock Name : EUROSP
Stock Code : 7094

WEBSITE

www.eurospan.com.my

GROUP STRUCTURE

EUROSPAN HOLDINGS BERHAD
199501022724 (351927-M)
EST.1972

100%
Eurospan Furniture Sdn Bhd
198901000344 (177650-M)
Manufacturing & trading of furniture & wood-based products

100%
Dynaspan Furniture Sdn Bhd
199201000248 (231752-D)
Manufacturing of furniture & wood-based products

100%
Dynaword Sdn Bhd
199601001403 (373749-H)
Dormant

"Eurospan Holdings Berhad was incorporated in Malaysia on 19 July 1995 as a public limited company. It has been listed on the Main Market of Bursa Malaysia Securities Berhad since 10 July 2000. The Company is an investment holding company and its wholly-owned subsidiary companies are Eurospan Furniture Sdn. Bhd., Dynaspan Furniture Sdn. Bhd., and Dynaword Sdn. Bhd."

EXECUTIVE CHAIRMAN's MESSAGE & MANAGEMENT DISCUSSION AND ANALYSIS

To our valued shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of **Eurospan Holdings Berhad** ("Eurospan") for the financial year ended 31 May 2022.

Overview of Business and Strategies

Established in 1972 as Sin Bin Furniture, Eurospan Group of Companies ("Eurospan Group" or the "Group") enjoys a well-founded reputation for its world class wood dining sets. Our diverse range of ready-to-assemble and assembled furniture is produced primarily for export.

Located in Malaysia, Eurospan Group has three manufacturing facilities in the country, all of which follow our internal systems to manage product quality.

We are also able to meet stringent international production standards as attested by our ability to meet quality certifications for advanced strength and stability tests required by some of our international customers.

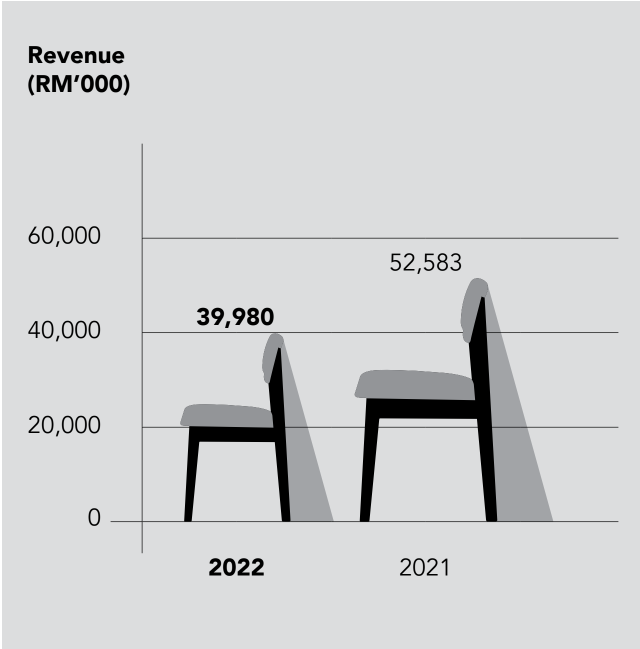
Today, Eurospan Group exports to some of the world's most competitive markets among which are Europe, United Kingdom, U.S.A, Canada, South America, Australia, Africa, Japan and Singapore.

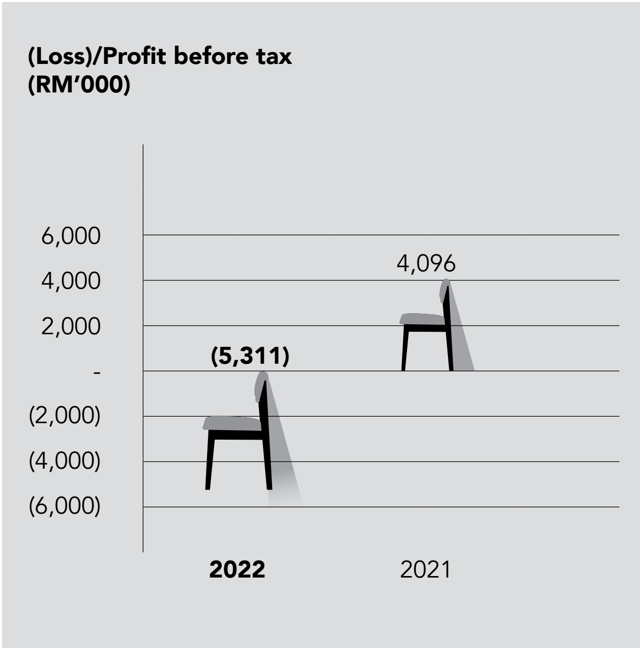
Europsan Group is customer oriented. We always place the customer's needs and quality aspects as priority to meet customer's expectation and satisfaction and strive to be a high performance furniture manufacturer in order to deliver sustainable shareholder value to all stakeholders.

The Group's products cover wide range of contemporary furniture. These products come in various sizes, designs and colours. Our products are designed to serve a wide spectrum of customers. Its multiplicity product designs have provided buyers from various countries a wide choice. The Group will continue to expand its product range to meet the needs of customers from all over the world. We will remain focused on fast moving dining sets product line but will continue to maintain our strategy of new product development. The Group is committed to establish itself as a reliable furniture manufacturer and exporter providing good quality products at competitive price with timely delivery to its valuable customers throughout the world.

FINANCIAL REVIEW

Financial performance





In the financial year ended 31 May 2022, the Group recorded revenue of RM39.98 million and a loss before tax of RM5.31 million as compared to the revenue of RM52.58 million and a profit before tax of RM4.10 million reported in the immediate preceding year.

The loss before tax was mainly due to lower revenue as a result of COVID-19 movement restriction order imposed by the government which mandated the Group to stop some production during first quarter of the financial year ended 31 May 2022, hence affected its ability to fulfill sales orders.

FINANCIAL REVIEW (Cont'd)

Financial position

	2022 RM'000	2021 RM'000	Year-on-Year Variance (%)
Total assets	54,052	57,406	-5.84%
Total liabilities	14,871	13,619	9.19%
Shareholders' equity	39,181	43,787	-10.52%
Net assets per share (RM)	**0.88**	**0.99**	

As at 31 May 2022, the Group's total assets base stood at RM54.05 million representing 5.84% decrease as compared to the preceding year.

As at 31 May 2022, the shareholders' equity remained at a positive level at RM39.18 million as compared to RM43.78 million at the end of the preceding year.

Net assets per share decreased from RM0.99 as at 31 May 2021 to RM0.88 as at 31 May 2022.

Liquidity

	2022 (Days)	2021 (Days)	Changes (Days)
Trade receivables turnover period [1]	30	21	9
Inventories turnover period [2]	154	124	30
Trade payables turnover period [2]	16	18	(2)
Cash conversion cycle	168	127	41

(1) *This is derived using the formula : (Closing balance as at year-end / Total revenue) x 365 days*
(2) *This is derived using the formula : (Closing balance as at year-end / Cost of sales) x 365 days*

Our Group managed to improve the trade payables turnover period from 18 days in the financial year ended 31 May 2021 to 16 days in the financial year ended 31 May 2022, hence it indicate a lower liquidity risk as the Group is able to settle the debts on a earlier date if compared to previous financial year.

The trade receivables turnover period has increased from 21 days in the financial year ended 31 May 2021 to 30 days in the financial year ended 31 May 2022, which was within our credit term granted to customers which range between 30 to 60 days.

The inventories turnover period has increased from 124 days in the financial year ended 31 May 2021 to 154 days in the financial year ended 31 May 2022 mainly due to the Group has hold a higher stock level of raw materials as at 31 May 2022 in order to overcome the import shipment delay issues.

Our Group remains prudent in maintaining healthy financial position that will enable us to sustain the business.

	2022 RM'000	2021 RM'000
Cash and cash equivalents at end of financial year:		
- Short-term funds	-	6,224
- Cash and bank balances	6,624	5,760
	6,624	**11,984**

As at 31 May 2022, the Group's cash and cash equivalents amounted to RM6.62 million compared to RM11.98 million in the last financial year. The excess cash, other than for working capital purposes, was placed in interest bearing short term funds with licensed financial institutions.

FINANCIAL REVIEW (Cont'd)

Capital expenditure

During the financial year, the Group spent approximately RM2.76 million in capital expenditure which were mainly incurred in acquisition of property, plant and equipment.

Borrowings

	2022 RM'000	2021 RM'000
Short term (repayable within 12 months)	**3,077**	1,107
Long term (repayable beyond 12 months)	**475**	356
	3,552	**1,463**

The Group's short term borrowings mainly consist of trade facilities to finance the purchase of materials. The Group is in net cash position which places it in a strong financial position to obtain financing to fund capital expenditure and/or working capital requirements for expansion of its operations or new ventures should the opportunity arise.

BUSINESS REVIEW

Market

We have established an international business network through our participation in various international furniture exhibitions throughout the years. We continuously seek long term partnerships with international buyers to identify market niches in high growth countries and to further enhance our delivery capabilities.

Research and Development ("R&D")

As a leading furniture maker, Eurospan continues to diversify our product range to meet the latest home trends and customer needs. R&D division plays a major role in spearheading the development of new original equipment manufacturer ("OEM") and original design manufacturer ("ODM") designs. Prototype development, machine upgrading and maintenance, material development and process auditing are among the functions our R&D undertakes to ensure that we produce the finest quality products.

RISKS

Similar to other companies in the furniture industry, the Group has a significant dependency on labour for its production operations. The Group manages this risk through gradual enhancement of the production facilities and automation of key processes to reduce manpower requirements.

The Group faces foreign currency risk as sales of its products and purchases of certain raw materials are denominated in foreign currencies. The Group has in place a mechanism to monitor currency fluctuation for costing and quotation purposes. It also uses foreign currency accounts and hedges trade receivables in foreign currencies to manage fluctuations in exchange rates of those currencies.

OUTLOOK

The global market remains uncertain with the continued impact of the Covid-19 pandemic and also the on-going Russia-Ukraine War. The group foresees a more challenging business environment for financial year ending 31 May 2023.

However, the Group will continue to be cautions and continue to take prudent measures to cushion the impact and adapt to the new environment resulted from the pandemic in order to sustain the business during this trying time.

DIVIDEND

The Board of Directors do not recommend any dividend payment for the financial year ended 31 May 2022.

APPRECIATION

On behalf of the Board of Directors, I wish to express our deepest appreciation to our shareholders, customers, business associates, regulatory bodies, financial institutions and suppliers for their assistance and continued support. We will continue to uphold your trust and confidence in the Group. I wish to extend my heartfelt thanks to the management and all associates of the Group for their dedication, hard work and loyalty that are seeing us through our challenges. The Group continues to remain strong as a result of the concerted effort of the entire team

Guan Kok Beng
Executive Chairman
13 September 2022

BOARD OF DIRECTORS

Guan Kok Beng

Executive Chairman

Mr. Guan Kok Beng, male, a Malaysian Citizen, aged 70, was appointed as Managing Director of the Company on 30 April 2000. On 19 May 2000 he was appointed as the Chairman of the Board of Directors and subsequently he was re-designated from Managing Director to Executive Chairman of the Company on 1 June 2022.

With over 42 years of experience in the furniture industry, he is responsible for strategic business development, providing direction and overseeing the overall marketing and production operations of the Group. He was the President of the Penang Furniture Manufacturers and Dealers Association ("PFMDA") from 1992 to 1995 and subsequently appointed as the Advisor since 1996. He was also a committee member of the Malaysian Furniture Industry Council from 1992 to 1995.

His sons, Guan Shaw Kee and Guan Shaw Yin, are also members of the Board. He is a major shareholder of TBHL Holdings Sdn Bhd, which is a major shareholder of Eurospan.

Guan Shaw Yin

Managing Director

Mr. Guan Shaw Yin, male, a Malaysian Citizen, aged 44, was appointed as an Executive Director of the Company on 28 April 2008. He was re-designated as Managing Director on 1 June 2022. He is primarily involved in manufacturing, logistic, finance as well as the quality control and assurance procedures of the Group. He holds a bachelor degree in Business Administration from Northwood University, USA. and joined Eurospan since 2006.

His father, Guan Kok Beng, and his brother, Guan Shaw Kee, are also members of the Board.

Guan Shaw Kee

Deputy Managing Director

Mr. Guan Shaw Kee, male, a Malaysian Citizen, aged 46, was appointed as an Executive Director of the Company on 28 April 2008. He was re-designated as Deputy Managing Director on 1 June 2022. He is primarily involved in sales and marketing, research and development, human resources and administrative functions and overseeing the management information systems of the Group. He obtained his diploma in Computing & Information Technology from Alexander Institute of Technology in Australia and joined Eurospan since 2002.

His father, Guan Kok Beng, and his brother, Guan Shaw Yin, are also members of the Board.

Sim Yee Fuan

Independent Non-Executive Director
Chairman of Audit Committee
Member of Remuneration Committee and Nominating Committee

Mr. Sim Yee Fuan, male, a Malaysian Citizen, aged 56, was appointed as an Independent Non-Executive Director of the Company on 30 October 2012. He graduated from University of Malaya with Bachelor of Accounting (Honours) and obtained his professional qualification from Malaysian Institute of Certified Public Accountants. He holds a Master Degree in Business Administration from Northern University of Malaysia. He is a Chartered Accountant registered with the Malaysia Institute of Accountants. He started his career with Bank Negara Malaysia from 1991 to 1995 and had gained the banking experience in Foreign Exchange Administration Department and Banking Supervision Department. During 1995 to 2006, he was attached to public companies listed on Bursa Malaysia Securities Berhad where his job responsibilities were in the areas of accounting, finance, taxation and corporate management.

Currently, he is also an Executive Director of Unimech Group Berhad. He is an Independent Non-Executive Director of Hextar Industries Berhad, Saudee Group Berhad and SEAL Incorporated Berhad. He is also the commissioner of PT Arita Prima Indonesia Tbk, a company listed on Indonesia Stock Exchange.

Lim Chun Thang

Independent Non-Executive Director
Chairman of Nominating Committee
Member of Audit Committee and Remuneration Committee

Mr. Lim Chun Thang, male, a Malaysian Citizen, aged 57, was appointed as an Independent Non-Executive Director of the Company on 1 July 2014. He graduated from Middlesex University, London with a Bachelor Degree in Accounting and Finance (Honours). Upon returning from London, he joined Arab-Malaysian Merchant Bank in 1995 and left in 1997 as a Corporate Finance Officer. Subsequently, he joined a few companies with his main scope of work in planning the success of their listings on Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad).

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

He is also the Non-Executive Chairman/ Independent Non-Executive Director of JHM Consolidation Berhad.

Ch'ng Lay Hoon

Independent Non-Executive Director
Chairman of Remuneration Committee and Member of Audit Committee

Ms. Ch'ng Lay Hoon, female, a Malaysian Citizen, aged 61, was appointed as an Independent Non-Executive Director of the Company on 30 June 2017. She is an Associate Member of the Institute of Chartered Secretaries and Administrators, United Kingdom and the Malaysian Institute of Chartered Secretaries and Administrators since 1988. She has been a practicing Chartered Secretary for more than 30 years. She offers advice and consulting on corporate secretarial, corporate consultation and planning, company administration and its related matters.

KEY SENIOR MANAGEMENT

Lee Beng Tek

Director of Dynaspan Furniture Sdn. Bhd.

Mr. Lee Beng Tek, male, a Malaysian Citizen, aged 55, is the Director of Dynaspan Furniture Sdn Bhd, a wholly owned subsidiary of the Group. He joined the Group in 1989 as Production Manager and was appointed as Production Director in 1995. He is responsible for all the production activities. He has more than 30 years of working experience in the furniture industry. Prior to joining the Group, he worked as a Production Supervisor in a furniture manufacturing company in Prai from January 1988 to April 1989.

Tan Meow Yee

Finance Assistant Manager

Ms. Tan Meow Yee, female, a Malaysian Citizen, aged 32, is the Finance Assistant Manager of the Group. She joined the Group in 2019 as Finance Executive and was appointed to her current role in 2022. She is responsible for the statutory reporting, corporate governance, financial planning and accounting functions of the Group. Ms. Tan graduated with Bachelor of Accounting Information System (Hons.) at University Utara Malaysia and is currently completing ACCA courses. She began her career as an auditor in a local audit firm followed with experience in a trading company before moving to manufacturing industry.

Conflict of Interest

None of the Directors and key senior management persons have any conflict of interest with the Company.

Conviction for Offences

None of the Directors and key senior management persons have been convicted for offences within the past 5 years.

Material Contracts

There are no material contracts of the Company and its subsidiaries that involve the interests of Directors and major shareholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of the Company ("the Board") recognises the importance of good corporate governance reflected in the principles and recommendations set out in the Malaysian Code on Corporate Governance ("MCCG"). The Group strives to ensure that the best practices of corporate governance including accountability and transparency are adhered to as the Board is mindful of its accountability to the shareholders and various stakeholders of the Company.

The Board is pleased to report to the shareholders, the Company's application of the three (3) key principles of the MCCG during the financial year ended 31 May 2022 ("FYE 2022"):

a) Board leadership and effectiveness;
b) Effective audit and risk management; and
c) Integrity in corporate reporting and meaningful relationship with stakeholders.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Roles and Responsibilities of the Board

The Board is responsible for guiding and monitoring the Company on behalf of its shareholders. In fulfilling its function, the Board assumes, among others, the following responsibilities:

- Providing leadership, reviewing and adopting strategic plans and directions for the Group;
- Overseeing the conduct of the Group's business;
- Ensuring prudent and effective controls and risk management system;
- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- Reviewing the performance of management; and
- Overseeing the overall sustainability strategies and performance of the Group.

The Board has adopted a Board Charter that sets out the division of responsibilities between the Executive Directors, the Non-Executive Directors and the management team. The Board delegates the day-to-day management of the business to the Executive Directors and the management team. However, certain functions are specifically reserved for the Board which include the following:

- In conjunction with management, establishing a vision and strategies for the Group;
- Approving the Group's annual business plan and budget;
- Approving specific items of material capital expenditure and investments and disinvestments;
- Appointing Directors to the Board;
- Appointing and approving the terms and conditions of appointment of the Managing Director ("MD");
- Approving any significant changes to accounting policies;
- Approving the quarterly financial statements;
- Approving the annual financial statements;
- Approving any interim dividends and recommending any final dividends to shareholders;
- Approving all circulars, statements and corresponding documents sent to shareholders;
- Approving the terms of reference and membership of Board Committees;
- Approving Company policies which may be developed from time to time; and
- Approving major acquisition and disposal of investments, businesses, mergers and acquisitions.

Chairman

The Board has appointed a Chairman who is responsible for the conduct of Board meetings and ensures that Board discussions are conducted in a manner that all views are taken into consideration before a decision is made.

The Chairman is responsible for the leadership of the Board and controls the orderly and effective functioning of the Board. He ensures that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in Board discussions. His role includes:

- providing strategic direction and leadership to executive management;
- leading the Board effectively on all aspects of its role;
- ensuring that appropriate procedures are in place to govern the Board's operations;
- setting the agenda, style and tone of Board deliberations, facilitating effective review, analysis, discussions and contributions by each director with sufficient time allocated for discussion of complex and contentious issues, encouraging constructive debate so as to enable a sound decision making process;

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Roles and Responsibilities of the Board (Cont'd)

Chairman (Cont'd)

The Chairman is responsible for the leadership of the Board and controls the orderly and effective functioning of the Board. He ensures that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in Board discussions. His role includes: (Cont'd)

- ensuring accurate and timely information, in particular about the performance of the Company, is furnished to Board members;
- promoting good corporate governance standards within the Group;
- leading efforts to address the Board's developmental needs; and
- chairing of board meetings and general meetings, and ensuring a smooth, open and constructive dialogue between the Board and the shareholders.

The Chairman is not a member of the Audit Committee, Nominating Committee and Remuneration committee in compliance with Practice 1.4 of the MCCG.

The MCCG recommends that the positions of the Chairman and the Chief Executive Officer should be held by different individuals and the Chairman shall not be the Chairman of Board Committees. Currently the positions of the Chairman and MD are held by different Directors.

The roles and responsibilities of the Executive Chairman and the Managing Director are set out in the Board Charter which is available on the Company's websites, http://www.eurospan.com.my.

Company Secretary

The Directors have direct access to the advice and the services of the Company Secretary to assist them to discharge their duties. The Company Secretary updates the Directors periodically when new statutes and requirements are issued by the regulatory authorities to ensure that the Directors are aware of regulatory developments that affect them in carrying out their responsibilities. The Company Secretary also makes announcements to Bursa Malaysia Securities Berhad ("Bursa Securities") on behalf of the Company and brief the Board on proposed contents of material announcements prior to their release.

The Company Secretary convenes all Board meetings and attends all Board meetings to ensure that Board procedures are followed and accurate records of the proceedings and resolutions passed are maintained. The Company Secretary also ensures that the statutory registers are properly maintained at the registered office of the Company. The Board believes that the current Company Secretary who is qualified and experienced is capable of carrying out his duties to assist the Board in ensuring adherence to Board policies and procedures.

The roles of the Company Secretary include:

- to ensure the Company's statutory records, register books and documents are properly maintained;
- to attend and ensure proper conduct and procedures at the annual general meetings, extraordinary general meetings, board meetings, Committees' meetings and other meeting (where necessary); and
- to ensure that Board procedures and applicables rules are observed.

Access to information and advice

All Directors have full and timely access to information with Board papers distributed in advance of meetings. Agenda and discussion papers, including quarterly and annual financial statements, minutes of meetings and board papers which include reports relevant to the issues of the meetings covering the areas of strategic, financial and operational matters are usually circulated one week prior to Board Meetings to allow the Directors to study and evaluate the matters to be discussed.

If required, the Directors may take independent professional advice in the furtherance of their duties at the Company's expense. Before incurring the professional fee, the Director concerned must seek the approval of the Board. The Directors may access all information within the Group in furtherance of their duties.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Roles and Responsibilities of the Board (Cont'd)

Board Charter

The Board has formally adopted a Board Charter which provides guidance to the Board in the fulfillment of its roles, duties and responsibilities which are in line with relevant legislations, regulations and the principles of good corporate governance. The Board Charter outlines the composition and structure of the Board, the appointment of new Directors to the Board, the Board's powers, duties and responsibilities including the division of responsibilities between Executive and Independent Non-Executive Directors and management, establishment of Board Committees, remuneration of Directors and processes and procedures for convening Board meetings. The Board Charter also underlines the Board's commitment to compliance with laws, regulations and its internal Code of Ethics. The Board Charter is subject to periodic review and will be updated from time to time to reflect changes to the Company's policies, procedures and processes as well as changes to legislations and regulations. The Board Charter is available on the Company's website at http://www.eurospan.com.my.

Code of conduct, Anti-Bribery and Anti-Corruption Policy and Whistleblowing Policy

The Board is committed to uphold compliance with relevant requirements of laws, its Constitution and the Main Market Listing Requirements of Bursa Securities ("Listing Requirements") in the conduct of the business of the Company. In addition, the Directors observe a Code of Ethics, which was developed by the Board based substantially on the Company Directors' Code of Ethics established by the Companies Commission of Malaysia. The Directors' Code of Ethics is available on the Company's website at http://www.eurospan.com.my.

The Group has adopted an Anti-Bribery and Anti-Corruption Policy which sets out parameters to prevent the occurrence of bribery and corrupt practices in the conduct of the Group's business. This policy is to provide information and guidelines to all Directors and employees of the Group on the standard of behaviour which they must adhere to and how to recognise and deal with bribery and corruption.

The Board has also set up a framework for employees and associates to report suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, waste, and/or abuse involving the resources of the Company. The Whistleblowing Policy adopted by the Company provides and facilitates a mechanism for any employee and associate to report concerns about any suspected and/or known misconduct wrongdoings, corruption, fraud, waste and/or abuse in good faith without fear of adverse consequences.

The Anti-Bribery and Anti-Corruption Policy and Whistleblowing Policy of the Group are available on the Company's website at http://www.eurospan.com.my.

Sustainability

The Board takes into account sustainability considerations when exercising its duties. The Board plays its role in overseeing that senior management consider material sustainability matters in formulating the Group's strategies and business plans including consideration of sustainability risks and opportunities.

The Group's efforts in sustainability is set out in the sustainability statement in this Annual Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. Board Composition

Composition of Board

The Board presently has six (6) members which comprises of three (3) Executive Directors and three (3) Independent Non-Executive Directors. The current composition of the Board ensures that there is a sufficient number of Independent Non-Executive members on the Board such that no individual or group of individuals dominates the Board's decision making.

Given the nature and scope of the Group's operations, the Board considers that the current composition of the Board is of the appropriate size and with the right mix of skills and experience in meeting the Group's current needs and requirements. A profile of each Director is presented on pages 7 to 8.

Tenure of Independent Directors

The MCCG recommends that the tenure of an Independent Director should not exceed a cumulative term of nine years. Upon completion of the nine years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. If the Board intends to retain an Independent Director beyond nine years, it should justify and seek annual shareholders' approval.

Shareholder approval through a two-tier voting process must be sought in the event that the Company intends to retain him as an Independent Director of the Company.

Mr. Sim Yee Fuan has served on the Board as an Independent Director for a tenure of more than nine (9) years. During the financial year, the Board had assessed his Independent and regarded him to be independent based on the guidelines as set out in the Listing Requirements as well as the criteria of independence recognised by the Board.

The Board recommends that Mr. Sim Yee Fuan seek shareholders' approval throught a two-tier voting process at the forthcoming Annual General Meeting to allow him to continue to be designated as an Independent Director.

Nominating Committee

The Nominating Committee comprises wholly of Independent Non-Executive Directors. Details of the membership of the Nominating Committee are as follows:

Nominating Committee Members	Position in Nominating Committee	Directorate
Lim Chun Thang	Chairman	Independent Non-Executive Director
Sim Yee Fuan	Member	Independent Non-Executive Director

The key duties and responsibilities of the Nominating Committee include, amongst others, the following:

a) To assess and recommend to the Board all candidates for directorships to be filled by the shareholders, the Board or any other stakeholder;
b) To assess the contribution of each individual Director, the effectiveness of the Board as a whole and the Committees of the Board;
c) To review the required mix of skills, experience, gender diversity and other qualities, including core competencies, of the members of the Board;
d) To review the balance of Executive and Non-Executive Directors (including Independent Direcotrs) and the size of the Board with an aim to achieving a balance of view and effectiveness of the Board;
e) To review and assess the independence of Independent Directors on the Board; and
f) To review the terms of office and performance of the Audit Committee and each of its members annually to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. Board Composition (Cont'd)

Nominating Committee (Cont'd)

The terms of reference of the Nominating Committee is available on the Company's website at http://www.eurospan.com.my.

The Nominating Committee has met once during the financial year, in carrying out an annual review of the Board, its Committees and the contribution of individual Directors to the Company.

Directors' fit and proper policy

The Nominating Committees' responsibilities include the development and review of the criteria to be used in the recruitment of Board members and the annual assessment of Directors. The criteria use in considering potential Board candidates as well as the annual asseessment of Board members are set out in the Directors' Fit and Proper Policy which is available on the Company's website at http://www.eurospan.com.my.

Gender diversity

The Company strives to adhere to a practice of non-discrimination and selection based on merit in recruitment. It is also mindful of encouraging gender diversity at all levels including the selection of senior management personnel and Board members. There is currently one female Director on the Board. Although the Company has not set fixed targets for gender diversity, the Board is pleased to note that women are represented at senior management level and also at Board level in the Company.

Annual assessment of Board members

An assessment of the Board is undertaken annually. The evaluation is carried out by way of questionnaires sent to each Director. The questionnaires cover the composition, role, procedures and practices of the Board as a whole and the assessment of each Director's performance by each of his peers. The individual responses to the questionnaires are confidential to each Director, with questionnaire responses summarised for consideration by the Nominating Committee and subsequently reported back to the Board.

The Nominating Committee has also conducted an annual review on the terms of office and performance of the Audit Committee and its members. Each member assessed the performance of his peers and the Audit Committee as a whole to determine whether the Audit Committee and its members have carried out their duties in accordance with the terms of reference of the Audit Committee.

An evaluation of the Board and the Audit Committee took place towards the end of the financial year in accordance with the processes described above.

Annual assessment of Independent Directors

The role of the Independent Directors is to bring independent and objective judgment to the Board which mitigates risks arising from conflict of interest or undue influence from interested parties and protects the interest of minority shareholders. The Board recognises that it is important to periodically assess whether a Director who is designated as independent continue to satisfy such designation. Towards this end, an assessment of independence is carried out on each of the Independent Directors annually by every other member of the Board.

During the financial year, the Board carried out an assessment on each of the Independent Director. In addition, all the Board members were required to evaluate whether each of the Independent Director had continued to show independent and objective judgment in deliberations at Board meetings as well as his conduct outside of Board meetings in matters relating to the Group's affairs. Based on the evaluation carried out, the Board of Directors concluded that the Independent Directors satisfied the criteria of independence set by the Board.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. Board Composition (Cont'd)

Time commitment of Directors

The Board meets at least five times a year to review and approve the quarterly and year end financial results. Additional meetings are convened as necessary, when there are urgent and important matters that require the Board's deliberation. Board members may also be nominated to serve on Board Committees which hold their own meetings. Directors and Board Committee members are furnished with papers, reports and material relevant to the issues to be discussed prior to the meetings and are expected to review such material beforehand so that meaningful discussion can take place during meetings. This expectation of time commitment is communicated to new Board members before they are appointed. Directors should also notify the Chairman before accepting any new directorship in other listed companies to assess whether they will be able to devote sufficient time to the Company.

During the financial year ended 31 May 2022, there were five (5) Board meetings held. The commitment of the Directors in carrying out their duties is reflected in full attendance of all the Directors at Board meetings held during the financial year as shown below:

Name of Director	Designation	Attendance
Guan Kok Beng	Executive Chairman	5/5
Guan Shaw Yin	Managing Director	5/5
Guan Shaw Kee	Deputy Managing Director	5/5
Sim Yee Fuan	Independent Non-Executive Director	5/5
Lim Chun Thang	Independent Non-Executive Director	5/5
Ch'ng Lay Hoon	Independent Non-Executive Director	5/5

To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated to them before the beginning of every year. It provides the scheduled dates for meetings of the Board and Board Committees and the Annual General Meeting ("AGM").

Continuing education programmes

All Directors have completed the Mandatory Accreditation Programme prescribed by Bursa Securities. The Directors recognise the need to continue to undergo relevant training programmes to update their knowledge and enhance their skills where relevant to enable them to sustain their active participation as a Board member.

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

- Malaysian 2022 Budget;
- Malaysia's Corporate Taxes & Incentives Updates
- Creating Competitive Advantage Through Sustainbility
- Sustainability Management, Integrated Reporting
- Latest Trend & Best Practice for Anti-Money Laundering/Countering the Financing of Terrorism Programme

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III. Remuneration

Remuneration policies and procedures

The Remuneration Committee comprises wholly of Independent Non-Executive Directors. Details of the membership of the Remuneration Committee are as follows:

Remuneration Committee Members	Position in Remuneration Committee	Directorate
Ch'ng Lay Hoon	Chairman	Independent Non-Executive Director
Lim Chun Thang	Member	Independent Non-Executive Director
Sim Yee Fuan	Member	Independent Non-Executive Director

The Remuneration Committee recommends the remuneration for the Executive Directors. The determination of the remuneration of the Non-Executive Directors is a matter for the Board as a whole. Individual Directors abstain from deliberations and voting on the decision in respect of their own remuneration.

The Board recognises that the remuneration package should be sufficient to attract, retain and motivate Directors of caliber needed to run the Group successfully. The remuneration of Executive Directors is generally based on their experience, responsibilities held, market conditions and the Group's overall financial performance. The remuneration of Non-Executive Directors is by way of fixed annual fees. Decisions and recommendations of the Committee are reported back to the Board for approval and where required by the rules and regulations governing the Company, for approval of shareholders at the AGM.

The Remuneration Committee has met once during the financial year.

The key duties and responsibilities of the Remuneration Committee include the following:

a) To recommend to the Board of Directors the policy framework and remuneration structure of the Executive and Non-Executive Directors.

b) To review and present recommendations to the Board of Directors regarding the remuneration and conditions of service of the Executive Directors in all its forms including the grant of entitlements under any share schemes.

c) To review superannuation benefits for the Executive Directors of the Company.

d) To review the retirement and termination systems.

e) To consider other fringe benefits issues that may arise from time to time.

f) To review indemnity and liability insurance policies for the Directors and Officers of the Company.

g) To seek external advice in drawing up its recommendations where necessary.

h) To ensure that Directors play no part in the decisions on their own remuneration.

The terms of reference of the Remuneration Committee is available at the Company's website at http://eurospan.com.my

Directors' Remuneration

The details of the Directors' remuneration paid/payable to the Directors of the Company and the Group for the financial year ended 31 May 2022 are tabulated in the Corporate Governance Report.

The Company does not comply with the recommendations to disclose the detailed remuneration of each member of Senior Management in bands of RM50,000 on a named basis in order to preserve confidentiality, negative impact arising from the disclosure, and the larger need to maintain a stable work environment to meet long-term strategic goals.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee of the Company comprises 3 Independent Non-Executive Directors and is chaired by Sim Yee Fuan.

All Audit Committee members are financially literate and the Audit Committee's composition and performance are reviewed by the Nominating Committee annually and recommended to the Board for its approval.

In order to maintain an independent and effective Audit Committee, the Nominating Committee ensures that all Audit Committee members appointed are Independent Non-Executive Directors who are financially literate with an appropriate level of expertise and experience and a strong understanding of the Company and Group's business.

The Audit Committee shall ensure that any former key audit partner of the Group's auditors observe a cooling-off period of at least three years before being appointed as a member of the Audit Committee.

Suitability and Independence of External Auditors

The external auditors fulfill an essential role in giving assurance to the shareholders and other parties of the reliability of the financial statements of the Company. The Company has always maintained a formal and transparent relationship with the external auditors in ensuring the Company's compliance with applicable approved accounting standards and statutory requirements.

The role of the Audit Committee in relation to the external auditors is described in the Audit Committee's terms of reference.

The Audit Committee is responsible for recommending the appointment or re-appointment of external auditors. In assessing the suitability of external auditors, the Audit Committee will ensure that only firms which have experience in the audit of listed companies and are registered with the Audit Oversight Board will be considered.

The Audit Committee recognises that the regular provision of non-audit services by the external auditors may lead to impairment of the external auditor's independence and objectivity. The external auditors are therefore not normally engaged for non-audit related services. However, the external auditors may be engaged for services related to corporate exercises carried out by the Group from time to time, which are not regular in nature, for which the engagement of the external auditors may be deemed to be more effective for the Group. The external auditors have affirmed that members of their engagement team and the firm have complied with the relevant ethical requirements regarding independence in the conduct of their audit engagement.

The Audit Committee had assessed the performance and independence of the external auditors for the financial year under review. The Board of Directors approved the Audit Committee's recommendation to seek shareholders' approval for the re-appointment of the external auditors at the forthcoming AGM of the Company.

II. Risk Management and Internal Control Framework

Framework to manage risks

The Board is responsible for establishing a sound framework to manage risks and maintaining a sound system of internal controls to safeguard shareholders' investment and the Company's assets as required by the MCCG. The Directors also have a general responsibility for taking reasonable steps to prevent and detect fraud and other irregularities. The Statement of Risk Management and Internal Control as set out this Annual Report provides an overview of risk management and the state of internal control within the Group.

Internal audit function

The Board has outsourced its internal audit activities to a professional service firm ("Internal Auditors") to serve as the internal audit function. The Internal Auditors report directly to the Audit Committee. The outsourcing of the internal audit function with a direct reporting line to the Audit Committee helps to ensure that internal audit is carried out objectively and is independent from the management of the Company and the functions which it audits. The personnel who carry out internal audit work are free from any relationships or conflict of interest which could impair their objectivity and independence.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

II. Risk Management and Internal Control Framework (Cont'd)

Internal audit function (Cont'd)

In appointing the Internal Auditors, the Board and the Audit Committee has taken into consideration that the firm has experience in providing internal audit services to listed companies and is adequately staffed with a team of qualified, competent and experienced personnel to carry out the internal audit assignments.

The internal audit work has been carried out in line with guidelines of the International Professional Practice framework. The scope of work in internal audit is carried out in accordance with an internal audit plan approved by the Audit Committee. The audit plan is focused on high risk areas identified through the Group's risk evaluation process.

The Audit Committee Report as set out this Annual Report provides a summary of the internal audit function and the internal audit activities carried out during the financial year.

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

I. Communication with Stakeholders

The Company acknowledges the importance of transparent, timely and equal dissemination of quality material information to shareholders, investors and public at large. As such, the Board observed the Corporate Disclosure Guide issued by Bursa Securities which can be viewed from Bursa Securities' website at www.bursamalaysia.com as well as adhering to and complying with the disclosure requirements of the Listing Requirements.

The Company reaches out to its shareholders through the distribution of its annual report, quarterly financial results announcements, circulars to shareholders, press release and the various disclosures and announcements made to Bursa Securities.

II. Conduct of General Meetings

The AGM is the principal forum for dialogue with shareholders. Notice of AGM and Annual Reports are sent to shareholders at least 28 days before the meeting.

During the AGM, shareholders are given opportunities to enquire and comment on matters relating to the Group's business. The shareholders are encouraged to participate in the open question and answer session in the AGM pertaining to the resolutions being proposed at the meeting and the financial performance and business operation in general. The Directors are available to provide responses to questions from the shareholders during the meeting.

In addition, General Meetings ("GMs") are held as and when needed to obtain shareholders' approval on certain business or corporate proposals. Adequate notice of GMs, in compliance with regulatory requirements, are sent to shareholders together with comprehensive Circulars/Statements setting out details and explaining the rationale with regards to the matters for which shareholders' approval are being sought.

Poll voting

The Constitution of the Company provides that a resolution put to the vote of a meeting may be decided on a show of hands or poll. However, in accordance with the Listing Requirements, the Company will conduct poll voting for all the resolutions put to vote at general meetings. In addition, the Company will appoint a scrutineer to validate the votes cast at the general meeting.

Communication and proactive engagement with shareholders

AGM and GMs where appropriate remain the most common platform for the Company and the Board to have effective communication and engagement with shareholders about performance, corporate governance and other matters affecting shareholders' interest. In addition, the Board may hold press conference where appropriate to keep shareholders informed of the Group's affairs. Information released to the public will also be made available on the Company's website for shareholders to have easy access.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (Cont'd)

II. Conduct of General Meetings (Cont'd)

Compliance Statement

Save as disclosed, throughout the financial year ended 31 May 2022, the Group has complied with all the principles and recommendations of the MCCG.

This statement was made in accordance with a Board of Directors' resolution dated 13 September 2022.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors is pleased to provide the following Statement on Risk Management & Internal Control of the Group, which had been prepared in accordance with the "Statement on Risk Management& Internal Control: Guidelines for Directors of Listed Issuers".

Board's Responsibility

The Board of Directors is responsible for the adequacy and effectiveness of the Group's risk management and internal control system. The Board of Directors recognises the importance of good corporate governance and is committed to maintaining a sound system of internal control and risk management. This includes the establishment of an appropriate control environment and risk management framework, processes and structures and continually reviewing the adequacy and integrity of the said systems to safeguard shareholders' investment and the Group's assets. 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.

The system of risk management and internal control covers finance, operations, management information systems and compliance with relevant laws, regulations, policies and procedures. There is an ongoing process to identify, evaluate and manage significant risks faced or potentially to be encountered by the Group. The process is regularly reviewed by the Board.

Due to the limitations that are inherent in any system of internal controls, these systems are designed to manage, rather than eliminate the risk of failure to achieve business objectives and it can only provide reasonable and not absolute assurance against material misstatement or loss.

The implementation of the risk management and internal control system within the Group inclusive of design, operation, identification, assessment, mitigation and control risks, are operated with the assistance of Management throughout the period. The Board has received assurance from the Managing Director ("MD") and the senior management team that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group.

The key features of the risk management and internal control systems are described under the following headings:

Risk Management and Internal Control Structure

The Group has an ongoing process for the identification, evaluation, reporting, managing, monitoring and reviewing of the major strategic, business and operation risks within the Group. Both the Audit Committee and Board of Directors review the effectiveness of the risk management function and deliberate on the risk management and internal control frameworks, functions, processes and reports on a regular basis. The framework is continually monitored to ensure it is responsive to the changes in the business environment and clearly communicated to all levels.

The Board has established a Risk Management Committee ("RMC") which comprises the MD and senior management team to assist in the risk management process within the Group.

The Group has an established internal control structure and is committed to evaluating, enhancing and maintaining the structure to ensure effective control over the Group's business operations and to safeguard the value and security of the Group's assets. There is a clearly defined operating structure with lines of responsibilities and delegated authority in place to assist the Board to maintain a proper control environment. The control structure and environment are supported by the following activities:

(a) An organisational structure with clearly defined lines of responsibilities, authority and accountability;
(b) Documented internal policies, guidelines, procedures and manuals, which are updated from time to time;
(c) Regular Board and management meetings where information is provided to the Board and management covering financial performance and operation;
(d) Quarterly review of financial results by the Board and Audit Committee;
(e) Regular training and development programmes attended by employees with the objective of enhancing their knowledge and competency;
(f) Existence of risk management team to enhance its risk management practice; and
(g) Ongoing reviews on the system of internal controls by an independent internal audit function. Results of such reviews are reported to the Audit Committee, which in turn reports to the Board.

In addition, the Executive Directors have day to day involvement with the business and are responsible for monitoring risks affecting the business and control activities. These are supplemented by comprehensive and independent reviews undertaken by the internal audit function on the controls in operation in each individual business. The internal auditors independently report to the Audit Committee on the outcome and findings from their reviews.

Risk Management Process

The Board regards risk management as an integral part of business operations. For the year under review, the RMC is assisted by the senior management team from various divisions to effectively embed risk management and control into the corporate culture, processes and structures within the Group. The RMC has identified and reviewed the major business risk factors affecting the Group and derive risk management strategies to manage and mitigate the risks identified. The following factors have been considered in the risk assessment:

(a) The nature and extent of risks facing the Group;
(b) The extent and categories of risk which it regards as acceptable for the Group to bear;
(c) The likelihood of the risks concerned materializing; and
(d) The Group's ability to reduce the incidence of risks that may materialise and their impact on the business.

Control Environment

The Group has in place a proper control environment which emphasizes on quality and performance of the Group's employees through the development and implementation of human resources policies and programmes designed to enhance the effectiveness and efficiency of the individual and the organization.

The Board believes that a sound internal control system reduces, but cannot eliminate, the possibility of poor judgment in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Internal Audit Function

The Board outsourced its internal audit function to a professional firm of consultants to support its internal audit function to provide much of the assurance required regarding the effectiveness as well as the adequacy and integrity of the Group's system of internal controls. Internal audit function adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group. The internal audit plan was presented to and approved by Audit Committee. Periodic internal audit review is carried out and the audit findings are presented to the Audit Committee via internal audit report whilst Management formulates action plans to address issues noted from internal audit to improve the system of internal controls.

During the financial year, the internal audit function carried out reviews on the following areas:

- Compliance with Guidelines on Adequate Procedures pursuant to Section 17A of the MACC Act
- Sales and marketing

Based on the internal auditors' report for the financial year ended 31 May 2022, there is a reasonable assurance that the Group's system of internal controls is generally adequate. Nevertheless, the internal control systems will continue to be reviewed, added on or updated in line with changes in the operating environment.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management & Internal Control for inclusion in the annual report of the Group for the financial year ended 31 May 2022 and reported to the Board that nothing has come to their attention that cause them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the risk management and internal control system.

Conclusion

The Board is of the opinion that the system of risk management and internal control is in place for the year under review, and up to the date of this Statement is sound and sufficient to safeguard shareholders' investment and the Group's assets.

This statement was made in accordance with a Board of Directors' resolution dated 13 September 2022.

AUDIT COMMITTEE REPORT

1. MEMBERSHIP AND MEETINGS

Details of the membership of the Audit Committee and attendance of meetings during the financial year are as follows:

	Composition of the Audit Committee	Attendance
Chairman	Sim Yee Fuan (Independent Non-Executive Director)	5/5
Members	Lim Chun Thang (Independent Non-Executive Director)	5/5
	Ch'ng Lay Hoon (Independent Non-Executive Director)	5/5

2. TERMS OF REFERENCE OF AUDIT COMMITTEE

The terms of reference of the Audit Committee is available on the Company's website at http://www.eurospan.com.my

The Board of Directors is satisfied that the Audit Committee and its members have discharged their responsibilities during the financial year in accordance with the terms of reference of the Audit Committee.

3. SUMMARY OF THE WORK OF THE AUDIT COMMITTEE

During the financial year, the Audit Committee had carried out the following activities to meet their responsibilities as set out in the terms of reference of the Audit Committee:

(a) Financial reporting

- Reviewed the financial performance and financial highlights of the Group at quarterly meetings;
- Reviewed the unaudited quarterly financial results of the Group before recommending the same for Board approval and subsequent release to Bursa Malaysia Securities Berhad; and
- Reviewed the audited financial statements for the financial year ended 31 May 2022 together with the external auditors before recommending the same for Board approval.

(b) External Audit

- Reviewed and approved the external auditors' audit plan for the year ended 31 May 2022 covering the key areas of audit focus and the audit approach for each area identified;
- Received briefing and discussed on amendments to financial reporting standards that were relevant to the Group and may have an impact or require more extensive disclosure in the financial statements of the Group;
- Discussed and agreed to the reporting schedule for completion of the audit to meet reporting deadlines;
- Reviewed points on internal control/recommendations for improvement that were brought up by the external auditors for discussion with management upon completion of the audit. The Audit Committee was informed that there were no significant changes to the scope or audit approach as compared to the audit plan. The external auditors reported that there were no material misstatements that would affect the audited financial results and they have not identified any non-compliance of laws and regulations and fraud related matters or any other major matters to highlight;
- Met two times with the external auditors without the presence of Executive Directors and management staff;
- Reviewed the extent of assistance rendered by management in the course of the audit and based on feedback from the external auditors, the Audit Committee was satisfied that management had co-operated fully and the external auditors were able to obtain information required to carry out their work;
- Received the external auditors confirmation that there was no matter that may impair the external auditors' professional independence and they complied with the requirements on professional independence and ethics in relation to the audit engagement; and
- Reviewed the audit fees and the performance of the external auditors and was satisfied with the conduct of their professional work and the timeliness of completion of their work to meet the reporting deadline. Accordingly, the Audit Committee recommended the re-appointment of the external auditors at the forthcoming Annual General Meeting.

3. SUMMARY OF THE WORK OF THE AUDIT COMMITTEE (Cont'd)

During the financial year, the Audit Committee had carried out the following activities to meet their responsibilities as set out in the terms of reference of the Audit Committee: (Cont'd)

(c) Internal audit and risk management

- Met with the internal auditors to discuss and approve the internal audit plan drawn up by the internal auditors based on the Group's risk profile to ensure that the relevant controls are in place to properly manage the risks;
- Met the internal auditors twice during the year to review their internal audit/risk management reports with relevant management members including Executive Directors invited to attend the Audit Committee meetings to provide insight and clarification on specific matters raised in the internal auditors' reports; and
- Reviewed status updates from the internal auditors in respect of implementation of management action plans or agreed course of action on the findings reported in previous audit cycles to ensure that issues have been resolved satisfactorily.

(d) Other matters

- Reviewed the Statement on Risk Management and Internal Control of the Group for the financial year ended 31 May 2022 and recommended it to the Board of Directors for approval; and
- Reviewed and approved the Audit Committee Report for the financial year ended 31 May 2022 for inclusion in the Company's Annual Report 2022.

4. INTERNAL AUDIT FUNCTION

The Company has outsourced its Internal Audit Function to a professional firm of consultants which is Tan Yen Yeow & Company to assist the Audit Committee in evaluating the adequacy, integrity and effectiveness of the Group's overall internal control system. The principal of Tan Yen Yeow & Company is a member of The Institute of Internal Auditors Malaysia. The internal audit work has been carried out in line with guidelines of the International Professional Practice framework. Their scope of function covers all units and operations of the significant subsidiaries of the Group. The Internal Audit Function reports directly to the Audit Committee.

The cost incurred in maintaining the Internal Audit Function for the financial year ended 31 May 2022 was RM16,000.

5. SUMMARY OF THE WORK OF THE INTERNAL AUDIT

The internal auditors assisted the Audit Committee in discharging its duties and responsibilities by executing independent reviews of the adequacy and effectiveness of the Group's internal control systems. The internal auditors prepared the audit plan for the year that focused on high risk areas. During the financial year, the internal auditors conducted internal audit reviews on areas in accordance with the audit plan approved by the Audit Committee.

The internal audit reports on the reviews carried out, identifying weaknesses with root cause analysis, defined risks ratings based on financial or quantitative impact and suggested recommendations for improvements to management for further action, were presented to the Audit Committee at the Audit Committee meetings. The internal audit reviewed Group's compliance with the guidelines on adequate procedures pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009 and the risks and controls related to marketing development, accounts receivable and credit control and sales processing of the Group during the financial year.

The internal auditors also provided status updates to the Audit Committee in respect of implementation of corrective action plans or best practices that were reported and agreed with the management in previous audit cycles during those meetings. The internal audit and risk management review carried out during the financial year did not reveal material weaknesses which may result in material losses or contingencies that may affect the Group.

OUR COMMITMENT TO SUSTAINABILITY

The Board of Directors of Eurospan Holdings Berhad ("Eurospan") ("Board") is pleased to present the Sustainability Statement ("Statement") for the financial year ended 31 May 2022 ("FY2022"). This Statement has been prepared in accordance with the Sustainability Reporting Guide issued by Bursa Malaysia Securities Berhad ("Bursa Securities").

This Statement covers Eurospan and its three wholly-owned subsidiaries located in Malaysia ("the Group"). The Group's principal activities comprise of manufacturing and trading of furniture and wood-based products.

This Statement is prepared on a best effort basis. The Board recognises the importance of embedding sustainability considerations into the Group's operations when developing business strategies in achieving its short-term and long-term objectives. The Group continued to initiate efforts to enhance its sustainability practices focusing on areas of economic, environmental and social.

GOVERNANCE STRUCTURE

The Board is responsible for oversight of the sustainability strategies of the Group. It ensures that the Group's business strategies give due considerations to all aspects of sustainability as prescribed by Bursa Securities. The Board has established a Risk Management Committee ("RMC") which comprises the Managing Director ("MD") and senior management team to assist in the implementation of sustainability strategies. It identifies and evaluates overall sustainability risks and opportunities and manages sustainability matters of the Group. The RMC also oversees the sustainability management at each subsidiaries or business unit.

We strongly believe that good corporate governance and ethical practices is essential to build and maintain a sustainable business, earn the trust and confidence of our customers, suppliers, business partners, employees and shareholders. Our business practices are governed by a Code of Conduct and Ethics and we have a Whistle Blowing Policy in place.

Code of Conduct and Ethics

This Code is applicable to Directors of the Group in their dealings with each other and all stakeholders of the Group. The Board is committed to uphold compliance with relevant requirements of laws, Constitution and the Listing Requirements of Bursa Securities in the conduct of the business of the Group. In addition, the Directors observe a Code of Ethics, which was developed by the Board based substantially on the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.

Whistle Blowing Policy

The Group's Whistle Blowing Policy ("WP") promotes an environment of integrity and ethical behaviour within the Group. The WP provides an avenue for employees or any external party to report any breach or suspected breach of any law or regulation, including business principles and the Group's policies and guidelines, in a safe and confidential manner.

The WP which can be viewed on our Company's website at http://www.eurospan.com.my, are reviewed regularly to ensure they reflect any changes in legislative requirements and the business environment.

STAKEHOLDERS

The Group acknowledges the involvement of stakeholders is fundamental to achieve the Group's sustainability goals as direct engagement with our internal and external stakeholders enables the Group to have access to feedback and insights which enable us to bridge the gap between their expectations and our actions. A summary of the various types of stakeholder engagements are listed in the table below:

Stakeholders	Focus areas	Type of Engagement
Shareholders and Investors	• Group financial performance • Operation in compliance with applicable laws and regulations	• Annual General Meeting • Annual Report • Quarterly financial results • Investor relations channel • Corporate website
Employees	• Career development and training • Occupational health and safety • Working condition and welfare	• Performance appraisal exercise • Regular safety inspection • Training and development • Meetings and discussions
Government and Regulatory Bodies	• Regulatory compliance • Corporate governance	• Participating in programmes to keep abreast with changes in rules and regulations • Audit or inspection visit by authorities
Customers	• Products quality and timely delivery • Customer satisfaction • Sustaining long term relationship	• Customer satisfaction survey • Frequent customer engagement and interaction • Products brochures • On-site factory visit
Suppliers	• Sustainable and consistency in supply • Products quality	• Supplier evaluation and selection process • Regular meetings and correspondence
Local communities	• Corporate social responsibility	• Donations • Community or engagement programme

ENVIRONMENTAL SUSTAINABILITY

As a major wood-based furniture manufacturer, the Group believes in the sustainable use of environmentally friendly materials. Majority of our wood materials are Forest Stewardship Council ("FSC") Controlled Wood and are Programme for the Endorsement of Forest Certification ("PEFC") certified. PEFC certificate is a transparent and independent control system for safeguarding sustainable and thus exemplary forest cultivation. PEFC is also a monitoring system for proof of origin from certified forests via the wood processing companies to the finished product on the shelf.

The Group is in compliance with the environmental laws governing plant operations in areas relating to emission standards and plant effluents management.

ENVIRONMENTAL SUSTAINABILITY (Cont'd)

Electricity and water are precious resources in Malaysia and are important to our operations. We seek to ensure the sustainability of our business through careful management of our energy and water consumption. One of the subsidiaries has installed solar system to generate sustainable energy reliably and at the same time have access to real time view of the net energy consumption. Solar power in Malaysia represents a clean green source of energy which can reduce carbon footprint and does not pollute the environment. Other current practices taken by the Group included setting all the air conditioners at a fixed temperature setting, switching off lights and air-conditioners or other electrical appliances immediately when they are not in use, fixing any leakage of water connections as soon as it is noticed and etc.

The Group has encouraged all employees to practice reducing, reusing and recycling papers included 2-sided papers are applied on daily printed documents and seeking alternative use for any materials or resources that may be applicable for different purposes within our business. The Group also encourage paperless working environment and practice online E-payment to suppliers, E-notification from human resource department to all employees and E-Annual Report to shareholders.

ECONOMIC SUSTAINABILITY

The Group acknowledges that product quality and customers' satisfaction are of the highest priority to the Group's business continuity. The research and development team has been continuously putting effort on new products development with improvement in furniture design and quality to ensure the products provide comfort and durability.

The management regularly communicates with our customers to gather feedback in respect of our product quality, services, delivery and etc. to meet customers' ever-changing needs. During the FY2022, there was no major non-compliance of product quality which resulted in significant product return and neither was there major complaint from customers.

SOCIAL SUSTAINABILITY

The Group's social commitment covers our responsibility to our employees and the community living within close proximity to our manufacturing facilities. We are committed to engage with each stakeholder group to understand their needs more clearly so that we can improve our social impact on all stakeholders and provide bigger opportunities for collaboration that is both beneficial to our business as well as to our employees and communities around us.

We believe employees are our greatest assets; we value our people and know that they are vital to our business. They are keys to sustaining a growing business particularly in providing excellent customer service and delivering consistent quality and safe products to our customers. Providing our employees with good working conditions, reasonably good benefits and keeping our people safe, healthy and closely engaged is of utmost importance to us.

Workforce Diversity and Equal Opportunity

The Group promotes principles of equality and practices no discrimination against employees on race, belief, gender and sexual orientation. There are equal opportunities for all employees within the Group.

The remuneration of an employee is strictly based on skill, merit and qualification and is governed by the pay scale of a particular grade. The management monitors that employee affairs are conducted in accordance with the Employment Act 1965. There is approximately equal number of employees of each gender in the management and executive position while male workers made up higher number in production areas due to the job requirement which are physically more demanding.

Human Rights and Labour Practice

The Group is highly committed in creating and maintaining an environment that respect and support human rights and ensuring compliance with applicable regulations and law as part of being a good corporate citizen. We continually review and address human rights and labour practice risks and opportunities in our business operations where it is the right thing to do. This helps us to build trust with stakeholders, operate business activities responsibly and manage these risks.

SOCIAL SUSTAINABILITY (Cont'd)

Human Rights and Labour Practice (Cont'd)

We believe there is an undeniable link between social sustainable development and human rights coupled with good labour practice. As a responsible corporate citizen, we respect and recognise universal human rights and require our people to report any human rights abuse and issues that arise in our business operations. As a good corporate citizen, the Group offers a respectful working place which is free from harassment, violence, discrimination and other inappropriate behavior, conduct and action.

Sexual Harassment

The Group views sexual harassment as a serious misconduct that undermines the respect of employees' working relationship. Sexual harassment in workplace could be possibly expected to make a person feel offended, humiliated or intimidated due to unwelcome sexual behaviour by their working colleagues. Following the Group's code of conduct under the clause titled "Forms of Sexual Harassment", it is stated that sexual harassment encompasses all forms of verbal, non-verbal or gestural, psychological, visual and physical harassment.

Any employee found guilty of any form of sexual harassment will face disciplinary action which ranges from a final warning to dismissal.

Child and Forced Labour

The Group prohibits any form of child and forced labour in our value chain and business activities. Our policy forbids child labour and our recruitment procedures strictly verify that the age of our potential employees is legal for work.

Our compliance with the Children and Young Persons (Employment) Act 1966 shows our support in prohibiting child labour and minors for work. We continuously monitor the compliance in all factories to ensure adherence to this policy. We have a clear policy in place that guides us to act in the best way if child and forced labour is discovered in our business operations and activities.

Occupational Health and Safety

Safety is a non-negotiable priority and a vital part of our working culture. As a Group of manufacturing companies, we are committed to provide a safe and healthy work place for our employees. The Group's occupational health and safety policy exists which provides a clear emphasis on the principles and values that we subscribe to:

- Ensure compliance of local regulations and respective policies and law;
- Encourage and implemented employee's responsibility for safety and health at the workplace; and
- Actively organising occupational safety and health programs to create an awareness and culture to the employees.

The Group has an existing Occupational Health and Safety policy and a formal Safety and Health ("SH") Committee in every factory with the objective to ensure that all the necessary procedures, code of conduct and policy are put in place in order to prevent and minimise workplace incidents and injuries to our employees.

We also commit to continuously provide trainings and briefings on matters related to Fire Safety, First Aid Training, Fire Drill in order to inculcate a culture of safety first in our workplace. Fire Safety Awareness Training was conducted by the Group with the objective to create greater awareness. To ensure our employees are knowledgeable in fire prevention at the workplace, our SH Team conducts Fire Drills at least once every year in the respective factories.

The Forklift Truck Safety Training was conducted with the objective to determine the risk involved in operating forklift trucks. From the training, employees are able to be familiarised with different types of trucks and their operations, functions and preparation for visual checkup of the machine prior to work. The training also enables trainees to obtain the necessary forklifts licenses.

Regular safety inspections are carried out to identify the potential risks and immediate corrective actions are taken to address the shortcomings. A major industrial accident is defined as severe injuries and/or loss of human life, death or permanent or prolonged disability to the injured employee. During the FY2022, the Group has achieved zero work-related fatalities among the employees and we strive to maintain this record as our long term commitment.

SOCIAL SUSTAINABILITY (Cont'd)

Human Capital and Employee Welfare

The Group acknowledges that the sustainability of the Group is highly dependent on strong human capital. As the Group strategically grows and develops its operations, we look at providing our employees with the best avenue for career and personal development. A training master plan has been developed to provide adequate training opportunities for employees to develop their technical skills and knowledge.

During the financial year, the Group managed to identify and organise various job-skills related training to equip employees with improved skills and knowledge. Due to Covid-19 pandemic, the Group also sponsored employees to attend online training course and in-house training to keep them abreast of new developments in their respective field of expertise.

The Group also provided employees with suitable and adequate mechanism to voice out their issues or comments through our performance evaluation exercise which was carried out for all employees during the year. For employee with less than one year service, there are total four appraisals to be carried out while for employee with more than one year service, two appraisals will be conducted per year. The assessment process allows the respective superior to highlight constructive input with regards to an employee's performance as well as for employees to share any concerns or feedbacks to the Group. Eventually, we hope to achieve an open workplace culture focused on impartial and approachable engagement platforms between every tier of our employees.

Engaging our communities

Part of being a responsible business is supporting the local community in meeting societal needs. As such, the Group always attempted to play an active role in fulfilling our social responsibility and to promote its awareness among us and other stakeholders within our network. The Group's initiatives in the community seek to make a positive social contribution by providing financial assistance and participating in fundraising and awareness programmes. Towards this cause, the Group will be looking forward at expanding our outreach to more charitable efforts in the future.

OUR SUSTAINABLE FUTURE

The Group is committed to embedding sustainability consideration into our business and was led to reassessing its current operations and reviewing its performance in another perspective. As the Group commits to be a responsible employer and corporate citizen, we will ensure that sustainability be embedded within our organisation as an important corporate culture and seek further to enhance opportunities and mitigate foreseeable risks in delivering sustainable value to our stakeholders.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE ANNUAL AUDITED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements of the Group and the Company for each financial year in accordance with applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards, requirements of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Securities so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2022 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the preparing the financial statements for the financial year ended 31 May 2022, the Directors have applied appropriate and relevant accounting policies in a consistent manner and made judgments and estimates that are reasonable and prudent. The Directors also consider that all applicable approved accounting standards have been complied with and confirm that the Financial Statement have been prepared on a going concern basis.

The Directors are also responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and for maintaining internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

This statement was made in accordance with a Board of Directors' resolution dated 13 September 2022.

OTHER INFORMATION

Utilization of proceeds from corporate proposal

Not applicable as none was proposed.

Audit fees and Non-Audit fees

The audit fees and non-audit fees payable to the external auditors during the financial year ended 31 May 2022 are as follows:

	Group RM	Company RM
Audit fees	72,000	25,000
Non-audit fees	8,000	4,000
Total	**80,000**	**29,000**

DIRECTORS' REPORT

for the financial year ended 31 May 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 May 2022**.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of investment holding and the provision of management services to its subsidiaries.

The principal activities of its subsidiaries are disclosed in Note 6 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 for the financial year	(4,605,764)	(375,161)

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

DIVIDENDS

The Company is not in a position to pay any dividend in view of the current year loss and the accumulated losses as at the end of the reporting period.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company did not issue any share or debenture.

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:

*** Guan Kok Beng**
*** Guan Shaw Yin**
*** Guan Shaw Kee**
Sim Yee Fuan
Lim Chun Thang
Ch'ng Lay Hoon

Director of a subsidiary:

Lee Beng Tek

* The directors are also directors of the Company's subsidiaries

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings, the interests of directors in office at the end of the financial year held or dealt in the shares of the Company and its related corporations at any time during the financial year are as follows:

	Number of ordinary shares			
	Balance at 1.6.2021	**Bought**	**Sold**	**Balance at 31.5.2022**
Direct Interest:				
Guan Kok Beng	4,966,100	-	-	**4,996,100**
Deemed Interest:				
[1] Guan Kok Beng	18,511,200	-	-	**18,511,200**

[1] Deemed interest pursuant to Section 8 of the Companies Act 2016 by virtue of shares held through TBHL Holdings Sdn. Bhd.

By virtue of his interest in the Company, **Mr. Guan Kok Beng** is also deemed interested in the shares of all the subsidiaries of the Company,to the extent that the Company has interests.

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

DIRECTORS' REMUNERATION AND BENEFITS

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

	COMPANY RM	**SUBSIDIARIES RM**	**GROUP RM**
Fees	**218,000**	**90,000**	**308,000**
Salaries, allowances and bonus	**10,500**	**3,101,449**	**3,111,949**
Defined contribution plan	**20,140**	**584,421**	**604,561**
SOCSO and EIS	**-**	**4,880**	**4,880**
Defined benefit plan	**-**	**184,215**	**184,215**
Benefits-in-kind	**-**	**136,264**	**136,264**
	248,640	**4,101,229**	**4,349,869**

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the 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.

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

INDEMNITY AND INSURANCE FOR DIRECTORS OR OFFICERS

The amount of insurance premium paid for professional indemnity for the directors and officers of the Company during the financial year is RM9,815.

OTHER STATUTORY INFORMATION

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

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no bad debts to be written off and no provision for doubtful debts was required, and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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

(i) that would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of the Group and of the Company; or

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

(iii) that have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

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; or

(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 May 2022 are RM72,000 and RM25,000 respectively.

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

The auditors 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:

………………………………………	………………………………………
Guan Kok Beng	**Guan Shaw Yin**

Penang
Date: 13 September 2022

DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 38 to 87 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 May 2022** and of their financial performance and cash flows for the financial year then ended.

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

....	....
Guan Kok Beng	**Guan Shaw Yin**

Date: 13 September 2022

STATUTORY DECLARATION

I, **Guan Shaw Yin**, the director primarily responsible for the financial management of **Eurospan Holdings Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 38 to 87 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the above named at Penang, this **13th**)
day of **September 2022**.)

....
Guan Shaw Yin

Before me,

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

INDEPENDENT AUDITORS' REPORT

to the members of Eurospan Holdings Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Eurospan Holdings Berhad**, which comprise the statements of financial position as at **31 May 2022** of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of accounting policies, as set out on pages 38 to 87.

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of inventories *(Notes 8 to the financial statements)* The Group holds significant inventories as at 31 May 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, amongst others, the following: • Obtained an understanding of: - how the Group accounts for the inventory costing, including material prices and cost elements related to production overheads absorption such as labour and other production costs; - how the Group identifies and assesses inventory write-downs; and - how the Group makes the accounting estimates for inventory write-downs. • Attended the year end physical inventory count and paid attention to the physical condition of inventories; • Reviewed the consistency of the application of management's methodology in determining and estimating the inventories written down from year to year; • Reviewed and tested the net realisable value of inventories on sampling basis; and • Evaluated the adequacy of the inventories written down recognised for identified exposures.

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.

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 the financial statements of the Group and of the Company so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the 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 the 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and 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)

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: (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 identify during our audit.

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

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

Other Matter

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

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

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

Penang

Date: 13 September 2022

STATEMENTS OF FINANCIAL POSITION

as at 31 May 2022

	NOTE	GROUP 2022 RM	GROUP 2021 RM	COMPANY 2022 RM	COMPANY 2021 RM
ASSETS					
Non-current assets					
Property, plant and equipment	**4**	**20,869,025**	19,886,278	**-**	-
Right-of-use asset	**5**	**331,385**	186,877	**-**	-
Investment in subsidiaries	**6**	**-**	-	**48,189,814**	48,189,814
Deferred tax asset	**7**	**65,794**	-	**-**	-
		21,266,204	20,073,155	**48,189,814**	48,189,814
Current assets					
Inventories	**8**	**14,727,051**	13,664,384	**-**	-
Trade and other receivables	**9**	**5,318,738**	5,168,150	**406**	-
Derivatives	**10**	**-**	191,684	**-**	-
Tax recoverable		**477,272**	251,466	**-**	-
Short term investments	**11**	**5,638,939**	6,072,994	**1,391,483**	502,333
Cash and bank balances	**12**	**6,624,060**	11,984,054	**181,883**	1,460,043
		32,786,060	37,332,732	**1,573,772**	1,962,376
TOTAL ASSETS		**54,052,264**	57,405,887	**49,763,586**	50,152,190
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	**13**	**52,796,145**	52,796,145	**52,796,145**	52,796,145
Accumulated losses		**(13,614,842)**	(9,009,078)	**(3,301,699)**	(2,926,538)
Total equity		**39,181,303**	43,787,067	**49,494,446**	49,869,607
Non-current liabilities					
Retirement benefit obligations	**14**	**3,014,047**	2,829,832	**-**	-
Borrowings	**15**	**475,368**	356,103	**-**	-
Lease liability	**5**	**155,025**	-	**-**	-
Deferred tax liabilities	**7**	**-**	591,157	**-**	-
		3,644,440	3,777,092	**-**	-
Current liabilities					
Trade and other payables	**16**	**4,585,535**	4,951,043	**269,140**	282,583
Borrowings	**15**	**3,076,808**	1,107,270	**-**	-
Contract liabilities	**17**	**2,883,378**	3,587,113	**-**	-
Derivatives	**10**	**503,081**	-	**-**	-
Lease liability	**5**	**177,719**	196,302	**-**	-
		11,226,521	9,841,728	**269,140**	282,583
Total liabilities		**14,870,961**	13,618,820	**269,140**	282,583
TOTAL EQUITY AND LIABILITIES		**54,052,264**	57,405,887	**49,763,586**	50,152,190

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

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 May 2022

		GROUP		COMPANY	
	NOTE	2022 RM	2021 RM	2022 RM	2021 RM
Revenue	18	**39,980,444**	52,583,049	**-**	-
Cost of sales		**(34,913,090)**	(40,338,243)	**-**	-
Gross profit		**5,067,354**	12,244,806	**-**	-
Other income		**1,088,056**	1,959,301	**21,396**	3,498,809
Administrative expenses		**(8,633,241)**	(7,902,900)	**(388,544)**	(379,767)
Selling and distribution expenses		**(1,065,873)**	(1,324,557)	**-**	-
Other operating expenses		**(1,702,454)**	(836,141)	**(8,013)**	(46,939)
Operating (loss)/profit		**(5,246,158)**	4,140,509	**(375,161)**	3,072,103
Finance costs		**(65,044)**	(44,334)	**-**	-
(Loss)/Profit before tax	19	**(5,311,202)**	4,096,175	**(375,161)**	3,072,103
Tax income/(expense)	20	**705,438**	(638,438)	**-**	-
Net (loss)/profit, representing total comprehensive (loss)/income for the financial year		**(4,605,764)**	3,457,737	**(375,161)**	3,072,103
(Losses)/Earnings per share attributable to owners of the Company (sen)					
- Basic/Diluted	21	**(10.37)**	7.78		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 May 2022

	Share Capital RM	Accumulated Losses RM	Total Equity RM
2022			
Balance at beginning	**52,796,145**	**(9,009,078)**	**43,787,067**
Total comprehensive loss for the financial year	**-**	**(4,605,764)**	**(4,605,764)**
Balance at end	**52,796,145**	**(13,614,842)**	**39,181,303**
2021			
Balance at beginning	52,796,145	(12,466,815)	40,329,330
Total comprehensive income for the financial year	-	3,457,737	3,457,737
Balance at end	52,796,145	(9,009,078)	43,787,067

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

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 May 2022

	Share Capital RM	Accumulated Losses RM	Total Equity RM
2022			
Balance at beginning	**52,796,145**	**(2,926,538)**	**49,869,607**
Total comprehensive loss for the financial year	**-**	**(375,161)**	**(375,161)**
Balance at end	**52,796,145**	**(3,301,699)**	**49,494,446**
2021			
Balance at beginning	52,796,145	(5,998,641)	46,797,504
Total comprehensive income for the financial year	-	3,072,103	3,072,103
Balance at end	52,796,145	(2,926,538)	49,869,607

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 May 2022

	NOTE	GROUP 2022 RM	GROUP 2021 RM	COMPANY 2022 RM	COMPANY 2021 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/Profit before tax		**(5,311,202)**	4,096,175	**(375,161)**	3,072,103
Adjustments for:					
Accretion of interest on lease liability		**6,651**	17,524	**-**	-
Defined benefit plan		**184,215**	197,125	**-**	-
Depreciation of property, plant and equipment		**1,634,022**	1,549,650	**-**	-
Depreciation of right-of-use asset		**217,003**	280,314	**-**	-
Fair value loss/(gain) on derivatives		**694,765**	(874,651)	**-**	-
Fair value loss/(gain) on short term investments, net		**440,519**	(232,536)	**7,982**	46,822
Gain on disposal of property, plant and equipment		**(225,702)**	(82,201)	**-**	-
Reversal of impairment loss on property, plant and equipment		**-**	(70,000)	**-**	-
Interest expenses		**58,393**	26,810	**-**	-
Interest income		**(377,562)**	(328,684)	**(21,396)**	(38,669)
Reversal of inventories written down		**(268,680)**	(17,237)	**-**	-
Property, plant and equipment written off		**24,879**	7,266	**-**	-
Reversal of impairment loss on investment in subsidiaries		**-**	-	**-**	(3,460,140)
Unrealised gain on foreign exchange		**(399,173)**	(261,856)	**-**	-
Operating (loss)/profit before working capital changes		**(3,321,872)**	4,307,699	**(388,575)**	(379,884)
Changes in:					
Inventories		**(793,987)**	2,359,751	**-**	-
Receivables		**(30,044)**	(1,625,227)	**-**	-
Payables		**(369,419)**	91,018	**(9,374)**	2,169
Contract liabilities		**(703,735)**	255,210	**-**	-
Cash (used in)/generated from operations		**(5,219,057)**	5,388,451	**(397,949)**	(377,715)
Income tax paid		**(230,861)**	(490,262)	**-**	-
Income tax refunded		**53,542**	-	**-**	-
Interest paid		**(58,393)**	(26,810)	**-**	-
Net cash (used in)/from operating activities		**(5,454,769)**	4,871,379	**(397,949)**	(377,715)

		GROUP		COMPANY	
	NOTE	2022 RM	2021 RM	2022 RM	2021 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Net change in subsidiaries' balances		**-**	-	**(4,475)**	517,005
Interest received		**377,562**	328,684	**21,396**	38,669
Additions of property, plant and equipment	**A**	**(2,409,449)**	(2,166,104)	**-**	-
Additions of short term investments		**(10,326,907)**	(44,446)	**(1,247,132)**	(44,446)
Proceeds from disposal of property, plant and equipment		**343,503**	168,688	**-**	-
Proceeds from disposal of short term investments		**10,320,443**	960,514	**350,000**	-
Net cash (used in)/from investing activities		**(1,694,848)**	(752,664)	**(880,211)**	511,228
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of finance lease liabilities	**B**	**(159,254)**	(46,424)	**-**	-
Drawdown/(repayment) of foreign currency invoice financing	**B**	**1,903,087**	(312,014)	**-**	-
Repayment of lease liability	**B**	**(231,720)**	(300,000)	**-**	-
Net cash from/(used in) financing activities		**1,512,113**	(658,438)	**-**	-
NET (DECREASE)/INCREASE IN CASH AND BANK BALANCES		**(5,637,504)**	3,460,277	**(1,278,160)**	133,513
Effects of foreign exchange rate changes		**277,510**	248,942	**-**	-
CASH AND BANK BALANCES AT BEGINNING		**11,984,054**	8,274,835	**1,460,043**	1,326,530
CASH AND BANK BALANCES AT END		**6,624,060**	11,984,054	**181,883**	1,460,043

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

STATEMENTS OF CASH FLOWS (Cont'd)

for the financial year ended 31 May 2022

	NOTE	GROUP 2022 RM	GROUP 2021 RM	COMPANY 2022 RM	COMPANY 2021 RM
A. Additions of property, plant and equipment					
Total acquisition cost		**2,759,449**	2,516,104	**-**	-
Acquired under finance lease liabilities	**B**	**(350,000)**	(350,000)	**-**	-
Total cash acquisition		**2,409,449**	2,166,104	**-**	-

B. Liabilities arising from financing activities

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

	Balance at beginning RM	Net cash flows RM	New finance lease liabilities RM	Others[1] RM	Balance at end RM
GROUP					
2022					
Borrowings	**1,463,373**	**1,743,833**	**350,000**	**(5,030)**	**3,552,176**
Lease liability	**196,302**	**(231,720)**	**-**	**368,162**	**332,744**
Total liabilities arising from financing activities	**1,659,675**	**1,512,113**	**350,000**	**363,132**	**3,884,920**
2021					
Borrowings	1,442,763	**(358,438)**	350,000	**29,048**	1,463,373
Lease liability	478,778	**(300,000)**	-	**17,524**	196,302
Total liabilities arising from financing activities	1,921,541	**(658,438)**	350,000	**46,572**	1,659,675

[1] Others consist of non-cash movement as follows:

	GROUP 2022 RM	GROUP 2021 RM
Unrealised (loss)/gain on foreign exchange	**(5,030)**	29,048
Accretion of interest on lease liability	**6,651**	17,524
Addition of lease liability	**361,511**	-
	363,132	46,572

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

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 35 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang.

The principal place of business of the Company is located at 1168 Kampung Teluk, Sungai Dua, Kawasan Perusahaan Sungai Lokan, 13800 Butterworth, Penang.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 13 September 2022.

Principal Activities

The principal activities of the Company consist of investment holding and the provision of management services to its subsidiaries.

The principal activities of its subsidiaries are disclosed in Note 6 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 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 accounting policies as set out below.

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.

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.

2. BASIS OF PREPARATION (Cont'd)

2.2 Basis of Measurement (Cont'd)

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

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

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.

2.4 Adoption of Amendments to MFRSs

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

Effective for annual periods beginning on or after 1 June 2020
Amendment to MFRS 16 Leases: Covid-19 - Related Rent Concessions

Effective for annual period beginning on or after 1 January 2021
Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts and MFRS 16 Leases: Interest Rate Benchmark Reform - Phase 2

Effective for annual period beginning on or after 1 April 2021
Amendment to MFRS 16 Leases: Covid-19 - Related Rent Concessions beyond 30 June 2021

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

2.5 Standards Issued But Not Yet Effective

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

Effective for annual period beginning on or after 1 January 2022
Amendments to MFRS 3 Business Combination: Reference to the Conceptual Framework
Amendments to MFRS 116 Property, Plant and Equipment: Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018 - 2020

2. BASIS OF PREPARATION (Cont'd)

2.5 Standards Issued But Not Yet Effective (Cont'd)

Effective for annual period beginning on or after 1 January 2023
MFRS 17 Insurance Contracts
Amendments to MFRS 4 Insurance Contracts - Extension of the Temporary Exemption from Applying MFRS 9
Amendments to MFRS 17 Insurance Contracts
Amendments to MFRS 17 Insurance Contracts: Initial Application of MFRS 17 and MFRS 9 - Comparative Information
Amendments to MFRS 101 Presentation of Financial Statements: 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 date yet to be confirmed
Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The initial application of the above standards is 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 the 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 estimates are revised and in any future periods affected.

2.6.1 Judgements made in applying accounting policies

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

Determining the lease term of contract with renewal and termination option - Group as lessee

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

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

The Group has not included the extension options period as part of the lease term for leases of premise as it highly depends on the revised rental rate charged by the landlord and the economic condition when the agreement is expired. The periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

2. 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) Inventories

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

The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 8 to the financial statements.

(ii) Allowance for expected credit losses ("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 expected credit losses is a significant estimate. The amount of expected credit losses 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 25.3.1 to the financial statements.

(iii) Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

(iv) Defined benefit plan

Management estimates the defined benefit plan annually with the assistance of independent actuaries. However, the actual outcome may vary due to estimation uncertainties.The estimate of its defined benefit plan of the Group is based on standard rates of inflation and mortality. It also takes into account the Group's specific anticipation of future salary increase. Discount factors are determined by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and maturity terms approximate to the terms of the related pension plan. Estimation uncertainties exist particularly with regard to salary increment rate, which may vary significantly in future appraisals of the Group's defined benefit obligations.

The assumptions and model used for estimating fair value for defined benefit plan, sensitivity analysis and the carrying amounts are disclosed in Note 14 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 held for sale or distribution. The cost of investments includes transaction costs.

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

(ii) Basis of consolidation

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in asset, such as inventory and property, plant and equipment) are eliminated in full in preparing the consolidated financial statements. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Temporary differences arising from the elimination of profits and losses resulting from intragroup transactions will be treated in accordance to Note 3.13 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's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

(iii) Business 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.

3. ACCOUNTING POLICIES (Cont'd)

3.1 Consolidation (Cont'd)

(iii) Business combinations (Cont'd)

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

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

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

(iv) Loss of control

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

(v) Transactions eliminated on consolidation

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

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

3.2 Property, Plant and Equipment

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

Categories	
Leasehold land	Amortise over its lease period of 85 years
Buildings	2%
Plant, machinery and factory equipment	10% - 20%
Furniture, fittings, renovation and office equipment	10%
Motor vehicles	10%

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

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

3. ACCOUNTING POLICIES (Cont'd)

3.2 Property, Plant and Equipment (Cont'd)

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

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

Group as 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 made and/or to be made, and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

<u>Category</u>	
Premise	24 months

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

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

(ii) Lease liabilities

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

In calculating the present value of lease payments, the Group uses its IBR 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.

3. ACCOUNTING POLICIES (Cont'd)

3.3 Leases (Cont'd)

Group as lessee (Cont'd)

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

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

Group as 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 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 Group and the Company assess at the end of each reporting period whether there is an indication that an asset may be impaired. For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss except for assets that were previously revalued where the revaluation surplus was taken to other comprehensive income. In this case the impairment loss is also recognised in other comprehensive income up to the amount of any previous revaluation surplus.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3. ACCOUNTING POLICIES (Cont'd)

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.

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 into four categories:

- Financial assets at AC (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

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

Financial assets at AC

Financial assets at AC 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 AC includes cash and bank balances and trade and other receivables.

Financial assets at FVTPL

Financial assets at FVTPL are carried in the statements of financial position at fair value with net changes in fair value recognised in the statements of comprehensive income.

3. ACCOUNTING POLICIES (Cont'd)

3.5 Financial Instruments (Cont'd)

3.5.1 Financial assets (Cont'd)

(ii) Subsequent measurement (Cont'd)

Financial assets at FVTPL (Cont'd)

This category includes derivative instruments and listed equity investments which the Group and the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are recognised as other income in the statements of comprehensive income when the right of payment has been established.

The Group's and the Company's financial assets at FVTPL include short term investments and derivatives.

(iii) Derecognition

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

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

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

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

(iv) Impairment

The Group and the Company recognise allowance for expected credit losses ("ECLs") on financial assets measured at AC, debt investments measured at FVTPL, contract assets, and lease receivables. ECLs are a probability-weighted estimate of credit losses.

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

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

3. ACCOUNTING POLICIES (Cont'd)

3.5 Financial Instruments (Cont'd)

3.5.1 Financial assets (Cont'd)

(iv) Impairment (Cont'd)

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 AC 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 AC and debt securities FVOCI are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

3.5.2 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, borrowings and derivatives.

(ii) Subsequent measurement

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

- Financial liabilities at AC
- Financial liabilities at FVTPL

Financial liabilities at AC

This is the category most relevant to the Group and to the Company. After initial recognition, trade and other payables, interest-bearing loans and borrowings are subsequently measured at AC using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. AC 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.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include derivatives and financial liabilities designated upon initial recognition as at FVTPL.

3. ACCOUNTING POLICIES (Cont'd)

3.5 Financial Instruments (Cont'd)

3.5.2 Financial liabilities (Cont'd)

(ii) Subsequent measurement (Cont'd)

Financial liabilities at FVTPL (Cont'd)

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statements of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied.

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

3.5.4 Financial guarantee contracts

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

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

3.6 Inventories

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

The cost of inventories is calculated using the first-in, first-out cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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

3. ACCOUNTING POLICIES (Cont'd)

3.7 Cash and Cash Equivalents

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

3.8 Provisions

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

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

3.9 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 EIR method.

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

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

3.10 Revenue Recognition

Revenue from contracts with customers is recognised when control of the goods or services is 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.

The performance obligations to recognise revenue are as follows:

(i) Sale of goods

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

(ii) 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.

(iii) Interest income

Interest income is recognised as it accrues using the EIR method in profit or loss.

3. ACCOUNTING POLICIES (Cont'd)

3.10 Revenue Recognition (Cont'd)

3.10.1 Contract balances

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

Trade receivables

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

Contract liabilities

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

3.11 Research and Development Expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses, if any.

3.12 Employee Benefits

Short term benefits

Wages, salaries, bonuses and social security contributions ("SOCSO") and employment insurance scheme ("EIS") are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and of 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. Such contributions are recognised as an expense as incurred.

Defined benefit plan

The Group operates an unfunded, defined benefit plan - Retirement Benefit Scheme ("the Scheme") for the Managing Director. Under the Scheme, the Managing Director is entitled to retirement benefits upon attaining his retirement age. This benefits plan is unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements comprise actuarial gains and losses and the effect of the asset ceiling, after excluding amounts included in net interest on the net defined benefit liability and the return on plan assets. It is recognised immediately in the statements of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

3. ACCOUNTING POLICIES (Cont'd)

3.12 Employee Benefits (Cont'd)

Defined benefit plan (Cont'd)

Past service costs are recognised in profit or loss on the earlier of:
- the date of the plan amendment or curtailment; and
- the date that the Group recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation in the statements of comprehensive income:
- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- net interest expense or income.

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 financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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

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

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

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

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

3.14 Sales and Service Tax ("SST")

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

- when the SST incurred in a purchase of asset or service is not recoverable from the authority, in which case the SST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with SST inclusive.

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 Transactions

Transactions in foreign currencies are translated to the functional currencies of 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 rates 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 rates at the date of the transaction except for those measured at fair value which shall be translated at the exchange rates at the date when the fair value was determined.

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

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

3.16 Operating Segments

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

3.17 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.

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 shareholder's 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. ACCOUNTING POLICIES (Cont'd)

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.

(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) The entity is an associate or joint venture of the other entity.
- (iii) Both entities are joint ventures of the same third party.
- (iv) The 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 Group.
- (viii) The entity, or any member of a group when it is a part, provides key management personnel services to the Group.

4. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Freehold land RM	Leasehold land RM	Buildings RM	Plant, machinery and factory equipment RM	Furniture, fittings, renovation and office equipment RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
2022								
At cost								
Balance at beginning	4,667,050	383,735	14,018,915	46,350,376	3,563,319	2,357,122	1,412,362	72,752,879
Additions	-	-	-	884,956	82,342	552,722	1,239,429	2,759,449
Disposals	-	-	-	(2,710,593)	(20,120)	(401,123)	-	(3,131,836)
Written off	-	-	-	(348,605)	(77,525)	-	(19,800)	(445,930)
Reclassification	-	-	-	985,943	-	-	(985,943)	-
Balance at end	4,667,050	383,735	14,018,915	45,162,077	3,548,016	2,508,721	1,646,048	71,934,562
Accumulated depreciation								
Balance at beginning	-	116,950	6,259,054	38,828,297	2,921,331	1,525,916	-	49,651,548
Current charge	-	4,515	280,379	1,017,927	189,381	141,820	-	1,634,022
Disposals	-	-	-	(2,465,349)	(20,120)	(314,213)	-	(2,799,682)
Written off	-	-	-	(341,584)	(55,884)	-	-	(397,468)
Balance at end	-	121,465	6,539,433	37,039,291	3,034,708	1,353,523	-	48,088,420
Accumulated impairment losses								
Balance at beginning	-	-	-	3,125,442	89,611	-	-	3,215,053
Disposals	-	-	-	(214,353)	-	-	-	(214,353)
Written off	-	-	-	(2,942)	(20,641)	-	-	(23,583)
Balance at end	-	-	-	2,908,147	68,970	-	-	2,977,117
Carrying amount	4,667,050	262,270	7,479,482	5,214,639	444,338	1,155,198	1,646,048	20,869,025

4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

GROUP (Cont'd)

	Freehold land RM	Leasehold land RM	Buildings RM	Plant, machinery and factory equipment RM	Furniture, fittings, renovation and office equipment RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
2021								
At cost								
Balance at beginning	4,667,050	383,735	14,018,915	45,980,310	3,552,858	2,482,343	414,292	71,499,503
Additions	-	-	-	1,081,612	10,461	425,961	998,070	2,516,104
Disposals	-	-	-	(582,950)	-	(551,182)	-	(1,134,132)
Written off	-	-	-	(128,596)	-	-	-	(128,596)
Balance at end	4,667,050	383,735	14,018,915	46,350,376	3,563,319	2,357,122	1,412,362	72,752,879
Accumulated depreciation								
Balance at beginning	-	112,435	5,978,909	38,565,422	2,736,667	1,846,259	-	49,239,692
Current charge	-	4,515	280,145	922,673	184,664	157,653	-	1,549,650
Disposals	-	-	-	(550,509)	-	(477,996)	-	(1,028,505)
Written off	-	-	-	(109,289)	-	-	-	(109,289)
Balance at end	-	116,950	6,259,054	38,828,297	2,921,331	1,525,916	-	49,651,548
Accumulated impairment losses								
Balance at beginning	-	-	-	3,226,623	89,611	-	-	3,316,234
Disposals	-	-	-	(19,140)	-	-	-	(19,140)
Written off	-	-	-	(12,041)	-	-	-	(12,041)
Reversal	-	-	-	(70,000)	-	-	-	(70,000)
Balance at end	-	-	-	3,125,442	89,611	-	-	3,215,053
Carrying amount	4,667,050	266,785	7,759,861	4,396,637	552,377	831,206	1,412,362	19,886,278

4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

(i) The motor vehicles with carrying amount of **RM987,678** (2021: RM673,989) are pledged as securities for the finance lease liabilities as disclosed in Note 15 to the financial statements.

(ii) In the previous financial year, an impairment loss of RM70,000 was reversed on the idle property, plant and equipment due to the indication of impairment was no longer existing.

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

GROUP

	Carrying amount RM	Current depreciation RM	Additions RM
2022			
Leasehold land	**262,270**	**4,515**	**-**
Motor vehicles	**987,678**	**103,200**	**416,889**
2021			
Leasehold land	266,785	4,515	-
Motor vehicles	673,989	46,859	425,961

5. RIGHT-OF-USE ASSET AND LEASE LIABILITY

Group as lessee

The Group has a lease contract for premise used in its operations that has lease terms of two years. Generally, the Group is restricted from assigning and subleasing the leased asset.

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

GROUP

Right-of-use asset

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

	Premise	
	2022 RM	2021 RM
Balance at beginning	**186,877**	467,191
Addition	**361,511**	-
Depreciation	**(217,003)**	(280,314)
Balance at end	**331,385**	186,877

5. RIGHT-OF-USE ASSET AND LEASE LIABILITY (Cont'd)

GROUP (Cont'd)

Lease liability

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

	2022 RM	2021 RM
Balance at beginning	**196,302**	478,778
Addition	**361,511**	-
Accretion of interest	**6,651**	17,524
Payments	**(231,720)**	(300,000)
Balance at end	**332,744**	196,302
Represented by:		
Non-current liabilities	**155,025**	-
Current liabilities	**177,719**	196,302
	332,744	196,302

The maturity analysis of lease liability is disclosed in Note 25.4 to the financial statements.

The following are the amounts recognised in profit or loss:

	GROUP	
	2022 RM	2021 RM
Depreciation expense of right-of-use asset	**217,003**	280,314
Accretion of interest on lease liability	**6,651**	17,524
Total amount recognised in profit or loss	**223,654**	297,838

6. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2022 RM	2021 RM
Unquoted shares, at cost	**33,189,814**	33,189,814
Unquoted non-cumulative redeemable convertible preference shares, at cost	**15,000,000**	15,000,000
	48,189,814	48,189,814
Less: Allowance for impairment		
Balance at beginning	**-**	(3,460,140)
Reversal	**-**	3,460,140
Balance at end	**-**	-
	48,189,814	48,189,814

6. INVESTMENT IN SUBSIDIARIES (Cont'd)

The details of the subsidiaries, all of which were incorporated in Malaysia, are as follows:

Name of entities	Effective equity interest 2022 %	2021 %	Principal activities
Eurospan Furniture Sdn. Bhd.	**100**	100	Manufacturing and trading of furniture and wood-based products.
Dynaspan Furniture Sdn. Bhd. ("Dynaspan")	**100**	100	Manufacturing of furniture and wood-based products.
Dynaword Sdn. Bhd.	**100**	100	Dormant.

In the previous financial year, the Company had subscribed for 15,000,000 non-cumulative redeemable convertible preference shares in Dynaspan by way of converting amount due from Dynaspan amounting to RM15,000,000.

The Company reviews the investment in subsidiaries for impairment annually. The recoverable amounts of the investment in subsidiaries assessed by reference to their fair value less cost to sell, which approximate the net assets of the subsidiaries at the end of the reporting period. Thus, there was a reversal of impairment loss of RM3,460,140 recognised in respect of investment in Dynaspan in the previous financial year.

7. DEFERRED TAX (ASSET)/LIABILITIES

	GROUP 2022 RM	2021 RM
Balance at beginning	**591,157**	294,149
Recognised in profit or loss	**(685,756)**	213,875
	(94,599)	508,024
Under provision in prior year	**28,805**	83,133
Balance at end	**(65,794)**	591,157

The deferred tax (asset)/liabilities at the end of the reporting period are made up of the temporary differences arising from:

	GROUP 2022 RM	2021 RM
Property, plant and equipment	**-**	774,983
Other deductible temporary differences	**(65,794)**	(183,826)
	(65,794)	591,157

7. DEFERRED TAX (ASSET)/LIABILITIES (Cont'd)

The following net deferred tax assets 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 RM	**2021 RM**
Unused tax losses	**7,067,092**	7,279,437
Unabsorbed capital allowances	**3,286,886**	1,404,403
Unabsorbed reinvestment allowance	**1,608,637**	1,483,987
Other deductible temporary differences	**5,849**	-
	11,968,464	10,167,827

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

	GROUP	
	2022 RM	**2021 RM**
Unused tax losses	**9,672,151**	7,279,437
Unabsorbed capital allowances	**4,505,856**	2,058,324
Unabsorbed reinvestment allowance	**1,608,637**	1,483,987

The unused tax losses which was previously allowed to be utilised for seven (7) consecutive years of assessment ("YAs") effective from YA 2019 was extended to ten (10) consecutive YAs during the financial year. Unabsorbed reinvestment allowance at the end of the qualifying reinvestment allowance period of fifteen years can be carried forward for seven consecutive YAs. However, unabsorbed capital allowances can be carried forward indefinitely.

The unabsorbed reinvestment allowance and unused tax losses will be disregarded in the following YAs:

	GROUP	
	2022 RM	**2021 RM**
YA 2026	**1,081,424**	1,497,854
YA 2027	**-**	4,013,903
YA 2028	**58,683**	2,907,787
YA 2029	**511,110**	94,680
YA 2030	**4,263,103**	249,200
YA 2031	**2,973,754**	-
YA 2033	**2,392,714**	-
	11,280,788	8,763,424

8. INVENTORIES

	GROUP	
	2022 RM	2021 RM
At cost		
Raw materials	**8,985,004**	7,054,349
Work-in-progress	**3,348,254**	3,828,691
Finished goods	**2,393,793**	2,781,344
	14,727,051	13,664,384
Cost of inventories recognised in profit or loss:		
Inventories recognised as cost of sales	**35,181,770**	40,355,480
Reversal of inventories written down	**(268,680)**	(17,237)

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

9. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Trade receivables				
Third parties	**3,338,758**	2,959,224	**-**	-
Other receivables				
Sundry receivables	**69,342**	7,771	**-**	-
Amount due from a subsidiary	**-**	-	**406**	-
Refundable deposits	**508,664**	455,438	**-**	-
Prepayments	**1,401,974**	1,745,717	**-**	-
	1,979,980	2,208,926	**406**	-
Total trade and other receivables	**5,318,738**	5,168,150	**406**	-

The normal credit terms granted to trade receivables range from **30 to 60 days** (2021: 30 to 60 days). Other credit terms are assessed and approved on case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The amount due from a subsidiary is unsecured, non-interest bearing and classified based on expected timing of realisation.

The currency profile of trade and other receivables is as follows:

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Ringgit Malaysia	**882,667**	2,335,525	**406**	-
United States Dollar	**4,316,937**	2,829,400	**-**	-
Euro	**119,134**	3,225	**-**	-
	5,318,738	5,168,150	**406**	-

10. DERIVATIVES

	GROUP	
	2022 RM	2021 RM
Forward foreign exchange contracts:		
- Nominal value	**16,675,539**	18,258,523
Derivative assets	**-**	191,684
Derivative liabilities	**(503,081)**	-

Forward foreign exchange contracts are used to manage the foreign currency exposure arising from **sales** (2021: sales and purchases) denominated in **United States Dollar** (2021: United States Dollar and Euro). The forward exchange contracts have maturities of less than one year after the end of the reporting period.

11. SHORT TERM INVESTMENTS

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Financial asset at fair value through profit or loss:				
Short term investment funds with a licensed bank	**5,638,939**	6,072,994	**1,391,483**	502,333

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

12. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Cash funds with a licensed bank	**-**	6,223,861	**-**	1,225,839
Cash in hand and at banks	**6,624,060**	5,760,193	**181,883**	234,204
	6,624,060	11,984,054	**181,883**	1,460,043

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

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Ringgit Malaysia	**3,996,195**	10,238,140	**181,883**	1,460,043
United States Dollar	**1,828,773**	1,491,729	**-**	-
Euro	**798,643**	253,747	**-**	-
Others	**449**	438	**-**	-
	6,624,060	11,984,054	**181,883**	1,460,043

13. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2022	2021	2022 RM	2021 RM
Issued and fully paid with no par value	**44,421,700**	44,421,700	**52,796,145**	52,796,145

14. RETIREMENT BENEFIT OBLIGATIONS

The Group operates an unfunded, defined benefit plan - Retirement Benefit Scheme ("the Scheme") for its Managing Director. Under the Scheme, the Managing Director is entitled to retirement benefits upon attaining the retirement age. The Group's obligation under the Scheme is determined based on the latest actuarial valuation issued by an independent actuary.

The present value of the defined benefit plan is represented as follows:

	GROUP	
	2022 RM	2021 RM
Non-current liabilities		
Balance at beginning	**2,829,832**	2,632,707
Recognised in profit or loss		
- Current service cost	**88,001**	85,693
- Interest cost	**96,214**	111,432
	184,215	197,125
Balance at end	**3,014,047**	2,829,832

The principal actuarial assumptions used in determining the defined benefit plan are as follows:

	GROUP	
	2022 %	2021 %
Discount rate	**3.40**	4.70
Expected salary increment rate	**8.00**	10.00

14. RETIREMENT BENEFIT OBLIGATIONS (Cont'd)

The following table demonstrates the sensitivity analysis of the Group if significant actuarial assumptions at the end of the reporting period changed by one hundred (100) basis points with all other variables held constant:

		GROUP	
		2022 RM	2021 RM
Discount rate increase	**1%**	**(71,658)**	(40,239)
Discount rate decrease	**(1%)**	**74,126**	41,207
Expected salary increment rate increase	**1%**	**84,502**	104,766
Expected salary increment rate decrease	**(1%)**	**(82,951)**	(101,950)

The expected payments to the defined benefit plan in future years are as follows:

	GROUP	
	2022 RM	2021 RM
Between 1 to 2 years	**3,410,661**	3,159,598

The average duration of the defined benefit plan obligation at the end of the reporting period is **1.17 year** (2021: 2.17 years).

15. BORROWINGS

	GROUP	
	2022 RM	2021 RM
Non-current liabilities		
Secured:		
Finance lease liabilities		
Minimum payments:		
Within one year	**232,195**	155,268
More than one year and less than two years	**154,044**	155,263
More than two years and less than five years	**352,905**	224,876
	739,144	535,407
Future finance charges	**(54,361)**	(41,370)
	684,783	494,037
Amount due within one year included under current liabilities	**(209,415)**	(137,934)
	475,368	356,103

15. BORROWINGS (Cont'd)

	GROUP 2022 RM	GROUP 2021 RM
Current liabilities		
Secured:		
Finance lease liabilities	**209,415**	137,934
Foreign currency invoice financing	**2,867,393**	969,336
	3,076,808	1,107,270
Total borrowings	**3,552,176**	1,463,373

The borrowings are secured by way of corporate guarantees of the Company and a subsidiary and lease assets as disclosed in Note 4 to the financial statements.

The currency profile of borrowings is as follows:

	GROUP 2022 RM	GROUP 2021 RM
Ringgit Malaysia	**684,783**	523,085
United States Dollar	**466,922**	-
Euro	**2,400,471**	940,288
	3,552,176	1,463,373

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

	Effective interest rates per annum (%)	Total RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM
GROUP					
2022					
Finance lease liabilities	**3.78 to 4.42**	**684,783**	**209,415**	**138,285**	**337,083**
Foreign currency invoice financing	**1.70 to 3.61**	**2,867,393**	**2,867,393**	**-**	**-**
2021					
Finance lease liabilities	2.03 to 2.33	494,037	137,934	143,788	212,315
Foreign currency invoice financing	1.70 to 1.80	969,336	969,336	-	-

16. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Trade payables				
Third parties	**1,554,997**	2,013,852	**-**	-
Other payables				
Sundry payables	**1,322,769**	1,125,171	**-**	-
Amount due to a subsidiary	**-**	-	**-**	4,069
Accruals	**1,707,769**	1,812,020	**269,140**	278,514
	3,030,538	2,937,191	**269,140**	282,583
Total trade and other payables	**4,585,535**	4,951,043	**269,140**	282,583

Trade payables of the Group are non-interest bearing and are normally settled within **15 to 90 days** (2021: 15 to 90 days) credit terms.

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

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

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Ringgit Malaysia	**4,452,533**	4,838,190	**269,140**	282,583
United States Dollar	**133,002**	112,853	**-**	-
	4,585,535	4,951,043	**269,140**	282,583

17. CONTRACT LIABILITIES

	GROUP	
	2022 RM	2021 RM
Balance at beginning	**3,587,113**	3,331,903
Revenue recognised during the year	**(3,587,113)**	(3,331,903)
Deposits received during the year	**2,883,378**	3,587,113
Balance at end	**2,883,378**	3,587,113

Contract liabilities represent deposits received from customers in advance for sales orders before commencing production activity. The deposits will be reversed and recognised as revenue upon satisfying the performance obligation.

All deposits received are expected to be recognised as revenue within one year from the date of receipt.

18. REVENUE

18.1 Disaggregated revenue information

	GROUP	
	2022 RM	2021 RM
Sales of goods recognised at a point in time upon delivery of goods to the customers, representing total revenue from contracts with customers	**39,980,444**	52,583,049
Geographical markets		
Asia Pacific	**11,042,953**	15,773,018
Africa	**12,281,093**	12,623,247
Europe	**6,544,306**	11,989,764
United States of America	**7,294,829**	8,692,657
Oceania	**1,841,967**	2,148,556
Malaysia	**975,296**	1,355,807
Total revenue from contracts with customers	**39,980,444**	52,583,049

18.2 Performance obligations

The performance obligations are spelt out in Note 3.10 to the financial statements.

19. (LOSS)/PROFIT BEFORE TAX

This is arrived at:

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
After charging:				
Audit fee				
- Statutory audit				
- current year	**72,000**	72,000	**25,000**	25,000
- Other services	**8,000**	4,000	**4,000**	4,000
Depreciation				
- property, plant and equipment	**1,634,022**	1,549,650	**-**	-
- right-of-use asset	**217,003**	280,314	**-**	-
Directors' fees				
- Executive directors of the Company	**196,000**	196,000	**106,000**	106,000
- Executive director of a subsidiary	**15,000**	15,000	**-**	-
- Non-executive directors of the Company	**112,000**	112,000	**112,000**	112,000

19. (LOSS)/PROFIT BEFORE TAX (Cont'd)

This is arrived at: (Cont'd)

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
Fair value loss on derivatives	**694,765**	-	**-**	-
Fair value loss on short term investments	**440,519**	46,822	**7,982**	46,822
Interest expenses on:				
- accretion of interest on lease liability	**6,651**	17,524	**-**	-
- finance lease liabilities	**21,658**	5,593	**-**	-
- foreign currency invoice financing	**36,735**	21,217	**-**	-
Property, plant and equipment written off	**24,880**	7,266	**-**	-
Research and development expenses	**307,569**	467,482	**-**	-
* Staff costs	**13,388,794**	12,881,768	**30,640**	30,640
And crediting:				
Fair value gain on short term investments	**-**	279,358	**-**	-
Fair value gain on derivatives	**-**	874,651	**-**	-
Gain on disposal of property, plant and equipment	**225,702**	82,201	**-**	-
Interest income	**377,562**	328,684	**21,396**	38,669
Net realised loss on foreign exchange	**462,329**	-	**-**	-
Reversal of impairment loss on investment in subsidiaries	**-**	-	**-**	3,460,140
Reversal of impairment loss on property, plant and equipment	**-**	70,000	**-**	-
Net gain on foreign exchange				
- realised	**-**	681,177	**-**	-
- unrealised	**399,173**	261,856	**-**	-
Rental income	**22,004**	27,504	**-**	-
Reversal of inventories written down	**268,680**	17,237	**-**	-
*** Staff costs**				
- Salaries, allowances and bonus	**11,959,728**	11,630,069	**10,500**	10,500
- EPF	**1,275,664**	1,174,067	**20,140**	20,140
- SOCSO	**129,260**	133,573	**-**	-
- EIS	**10,259**	10,367	**-**	-
- Defined benefit plan	**184,215**	197,125	**-**	-
	13,559,126	13,145,201	**30,640**	30,640
Less: Staff costs included in research and development expenses	**(170,332)**	(263,433)	**-**	-
	13,388,794	12,881,768	**30,640**	30,640

19. (LOSS)/PROFIT BEFORE TAX (Cont'd)

Directors' emoluments

Included in the staff costs are directors' emoluments as shown below:

	GROUP		COMPANY	
	2022 RM	**2021 RM**	**2022 RM**	**2021 RM**
Directors of the Company:				
- Salaries, allowances and bonus	**3,111,949**	2,287,067	**10,500**	10,500
- EPF	**604,561**	469,795	**20,140**	20,140
- SOCSO	**4,500**	4,500	**-**	-
- EIS	**380**	380	**-**	-
- Defined benefit plan	**184,215**	197,125	**-**	-
	3,905,605	2,958,867	**30,640**	30,640
Director of a subsidiary:				
- Salaries, allowances and bonus	**154,926**	154,600	**-**	-
- EPF	**34,466**	32,224	**-**	-
- SOCSO	**828**	828	**-**	-
- EIS	**95**	95	**-**	-
	190,315	187,747	**-**	-
Total directors' emoluments	**4,095,920**	3,146,614	**30,640**	30,640

The estimated money value of benefits-in-kind received or receivable by the directors of the Company and the director of a subsidiary during the financial year amounted to **RM136,264** (2021: RM117,173) and **RM6,100** (2021: RM5,300) respectively.

20. TAX INCOME/(EXPENSE)

	GROUP		COMPANY	
	2022 RM	**2021 RM**	**2022 RM**	**2021 RM**
Malaysian income tax				
Based on results for the financial year				
- Current tax	**-**	(354,041)	**-**	-
- Deferred tax relating to origination and reversal of temporary differences	**685,756**	(213,875)	**-**	-
	685,756	(567,916)	**-**	-
Over/(Under) provision in prior year				
- Current tax	**48,487**	12,611	**-**	-
- Deferred tax	**(28,805)**	(83,133)	**-**	-
	19,682	(70,522)	**-**	-
	705,438	(638,438)	**-**	-

20. TAX INCOME/(EXPENSE) (Cont'd)

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

	GROUP		COMPANY	
	2022 RM	2021 RM	2022 RM	2021 RM
(Loss)/Profit before tax	**(5,311,202)**	4,096,175	**(375,161)**	3,072,103
Income tax at Malaysian statutory tax rate of 24%	**1,274,688**	(983,082)	**90,039**	(737,305)
Income not subject to tax	**110,818**	140,178	**5,135**	839,700
Expenses not deductible for tax purposes	**(267,597)**	(214,072)	**(95,174)**	(102,395)
Utilisation of reinvestment allowance	**-**	50,501	**-**	-
Utilisation of unrecognised unused tax losses and unabsorbed capital allowances	**-**	438,559	**-**	-
Deferred tax asset not recognised	**(432,153)**	-	**-**	-
	685,756	(567,916)	**-**	-
Over/(Under) provision in prior year	**19,682**	(70,522)	**-**	-
	705,438	(638,438)	**-**	-

21. (LOSSES)/EARNINGS PER SHARE

(i) Basic (losses)/earnings per share

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

	GROUP	
	2022 RM	2021 RM
(Loss)/Profit attributable to owners of the Company (RM)	**(4,605,764)**	3,457,737
Weighted average number of ordinary shares in issue	**44,421,700**	44,421,700
Basic (losses)/earnings per share (sen)	**(10.37)**	7.78

(ii) Diluted (losses)/earnings per share

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

22. CAPITAL COMMITMENT

	GROUP	
	2022	**2021**
	RM	**RM**
Approved but not provided for:		
- Property, plant and equipment	**58,535**	463,353

23. RELATED PARTY DISCLOSURES

Compensation of key management personnel

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

The remuneration of directors is disclosed in Note 19 to the financial statements. The Group does not have any members of key management personnel.

24. SEGMENTAL INFORMATION

The Group is principally engaged in the manufacturing and trading of furniture and wood-based products which are principally carried out in Malaysia and these business activities are considered as one business segment by the Group.

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	**975,296**	1,355,807	**21,266,204**	20,073,155
Asia Pacific	**11,042,953**	15,773,018	**-**	-
Africa	**12,281,093**	12,623,247	**-**	-
Europe	**6,544,306**	11,989,764	**-**	-
United States of America	**7,294,829**	8,692,657	**-**	-
Oceania	**1,841,967**	2,148,556	**-**	-
	39,980,444	52,583,049	**21,266,204**	20,073,155

Information about major customers

Total revenue from **1** (2021: 1) major customer which individually contributed to 10% or more of the Group's revenue amounted to **RM7,780,119** (2021: RM6,551,190).

25. FINANCIAL INSTRUMENTS

25.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as AC and FVTPL.

	Carrying amount RM	AC RM	FVTPL RM
GROUP			
2022			
Financial assets			
Trade and other receivables excluding prepayments	**3,916,764**	**3,916,764**	**-**
Short term investments	**5,638,939**	**-**	**5,638,939**
Cash and bank balances	**6,624,060**	**6,624,060**	**-**
	16,179,763	**10,540,824**	**5,638,939**
Financial liabilities			
Trade and other payables	**4,585,535**	**4,585,535**	**-**
Borrowings	**3,552,176**	**3,552,176**	**-**
Derivatives	**503,081**	**-**	**503,081**
	8,640,792	**8,137,711**	**503,081**
2021			
Financial assets			
Trade and other receivables excluding prepayments	3,422,433	3,422,433	-
Derivatives	191,684	-	191,684
Short term investments	6,072,994	-	6,072,994
Cash and bank balances	11,984,054	11,984,054	-
	21,671,165	15,406,487	6,264,678
Financial liabilities			
Trade and other payables	4,951,043	4,951,043	-
Borrowings	1,463,373	1,463,373	-
	6,414,416	6,414,416	-

25. FINANCIAL INSTRUMENTS (Cont'd)

25.1 Categories of financial instruments (Cont'd)

The table below provides an analysis of financial instruments categorised as AC and FVTPL. (Cont'd)

	Carrying amount RM	AC RM	FVTPL RM
COMPANY			
2022			
Financial assets			
Trade and other receivables	**406**	**406**	**-**
Short term investments	**1,391,483**	**-**	**1,391,483**
Cash and bank balances	**181,883**	**181,883**	**-**
	1,573,772	**182,289**	**1,391,483**
Financial liability			
Trade and other payables	**269,140**	**269,140**	**-**
2021			
Financial assets			
Short term investments	502,333	-	502,333
Cash and bank balances	1,460,043	1,460,043	-
	1,962,376	1,460,043	502,333
Financial liability			
Trade and other payables	282,583	282,583	-

25.2 Financial risk management

The Group and the Company are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price 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.

25.3 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group and to the Company. The Group's exposure to credit risk arises principally from its trade receivables whilst the Company's exposure to credit risk arises principally from financial guarantees provided to financial institutions in respect of credit facilities granted to the subsidiaries. For other financial assets (including short term investments and cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

25. FINANCIAL INSTRUMENTS (Cont'd)

25.3 Credit risk (Cont'd)

25.3.1 Trade receivables

The Group gives its customers credit terms that range between **30 to 60 days** (2021: 30 to 60 days). Credit period extended to its customers is based on careful evaluation of the customers' financial condition and credit 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 at the end of the reporting period is as follows:

	2022 RM	2021 RM
Not past due	**2,069,776**	2,402,067
1 to 30 days past due	**1,174,079**	502,444
31 to 60 days past due	**90,393**	54,297
61 to 90 days past due	**4,073**	-
More than 90 days past due	**437**	416
	1,268,982	557,157
	3,338,758	2,959,224

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 has been renegotiated during the financial year.

The Group has trade receivables amounting to **RM1,268,982** (2021: RM557,157) that are past due but not impaired as the management is of the view that these debts will be collected in due course.

The Group has significant concentration of credit risk in the form of outstanding balances due from **3 customers** (2021:3 customers) representing **46%** (2021: 41%) of the total trade receivables.

Maximum exposure to credit risk

The Group regards the entire trade receivables to be low risk.

In managing the credit risk of the trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. The Group measures the allowance for expected credit losses of trade receivables at an amount equal to lifetime ECL using a simplified approach. The expected credit losses on trade receivables are estimated based on past default experience and an analysis of the trade receivables' current financial position, adjusted for factors that are specific to the trade receivables such as liquidation and bankruptcy. Forward looking information such as country risk assessment has been incorporated in determining the expected credit losses.

Trade receivables are usually collectable and the Group does not have much material historical bad debts written off or impairment of trade receivables. There are circumstances where the settlement of trade receivables will take longer than the credit terms given to the customers. The delay in settlement is mainly due to disagreement of pricing and quality issue or administrative matter. No expected credit losses is provided during the financial year based on the above assessment as the impact to the Group's financial statements is not material.

25. FINANCIAL INSTRUMENTS (Cont'd)

25.3 Credit risk (Cont'd)

25.3.2 Financial guarantees

The Company provides unsecured financial guarantees to financial institutions in respect of banking facilities granted to certain subsidiaries up to a limit of **RM19,900,000** (2021: RM19,900,000), of which the amount utilised as at the end of the reporting period was **RM2,867,393** (2021: RM1,367,336), representing the credit risk exposure to the Company as at that date.

The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting period, there was no indication that the subsidiaries would default on repayment. The directors considered that the fair value of the financial guarantee contracts on initial recognition is insignificant.

25.4 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due. The Group and the Company actively manage their debt maturity profile, operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met. As part of their overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash and cash equivalents to meet their working capital requirements.

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on the 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 and other payables	**4,585,535**	**4,585,535**	**4,585,535**	**-**
Borrowings	**3,552,176**	**3,606,537**	**3,099,588**	**506,949**
Lease liability	**332,744**	**348,920**	**190,320**	**158,600**
	8,470,455	**8,540,992**	**7,875,443**	**665,549**
Derivative financial liability				
Derivatives	**503,081**	**503,081**	**503,081**	**-**
Total undiscounted financial liabilities	**8,973,536**	**9,044,073**	**8,378,524**	**665,549**
2021				
Non-derivative financial liabilities				
Trade and other payables	4,951,043	4,951,043	4,951,043	-
Borrowings	1,463,373	1,504,743	1,124,604	380,139
Lease liability	196,302	200,000	200,000	-
Total undiscounted financial liabilities	6,610,718	6,655,786	6,275,647	380,139

25. FINANCIAL INSTRUMENTS (Cont'd)

25.4 Liquidity risk (Cont'd)

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

	Carrying amount RM	Contractual cash flows RM	Within one year RM
COMPANY			
2022			
Non-derivative financial liabilities			
Trade and other payables	**269,140**	**269,140**	**269,140**
* Financial guarantees	**-**	**2,867,393**	**2,867,393**
Total undiscounted financial liabilities	**269,140**	**3,136,533**	**3,136,533**
2021			
Non-derivative financial liabilities			
Trade and other payables	282,583	282,583	282,583
* Financial guarantees	-	1,367,336	1,367,336
Total undiscounted financial liabilities	282,583	1,649,919	1,649,919

* The financial guarantees are included for illustration purpose only as they have not crystallised as at the end of the reporting period.

25.5 Interest rate risk

The Group's fixed rate instruments are exposed to a risk of change in its fair value due to changes in interest rates. The Group does not have any floating rate instruments.

The interest rate profile of the Group's interest-bearing financial instruments based on the carrying amount as at the end of the reporting period is as follows:

	GROUP 2022 RM	GROUP 2021 RM
Fixed rate instruments		
Financial liabilities	**3,552,176**	1,463,373

Sensitivity analysis for fixed rate instruments

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

25. FINANCIAL INSTRUMENTS (Cont'd)

25.6 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, purchases and borrowings that are denominated in currencies other than the functional currency of the Group entities. The currencies giving rise to this risk are United States Dollar ("USD") and Euro ("EUR").

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rates against Ringgit Malaysia, with all other variables held constant, of the Group's (loss)/profit before tax. A 10% strengthening of RM against the following currencies at the end of the reporting period would have increased/(decreased) in (loss)/profit before tax by the amount shown below and a corresponding weakening would have an equal but opposite effect. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period.

	GROUP
	2022
	RM
USD	**554,579**
EUR	**(148,269)**
Decrease in loss before tax	**406,310**
Increase in equity	**406,310**
	2021
	RM
USD	420,828
EUR	(68,332)
Increase in profit before tax	352,496
Increase in equity	352,496

25.7 Equity price risk

Equity price risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial assets designated at FVTPL will fluctuate because of changes in market prices. Equity price risk arises from the Group's and the Company's short term investments funds with a licensed bank.

Management of the Group and of the Company monitors the investment funds and the material investments within the portfolio on an individual basis and all buy and sell decisions are approved by the Board of Directors of the Company.

25. FINANCIAL INSTRUMENTS (Cont'd)

25.7 Equity price risk (Cont'd)

Sensitivity analysis for equity price risk

A 5% increase/decrease in the quoted prices of the investment funds at the end of the reporting period would have impacted on (loss)/profit before tax by the amount shown below, and a decrease would have an equal but opposite effect, arising as a result of higher/lower fair value gain on short term investment funds.

	GROUP		COMPANY	
	2022 RM	**2021 RM**	**2022 RM**	**2021 RM**
Increase in profit before tax	**-**	303,650	**-**	25,117
Decrease in loss before tax	**281,947**	-	**69,574**	-
Increase in equity	**281,947**	303,650	**69,574**	25,117

26. FAIR VALUE MEASUREMENT

The carrying amounts of the Group's and of the Company's financial assets (other than investments in quoted unit trusts) 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 finance lease liabilities are reasonable approximation of fair values due to the insignificant impact of discounting.

26.1 Financial assets that are measured at fair value on a recurring basis

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Carrying amount RM
GROUP					
2022					
Financial asset					
Short term investments	**5,638,939**	**-**	**-**	**5,638,939**	**5,638,939**
Financial liability					
Derivatives	**-**	**503,081**	**-**	**503,081**	**503,081**
2021					
Financial assets					
Short term investments	6,072,994	-	-	6,072,994	6,072,994
Derivatives	-	191,684	-	191,684	191,684

26. FAIR VALUE MEASUREMENT (Cont'd)

26.1 Financial assets that are measured at fair value on a recurring basis (Cont'd)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Carrying amount RM
COMPANY					
2022					
Financial asset					
Short term investments	**1,391,483**	**-**	**-**	**1,391,483**	**1,391,483**
2021					
Financial asset					
Short term investments	502,333	-	-	502,333	502,333

Level 1 fair value

Level 1 fair value of the short term investments is derived by reference to their quoted market prices in active markets at the end of the reporting period.

Level 2 fair value

Level 2 fair value of the derivatives is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate at the end of the reporting period.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as at the date of the event or change in circumstances that caused the transfer. There were no transfers between level 1, level 2 and level 3 during the financial year.

27. CAPITAL MANAGEMENT

The primary objective of the Group's capital management policy is to maintain a strong capital base to support its 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 its shareholders or sell assets to reduce debts. No changes were made in the objective, policy and process during the financial year under review as compared to the previous financial year.

The Group and the Company consider their total equity and total loans and borrowings to be the key components of their capital structure. The Group and the Company monitor capital using a debt to equity ratio, which is calculated as net debts divided by total equity as follows:

	GROUP		COMPANY	
	2022 RM	**2021 RM**	**2022 RM**	**2021 RM**
Total borrowings	**3,552,176**	1,463,373	**-**	-
Less: Cash and bank balances	**(6,624,060)**	(11,984,054)	**(181,883)**	(1,460,043)
Net cash	**(3,071,884)**	(10,520,681)	**(181,883)**	(1,460,043)
Total equity	**39,181,303**	43,787,067	**49,494,446**	49,869,607
Gearing ratio	**N/A**	N/A	**N/A**	N/A

N/A – not applicable as net cash position

ANALYSIS OF SHAREHOLDINGS

as at 30 August 2022

1. Number of holders of Ordinary Shares : 44,421,700
   Class of Equity Securities : Ordinary shares
   Voting Rights : 1 vote per share

2. ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 30 AUGUST 2022

Size of shareholdings	No. of shareholders	No. of shares	% of total issued shares
Less than 100 shares	9	372	*
100 to 1,000 shares	681	628,992	1.41
1,001 to 10,000 shares	507	2,225,500	5.01
10,001 to 100,000 shares	96	2,609,900	5.88
100,001 to less than 5% of issued shares	15	15,449,636	34.78
5% and above of issued shares	2	23,507,300	52.92
TOTAL	1,310	44,421,700	100.00

* Negligible

3. THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 AUGUST 2022

	Name	No. of shares	% of total issued shares
1.	TBHL Holdings Sdn. Bhd.	18,511,200	41.67
2.	Guan Kok Beng	4,996,100	11.25
3.	Ong Wee Shyong	2,122,400	4.78
4.	Ong Har Hong	2,121,500	4.78
5.	Ong Wee Lieh	2,106,600	4.74
6.	Tan Han Chuan	2,090,200	4.71
7.	Maybank Securities Nominees (Tempatan) Sdn Bhd (pledged securities account for Tan Ching Ching)	2,082,300	4.69
8.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. (pledged Securities Account for How Yoke Kam)	1,875,600	4.22
9.	Ooi Gene Hock	711,200	1.60
10.	Guan Kim Heng	584,036	1.31
11.	Teoh Thuan Hooi	440,900	0.99
12.	Maybank Securities Nominees (Tempatan) Sdn Bhd (pledged securities account for Lim Eng Huat)	417,800	0.94
13.	Yong Ping	331,600	0.75
14.	Tan See Chye Sdn. Bhd.	210,000	0.47
15.	Quan Yew Hwat	125,000	0.28
16.	Maybank Nominees (Tempatan) Sdn Bhd (pledged securities account for Yong Chew Keat)	120,000	0.27
17.	Goh Suat Ean	110,500	0.25
18.	Sin Len Moi	95,200	0.21
19.	Lim Soon Huat	92,000	0.21
20.	Ong Ju Seng	89,000	0.20
21.	Wong Kiong @ Wong Sun Chong	80,000	0.18

3. THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 AUGUST 2022 (Cont'd)

	Name	No. of shares	% of total issued shares
22.	Lee Boon Chai	70,000	0.16
23.	Sing Foong Yin	66,000	0.15
24.	Tan Yen Boon	64,000	0.14
25.	Choong Chia Hwei	61,000	0.14
26.	Low Weng Sew @ Loh Weng Lin	60,000	0.14
27.	Loh Eng Swee	51,700	0.12
28.	Maybank Nominees (Tempatan) Sdn Bhd (pledged securities account for Kay Hong Kee)	50,000	0.11
29.	Goh Bee Leng	47,500	0.11
30.	Lim Kian Huat	46,000	0.10

4. SUBSTANTIAL SHAREHOLDERS AS AT 30 AUGUST 2022

		Direct interest		Deemed interest	
	Name	No. of shares held	% of total issued shares	No. of shares held	% of total issued shares
1.	TBHL Holdings Sdn. Bhd.	18,511,200	41.67	-	-
2.	Guan Kok Beng	4,996,100	11.25	*18,511,200	41.67

* Deemed interested by virtue of his substantial shareholding in TBHL Holdings Sdn. Bhd.

5. INTEREST OF DIRECTORS AS AT 30 AUGUST 2022

a) Interest in shares of the Company

	Direct Interest		Deemed Interest	
Name	No. of shares held	% of total issued shares	No. of shares held	% of total issued shares
Guan Kok Beng	4,996,100	11.25	*18,511,200	41.67
Guan Shaw Yin	-	-	-	-
Guan Shaw Kee	-	-	-	-
Sim Yee Fuan	-	-	-	-
Lim Chun Thang	-	-	-	-
Ch'ng Lay Hoon	-	-	-	-

Note :

* Deemed interested by virtue of his substantial shareholding in TBHL Holdings Sdn. Bhd.

b) Interest in shares of related corporations

By virtue of his interest of not less than 20% in the shares of the Company, Mr. Guan Kok Beng is also deemed to have interest in the shares of all the subsidiary companies to the extent that the Company has an interest as at 30 August 2022.

None of the other directors have any interest in the shares of related corporations as at 30 August 2022.

LIST OF PROPERTIES

of the Group as at 31 May 2022

	Address/Location	Date of acquisition	Description	Use	Tenure	Approximate age of building	Total land area / approximate built up area (sq. ft.)	Net Book Value
1	1168 Kampung Teluk, Sungai Dua, Kawasan Perusahaan Sungai Lokan, 13800 Butterworth	13-05-1995	3 storey office & 1 storey factory	Office, showroom & factory	Freehold	21.5 years	62,140 / 62,600	3,121,417
2	1169 Kampung Teluk, Sungai Dua, Kawasan Perusahaan Sungai Lokan, 13800 Butterworth	7-11-1992	1 storey factory	Factory	Freehold	*26.5 years	69,589 / 40,947	1,152,537
3	No 14 & 16, Lorong Perusahaan Sungai Lokan 3, Taman Perindustrian Baru Butterworth, Sungai Dua, 13800 Butterworth	27-12-1994	2 storey terrace light industrial building	Store	Freehold	22 years	4,368 / 6,218	367,803
4	No 15 Lorong Sungai Lokan 3/2, Sungai Dua, 13800 Butterworth	7-4-1994	2 storey terrace light industrial building	Store	Freehold	23 years	1,920 / 2,880	149,297
5	Lot 14 Jalan Perusahaan, Kawasan Perusahaan Kulim, 09000 Kulim, Kedah	22-3-1995	1 storey factory	Office & factory	Leasehold Expiry : 2080	*23.5 years	86,249 / 38,320	1,281,251
6	No 2 Lorong Bakau 3, Kawasan Perusahaan Perabut Sungai Baong, 14200 Sungai Bakap, Seberang Perai Selatan	24-4-1996	1 storey factory	Office & factory	Freehold	18.5 years	247,420 / 152,163	4,516,384
7	Plot A9 & A10, Furniture Village, Sungai Baong, Seberang Perai Selatan	24-4-1996	Industrial land	Vacant	Freehold	0	238,278	1,556,110
8	No 26, Lorong Perusahaan Sungai Lokan 3, Taman Perindustrian Baru Butterworth, Sungai Dua, 13800 Butterworth	12-11-2007	2 storey terrace light industrial building	Store	Freehold	22 years	2,842 / 3,919	264,014
								12,408,813

Notes :

The Group does not have a formal revaluation policy for its landed properties

Freehold lands are stated at cost and are not subject to depreciation

Leasehold land and building are stated at cost less accumulated impairment losses and accumulated depreciation respectively.

* Based on the latest upgrading date of building

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty Seventh (27th) Annual General Meeting ("AGM") of Eurospan Holdings Berhad will be held at Angier & Borden, Level 4, The Prestige Hotel, 8 Gat Lebuh Gereja, 10300 Georgetown, Penang on Wednesday, 19 October 2022 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESSES

1.	To receive the Audited Financial Statements for the financial year ended 31 May 2022 together with the Reports of the Directors and Auditors thereon.	(Please refer to Note 3)
2.	To approve the payment of Directors' fees of RM323,000 to Directors of the Company and its subsidiaries for the financial year ended 31 May 2022.	Ordinary Resolution 1
3.	To approve the payment of benefits other than Directors' fees of up to RM21,000 to the Directors of the Company from 20 October 2022 until the next Annual General Meeting of the Company.	Ordinary Resolution 2
4.	To re-elect Guan Shaw Yin, a Director retiring pursuant to Clauses 140 and 154 of the Company's Constitution and who, being eligible offers himself for re-election.	Ordinary Resolution 3
5.	To re-elect Guan Shaw Kee, a Director retiring pursuant to Clauses 140 and 154 of the Company's Constitution and who, being eligible offers himself for re-election.	Ordinary Resolution 4
6.	To re-appoint Messrs Grant Thornton Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix the Auditors' remuneration.	Ordinary Resolution 5

AS SPECIAL BUSINESSES

7. To consider and, if thought fit, to pass with or without modifications, the following resolutions as Ordinary Resolutions:

Authority to continue to act as an Independent Non-Executive Director

(a) "THAT authority be and is hereby given to Mr. Sim Yee Fuan who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company." — Ordinary Resolution 6

Proposed power to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016

(b) "THAT subject always to the Companies Act 2016 ("Act"), Constitution of the Company and approvals of the relevant regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company from time to time at such price, upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in a general meeting whichever is the earlier. — Ordinary Resolution 7

AND THAT pursuant to Section 85 of the Companies Act 2016 read together with Clause 15 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares ranking equally to the existing issued shares arising from any issuance of new shares pursuant to Sections 75 and 76 of the Companies Act 2016."

8. To transact any other business for which due notice shall have been given in accordance with the Companies Act 2016.

By order of the Board

Lim Kim Teck
(SSM PRACTISING CERTIFICATE NO. 202008002059)
(MAICSA 7010844)
Company Secretary
Penang

Date: 20 September 2022

NOTES :

1. Appointment of Proxy

(a) A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without restriction as to the qualification of the proxy.

(b) Subject to Paragraph (c) below, a member entitled to attend and vote is entitled to appoint one (1) or more proxies to attend and vote instead of him. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, the appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.

(c) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(d) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.

(e) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang not less than 48 hours before the time appointed for holding the AGM or adjourned meeting at which the person named in the instrument, proposes to vote.

(f) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolutions set out above will be put to vote by way of poll.

2. Members entitled to attend the 27th AGM

Only a Depositor whose name appear in the Record of Depositors as at 12 October 2022 shall be regarded as a member entitled to participate and vote or to appoint a proxy or proxies to participate and vote at the 27th AGM.

3. Audited Financial Statements for the financial year ended 31 May 2022

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

4. Ordinary Resolution No. 1 – Proposed payment of Directors' fees

Pursuant to Section 230(1) of the Companies Act 2016, the Company shall at every AGM approve the fees of the Directors of the Company and its subsidiaries. The Directors' fees payable to the Directors have been reviewed by the Remuneration Committee and the Board of Directors of the Company. The Directors' fees are in accordance with the remuneration framework of the Group.

5. Ordinary Resolution No. 2 – Proposed payment of Directors' benefits (excluding Directors' fees)

The Directors' benefits (excluding Directors' fees) comprises the allowances and other benefits. The total estimated amount of Directors' benefits payable is calculated based on the number of scheduled Board's and Board Committees' meetings for the period from 20 October 2022 until the next AGM. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next AGM of the Company.

6. Ordinary Resolution No. 3 and 4 - Re-election of Directors who retire in accordance with Clauses 140 and 154 of the Company's Constitution

Clause 140 of the Company's Constitution provides that an election of directors shall take place each year. 1/3 of the directors for the time being shall retire from office at each AGM but shall be eligible for re-election at the said meeting. If the total number of the directors is not 3 or a multiple of 3, the number nearest to 1/3 will retire. The Directors to retire in every year shall be those who have been longest in office since their last election. In accordance with Clause 154 of the Company's Constitution, a Managing Director shall be subject to the same provisions as to retirement by rotation.

Mr. Guan Shaw Yin and Mr. Guan Shaw Kee who will be retiring and offering themselves for re-election at the 27th AGM were evaluated by the Nominating Committee and the Board. Based on the evaluation outcome, the Nominating Committee and the Board were of the view that their performance were satisfactory and recommended their re-election for shareholders' approval.

NOTES : (Cont'd)

7. Ordinary Resolution No. 6 – Retention of Mr. Sim Yee Fuan as an Independent Non-Executive Director

Mr. Sim Yee Fuan has served as an Independent Non-Executive Director of the Company for more than 9 years. The Board has carried out an assessment of Mr. Sim Yee Fuan and determined that he has met the independence guidelines as set out in Chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as well as the criteria of independence recognised by the Board. The Board has determined that Mr. Sim Yee Fuan is able to bring objective and independent judgement to the Board and recommended him to continue to act as an Independent Non-Executive Director of the Company.

In accordance with Practice 5.3 of the Malaysian Code on Corporate Governance 2021, shareholders' approval through a two-tier voting process will be sought at the 27th AGM to retain Mr. Sim Yee Fuan as an Independent Non-Executive Director of the Company.

8. Ordinary Resolution No. 7 – Proposed power to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed resolution, if passed, will grant a renewed general mandate ("Renewed Mandate") and empower the Directors of the Company to issue and allot shares up to an amount not exceeding 10% (ten per centum) of the total number of issued shares of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. The Renewed Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment, capital expenditure, working capital and/or acquisitions. In order to avoid any delay and costs involved in convening a general meeting, it is considered appropriate to seek shareholders' approval for a Renewed Mandate. This Renewed Mandate unless revoked or varied by the Company in general meeting will expire at the next AGM of the Company.

As at the date of this notice, no new shares in the Company have been issued pursuant to the mandate granted to the Directors at the 26th AGM held on 26 October 2021 which will lapse at the conclusion of the 27th AGM.

STATEMENT ACCOMPANYING NOTICE OF AGM

(Pursuant to Paragraph 8.27(2) of the Listing Requirements of Bursa Malaysia Securities Berhad)

As at date of this notice, there are no individuals who are standing for election as Directors (excluding Directors who are standing for re-election as stated above) at this forthcoming 27th AGM.

PERSONAL DATA PRIVACY

By registering for the meeting and/or submitting an instrument appointing proxy(ies) and/or representatives to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company: (i) consents to the processing of the member's personal data by the Company (or its agents): (a) for processing and administration of proxies and representatives appointed for the AGM; (b) for preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (which includes any adjournments thereof); and (c) for the Company's (or its agents) compliance with any applicable laws, listing rules, regulations and/or guidelines (collectively "the Purpose"); (ii) warrants that he/she has obtained such proxy(ies) and/or representative(s) prior consent for the Company's (or its agents) processing of such proxy(ies) and/or representative(s) personal data for the Purposes; and (iii) agrees that the member will indemnify the Company for any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Note: The term "processing" and "personal data" shall have the meaning as defined in the Personal Data Protection Act, 2010

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PROXY FORM

For the 27th Annual General Meeting ("AGM")

CDS Account No.	
No. of shares held	

EUROSPAN HOLDINGS BERHAD
199501022724 (351927-M)
EST. 1972

I/We____
[Full name in block letters and NRIC No. / Registration No.]

of____
[Address and Contact No.]

being a member/members of Eurospan Holdings Berhad, hereby appoint:

Full Name (in block letters)	NRIC/Passport/ Registration No.	Email Address	Proportion of Shareholdings	
			No. of Shares	%
and/or (delete as appropriate)				

or failing whom, the Chairman of the meeting as my/our Proxy to vote in my/our name(s) on my/our behalf at the 27th AGM of the Company to be held at Angier & Borden, Level 4, The Prestige Hotel, 8 Gat Lebuh Gereja, 10300 Georgetown, Penang on Wednesday, 19 October 2022 at 10.00 a.m. and at any adjournment thereof in the manner indicated below:

Resolution		For	Against
To approve the payment of Directors' fees of RM323,000 to Directors of the Company and its subsidiaries for the financial year ended 31 May 2022.	Ordinary Resolution 1		
To approve the payment of benefits other than Directors' fees of up to RM21,000 to the Directors of the Company from 20 October 2022 until the next AGM of the Company.	Ordinary Resolution 2		
To re-elect Mr. Guan Shaw Yin, a Director retiring pursuant to Clauses 140 and 154 of the Company's Constitution and who, being eligible offers himself for re-election.	Ordinary Resolution 3		
To re-elect Mr. Guan Shaw Kee, a Director retiring pursuant to Clauses 140 and 154 of the Company's Constitution and who, being eligible offers himself for re-election.	Ordinary Resolution 4		
To re-appoint Messrs Grant Thornton Malaysia PLT as the Company's Auditors and to authorise the Directors to fix the Auditors' remuneration.	Ordinary Resolution 5		
To authorise Mr. Sim Yee Fuan to continue to act as an Independent Non-Executive Director of the Company.	Ordinary Resolution 6		
To empower the Directors to issue and allot shares up to 10% of the total number of issued shares of the Company.	Ordinary Resolution 7		

Please indicate with an 'X' in the space provided whether you wish your votes to be cast for or against the resolution. In the absence of specific direction, your proxy may vote or abstain as he thinks fit.

____
Signature of Shareholder(s) / Common Seal

Dated this _______ day of__________________________, 2022.

Notes:-

(1) Only a Depositor whose name appear in the Record of Depositors as at 12 October 2022 shall be regarded as a member entitled to participate and vote or to appoint a proxy or proxies to participate and vote at the 27th AGM.

(2) A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without restriction as to the qualification of the proxy.

(3) Subject to Paragraph (4) below, a member entitled to attend and vote is entitled to appoint one (1) or more proxies to attend and vote instead of him. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, the appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.

(4) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(5) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.

(6) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang not less than forty eight (48) hours before the time appointed for holding the AGM or adjourned meeting at which the person named in the instrument, proposes to vote.

(7) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolutions set out above will be put to vote by way of poll.

Please fold here

Affix
Stamp

The Company Secretary
EUROSPAN HOLDINGS BERHAD
Company No. 199501022724 (351927-M)
35, 1st Floor, Jalan Kelisa Emas 1,
Taman Kelisa Emas,
13700 Seberang Jaya, Penang,
Malaysia

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EUROSPAN HOLDINGS BERHAD
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