MIECO

MIECO CHIPBOARD BERHAD

(Registration No. 197201001235 [12849-K])

ANNUAL REPORT 2022

CONTENTS

GROUP CORPORATE STRUCTURE
AS AT 10 APRIL 2023

MIECO

MIECO CHIPBOARD BERHAD
(Registration No. 197201001235 [12849-K])

(Listed on the Main Market of Bursa Malaysia Securities Berhad)

- 100% MIECO CHEMICALS SDN BHD
- 100% MIECO MANUFACTURING SDN BHD
- 100% MIECO MARKETING SDN BHD
- 100% MIECO INTERNATIONAL (H.K.) LIMITED
- 100% MIECO WOOD RESOURCES SDN BHD
- 100% MIECO REFORESTATION SDN BHD
- 100% ASPIRE BENCHMARK SDN BHD
- 100% GREAT PLATFORM SDN BHD
  - 100% PARTICLEBOARD MALAYSIA SDN BHD
- 100% TUDOR CAPITAL SDN BHD
- 100% SENG YIP FURNITURE SDN BHD

CORPORATE INFORMATION

BOARD OF DIRECTORS

Datuk Dr. Roslan Bin A. Ghaffar
Independent Non-Executive Chairman

Dato' Sri Ng Ah Chai
Group Managing Director

Mr. Ng Wei Ping, Keith
Executive Director

Mr. Cheam Tow Yong
Independent Non-Executive Director

Dato' Abdul Rashid Bin Mat Amin
Independent Non-Executive Director

Mr. Kajendra A/L Pathmanathan
Independent Non-Executive Director

AUDIT COMMITTEE

Mr. Cheam Tow Yong *(Chairman)*
Dato' Abdul Rashid Bin Mat Amin
Mr. Kajendra A/L Pathmanathan

NOMINATION COMMITTEE

Dato' Abdul Rashid Bin Mat Amin *(Chairman)*
Mr. Cheam Tow Yong
Mr. Kajendra A/L Pathmanathan

REMUNERATION COMMITTEE

Dato' Abdul Rashid Bin Mat Amin *(Chairman)*
Mr. Cheam Tow Yong
Mr. Kajendra A/L Pathmanathan

REGISTERED OFFICE

No. 1, Block C, Jalan Indah 2/6
Taman Indah, Batu 11
43200 Cheras, Selangor Darul Ehsan
Tel : 603 - 9075 9991
Fax : 603 - 9080 7991

PRINCIPAL PLACE OF BUSINESS

No. 1, Block C, Jalan Indah 2/6
Taman Indah, Batu 11
43200 Cheras, Selangor Darul Ehsan
Tel : 603 - 9075 9991
Fax : 603 - 9080 7991

Lot 74, Kawasan
Perindustrian Gebeng
26080 Kuantan
Pahang Darul Makmur
Tel : 609 - 5835 120
Fax : 609 - 5833 408

SECRETARY

Ng Geok Lian
LS No. 0007155
(SSM PC No. 201908002080)

REGISTRAR

Metra Management Sdn Bhd
35th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia
Tel : 603 - 2698 3232
Fax : 603 - 2698 0313

AUDITORS

Messrs UHY *(AF1411)*
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia

BANKERS

Alliance Bank Malaysia Berhad
OCBC Bank (Malaysia) Berhad
Malayan Banking Berhad
Hong Leong Bank Berhad
Ambank (M) Berhad
Public Bank Berhad
OCBC Al-Amin Bank Berhad
Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
Affin Islamic Bank Berhad
MBSB Bank Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

STOCK CODE

MIECO 5001

WEBSITE

www.mieco.com.my

DIRECTORS' PROFILE

DATUK DR. ROSLAN BIN A. GHAFFAR
Independent Non-Executive Chairman

Datuk Dr. Roslan Bin A. Ghaffar, aged 70, male, a Malaysian, was appointed to the Board on 18 February 2019 as an Independent Non-Executive Chairman of Mieco Chipboard Berhad.

Datuk Dr. Roslan has over 30 years of experience in the areas of economics, finance and investment. He holds a Bachelor of Science degree from Louisiana State University, Baton Rouge, USA, and obtained a Ph.D. at the University of Kentucky, Lexington, USA. He has done over 30 years of public service and has extensive experience in overseeing corporate organizations.

Datuk Dr. Roslan was awarded the Kesatria Mangku Negara in 1998 and Johan Setia Mahkota in 2002 for his service to the government, particularly the Employees Provident Fund. In 2018 he was also conferred the Darjah Pangkuan Seri Melaka (DPSM). Apart from receiving the academic degrees he also attended various executive training programs which has included the Harvard Premier Management Program in 2006.

In 1974, Datuk Dr Roslan started work at Lembaga Pertubuhan Peladang Malaysia as an assistant credit officer upon completion of his Diploma studies at University Putra Malaysia (UPM). In 1975, he pursued further studies at Louisiana State University, Baton Rouge where he graduated with a Bachelor of Science degree. He subsequently continued post graduate studies at the University of Kentucky, Lexington, USA and completed his PhD in 1983. He resumed his services to Lembaga Pertubuhan Peladang in the same year.

In 1984, Datuk Dr. Roslan joined University Putra Malaysia as a lecturer in economics and was promoted to Associate Professor of Economics in 1991. For six years from 1985 to 1991, he also served as head of the Economics Department of University Putra Malaysia. In the 1992-1993 academic year, Datuk Dr. Roslan while on sabbatical leave from UPM, was with the University of Kentucky, Lexington, USA, as Visiting Professor. On various occasions while at the University Putra Malaysia, he had also served as consultant to various international and national organisations which included the World Bank, Asian Development Bank, Winrock International and the Economic Planning Unit of the Prime Minister's Department.

In 1994, Datuk Dr. Roslan joined to the Employees Provident Fund and was given the responsibility to develop the economic and investment research capability of the Fund. With the given responsibility, he held the position of Director of Investment and Economic Research of the Malaysian EPF. He was promoted to the position of Senior Director in 1996 and in 2001 held the position of Deputy Chief Executive Officer of the Fund with the expanded responsibility of formulating and implementing investment strategies to meet the Fund's investment objectives until his retirement in 2007. The EPF had over RM 300 billion investment asset under management in 2007.

Datuk Dr. Roslan is currently the Chairman of Box-Pak (Malaysia) Berhad, a company listed on Bursa Securities Malaysia Berhad. He is also the director of MRCB-Quill Management Sdn Bhd, the Manager of Public Listed MRCB-Quill Reit.

Datuk Dr. Roslan does not have any family relationship with the Directors and/or major shareholders of the Company. He has no conflict of interest with the Company and he has no conviction for any offences within the past five (5) years other than traffic offences, if any. There was also no public sanction or penalty imposed by any regulatory body against him during the financial year ended 31 December 2022.

Datuk Dr. Roslan attended all five (5) Board Meetings of the Company held during the financial year ended 31 December 2022.

DATO' SRI NG AH CHAI
Group Managing Director

Dato' Sri Ng Ah Chai, aged 60, male, a Malaysian, was appointed to the Board on 15 November 2016 as a Group Managing Director of Mieco Chipboard Berhad.

Dato' Sri Ng has over 30 years of experience in timber and furniture industries. His involvement in the timber trade started in 1985 with a sawmilling business. In 1991, he expanded his business into tropical wood furniture manufacturing for the local market. He ceased his sawmilling business in 1993 and co-founded Seng Yip Furniture Sdn Bhd. Under Dato' Sri Ng's leadership, coupled with his extensive background and experience in timber and furniture business, Seng Yip Furniture Sdn Bhd has expanded from a kiln drying and timber processing business into manufacturer of furniture components and semi-furnished parts in 1995. In 1998, he further ventured into finished wood furniture business.

Currently, Dato' Sri Ng is the Managing Director and Substantial Shareholder of SYF Resources Berhad.

Dato' Sri Ng is the father of Mr Ng Wei Ping, Keith, the Executive Director of the Company. He has no conflict of interest with the Company other than as disclosed in the notes to the financial statements.

He has not committed any offences within the past five (5) years other than traffic offences, if any. There was also no public sanction or penalty imposed by any regulatory body against him during the financial year ended 31 December 2022.

Dato' Sri Ng attended all five (5) Board Meetings of the Company held during the financial year ended 31 December 2022.

MR. NG WEI PING, KEITH
Executive Director

Mr Ng Wei Ping, Keith, aged 33, male, a Malaysian, was appointed to the Board on 13 October 2017 as Executive Director of Mieco Chipboard Berhad. He graduated with a Bachelor of Commerce in Economics & Finance from University of Melbourne, Australia.

Mr Keith has over 6 years' experience with SYF Resources Berhad Group (SYF) in key areas of corporate development, investments and property development prior to joining MIECO. With financial qualifications of a Bachelor of Commerce and subsequently completing the examinations of the Chartered Financial Analyst Institute, he has contributed to the growth of SYF and was instrumental in spearheading SYF's successful diversification into property development.

He is currently also a Director of SYF Resources Berhad and Group and several local private limited companies involved in property development. His involvement with the Company commenced in January 2017 when he took on the role of General Manager overseeing business operations and investments.

He is the son of Dato' Sri Ng Ah Chai, the Group Managing Director and the major shareholder of the Company. He has no conflict of interest with the Company other than as disclosed in the notes to the financial statements.

He has not committed any offences within the past five (5) years other than traffic offences, if any. There was also no public sanction or penalty imposed by any regulatory body against him during the financial year ended 31 December 2022.

Mr Keith attended all five (5) Board Meetings of the Company held during the financial year ended 31 December 2022.

DATO' ABDUL RASHID BIN MAT AMIN

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

An alumnus of the Malay College Kuala Kangsar, **Dato' Abdul Rashid Bin Mat Amin**, aged 72, male, a Malaysian, was appointed to the Board on 15 November 2016 as an Independent Non-Executive Director of Mieco Chipboard Berhad.

Dato' Abdul Rashid pursued his training in forestry (1971-1976) at the Institut Pertanian Bogor in Indonesia where he graduated with a Bachelor of Forestry. He then furthered his studies at the University of Oxford (1982-1983) United Kingdom for his M.Sc in land use planning. Later on, he completed his Master in Business Administration (MBA major in marketing) at Universiti Putra Malaysia (2006-2008).

During his career, he served the Forestry Department for almost 30 years having worked in Terengganu, Kedah, Perak, Pahang and Headquarters in Kuala Lumpur. He was seconded as Director General of the Malaysia Timber Industry Board from 1998 to 2002 and subsequently assumed the position of Director General of Forestry in 2002 to 2005 before retiring from service.

In his many years of service, he has gained expertise in forest management, forest product marketing, land use planning, natural resources management, environmental studies and business studies.

He is currently also an Independent Non-Executive Director of SYF Resources Berhad.

Dato' Abdul Rashid does not have any family relationship with the Directors and/or major shareholders of the Company. He has no conflict of interest with the Company and he has no conviction for any offences within the past five (5) years other than traffic offences, if any. There was also no public sanction or penalty imposed by any regulatory body against him during the financial year ended 31 December 2022.

Dato' Abdul Rashid attended four (4) out of five (5) Board Meetings of the Company held during the financial year ended 31 December 2022.

MR. CHEAM TOW YONG

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

Mr. Cheam Tow Yong, aged 67, male, a Malaysian, was appointed to the Board on 15 November 2016 as an Independent Non-Executive Director of Mieco Chipboard Berhad.

Mr. Cheam is a chartered accountant with New Zealand Society of Accountants and is a Registered Accountant of Malaysian Institute of Accountants. Mr. Cheam received a Bachelor of Commerce degree from University of Otago, New Zealand in 1978 and Diploma of International Management Study from Sweden Institute of Management in 1995.

Mr. Cheam served as financial professional, as accountant, accounting manager and financial controller to a number of local and multinational companies from 1979 to 1993. He served as Managing Director of Thomson Electronic Parts Sdn Bhd, a subsidiary of Thomson CSF of France from 1993 to 1999. He served for Tomisho Berhad (now known as SYF Resources Bhd) first as Chief Operating Officer, then as Chief Executive Officer from 1999 to 2003. From 2004 to 2007, he served as Corporate Director of PJI Holdings Berhad (now known as YFG Berhad). From 2007 to 2011, he served as Finance Director of a local company which involved in oil and gas EPC contracting business.

Mr. Cheam had also previously served as independent director of Oil Corp Berhad and Kinsteel Berhad.

Mr. Cheam is now a director of a local private company.

Mr. Cheam does not have any family relationship with the Directors and/or major shareholders of the Company. He has no conflict of interest with the Company and he has no conviction for any offences within the past five (5) years other than traffic offences, if any. There was also no public sanction or penalty imposed by any regulatory body against him during the financial year ended 31 December 2022.

Mr. Cheam attended all five (5) Board Meetings of the Company held during the financial year ended 31 December 2022.

DIRECTORS' PROFILE
(Cont'd)

MR. KAJENDRA A/L PATHMANATHAN
Independent Non-Executive Director
Member of Audit, Nomination and Remuneration Committees

Mr. Kajendra A/L Pathmanathan, aged 49, male, a Malaysian, is the Independent Non-Executive Director of the Company since 20 August 2019 from his position as Non-Independent Non-Executive Director. He was first appointed to the Board of the Company on 25 February 2016. Mr. Kajendra was the former Executive Director of the Company and was re-designated as Non-Independent Non-Executive Director on 30 December 2016.

Mr. Kajendra holds a Bachelor of Commerce degree and a Bachelor of Law degree, both from The University of Melbourne. He is also a member of the Institute of Chartered Accountants, Australia and New Zealand and also a member of Malaysian Institute of Accountants. He started his career with Ernst & Young, Kuala Lumpur in 1999 in the Corporate Recovery & Insolvency department and moved to Ernst & Young, London in 2008. While with Ernst & Young, he has had a very broad range of experience on a wide variety of clients across various industries in Asia and Europe. He has extensive experience in leading strategic independent business reviews and in advising stakeholders on significant restructuring of public and private companies.

For over 8 years since 2013, Mr. Kajendra was attached to BRDB Developments Sdn Bhd where he last held the position of Executive Director.

Mr. Kajendra does not have any family relationship with the Directors and/or major shareholders of the Company. He has no conflict of interest with the Company and he has no conviction for any offences within the past five (5) years other than traffic offences, if any. There was also no public sanction or penalty imposed by any regulatory body against him during the financial year ended 31 December 2022.

Mr. Kajendra attended all five (5) Board Meetings of the Company held during the financial year ended 31 December 2022.

KEY SENIOR MANAGEMENTS' PROFILE

DATO' SRI NG AH CHAI

Malaysian, aged 60, male
Group Managing Director

Please refer to the Board of Directors' Profile for Dato' Sri Ng Ah Chai's profile.

MR. NG WEI PING, KEITH

Malaysian, aged 33, male
Executive Director

Please refer to the Board of Directors' Profile for Mr. Ng Wei Ping, Keith's profile.

MR. LIM KOK SEONG

Mr. Lim Kok Seong, aged 49, male, a Malaysian, joined Mieco Manufacturing Sdn Bhd in January 2020. He is presently the Head of Production of Mieco Manufacturing Sdn Bhd. He has more than 28 years of working experience in the wood-based manufacturing industry. He is responsible for overseeing the overall production operations.

Prior to this, he was the Senior Production Manager in Tomisho Sdn Bhd, a wholly owned subsidiary of SYF Resources Berhad. His primary responsibilities were on the whole production operation as well as setting-up of company's production operations line.

Mr. Lim does not hold any directorship in any public companies. Mr. Lim does not have any family relationship with the Directors and/ or major shareholders of the Company. He has no conflict of interest with the Company and he has no conviction for any offences within the past five years other than traffic offences, if any. There was also no public sanction or penalty imposed by any regulatory body against him during the financial year ended 31 December 2022.

MS. NG SHER WIN

Ms. Ng Sher Win, aged 29, female, a Malaysian, is the General Manager of MIECO. She graduated from University of Melbourne with a First Class Degree in Bachelor of Commerce, major in Accounting and Finance. She attained her Certified Practising Accountant Australia, CPA Australia in 2020.

She joined MIECO in 2018 as an Assistant Manager in business development involved in business process improvements and was subsequently promoted as General Manager in 2022.

Ms. Ng is the daughter of Dato' Sri Ng Ah Chai, the Group Managing Director and a major shareholder of the Company. She is also the sister of Mr. Ng Wei Ping, Keith, the Executive Director of the Company. She has no conviction for any offences within the past five years other than traffic offences, if any. There was also no public sanction or penalty imposed by any regulatory body against her during the financial year ended 31 December 2022.

MR. NG TIEN YING

Mr. Ng Tien Ying, aged 39, male, a Malaysian, is the Manager, Finance & Accounts of MIECO. He holds an advance diploma in Accountancy from Tunku Abdul Rahman College and is a member of the Association of Chartered Certified Accountants. Prior to joining MIECO, he was working in a tax firm and subsequently with a few manufacturing companies before joining MIECO in 2011.

Mr. Ng does not hold any directorship in any public companies. Mr. Ng does not have any family relationship with the Directors and/ or major shareholders of the Company. He has no conflict of interest with the Company and he has no conviction for any offences within the past five years other than traffic offences, if any. There was also no public sanction or penalty imposed by any regulatory body against him during the financial year ended 31 December 2022.

GROUP MANAGING DIRECTOR'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS

Dear Shareholders,

I am pleased to present to you the annual report and audited financial statements for Mieco Chipboard Berhad ("MIECO" or "the Group") for the financial year ended 31 December 2022 ("FY2022").

BUSINESS OVERVIEW

The core business of the Group is manufacturing and distribution of particle boards or sometimes known as chipboards, with primary focus on plainboards, melamine faced boards ("MFC") and medium density fibreboards ("MDF"). MIECO has a total annual production capacity of over 1,000,000m^3 per annum and multiple manufacturing plants across locations in Pahang and Negeri Sembilan.

MIECO's chipboards conform to international quality standards such as the European Community's BS EN 312 standard that is applicable for both moisture-resistant and non-moisture resistant boards with E1 and E2 formaldehyde emission levels. MIECO is certified for ISO 9001:2015 Quality Management System accreditation by AJA EQS Certification. MIECO have also secured a significant number of Ecolabels which meet US EPA, European and Japanese Industrial's standards.

The Group is the major supplier of the domestic market demand which comes from the furniture industry, renovation & fit-out construction industry and intermediaries who laminate chipboards for end users. MIECO is committed to build long-lasting mutually rewarding partnerships with its customers and stakeholder communities around the world & also the development of its more than 640 employees.

2022 turned out to be an unexpectedly difficult year. As the Covid-19 pandemic gradually fizzled out towards its end, the Ukraine-Russia war broke out in late February 2022. Oil and energy prices soared to new highs, inflation rose across the board and interest rate hikes became the norm. Amid the heightened geopolitical tension, unilaterally imposed trade sanctions, barriers and restrictive policies exacerbated the global economic and trading climate. With all these macroeconomic and geopolitical forces in play, the global economy slowed down with a looming recession increasingly possible.

Domestically, though economic activities resumed without any restrictions, the local furniture industry was subdued with export demand affected by external conditions. This in turn affected demand for the Group's products whilst we were endeavouring to cope with the increase in the cost of our raw materials and other operating costs.

In the face of these challenges, the Group reported a net loss of RM33.7 million for the current financial year from a net profit of RM27.5 million in the previous financial year.

COMMITMENT TO CORPORATE GOVERNANCE AND SUSTAINABILITY

The Group is determined to integrate environmental, social and governance ("ESG") aspects into our operations to ensure long-term sustainability of the Group.

Each year, the Group has taken positive steps by reinforcing its zero-tolerance approach towards any form of corrupt practices within our organisation and throughout its ecosystem. Our policies have cascaded throughout our supply chain to encourage commitment towards upholding corporate integrity and good business practices.

GROUP MANAGING DIRECTOR'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS

(Cont'd)

The Board is committed to ensure alignment in line with the spirit and practices of the Malaysian Code of Corporate Governance ("MCCG 2021"). We have also stepped up our community efforts considerably especially during this pandemic as a responsible corporate citizen to enrich communities we serve. While efforts are ongoing, our sustainability progress in FY2022 is outlined in the Sustainability Statement on pages 17 to 31.

REVIEW OF FINANCIAL PERFORMANCE

During the financial year under review, the Group recorded lower revenue of RM328.3 million versus the RM372.8 million in 2021. This 12% decrease was due both to a fall in sales volume as well as lower average selling prices arising from the weak market. The Group's net loss of RM33.7 million for the current financial year was due to the aforesaid lower revenue and increased costs of raw materials particularly in glue and timber materials, wage increases and higher energy costs. The net loss included provision of impairment loss of RM15.1 million on the manufacturing plants and reversal of deferred tax assets of RM2.8 million which in aggregate made up half of the total reported net loss in 2022.

Despite the net loss, the Group registered net cash inflows from operating activities of RM26.6 million for FY2022 as compared to RM22.0 million in FY2021 as net working capital in FY2022 was reduced with lower inventories and trade receivables thus freeing up cash resources.

Net cash used in investing activities amounting to RM4.7 million mainly attributable to the purchase of property, plant and equipment.

Net cash outflows of RM43.4 million incurred in financing activities was mainly due to repayment of banking facilities including term loans and trade facilities. The net cash inflows of RM56.3 million in FY2021 mainly arose from the proceeds of the private placement.

Consequently, the overall position of the cash and cash equivalents decreased by RM21.4 million from RM78.2 million to RM56.8 million as at 31 December 2022.

The Group's lease liabilities and bank borrowings decreased to RM167.6 million as at 31 December 2022 from RM198.3 million as at 31 December 2021, bringing down the Group's gearing ratio to 43% from 47% previously.

At the end of the current financial year, the Group's net asset per share dropped to 39 sen from 42 sen in 2021.

REVIEW OF OPERATIONS

Operationally, 2022 has been a difficult year with the external conditions affecting market demand and substantially increasing the cost of production. Additionally, the volatility in the cost of materials was disruptive to cost-effective production planning and product pricing.

Sourcing for wood raw materials was unduly affected by the heavy rainfall during the financial year and the resultant floods in multiple areas across the country. This affected the consistent supply and caused the cost of the said raw material to increase. At the same time, rising global energy cost has led to increasing use of alternative biomass energy thus resulting in increasing demand for the same wood raw materials sought by the Group. This competing demand for the raw material has driven up the cost even higher.

Glue prices were subject to volatility in the global oil price and rose in tandem with the latter. Being a substantial part of production cost, the volatility made effective production and cost planning challenging.

Cost of wages went up during the financial year with the government's increase in the minimum wage level gazetted in the second quarter of the financial year. This put further pressure on our cost structure in addition to the inflated costs of our raw materials used.

On the production floor, the Group continuously looked for improvements to increase productivity and achieve cost savings including rationalisation of our facilities across the various locations. As part of our rationalisation exercise, we rationalised our production facility at Gebeng plant to achieve cost savings.

On the product front, we have launched a new product known as MIECO High-pressure Laminates ("MIECO HPL") which are used as core materials for home renovations, office furniture and flooring applications. This new product offers functional and aesthetic improvement to our existing product range.

CORPORATE DEVELOPMENT

With regard to the Proposed Acquisition of Seng Yip Furniture Sdn Bhd ("Seng Yip Furniture") announced on 6 October 2021, we are pleased to announce that the said acquisition had been completed on 14 March 2023 with the full payment of the purchase consideration of RM50.0 million to SYF Resources Berhad using the proceeds from the private placement which completed on 23 December 2021.

Consequently, Seng Yip Furniture became a wholly-owned subsidiary of the Company.

BUSINESS STRATEGY

The completion of the acquisition of Seng Yip Furniture forms the thrust of the Group's strategic expansion upstream as the Board recognises that wood material procurement and security of supply will play an important part in its future growth and sustainability. Seng Yip Furniture's strength is in rubberwood timber procurement and processing, a strategic capability that will enhance the Group's ability and resilience to meet unpredictable market conditions. In addition, Seng Yip Furniture product range of intermediate rubberwood furniture component parts will complement and expand the customer base of the Group.

Primary focus for 2023 will be to integrate and rationalise the operations of the enlarged Group so as to realise the potential synergies envisaged. Efforts will be concentrated on timber material procurement to increase in-house consumption, consolidation of supply chains, coordinating of marketing strategies and distribution channels, cross-selling and development of product range, as well as rationalising and streamlining of production facilities.

In addition to the operating synergies, the wider scope of activities and a combined larger scale of operations and resources will provide a stronger platform to exploit opportunities in both upstream and the existing chipboard/MDF businesses. This will enable the Group to better withstand the effects of external factors that are beyond control.

INDUSTRY PROSPECTS AND OUTLOOK

The global economy will be supported by some positive factors such as resilient labour market, easing of supply chain conditions and continued recovery in services activity, particularly tourism. However, waning support from reopening in most economies, elevated inflation, tighter monetary policy, and slower exports will weigh on global growth. In China, the reopening of its economy will facilitate a rebound in consumer spending and tourism activity, with positive spill over to global growth. However, meaningful recovery may only be seen in the second half of the year, given the disruptions from the ongoing COVID resurgence and capacity constraints in terms of international flights to and from China.

GROUP MANAGING DIRECTOR'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS
(Cont'd)

The balance of risks to global growth remains tilted to the downside. Risks stem from escalation of geopolitical tensions, weaker-than-expected growth outturn in major economies, and a sharp tightening in financial conditions. In contrast, upside risks to global growth can arise from stronger-than expected pent up demand in major economies.

For 2023, the Malaysian economy is expected to expand at a more moderate pace, amid a challenging external environment. Growth will be driven by domestic demand, supported by the continued recovery in labour market and realisation of multi-year investment projects. The services and manufacturing sectors will continue to drive the economy. Meanwhile, the slowdown in exports following weaker global demand will be partially cushioned by higher tourism activity. The balance of risks to Malaysia's growth outlook remains tilted to the downside. This stems from weaker-than-expected global growth, tighter financial conditions, further escalation of geopolitical conflicts, and worsening supply chain disruptions.

(Source: Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2022, Bank Negara Malaysia)

While the global environment for 2023 is expected to be not less challenging than 2022, the Group will be prudent in carrying out its business strategy outlined earlier.

RISK MANAGEMENT

Recent global developments have demonstrated the unpredictability and volatility of the operating environment. As a business enterprise, we recognise the need to identify the risks inherent in these turbulent times and ensure that the Group shall prevail through these adversities.

The local wood-based manufacturing industry is highly dependent on the export market and will consequently be sensitive to disruptive events in the global economy that may affect the economic prospects of the countries in which we and our buyers export to. Any such downturn in these countries would materially and adversely affect the demand for our products. In this respect, we need to avoid over-exposure to any single country or region.

As in other manufacturing concerns, the availability of raw materials in a timely and consistent manner and at a cost-effective price is crucial. With the acquisition of Seng Yip Furniture, we have taken a step forward to safeguard this area.

Inflation filtering down to all levels of the economy will result in higher costs of production. Changes to these costs have to be closely monitored and alternative sources or substitutes quickly sought.

For our exports, proceeds are mainly denominated in United States ("US") Dollar. Hence, any fluctuation in the US Dollar will have a direct impact on our sales proceeds. In order to hedge against these fluctuations, the Group will enter into forward foreign exchange contracts when necessary.

As regards human resources, most of our production operations are automated and less labour intensive and we do not foresee much risk in meeting our workforce requirements. We also have activities in place to promote the development of our workforce and for their well-being.

With respect to financial risk and higher interest rates, we shall seek to keep our gearing level at an acceptable level and effectively utilise our working capital. At the same time, we engage our bankers in our business strategies for their continued support in our financing needs.

DIVIDEND

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

APPRECIATION

On behalf of the Board, I would like to thank the MIECO team for their dedication and commitment to see us through these trying times. I am also thankful to our shareholders, business partners, customers and financiers for their continued support to our business and brand. To my fellow Board members, I would like to express my appreciation for their valued advice and contribution throughout the year.

Thank you all.

Dato' Sri Ng Ah Chai
Group Managing Director

SUSTAINABILITY STATEMENT

Mieco Chipboard Berhad ("MIECO" or "the Group") at all times strongly believes that by managing sustainability in our business, it enables the Group to have a strong foundation for long term future growth.

This Fiscal Year 2022 ("FY2022") Sustainability Statement ("the Statement") provides an overview of MIECO's sustainability governance structure, initiatives and practices, highlighting the economic, environmental and social impact created.

SCOPE

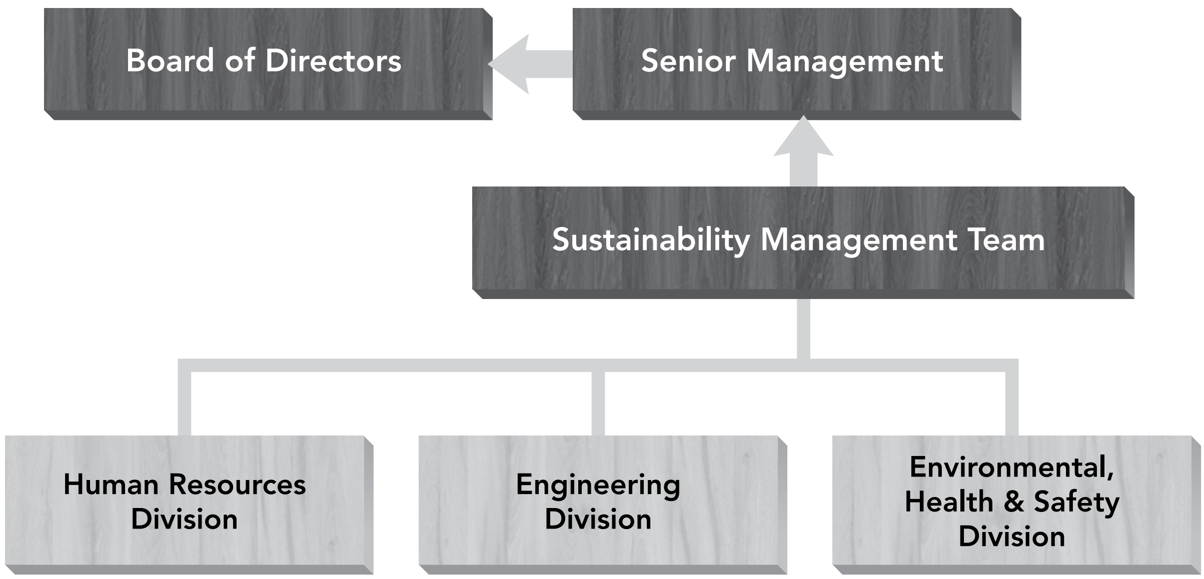
This Sustainability Statement has been prepared in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and with reference to the latest edition of the issued Sustainability Reporting Guide. The Statement covers all of the Group's subsidiaries. All the reported information in the Statement covers the period from 1 January 2022 to 31 December 2022.

SUSTAINABILITY GOVERNANCE

We at MIECO believe that sustainability governance is fundamental to the effective implementation of our sustainability initiatives in order to achieve the sustainability strategies, priorities and targets set by the Board and Senior Management. It also actively promotes oversight on our established initiatives and management process.

MIECO utilises a series of policies and practices to operationalise sustainability. This includes strategically assigning personnel to relevant functions, aligning policies with globally recognised ISO standards, and assessing topics that are material to stakeholders. The Group also routinely reviews the robustness of these activities to ensure their continuous effectiveness.

The specific sustainability management programmes reside with the respective functional units within the Group which includes the Human Resources Division, the Engineering Division, and the Environmental, Health & Safety Division. The respective Head of Division forms the Sustainability Management Team, responsible in executing, monitoring and reporting the progress of sustainability initiatives to the Senior Management which comprises the Group Managing Director and Executive Director. The Senior Management oversees the progress of the sustainability initiatives together with the sustainability strategies set by the Board and reports to the Board on any material sustainability issues.



STAKEHOLDERS

The Group has always been working closely with our stakeholders through various methods, which allows us to understand their areas of concern in order to enable us to better manage matters pertaining to the materiality and sustainability such as the sustainability risks and opportunities, and also conveys the Group's sustainability strategies, priorities and targets as well as performance against the targets to them. Despite the COVID-19 pandemic, the Group continues to conduct the engagement activities by leveraging technology.

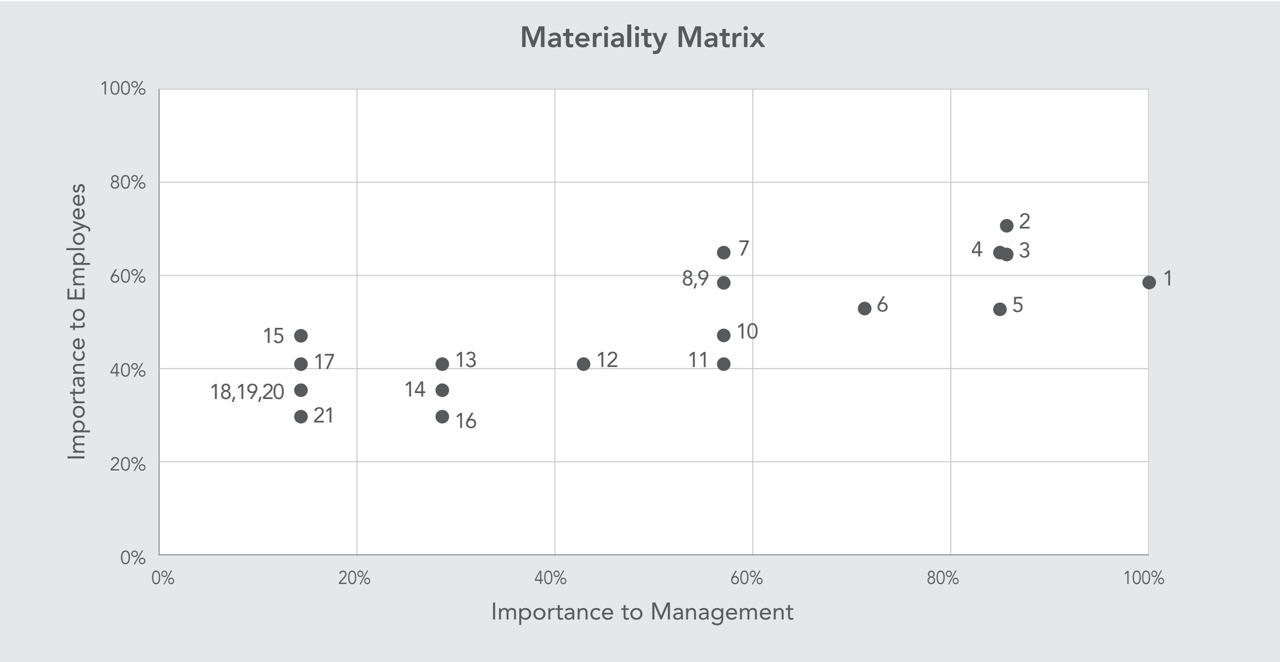
Stakeholders	Engagement Activities	Frequency of engagement	Our goals
Employees	Employee induction training Town hall sessions Safety briefings Refresher briefings Learning and developmental programmes Performance appraisals	At least once a year Ad hoc basis A one-time briefing to new staff Periodically Throughout the year At least once a year	To provide a safe and healthy workplace with good welfare and equal employment opportunities. To retain top performers and attract new talent.
Customers	Customer feedback mechanism	Throughout the year	To enhance customer's loyalty and to build long-term sustainable relationships with customers.
Investors	Analyst briefings Annual General Meetings Financial statements	Ad hoc basis Once a year At least four times a year	To provide reliable and up-to-date disclosures on MIECO's material information. To maximise the shareholders' relationship with MIECO.
Government and regulatory authorities	Meetings and consultations	As and when required	To comply with all relevant rules and regulations.
Media	Media releases Press conferences	As and when required As and when required	To raise awareness on MIECO's products and etc.
Local communities	CSR events	Throughout the year	To be a responsible corporate citizen by continuing focus in giving back to the community and to enhance community relationships.

MATERIALITY

It is important for the Group to understand the key sustainability drivers that will significantly affect our business operations. We define material issues as issues that may have significant financial and non-financial impact on our organisation, including any issues that may directly or indirectly affect our value creation activities.

SUSTAINABILITY STATEMENT
(Cont'd)

In order to identify and prioritise sustainability issues that are critical to the organisation, a materiality survey has been conducted with the Group's senior management and employees. There are 21 sustainability topics in the survey and the results of which have been used to generate the materiality matrix below: -



As shown in the above graph, thirteen out of the twenty-one material sustainability topics below have been identified across the economic and social themes for fiscal 2022: -

Ranking	Sustainability Topic	Ranking	Sustainability Topic
1	Financial sustainability of the Company	12	Material management
2	Safe working environment	13	Supply chain management
3	Employee benefits	14	Waste management
4	Anti-corruption policies and procedures	15	Corporate social contribution to the local communities
5	Practice of good business conduct/ethics	16	Assessment of suppliers' environmental practices
6	Respecting human rights standards	17	Carbon emissions
7	Risk management	18	Waste management
8	Client satisfaction	19	Land and biodiversity management
9	Client data privacy	20	Assessment of suppliers' social practices
10	Employee training, education and career development	21	Diverse and inclusive workplace
11	Energy management		

The matrix reflects a significant change in the top ranking of the material sustainability matter from the previous assessment. Due to the current economic conditions "Financial Sustainability" has become the top priority for the Group. Good corporate governance and safe and healthy working environment remain as the top 5 importance sustainability issues to the Group.

Moving forward, MIECO aims to be more inclusive and systematic by integrating external stakeholder into our stakeholder engagement process.

ECONOMICS

MIECO aims to generate long term benefits to all our stakeholders in terms of business continuity and value creation.

Our strategy to achieve the goal :
Focusing on growing profitability and strengthening the Group's financial position. The Group's income and earnings will be used to operate and grow the business before any other distribution are considered. Remain committed to upholding the highest standards of corporate governance throughout our business, and committed to gaining business on merit, capability and fairness which focus on Human Rights, Labour, Environment & Anti-corruption. Consistently monitoring supply chain risk factors inclusive of taking strategic steps to identify, assess, and mitigate risks within the end-to-end supply chain both internally and externally.

Managing financial sustainability, commitment to good business conduct and practices, and supply-chain management are important to ensure MIECO keeps delivering quality products and services enabling sustainability of the Group's business.

Financial Sustainability

This FY2022, the Group performance was affected due to the soft market conditions, high raw material cost, rising inflation rate and the worldwide geographical conflict. Consequently, the revenue in FY2022 declined 12% to RM328.3 million, and a net loss of RM33.7 million was recorded in FY2022.

Primary focus for 2023 will be to integrate and rationalise the operations of the enlarged Group so as to realise the potential synergies envisaged. Efforts will be concentrated on timber material procurement to increase in-house consumption, consolidation of supply chains, coordinating of marketing strategies and distribution channels, cross-selling and development of product range, as well as rationalising and streamlining of production facilities.

For further details, please refer to the Management, Discussion and Analysis section as well as the Financial Statements section of this Annual Report.

Commitment to Good Business Conduct

MIECO is aware that good business conduct would reduce both the compliance and reputational risks and also creating more business opportunities.

In order to create and maintain an ethical business culture, all our employees are required to observe the Code of Conduct and Ethics, Anti-Bribery and Anti-Corruption Policy, and Employee Handbook. The respective Code and Policy governs the Group in conducting business with integrity and ensuing compliance with all applicable laws, rules and regulations.

The Group also established a Whistleblowing Policy that provides a platform for all stakeholders to report any instance of misconduct or criminal offence. Any act which is against the Code of Conduct and Ethics and Anti-Bribery and Anti-Corruption Policy can be reported to the Managing Director or mailed directly to the Chairman of the Audit Committee.

MIECO's employees also have an alternative mechanism to submit their concerns in the workplace through the internal grievance procedure. This platform enables MIECO to identify issues that affect the welfare of our employees and the dynamics of the work environment in a systematic manner.

Supply-Chain Management

MIECO believe that sustainable supply-chain management is crucial for a responsible future.

From time to time, the process of identifying, analysing and assessing will be conducted on any risks and opportunities that could affect and improve the flow of the supply-chain. Consequently preventive action plans or reactive action plans for the risks identified would be drawn up.

These steps taken would ensures the sustainability of the Group's supply chain by using appropriate measures to address the risk, secure supply and protect our brand, hence ultimately ensuring the Group's business sustainability.

Standard procedures for our contractor sourcing, as well as our raw material and equipment procurement were developed and used in the Group to ensure there is an efficient flow in the supply chain. A competent management of the supply chain will ensure that MIECO's impact on the broader environment remains positive.

The Group also has a Chain of Custody ("CoC"), as required under the Programme for the Endorsement of Forest Certification ("PEFC") Standards (PEFC ST 2003:2020). In order to promote the traceability of our products, we have taken steps to track the flow of raw materials within the production process. In addition, we have established an accountability structure relating to the CoC to ensure continued compliance with the PEFC standards.

ENVIRONMENT

MIECO aims to play an active and significant role in reducing our carbon footprint and waste generation.

Our strategy to achieve the goal :
Focus the efforts on research, development and product design, which would offer better mechanical performance and reduce environmental impact during the manufacturing process. Continue to monitor the operational carbon footprint and continue to undertake various measures to reduce the impact of our operational activities on the environment with proper management of waste in terms of handling, packaging, labelling, storage and disposal.

In terms of environmental sustainability, MIECO's operations are always in compliance with the relevant laws and regulations in protecting the environment. MIECO maintains the ISO 14001:2015 Environmental Management Systems, the ISO 9001:2015 Quality Management Systems, the ISO 45001:2018 Intergrated Management System, the Programme for the Endorsement of PEFC, and *MyHijau* product certification. MIECO also strive to produce environmental-friendly products. The Group's melamine laminated products are certified under the Singapore Green Label Certification developed by the Singapore Environment Council.

Since year 2021, MIECO has successfully achieved both the California Air Resources Board of Phase II ("CARB II"), a Formaldehyde Emission Standard in United States and JIS A 5908, a Japanese Industrial Standard which ensure that our particleboard is aligned with the market requirements. These are part of our efforts to be more environmentally sensitive. Apart from that MIECO has also acquired Malaysian Phytosanitary Certification Scheme ("MPCA") which indicates that consignment plant products meet specified phytosanitary import requirement and in conformity with certified statement scheme.

Internally, MIECO has an Environmental, Health and Safety ("EHS") Policy, which covers the necessary considerations for the environment and our employees. This policy serves to remind MIECO's employees of the importance of conserving natural assets and minimising any adverse impact on the environment.

MIECO has also established a list of key environmental objectives target program that outline our commitment to the environment. These objectives include the following:

- Reduce environmental footprint
- Prevent pollution
- Improve employees' and contractors' awareness on environmental management

We have developed various programmes to address crucial environmental concerns, such as soil pollution, chemical management, air, water and waste management.

Land and Biodiversity

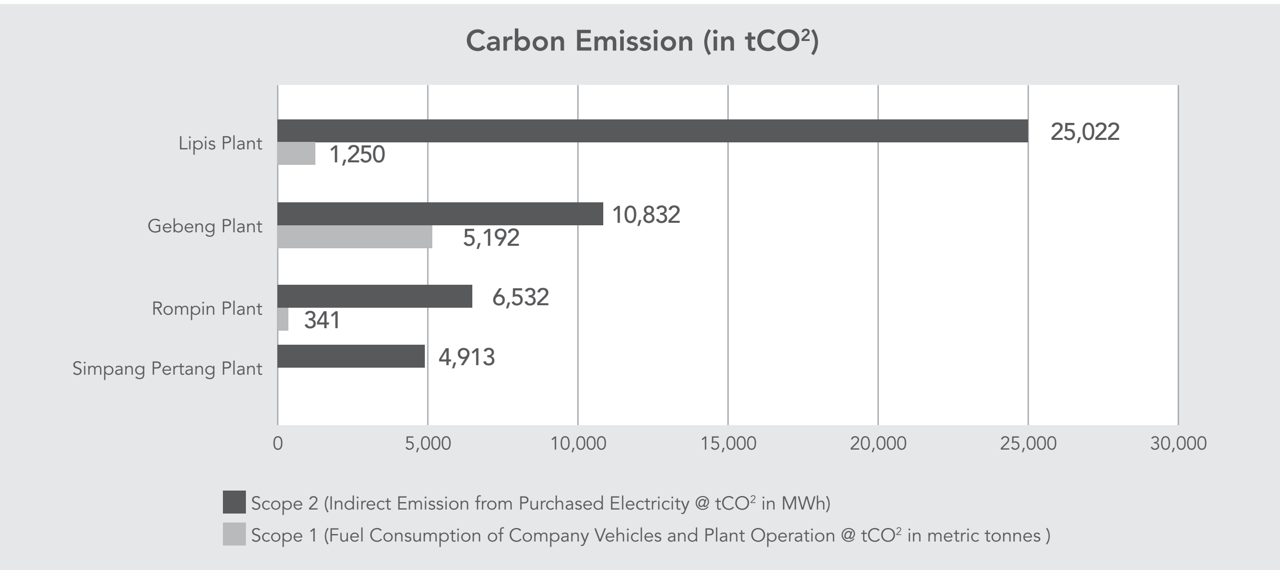
MIECO aims to reduce the impact of pollution on the surrounding ecosystem and biodiversity. This addresses environmental preservation issues and takes into consideration the concerns of various stakeholders. In order to mitigate the effects of chemicals and waste on air, water and soil, strict pollution prevention measures are taken. Proper and secure containers are used to manage liquid waste such as chemicals and oils. We also ensure that the chemical-handling area are away from drains to prevent accidental spillage at the source hence, minimising an adverse impact on rivers.

MIECO is aware that the main source of raw material for our products comes from nature. Careful planning and management to address the risk on the natural ecosystems would maximise the sustainability of the Group's business. Hence, in enforcing our commitment to the responsible consumption of natural resources, MIECO ensures that raw materials are procured in adherence to Sustainable Forestry Management ("SFM") processes by adhering to the PEFC.

Carbon Emissions

MIECO is highly aware that the GHG emissions have adverse effects on the environment and health. Carbon emissions especially, have a significant impact on global warming and the achievement of the 2 Degree Scenario. Our manufacturing plants and company vehicles are the primary source of carbon emissions. We aim to control our carbon footprint, in line with the overarching goal to protect and conserve the environment. Hence the measurement of our emissions will aid in the mitigation of our impact on the global environment.

The Group has segmentised our carbon emissions to individual plants and their related scopes, as illustrated below.



Waste Management

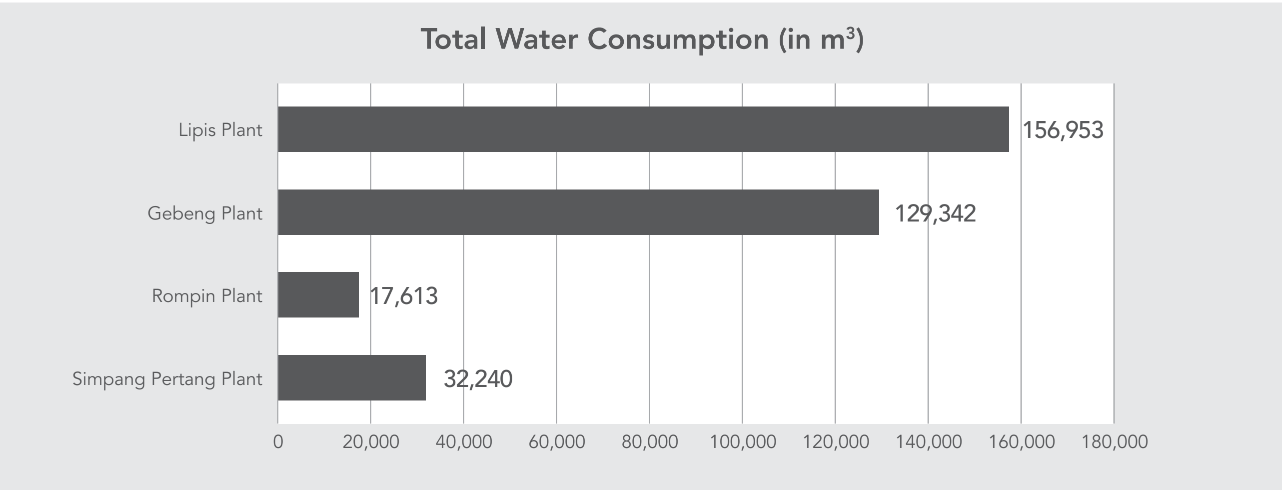
MIECO has always been committed in waste minimisation and applies the Japanese 5S principles (sort, set in order, shine, standardise, and sustain) when separating the waste for reuse and recycling in our workplace. This maximises workspace efficiency as the principles prescribe measures to reduce resource consumption, identify and eliminate waste, and create a clean and organised working environment. In addition, we ensure the safe disposal of sludge and any other prescribed hazardous material, wastewater according to the requirements of the Department of Environment.

Water Management

MIECO understands the importance of water conservation as the risk of not having a stable supply of good-quality water would adversely affect the growth and sustainability of the Group's business. Hence, MIECO has been taking initiatives to optimise water consumption. We have implemented the following programmes to reduce the Group's water consumption:

- Water treatment, recycling and reuse at Glue Kitchen
- Using sensors for water spray dryer
- Periodic checks on water consumption
- Systematically identifying and repairing leaky water pipes
- Educating employees on the importance of water conservation

In fiscal 2022, our water consumption illustrated below:



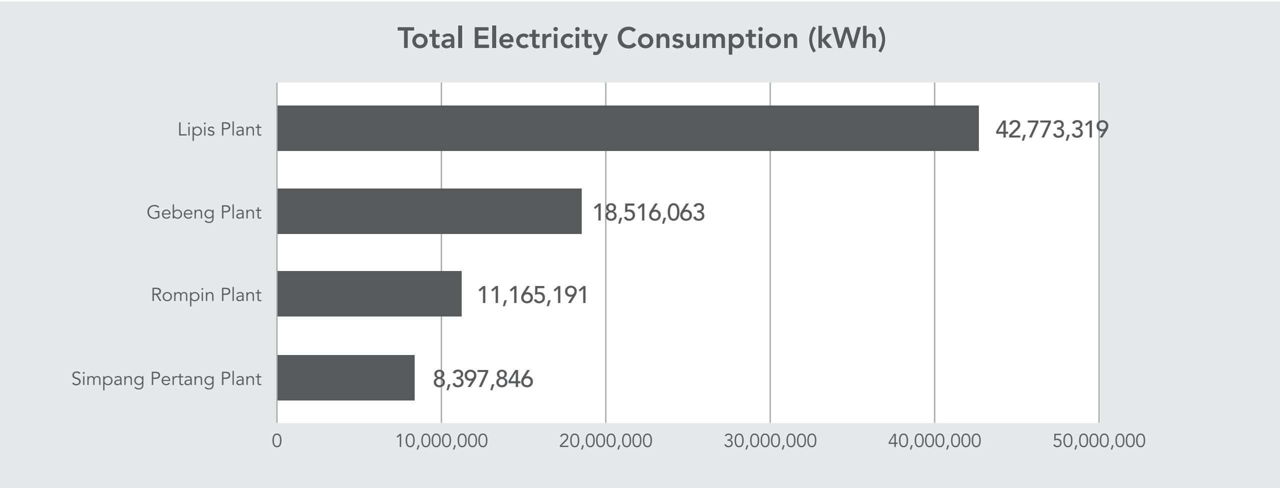
Energy Management

MIECO is in line with the Government's aspiration on the nation's energy efficiency by pursuing energy efficiency measures in order to alleviate our environmental impact. The Group has taken steps to reduce energy consumption through the incorporation of a periodic service and maintenance protocol for our machines. This is to ensure that the machines are operating at an optimal level, to reduce inefficiencies during operation. Furthermore, we have procedures to ensure unused machines are switched off after having been idle for more than an hour, to reduce electricity consumption.

The Group, has established an Efficient Electrical Energy Management ("EEEM") Policy that outlines the following commitments:

- Minimise energy wastage to improve cost effectiveness, working conditions and productivity;
- Effective communication of energy efficiency objectives to all employees;
- Compliance with applicable acts and regulations;
- Continuous improvement of management practices; and
- Use of new technology.

The amount of electricity consumed for fiscal 2022 are illustrated below:



SOCIAL

MIECO aims to provide a structured career development path to all its employees with opportunities to grow within the Group and at the same time be a socially responsible company to build a strong and enriching community.

Our strategy to achieve the goal :

Continue focus in providing a safe and healthy workplace for our employees by enhancing the safety process within our operations, providing necessary technical and educational support in occupational safety and health. Investment in employees' health and safety is the best prevention towards any negative impacts arising from risks on health & safety of our employees & low productivity.

Focus on the talent development to build up human capital, to ensure a strong succession plan, and the continuous growth and success of our employees.

Continue focus in giving back to the community through Corporate Social Responsibility ("CSR") programmes to enhance community relationships.

The main risk identified from the social aspect is the reputational risks which would obstruct the Group to achieve its long-term strategy and success. Hence, the welfare of employees and our impact on the community are utmost to MIECO. The Group aspires to be a responsible employer by providing a safe and inclusive environment for our employees. Our core values shape and influence the way we work. Themes that are vital to MIECO include occupational health and safety, employee training, employee rights and benefits, workforce diversity, and community engagement.

Occupational Health and Safety

In order to ensure the safety of our employees, MIECO subscribes to the highest standards in health and safety management. Accordingly, our occupational safety management systems were certified in line with ISO 45001:2018, thus ensuring best practices in the Group's operations.

Fatalities recorded: 0

We have established separate health and safety committees for each of our plants. Both senior management and employees are equally represented in these committees. These committees are primarily responsible in the development of standard operating procedures ("SOP") to guide our work processes. In addition, they undertake studies on potential hazards within the work place and periodically review existing practices.

We have also conducted health and safety training programmes, to ensure our employees are equipped with an appropriate understanding of the health and safety requirements of the workplace. Minimal incidents of injury were recorded at our plants. There were also no fatalities throughout the Group.

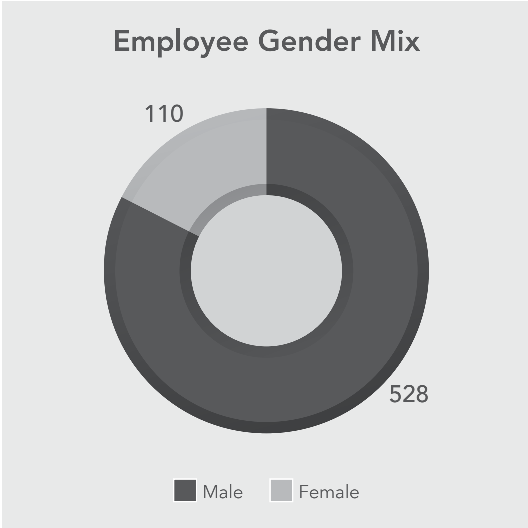
Service Quality

Quality management is an essential factor in our business processes. Stringent checks and balances are put in place to guarantee the quality of our products and services. Our quality policies emphasise the need for human capital development. We have taken measures to ensure our employees have adequate on-the-job training ("OJT") to deliver products of the highest quality.

Employee Rights and Benefits

MIECO is committed to treating our employees fairly and rewarding excellence. Besides our compliance with the applicable laws and regulations, we also offer allowances, a comprehensive leave system, and medical as well as hospitalisation benefits.

Furthermore, we encourage work-life balance among our employees. To facilitate a healthy lifestyle, we have established Kelab Sukan Sosial MIECO ("the Club"), which took part in CSR programmes, as well as other activities for our employees.

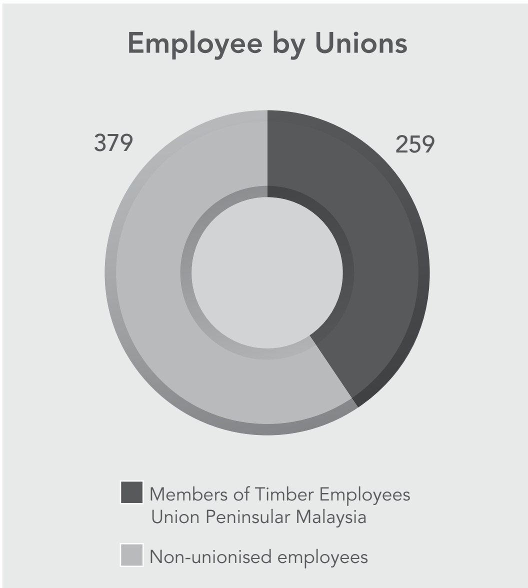


Workforce Diversity

The advantages of having a diverse workforce, which leads to building a strong and united organisation are recognised by MIECO. The Group strives to create a workforce that consist of different gender, age, ethnicity, religion, culture and background.

In order to denounce all forms of discrimination in our workplace, MIECO have implemented the relevant measures including the establishment of our Employee Handbook that clearly outlines the appropriate steps to be taken against discriminating actions. In 2022, there was no discriminatory conducts reported in MIECO.

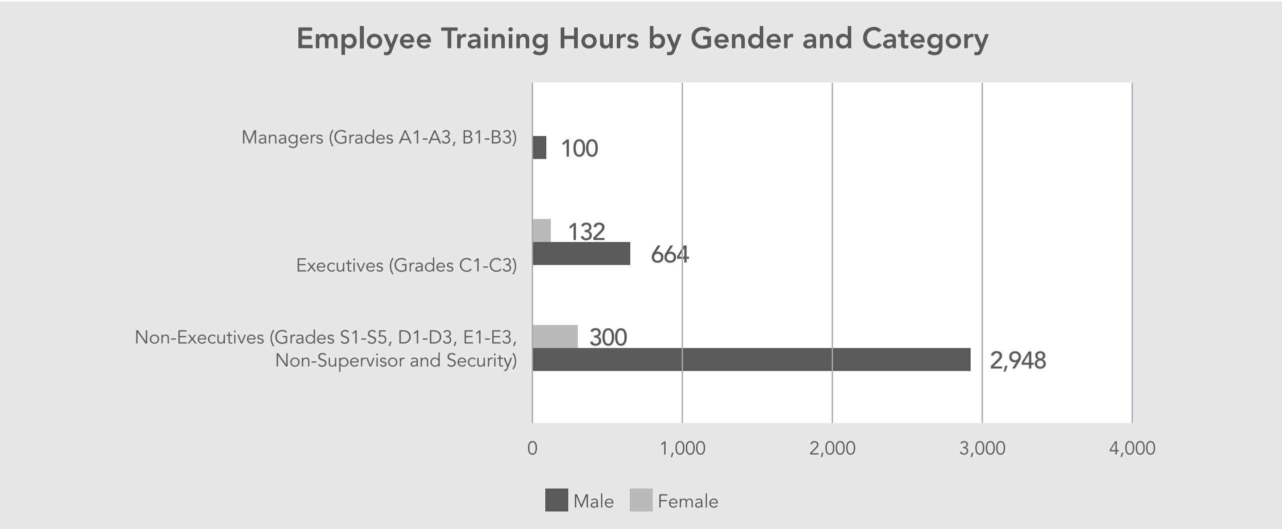
MIECO's workforce consist of members of the Timber Employees Union Peninsular Malaysia ("TEUPM"). We are a strong proponent of the unionisation of labour, which we believe is of paramount importance as it ensures adequate worker representation while under our employment. The committee members of TEUPM engage with the Group's senior management periodically to identify material issues that affect employees' welfare. The number of employees who were members of the TEUPM are illustrated below.



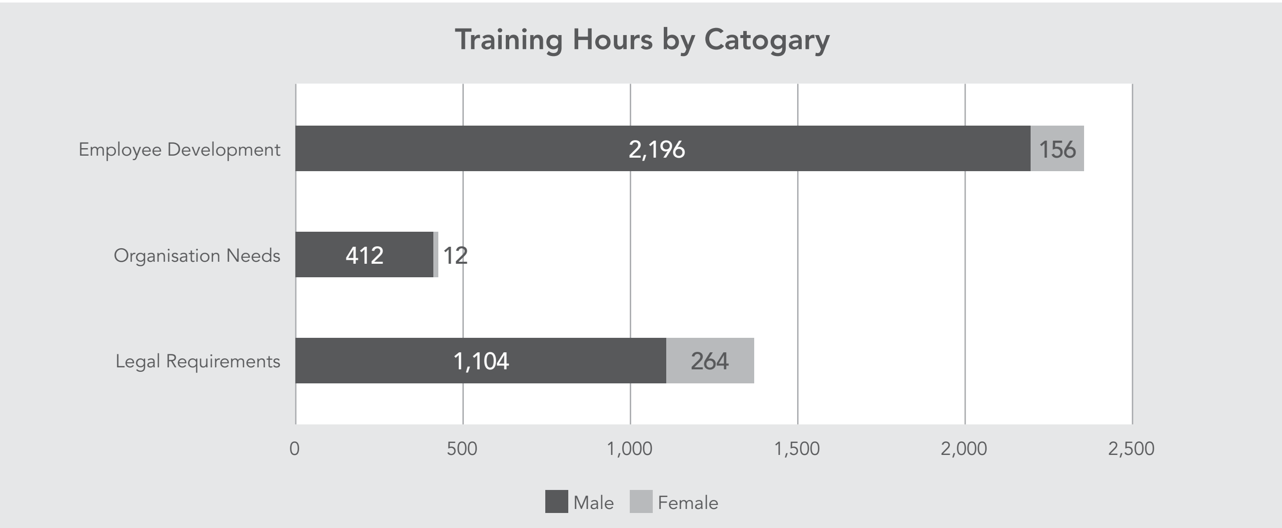
Employee Training

As an organisation that relies heavily on human capital in our operations, it is imperative that we manage capacity building in a comprehensive manner. To ensure consistent, high-quality output, MIECO provides the relevant training programmes to our employees. Moreover, our quality, environmental, operational safety and health ("QEOSH") management system outlines specific provisions for continuous learning and development. Our training initiatives are focused on the following:

- Structured identification of training needs by superiors
- Induction programmes for new employees
- On-the-job training



Employee Training Hours by Gender and Category
Managers (Grades A1-A3, B1-B3)
100
132
664
Executives (Grades C1-C3)
300
Non-Executives (Grades S1-S5, D1-D3, E1-E3, Non-Supervisor and Security)
2,948
0
1,000
2,000
3,000
4,000
Male
Female



Training Hours by Catogary
Employee Development
2,196
156
Organisation Needs
412
12
Legal Requirements
1,104
264
0
500
1,000
1,500
2,000
2,500
Male
Female

Community Engagement

MIECO does not merely focus on doing business but also giving back to the community in various ways. Our CSR programmes are spearheaded by the Human Resources Department. However, some programmes were also conducted in collaboration with the members of the Club, TEUPM, BAKES (Badan Kebajikan Pekerja-Pekerja Islam MIECO) and representatives from various departments. In 2022, our CSR programmes took up 2,064 man hours. The CSR programmes as well as other activities for our employees conducted during the year were as follows: -

- Donation to support local disabled community and school
- Visits and donations to employees diagnosed with critical illnesses and late employees' family members
- Financial aids to employee who has been badly affected by the flood
- Bursary to employee's children
- Awareness talks to employees
- Hari Raya Celebrations
- Gotong-royong at Gebeng plant
- Blood donation at Gebeng plant

Donation to support local disabled community

Donation to local school

Bursary to Employee's Children

Visit and Donation to Employees Diagnosed with Critical illness and late employee's family members.

Financial aids to Employee who has been badly affected by the flood

Awareness talks to Employees

Hari Raya Celebration

Gotong Royong at Gebeng Plant

Blood Donation

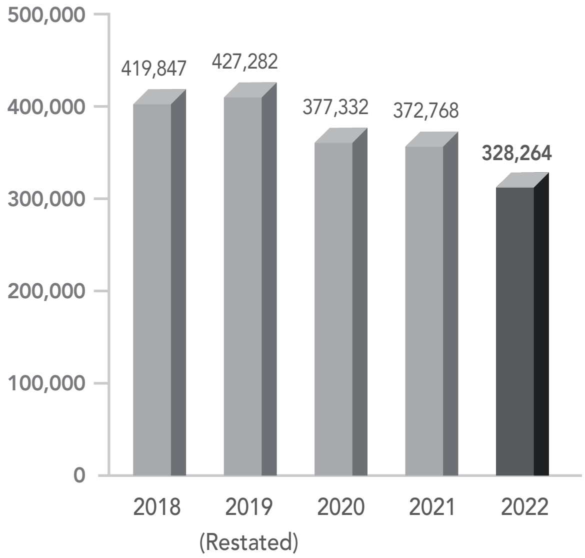
FINANCIAL HIGHLIGHTS
FINANCIAL STATISTICS 2018-2022

	2022 RM'000	2021 RM'000	2020 RM'000	2019 RM'000 Restated#	2018 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	296,003	330,017	360,975	370,498	561,634
Right-of-use assets	149,516	141,019	140,786	152,212	-
Investment property	17,000	17,000	-	-	-
Deferred tax assets	7,034	9,873	5,147	5,433	5,433
	469,553	497,909	506,908	528,143	567,067
Current assets	166,931	237,805	139,656	160,720	163,815
Assets classified as held for sale	-	-	-	16,182	-
TOTAL ASSETS	636,484	735,714	646,564	705,045	730,882
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	276,666	276,666	215,866	215,866	215,866
Reserves	114,939	146,647	119,134	124,673	123,038
Total equity	391,605	423,313	335,000	340,539	338,904
Non-current liabilities	83,244	100,071	114,875	111,963	152,631
Current liabilities	161,635	212,330	196,689	252,543	239,347
Total liabilities	244,879	312,401	311,564	364,506	391,978
TOTAL EQUITY AND LIABILITIES	636,484	735,714	646,564	705,045	730,882
GROUP RESULTS					
Revenue	328,264	372,768	377,332	427,282	419,847
(Loss)/Profit before tax	(30,480)	22,975	(3,905)	(513)	(55,655)
Taxation	(3,243)	4,530	(573)	2,164	(4,928)
(Loss)/Profit after tax	(33,723)	27,505	(4,478)	1,651	(60,583)
Dividend paid	-	-	-	-	(5,250)
SELECTED RATIOS					
Basic (loss)/earnings per share (sen)	(3.37)	3.26	(0.53)	0.20	(7.21)
Net assets per share (RM)	0.39	0.42	0.40	0.41	0.40

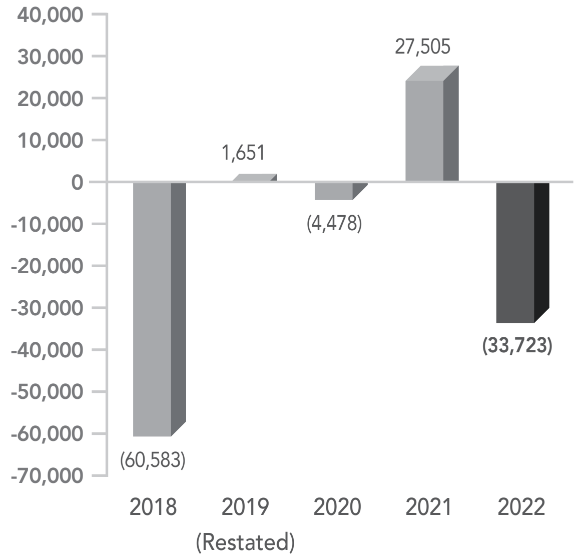
\# The 2019 figures have been restated to be consistent with the presentation in audited financial statements for the financial year ended 31 December 2020.

FINANCIAL HIGHLIGHTS
FINANCIAL STATISTICS 2018-2022 (Cont'd)

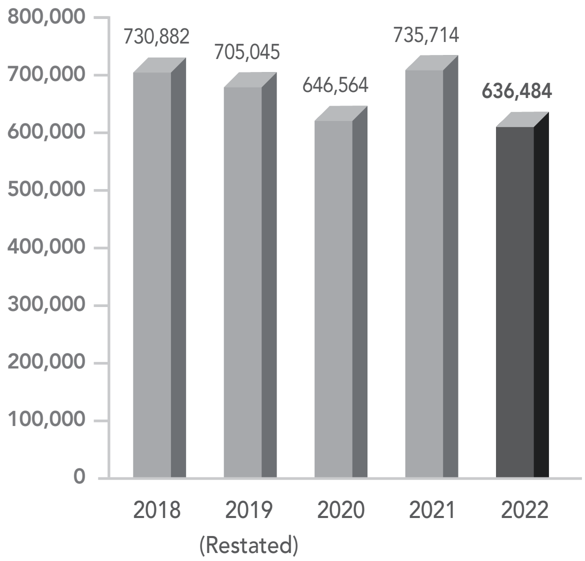
REVENUE
(IN RM'000)



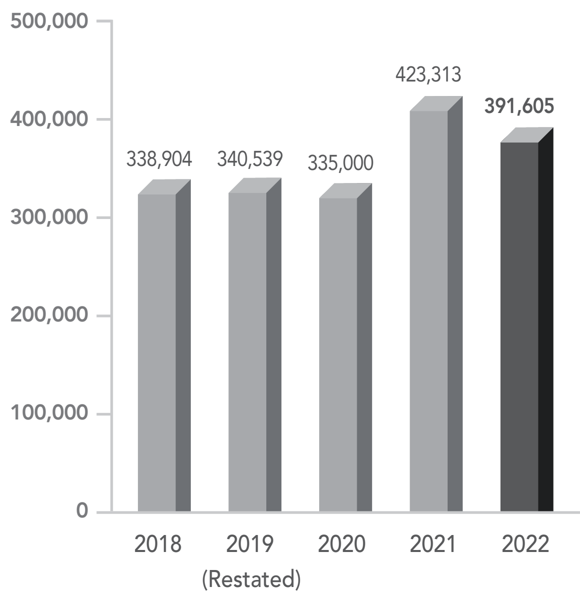
(LOSS) / PROFIT AFTER TAX
(IN RM'000)



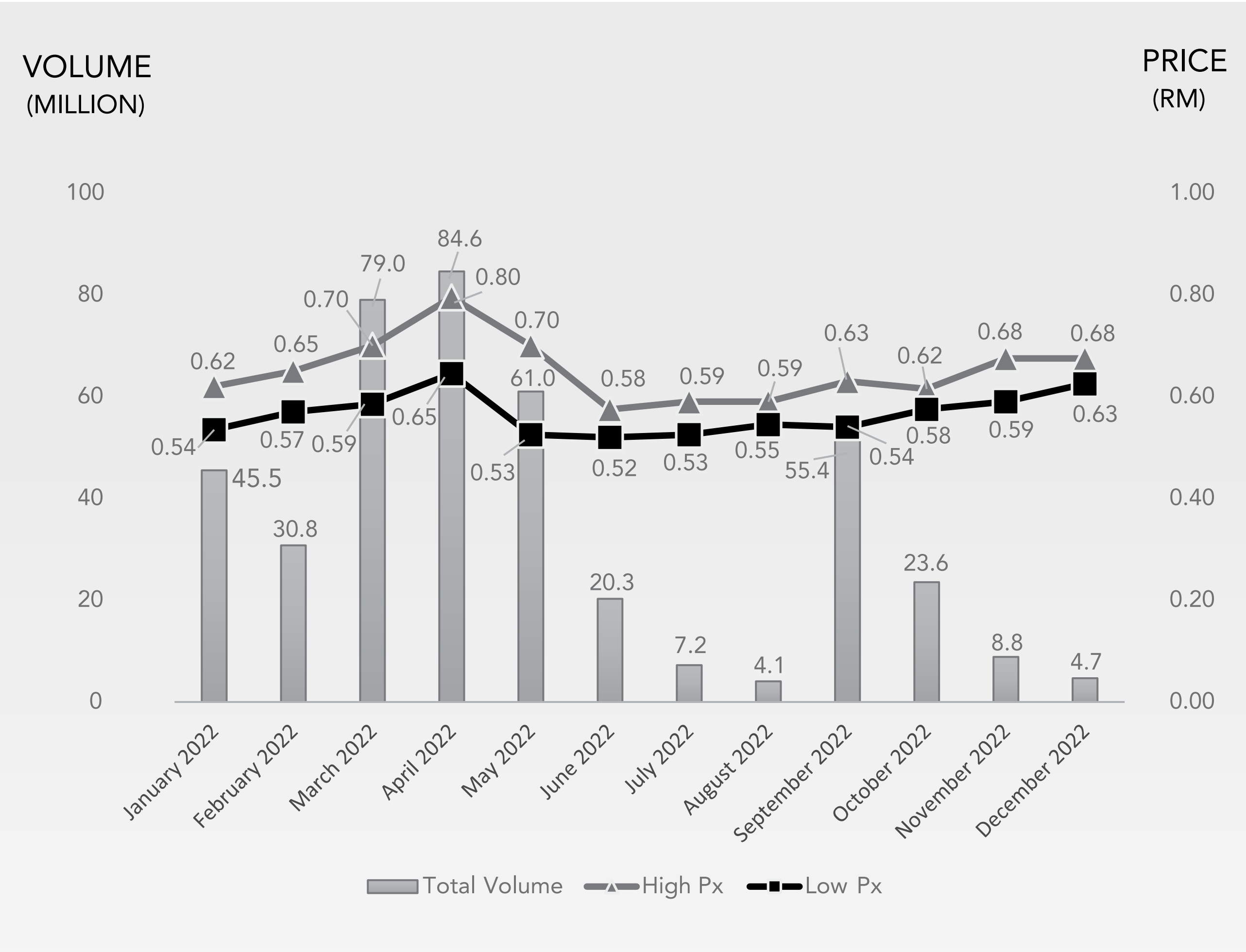
TOTAL ASSETS
(IN RM'000)



SHAREHOLDERS' EQUITY
(IN RM'000)



SHARE PERFORMANCE



(Source: Bursa Malaysia Securities Berhad)

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of MIECO (the "Board") acknowledges the importance of corporate governance hence, is dedicated to maintain an appropriate and sound system of good corporate governance within the Group. MIECO's corporate governance practices are consistent with the principles and best practices recommended in the latest Malaysian Code on Corporate Governance ("MCCG") 2021 and other applicable laws, regulations and guidelines with the fundamental objective of enhancing the financial performance of the Group and enhancing shareholders' value as well as the interests of stakeholders.

The Board is pleased to outline the below application of the principles and recommendations by the Group set out in the MCCG during the financial year under review. This statement is to be read together with the Corporate Governance Report of the Company which is available on the Company's website at www.mieco.com.my.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

PART I - BOARD RESPONSIBILITIES

Functions of the Board and Management

The Board is collectively responsible for the management and governance of the Group. The Board sets strategic objectives, formulates policies and oversees the investments and operations of the Group, taking sustainability into consideration.

The Board assumes the following principal roles and responsibilities:

- formulating the business direction and objectives of the Group;
- reviewing, adopting and approving the Group's strategic plans including sustainability strategies, priorities and targets, key operational initiatives, major investments and funding decisions;
- overseeing the conduct of business of the Group;
- reviewing the risk management process which includes sustainability risks and opportunities within the Group;
- reviewing and approving the Company's financial statements and ensuring the integrity of the Company's financial and non-financial reporting;
- assuming responsibility in succession planning within the Group; and
- reviewing and ensuring the adequacy and effectiveness of management information and internal control systems to ensure compliance with applicable standards, laws and regulations.

Certain functions of the Board have been delegated to the Audit Committee (AC), Nomination Committee (NC) and Remuneration Committee (RC) to assist in the execution of its duties and responsibilities. These committees operate under clearly defined terms of reference and have authority to review certain issues. The Chairman of the respective committees will report to the Board on the key issues deliberated and outcome of the committees' meetings.

Management is accountable for the execution of the formulated policies and achievement of the Group's corporate objectives. The demarcation complements and reinforces the supervisory role of the Board.

All the Directors hold not more than five directorships in public listed companies as they are expected to give sufficient time and attention to carry out their responsibilities. Under the Board Charter, a Director is required to notify the Chairman before accepting any new directorship in any other listed company and the notification shall explain the expectation and an indication of the time commitment that will be spent on the new appointment.

The Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities.

Board meetings

The Board meets at least 5 times a year, with additional meetings for particular matters convened as and when necessary.

A total of 5 Board meetings were held during the financial year ended 31 December 2022. The attendance record of each Director is as follows:

Directors	Total Meetings Attended	Percentage of Attendance %
Datuk Dr. Roslan Bin A. Ghaffar *Independent Non-Executive Chairman*	5/5	100
Dato' Sri Ng Ah Chai *Group Managing Director*	5/5	100
Mr. Cheam Tow Yong *Independent Non-Executive Director*	5/5	100
Dato' Abdul Rashid Bin Mat Amin *Independent Non-Executive Director*	4/5	80
Mr. Kajendra A/L Pathmanathan *Independent Non-Executive Director*	5/5	100
Mr. Ng Wei Ping *Executive Director*	5/5	100

All the Directors complied with the minimum 50% attendance requirement in respect of Board meetings held during the financial year ended 31 December 2022 as stipulated under Paragraph 15.05 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR").

Additionally, in between Board meetings, the Directors also approved various matters requiring the sanction of the Board by way of circular resolutions.

Position of Chairman and Executive Directors

The Chairman leads the Board, ensuring the effective running of the Board while, the Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the operations of the Group as well as coordinating the development and implementation of business and corporate strategies.

The roles of Chairman and Executive Directors are held by different individuals. This division of roles between the Chairman and the Executive Directors is clearly defined in the Board Charter to ensure that there is an appropriate balance of responsibilities and accountability.

Qualified Company Secretary

The Board is supported by a licensed Company Secretary. The Company Secretary constantly advises the Board to ensure that the Group's policies and procedures are in compliance with the relevant legislation and regulations.

The Company Secretary coordinates and attends all Board and Board Committee meetings to ensure that all key issues are discussed and the decisions made are recorded accurately. The Company Secretary also works closely with the management to ensure timely flow of information to the Board.

On an ongoing basis, the Directors have separate and independent access to the Company Secretary.

The Company Secretary stays updated with the changes in the relevant legislation and regulations and constantly attends the necessary training and development programmes in order to carry out her duties effectively.

Board Meeting Materials and Access to Information

The Directors are given adequate notice of Board meetings. The Board papers together with the agenda are circulated via emails or physical copies at least 7 days prior to the scheduled board meetings for the Directors to read the Board papers and seek any clarification that they may need from Management or to consult the Company Secretary or independent advisers, before the Board Meetings, if necessary. This enables the Directors to duly discharge their duties and ensure that deliberations at the meeting are focused and constructive.

Senior management staff are invited to attend Board meetings to report on matters relating to their respective areas of responsibility and also to provide details or clarification on issues that may be raised by any Director.

Minutes of meetings are recorded by the Company Secretary and circulated to Directors to ensure the minutes exactly represent the discussions and decisions of the Board.

All Directors have full and unrestricted access to senior management for advice and information, and support services of the Company Secretary in ensuring the effective functioning of the Board. The Directors may also seek independent professional advice in the furtherance of their duties at the Company's expense, if required and with reasonable fees.

Demarcation of Responsibilities and Business Conduct

The Board has adopted a Board Charter which sets out the principal roles and responsibilities of the Board and Board Committees and also the matters reserved for the Board.

The Board recognises the importance of having a good ethical corporate culture that promotes the values of transparency, integrity, accountability and social responsibility. The Board has adopted a Code of Conduct and Ethics for the Directors and employees that sets out the principles and standards of business ethics and conducts of the Group.

The Group has also put in place a Whistleblowing Policy which enables all stakeholders to seek guidance and express concerns on the reporting of suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, waste and/or abuse involving resources of the Group.

In line with the Guidelines on Adequate Procedures pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009, the Company has adopted an Anti-Bribery and Anti-Corruption Policy and Procedure.

The Board had on 24 June 2022 adopted the Directors' Fit and Proper Policy in line with the new rule of the MMLR to ensure a formal, rigorous and transparent process for the appointment and re-election of directors of the Group.

A copy of the Board Charter, Code of Conduct and Ethics, Whistleblowing Policy, Anti-Bribery and Anti-Corruption Policy and Procedure, and Directors' Fit and Proper Policy are available on the Company's website at www.mieco.com.my.

The Board is mindful of the importance of business sustainability and, in developing the corporate strategy of the Group, its impact on the environmental, social and governance aspects is taken into consideration and sustainability risks and opportunities are addressed. The Sustainability Statement of the Group for the financial year ended 31 December 2022 are disclosed on pages 17 to 31 of this Annual Report.

PART II - BOARD COMPOSITION

Board Composition

As at the date of this statement, the Board has six members, comprising one Independent Non-Executive Chairman, one Group Managing Director, one Executive Director, and three Independent Non-Executive Directors, and none of them are active politicians. The Company is in compliance with the MMLR which stipulates that at least one third of the Board members must be independent.

The Board is aware that the tenure of an Independent Non-Executive Director should not exceed a cumulative term of nine (9) years as recommended by the Code. The Board Charter includes the limitation of the Independent Non-Executive Director's tenure to nine (9) years. Upon completion of the nine (9) years, the Independent Non-Executive Director concerned may:

(i) Continue to serve on the Board if deemed appropriate and suitable by the Board, subject to him/her being re-designated as Non-Independent Director; or

(ii) Remain as an Independent Non-Executive Director if deemed appropriate and suitable by the Board, subject to the shareholders' approval via two-tier voting process. The Board must provide justification for the decision.

As of the date of this Annual Report, none of the Independent Non-Executive Directors have served a consecutive term of nine (9) years.

The NC, chaired by an Independent Non-Executive Director, has been entrusted with the reviewing of candidates for the appointment of directors. In selecting a suitable candidate, the NC considers, among others, the candidate's qualification, experience and accomplishments, with the objective of having a Board with diverse backgrounds, skills, and experience in business. The final decision on the appointment of a candidate nominated by the NC rests with the whole Board.

The Company does not set a specific target on the composition of the Board and management in terms of gender, age or ethnicity as it adheres to the practice of non-discrimination of any form throughout the Company. The Company provides equal opportunity to candidates with merits and believes it is vital to recruit and retain the best available talent regardless of gender, ethnicity or age. The Board shall endeavour to achieve greater diversity as and when the opportunity arises. Notwithstanding the recommendation of the Code, the Board is presently of the view that there is no necessity to fix a specific gender diversity policy in view of the Company's commitment to ensuring that all Directors are appointed on merit and is in line with the standards as set out in Para 2.20A of the MMLR.

The composition of the Board represents a balanced mix of experienced professionals in the fields of business, finance and general management. Together, the Directors bring a wide range of expertise and skills necessary for the continued successful direction of the Group. A brief profile of each Director is set out on pages 4 to 9 of this Annual Report.

Nomination Committee

The Board has applied the best practices of the Code by setting up a NC comprising exclusively three (3) Independent Non-Executive Directors.

The NC consists of the following members:

- Dato' Abdul Rashid Bin Mat Amin *(Chairman / Independent Non-Executive Director)*
- Mr. Cheam Tow Yong *(Member / Independent Non-Executive Director)*
- Mr. Kajendra A/L Pathmanathan *(Member / Independent Non-Executive Director)*

The terms of reference of the NC can be viewed at the Company's website at www.mieco.com.my.

The NC is primarily responsible for the following:

(a) To oversee and review the structure, size and composition of the Board in terms of required mix of skills, experience, knowledge, diversity, independence and core competencies;
(b) To consider, evaluate and recommend suitable candidates for appointment to the Board;
(c) To assess the performance and effectiveness of the Board, Board committees, and the contributions of each Director and Committee member towards the effectiveness of Board and Board committees respectively. The assessment includes assessment of independence for the Independent Directors.

During the financial year under review, the activities carried out by the NC are as follows:

- Reviewed the structure, size and composition of the Board in terms of the appropriate mix of skills, experience, knowledge, diversity, core competencies and board balance;
- Assessed the Board's performance and effectiveness as a whole;
- Assessed the Board Committees' performance and effectiveness as a whole;
- Assessed the performance of each individual Director and Board Committee member;
- Assessed the performance and independence of its Independent Directors; and
- Reviewed the tenure and performance of each Director and recommended to the Board, the re-election and re-appointment of the Directors who will be retiring at the forthcoming Annual General Meeting of the Company.
- Reviewed and recommended the Fit and Proper Policy to the Board for approval;

During the year, the Company has adopted a "Directors' Fit and Proper Policy" to ensure that the appointment and re-election of the Directors are based on an identified objective criteria, e.g. character, integrity, relevant range of skills, knowledge, experience, competence and time commitment so that they are able to discharge their roles and responsibilities effectively in the best interest of the Company. The said policy may be accessed at the Company's website.

Directors' Training

The Board is aware that continuous training is important in keeping the Directors updated and informed on the changes and developments of the operating environment, latest sustainability issues related to the Company and the corporate regulatory framework.

All the Directors have attended and completed the Mandatory Accreditation Programme (MAP). In addition to that, the Directors are briefed and updated at the quarterly meetings by the External Auditors, Internal Auditors and/or the Company Secretary on relevant amendments to the MMLR, corporate governance practices and principles, risk management and internal control approaches, Malaysian Financial Reporting Standards as well as auditing requirements. The Directors also gained insights to the market development through constructive and active deliberations at the Board meetings.

The Directors, on their own efforts, continue to equip themselves with latest knowledge and updates on the business, social, and economic environment via trade fairs, industrial periodicals, professional journals and attending the following:

- Conduct of Directors and Common Breaches of Listing Requirements
- Key Criteria to Dispose of Stocks in Our Portfolio
- Advocacy Session for Main Market Listed Issuers
- International Directors Summit 2022

The Directors will, from time to time, assess the need to enrol in formal, structured training programmes.

Board and Board Committees Assessment

The NC has a formal assessment in place to assess the effectiveness of the Board and Board Committees as a whole, and the contribution of each individual Director and Board Committee member annually. The assessment of the Board is based on specific criteria covering areas such as board structure, board operations, board roles and responsibilities and board chairman's roles and responsibilities. Whereas the assessment criteria for the Board Committee are based on its quality and composition, skills and competencies and the meeting administration and proceeding. For individual Director and Board Committee members' assessment, criteria covering contribution to interaction, quality of input, understanding of role and the chairman's role are used.

From the evaluations conducted by the NC for the financial year under review, the Board was satisfied with the performance and effectiveness of the Board as a whole, the Board Committees as well as the performance and contribution of each individual Director and Committee member. The Board was of also of the view that the present size and composition is optimal based on the Group's operations and that it reflects a fair mix of financial, technical and business experiences that are important to the stewardship of the Group.

Assessment of Independent Directors

In order to ensure there is adequate check and balance at the Board level, the presence of the Independent Directors helps in providing independent and constructive views, advice and opinions to the benefits of the investors, customers, and other stakeholders. They also represent the element of objectivity, impartiality and independent judgement of the Board.

An independence assessment is performed on the Independent Directors prior to their appointments and annually thereafter. In this respect, the NC, on behalf of the Board assesses the performance and also independence of its Independent Directors based on the criteria set out in the MMLR. As at end of 2022, all the Independent Directors in office have reaffirmed their independence.

PART III - REMUNERATION

Remuneration Policies and Procedures

The RC is responsible in formulating and reviewing the policy framework and making recommendation to the Board on the annual remuneration packages and benefits extended to the executive members of the Board, considering the performance of each individual as well as corporate performance. As for the Non-Executive Directors, the determination of their remuneration and benefits are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board. The RC comprises three Non-Executive Directors:

- Dato' Abdul Rashid Bin Mat Amin *(Chairman / Independent Non-Executive Director)*
- Mr. Cheam Tow Yong *(Member / Independent Non-Executive Director)*
- Mr. Kajendra A/L Pathmanathan (Member / Independent Non-Executive Director)

The terms of reference of the RC can be viewed at the Company's website at www.mieco.com.my.

Fees payable to Non-Executive Directors are deliberated and recommended by the RC for the Board's endorsement before being presented for approval by shareholders at the Annual General Meeting ("AGM"). Directors who are also shareholders and controlling shareholders with a nominee or connected Director of the Company abstain from voting at the AGM to approve their own fees. Similarly, Executive Directors are not involved in deciding their own remuneration.

The Directors also have the benefit of Directors & Officers liability insurance in respect of any liabilities arising from their acts committed in their capacities as Directors and Officers of the Company. However, the said insurance policy does not indemnify a Director or Officer if he is proven to have acted fraudulently, or dishonestly, or in breach of his duty or trust.

Individual Directors' Remuneration on Named Basis

The details of Directors' remuneration for the FY2022, including a breakdown of each individual Director's remuneration such as fees, salaries and bonus, benefits-in-kind and other emoluments are disclosed under Practice Note 8.1 of the 2022 Corporate Governance Report.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

PART I - AUDIT COMMITTEE

Audit Committee

The AC is comprised solely of Independent Directors. The position of Chairman of the AC and Board are held by different individuals. The details of the composition and activities of the AC are set out in the Audit Committee Report of this Annual Report.

Independence of External Auditors

The AC is tasked to review the nomination and appointment of the external auditors by assessing their suitability, objectivity and independence. Based on the terms of reference of the AC, the AC ensures that there is a cooling-off period of at least three years if a former key audit partner is to be appointed as a member of the AC.

The Board maintains a transparent and professional relationship with the external auditors through the AC. The AC invites the external auditors to attend its meetings as and when required. From time to time, the external auditors have highlighted to the AC matters that require the AC's attention. The AC will meet twice a year with the external auditors without the presence of any executive Board member to enable exchange of views on issues requiring attention. The external auditors declare their independence annually to the AC as specified by the By-Laws issued by the Malaysian Institute of Accountants.

The AC conducts an annual assessment on the performance, suitability, objectivity and independence of the external auditors to safeguard the quality, reliability and integrity of audited financial statements and ensure the external auditors is eligible for re-appointment.

PART II - RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Risk Management and Internal Control Framework

The Board acknowledges its overall responsibility in identifying threats and opportunities, including sustainability risks and opportunities and maintaining a sound system of internal control to mitigate the threats and take advantage of the opportunities in order to safeguard the investment of its shareholders, the Group's assets and ensuring sustainability of the Group's business. The key features of the Group's system of risk management are set out in the Statement on Risk Management and Internal Control of this Annual Report.

Internal Audit Function

The Board has established an independent internal audit function that reports directly to the AC. This internal audit function is outsourced to an independent professional firm which is independent of the activities and operations of the Group. Details of the Group's internal control system and framework are set out in the Statement on Risk Management and Internal Control and the AC Report of this Annual Report.

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

PART I - COMMUNICATION WITH STAKEHOLDERS

Communication with Stakeholders

The Board recognises the need for and the importance of constant, clear and effective communication with shareholders and other stakeholders. The Group communicates with its shareholders and stakeholders regularly through timely release of financial results on a quarterly basis, Company's annual reports and other circulars to shareholders and where appropriate, ad hoc press statements which serve as the principal channel in keeping the shareholders and the investing public informed of the Group's major developments and overviews of financial performance and progress throughout the year.

The Group maintains a website at www.mieco.com.my where shareholders and stakeholders as well as members of public can access the latest information on the Company and on the business activities of the Group, and also raised their concerns if any. Alternately, they may obtain the Company's latest announcements via the website of Bursa Securities at www.bursamalaysia.com.

PART II - CONDUCT OF GENERAL MEETINGS

Shareholders' Participation at General Meeting

The AGM represents the principal forum for dialogue and interaction with all shareholders. MIECO has conducted its third fully virtual AGM on 26 May 2022. The conduct of the fully virtual 49th AGM is in compliance with the Constitution of the Company which allow General Meetings to be held using any technology or any other method that enables the shareholders to participate, speak and vote at the meeting. Shareholders are given the opportunity to participate in the question and answer session on the Group's strategies, operations and proposed resolutions in terms of both financial and non-financial. The Directors, senior management and the external auditors are available to respond to shareholders' queries during the AGM.

Shareholders who are unable to attend personally are allowed to appoint proxy/proxies to attend and vote on their behalf. Notice of the Annual General Meeting is circulated to the shareholders at least twenty-eight (28) days prior to the meeting. The Minutes of the 49th AGM held on 26 May 2022 are available on the corporate website at www.mieco.com.my and were published no later than thirty (30) business days after the AGM.

Poll Voting

The Board is mindful of the poll voting requirement under Paragraph 8.29A of the MMLR. Poll voting via Remote Participation and Voting facilities ("RPV") was utilised during the 49th AGM which was conducted on a virtual basis entirely through live streaming from the broadcast venue on 26 May 2022 for voting all the resolutions passed by the shareholders. The RPV facilities are only accessible by the registered shareholders and proxies, and their personal information are only accessible by the service provider of the RPV facilities, ensuring data privacy and security. The Board will continue to implement poll voting for all the resolutions to be passed in the forthcoming Annual General Meeting. The Company will appoint one (1) scrutineer, who is independent of the Group and the person undertaking the polling process, to validate the votes casted.

COMPLIANCE STATEMENT

The Board recognises the importance of good corporate governance towards long term sustainability of the Group. To this end, the Board always strive to adopt the principles and recommendations promoted by the Code. Save as disclosed within this Annual Report, the Group has, and will continue to apply the principles and recommendations as set out in the Code where practical and appropriate.

This statement was approved by the Board at its meeting held on 29 March 2023.

ADDITIONAL CORPORATE DISCLOSURE

Utilisation of Proceeds

Private Placement

On 6 October 2021, the Company proposed to undertake the private placement of up to 20% of the total number of issued shares of the Company (excluding treasury shares) to third party investors. The Private Placement was completed on 23 December 2021 following the listing and quotation of 160,000,000 placement shares on the Main Market of Bursa Securities, raising RM60,800,000.00 for the Company.

As at 31 March 2023, the proceeds raised from the said exercise has been fully utilised as follows:

Purpose	Proposed utilisation (RM'000)	Actual utilisation (RM'000)	Balance unutilised (RM'000)	Intended timeframe for utilisation from the receipt of Placement Funds
Purchase consideration for the Acquisition	50,000	50,000	-	Upon completion of the Acquisition
Working capital	10,270	10,270	-	Within 12 months
Estimated expenses in relation to the Private Placement and Acquisition	530	530	-	Upon completion
Total	**60,800**	**60,800**	-	

Audit and Non-Audit Fees Paid

The total audit and non-audit fees incurred by the Company and the Group during the FY2022 are as follows:

	Company (RM)	Group (RM)
Audit Fees	55,000	216,000
Non-Audit Fees	5,000	5,000

Material Contracts

The material contract entered into by the Company and its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2022 or entered into since the end of the previous financial year is as follows:

- On 6 October 2021, the Company had entered into the conditional share sale agreement ("SSA") with SYF Resources Berhad ("SYF") for the acquisition of the entire equity interest in Seng Yip Furniture Sdn Bhd ("Seng Yip Furniture"), a wholly-owned subsidiary of SYF, for a purchase consideration of RM50,000,000.00 ("Acquisition").

  The Acquisition had been completed on 14 March 2023 with the full payment of the purchase consideration of RM50,000,000.00 using the proceeds of the private placement as mentioned above.

Contracts Relating to Loans

During the FY2022, there were no material contracts relating to loans entered into by the Company and its subsidiaries involving Directors, Chief Executive who is not a director and/or major shareholders.

Recurrent Related Party Transactions

Details of recurrent related party transactions are disclosed in Note 31(b) of the audited financial statements set out on page 127 of this Annual Report, of which none of the aggregate value of the transactions conducted during the financial year exceeds the applicable prescribed threshold under paragraph 10.09(2)(b) of Main Market Listing Requirements of Bursa Securities.

AUDIT COMMITTEE REPORT

COMPOSITION OF AUDIT COMMITTEE

As at the date of this report, the Audit Committee (AC) comprises the following members:

- Mr. Cheam Tow Yong *(Chairman/Independent Non-Executive Director)*
- Dato' Abdul Rashid Bin Mat Amin *(Member/Independent Non-Executive Director)*
- Mr. Kajendra A/L Pathmanathan *(Member/Independent Non-Executive Director)*

AUTHORITY AND DUTIES

The details of the terms of reference of the AC are available for reference at www.mieco.com.my.

MEETING ATTENDANCE

During the financial year ended 31 December 2022, five AC meetings were held. The Independent Non-Executive Director and Senior Management attended all the AC meetings by invitation to brief the AC on specific issues. Internal auditors attended one of the AC meeting to present their internal audit report. The external auditors were present at three of the AC meetings where matters relating to the audit of the statutory financial statements were discussed. The AC held two private discussions with the external auditors without the presence of the executive management.

Details of attendance of the AC members are as follows:

Directors	Total Meetings Attended	Percentage of Attendance %
Mr. Cheam Tow Yong *Independent Non-Executive Director*	5/5	100
Dato' Abdul Rashid Bin Mat Amin *Independent Non-Executive Director*	4/5	80
Datuk Dr. Roslan Bin A. Ghaffar *Independent Non-Executive Chairman*	2/2*	100
Mr. Kajendra A/L Pathmanathan *Independent Non-Executive Director*	3/3*	100

Notes:

* On 27 April 2022, Mr. Kajendra A/L Pathmanathan was appointed to be the member of the Audit Committee of MIECO to replace Datuk Dr. Roslan Bin A. Ghaffar. The change in the composition of the member of AC was to align with the recommendation of Practice 1.4 of the revised Malaysian Code on Corporate Governance.

The AC Chairman has conveyed to the Board matters of significant concern raised by the external auditors and internal auditors. Confirmed minutes of AC meetings were also circulated to the Board for information.

SUMMARY OF ACTIVITIES

The AC has carried out its duties in accordance with its terms of reference during the financial year ended 31 December 2022. The activities carried out by the AC included the following:

(a) reviewed the quarterly unaudited financial results of the Group before recommending them to the Board for approval and subsequent release of the results to Bursa Malaysia Securities Berhad;

(b) reviewed the audit plan with the external auditors, in terms of the key areas of audit emphasis, significant accounting and auditing issues, as well as the impact of the new or proposed changes in the accounting standards and regulatory requirements;

(c) reviewed the annual audited financial statements of the Group with the external auditors before recommending to the Board for approval. The external auditors' report on the significant audit and accounting issues arising from their audit as well as the accompanying management responses/resolutions were also reviewed by the AC;

(d) met with the external auditors twice without the presence of any executive board members or management, to discuss issues arising from their audit including management cooperation in the audit process, financial reporting issues, operations and for sharing of information;

(e) reviewed and proposed the annual risk-based internal audit plan to ensure adequate scope and coverage of their activities and key risk areas are adequately identified and covered;

(f) reviewed internal audit report presented by internal auditors, especially with regard to the issues raised, audit recommendations and management's responses. Where necessary, the AC has directed action to be taken by management to rectify and improve the system of internal controls and procedures;

(g) reviewed quarterly the recurrent related party transactions of the Group;

(h) reviewed and follow up on the progress of the Group's on going corporate proposals during the financial year;

(i) prepared the Audit Committee Report for inclusion in the Company's Annual Report; and

(j) reviewed and recommended the Statement on Risk Management and Internal Control for the Board's approval.

INTERNAL AUDIT FUNCTION

The AC is supported by an internal audit (IA) function which is outsourced to an independent professional firm which is independent of the activities and operations of the Group. The IA function provides independent and objective review on the state of internal control and compliance with the Group's policies and procedures in accordance with the annual risk-based internal audit plan approved by the AC. The IA function assists the AC in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance process.

During the financial year ended 31 December 2022, the outsourced IA, namely Messrs LTTH PLT has carried out audit review on internal control, policy and procedures of the Group. Areas of audit included the Inventory Control. The resulting report of the audits undertaken, incorporating audit recommendations and management's responses were presented at the quarterly AC meeting for the AC's deliberation and issued to the management of the respective operating units concerned for appropriate remedial actions to be taken to improve the relevant systems and procedures within the agreed timelines. The senior management were present in the AC meeting to explain and clarify on the actions taken to rectify the audit issues highlighted.

There were no material losses incurred during the financial year as a result of weaknesses in the system of internal control and management continues to take appropriate measures to strengthen and enhance the adequacy and effectiveness of the control environment.

Total costs incurred for the IA function of the Group for the financial year ended 31 December 2022 amounted to RM14,500.00.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors of Mieco Chipboard Berhad ("the Board") is pleased to provide the following Statement on Risk Management and Internal Control pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), Malaysian Code on Corporate Gorvernance and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines").

RESPONSIBILITY OF THE BOARD

The Board affirms its overall responsibility for maintaining an adequate and sound risk management and internal control system within the Group and for reviewing its adequacy and integrity of such system on a regular basis to safeguard shareholders' investment, the Group's assets and ensuring sustainability of the Group's business. However, in view of the inherent limitations in any such system, the risk management and internal control system is designed to manage rather than to eliminate the risk of failure to achieve business objectives. Hence, the risk management and internal control system can only provide a reasonable combination of preventive, detective and corrective measures but not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

Whilst the Board maintains responsibility over risk and control issues, the management is responsible for implementing policies, procedures and guidelines on risk and control by identifying and evaluating the risks faced and design, operate and monitor a suitable system of internal control to manage these risks.

The effectiveness of the system of risk management and internal control may vary over time due to the changing circumstances and conditions of the Company and of the Group. Nevertheless, the Board recognises that the system of risk management and internal control should be continuously maintained, monitored and improved with appropriate actions taken to address identified control deficiencies and emerging risks.

RISK MANAGEMENT

The Board recognises that risk management is an integral part of the Group's business operations and that the identification and management of such risks are important to ensure the achievement of the Group's corporate objectives.

Regular meetings of the Board, Board committees and management represent the main platform by which the Group's performance and conduct are monitored. The senior management teams are empowered with the responsibility of managing their respective operations. Through regular operational meetings, the senior management teams identify, discuss and deal with operational, financial, sustainability and key management issues. Significant risks identified are escalated to the attention of the Board. The Board is responsible for setting the business directions and overseeing the conduct of the Group's operations. With the assistance of the internal audit ("IA") function, the Board, through the Audit Committee ("AC"), continuously reviews the adequacy, effectiveness and integrity of the risk management processes in place within the various operating businesses. The AC also reviews and deliberates on any matters relating to internal controls highlighted by the external auditors in the course of their statutory financial audit of the Group. Through these mechanisms, the Board is informed of all major control issues pertaining to internal controls, regulatory compliance and risk taking.

KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Group has adopted an ongoing risk management process for identifying, evaluating, monitoring and managing significant risks affecting the achievements of its business objectives.

The key elements of the Group's risk management and internal control system are set out below:

- The Board is supported with several established Board committees in the execution of its responsibilities, namely the AC, Nomination Committee and Remuneration Committee. Each committee has a clearly defined terms of reference. These committees have the authority to examine all matters within their scope and report to the Board with their recommendations.

- There is an organisational structure with formally defined lines of responsibility and delegation of authority to ensure proper identification of accountabilities and segregation of duties.

- The Group has clear and formally defined approving authority limits and authorisation procedures, which is the primary instrument that governs and manages the business decisions making process within the Group. It also ensures that a system of internal control and checks and balances are incorporated therein. The Authority Chart is periodically reviewed and updated to reflect changes in the business, operational and organisational environment.

- There are documented standard operating policies and procedures covering the critical and significant facets of the Group's business processes and they form an integral part of the internal control framework to safeguard shareholders' investment and the Group's assets against material loss. These areas include manufacturing, human resource, information technology, sales, financial and credit management as well as occupational safety, health and environment. These policies and procedures are reviewed and updated from time to time to meet the operational needs.

- Common Group policies are available on MIECO's intranet for easy access by staff. The intranet is used as an effective means of communication and knowledge sharing at all levels.

- Human resource policies and guidelines are established to provide support to the Group's vision. These policies provide guidance to employees on areas such as discipline, employee performance appraisals and other related matters. Ongoing training and development programmes are conducted to improve and enhance employees' competencies and skills.

- The Group continues to maintain MIECO Quality Management System, Environmental Management System and Occupational Health and Safety Management System certifications. Such quality management systems provide the Group with an improved control of key processes and a foundation for improving quality, customer service and customer satisfaction. The business operations of the Group are also governed by various regulations and laws applicable to the wood industry. Compliance audits are conducted by various independent bodies for the various certifications and licenses obtained from the local governmental authorities and international certification bodies.

- There are adequate insurance coverage and physical safeguards on major assets to ensure that the assets of the Group are sufficiently covered against any mishap that could result in a material loss. A yearly policy renewal exercise is undertaken by management to review the relevance and adequacy of the insurance coverage. There is also a Directors & Officers insurance coverage for the Directors and Officers of the Group.

- The Group operates an Enterprise Resource Planning system which enables transactions to be captured, compiled and reported in a timely and accurate manner. Information systems in the Group provide management with data, analyses, variations, exceptions and other inputs relevant to the Group's performance. Internal control requirements are also embedded in the Group's computerised systems as well.

- The Group has put in place a whistleblowing policy which allows, supports and encourages its employees and third parties to report and disclose any improper or illegal activities within the Group. It is the Group's commitment to investigate any suspected serious misconduct or any breach reported, as well as to protect those who come forward to report such activities.

- The Group has developed an Anti-Bribery and Anti-Corruption Policy and Procedure to provide guidance on how to act when subjected to potential acts of bribery and matters of corruption.

IDENTIFYING WEAKNESSES IN INTERNAL CONTROLS

During the financial year under review, the Board and the Management have continuously conducted reviews to identify any weaknesses that may arise in the internal control systems within the Group. No major weakness has been identified within the Group's operation and administration systems.

The monitoring, review and reporting arrangements in place to provide reasonable assurance that the structure of control and its operations are appropriate to the Group's operations and that risks are at an acceptable level throughout the Group's businesses. Such arrangements, however, do not eliminate the possibility of human error, deliberate circumvention of control procedures by employees and others or the occurrence of unforeseen circumstances.

The Board recognises the need for the risk management and internal control system to be subject to periodic review in line with the growth and dynamics of the Group. To this end, the Board remains committed towards striving for continuous improvement to put in place appropriate action plans where necessary, to further enhance the risk management and internal control system of the Group.

INTERNAL AUDIT FUNCTION

The Group's IA function is carried out by an independent professional service firm. The principal duty and responsibility of IA is to examine and evaluate the adequacy and effectiveness of the Group's system of internal control, risk management process and compliance framework on behalf of the Board.

The outsourced IA function adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile. The IA function provide the AC with the results of the internal audit reviews together with IA's recommendations for improvement, management's response and corrective actions taken or to be taken by management with regard to the weaknesses highlighted. Follow ups will be carried out by the IA function should there be unresolved findings and the status of actions taken by management will be reported to the AC. Based on the internal audit reviews carried out, none of the weaknesses noted by the IA function have resulted in any material losses, contingency or uncertainties that would require disclosure in this Annual Report.

During the financial year, the internal auditors have performed the internal audit according to the Internal Audit Plan approved by the AC. The areas reviewed by IA during the financial year ended 31 December 2022 was Inventory Control.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the MMLR, the external auditors have reviewed this Statement on Risk Management and Internal Control for the inclusion in this Annual Report for the financial year ended 31 December 2022. Their limited assurance review was performed in accordance with the Audit and Assurance Practice Guide ("AAPG") 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement on Risk Management and Internal Control is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Guidelines, nor is it factually inaccurate.

CONCLUSION

The Board has received assurance from the Group Managing Director and the Executive Director, to the best of their knowledge and belief, that the Group's risk management and internal control system is operating adequately and satisfactorily, in all material aspects, based on the risk management and internal control system of the Group. The Board is of the view that the risk management and internal control system in place for the financial year under review and up to the date of the issuance of this Statement on Risk Management and Internal Control is adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators and employees, the Group's assets and ensuring sustainability of the Group's business.

This Statement on Risk Management and Internal Control was approved by the Board at its meeting held on 29 March 2023.

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

The Directors are required by the Companies Act 2016 (CA) to prepare financial statements for each financial year which have been made out in accordance with the requirements of the applicable approved Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provisions of the CA and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are responsible for ensuring that the annual audited financial statements of the Group and the Company are prepared with reasonable accuracy from the accounting records of the Group and the Company so as to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year, and of the results and cash flows of the Group and the Company for the financial year.

In preparing the annual audited financial statements, the Directors have:

- adopted appropriate and relevant accounting policies which are consistently applied;
- made judgements and estimates that are reasonable and prudent; and
- prepared the audited financial statements on a going concern basis.

The Directors are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit for the financial year attributable to owners of the parent	(33,723)	2,358

RESERVES AND PROVISIONS

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

DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year. The Directors do not recommend any dividend in respect of the current financial year.

ISSUE OF SHARES AND DEBENTURES

There was no issuance of shares or debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

DIRECTORS

The Directors in office since the beginning of the current financial year until the date of this report are:

Dato' Sri Ng Ah Chai *
Dato' Abdul Rashid Bin Mat Amin
Cheam Tow Yong
Kajendra A/L Pathmanathan
Ng Wei Ping *
Datuk Dr. Roslan Bin A. Ghaffar

* *Director of the Company and its subsidiaries*

The Director who held office in subsidiaries (excluding Directors who are also Directors of the Company) since the beginning of the current financial year until the date of this report is:

Ng Tien Ying

The information required to be disclosed pursuant to Section 253 of the Companies Act 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiaries and made a part hereof.

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2022	Bought	Sold	At 31.12.2022
Interests in the Company				
Direct Interests				
Dato' Sri Ng Ah Chai	517,572,219	109,350,100	-	626,922,319
Ng Wei Ping	-	11,500,000	-	11,500,000

By virtue of his interests in the shares of the Company, Dato' Sri Ng Ah Chai is also deemed interested in the shares of all the subsidiaries during the financial year to the extent the Company has an interest under Section 8 of the Companies Act 2016.

None of the other Directors in office at the end of the financial year had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as disclosed in the "Directors' Remuneration" of this report) by reason of a contract made by the Company or a related corporation with the 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 certain Directors who have significant financial interests in the companies which traded with certain companies in the Group in the ordinary course of business and rental received or due and receivable by a Director as disclosed in Note 31(b) to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REMUNERATION

The details of the Directors' remuneration paid/payable to the Directors of the Company during the financial year are as follows:

	Group RM'000	Company RM'000
Directors of the Company		
Executive		
Salaries and other emoluments	3,222	3,222
Defined contribution plans	387	387
Employee defined benefit plans	2	2
	3,611	3,611
Non-executive		
Fees	188	188
Allowances	34	34
	222	222
	3,833	3,833

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Group and of the Company were RM10,000,000 and RM18,800 respectively. No indemnity was given to or insurance effected for auditors of the Company.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

   (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that adequate allowance had been made for doubtful debts and there were no bad debts to be written off; and

   (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.

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

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

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

   (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or

   (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

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

   (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(d) 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;

   (ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

   (iii) 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 financial year in which this report is made.

SUBSIDIARIES

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

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENT TO THE END OF REPORTING PERIOD

The significant event during the financial year and subsequent to the end of the reporting period is disclosed in Note 35 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration for the financial year are as follows:

	Group RM'000	Company RM'000
Auditors' remuneration		
- Statutory audit	216	55
- Non-statutory audit	5	5
	221	60

AUDITORS

The Auditors, Messrs. UHY, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 29 March 2023.

DATO' SRI NG AH CHAI **NG WEI PING**

KUALA LUMPUR

STATEMENT BY DIRECTORS
Pursuant to Section 251(2) of the Companies Act 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 29 March 2023.

DATO' SRI NG AH CHAI | **NG WEI PING**

KUALA LUMPUR

STATUTORY DECLARATION
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Ng Wei Ping, being the Director primarily responsible for the financial management of Mieco Chipboard Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the)
abovenamed at Kuala Lumpur in the)
Federal Territory on 29 March 2023) **NG WEI PING**

Before me,

No. W790
ZAINUL ABIDIN BIN AHMAD
COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT
To The Members Of Mieco Chipboard Berhad
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Mieco Chipboard Berhad, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of profit or loss and other 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 significant accounting policies, as set out on pages 63 to 141.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key Audit Matters (Cont'd)

Key audit matters	*How our audit addressed the key audit matters*
1. Impairment of property, plant and equipment and right-of-use assets The Group recognised property, plant and equipment and right-of-use assets with carrying amount of RM296 million and RM150 million, which representing 63% and 32% respectively of total non-current assets of the Group as at 31 December 2022. On an annual basis, management is required to assess for indicators of impairment to determine if impairment assessment should be carried out. During the financial year, the Directors made an annual impairment assessment of the following plants: • Lipis Plant • Gebeng Plant • Rompin Plant • Simpang Pertang Plant • Gerik Plant The Group determined value in use for Lipis Plant, Gebeng Plant, Rompin Plant, Simpang Pertang Plant and Gerik Plant, which are actively being used for production using a discounted cash flow approach. Due to the significance of the amount and the subjectivity involved in estimating the value in use, we identified this as our area of audit focus as the impairment assessment involves in determining the recoverable amount using a discounted cash flow approach which is complex and highly judgemental.	We performed the following audit procedures, amongst others: - Obtained an understanding of the relevant internal controls over estimating the recoverable amount of the property, plant and equipment and right-of-use assets. - Discussed with management and obtained an understanding of impairment or potential reversal of previously recognised impairment loss assessment prepared by management. - Reviewed the cash flows projection with comparison to recent performance, trend analysis by reference to prior years' forecasts. - Assessed the reasonableness of the key assumptions used in the cash flows projection such as sales and production growth rate, selling price growth rate, cost of raw materials and discount rate. - Tested the sensitivity of the impairment calculations to changes in key assumptions used to evaluate the impact on recoverable amounts for active plants. - Evaluated the adequacy of the Group's disclosures of each key assumption on which the Group has based its cash flows projections as disclosed in Notes 4(b) and 5(e) to the financial statements.

We have determined that there is no key audit matter in the audit of the financial statements of the Company to be communicated in our Auditors' Report.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 of the Company's internal control.

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 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 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 disclosure in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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

- 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirement of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

OTHER MATTERS

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.

UHY
Firm Number: AF 1411
Chartered Accountants

YEOH AIK CHUAN
Approved Number: 02239/07/2024 J
Chartered Accountant

KUALA LUMPUR
29 March 2023

STATEMENTS OF FINANCIAL POSITION
As At 31 December 2022

		Group		Company	
		2022	2021	2022	2021
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	4	296,003	330,017	20	34
Right-of-use assets	5	149,516	141,019	26	27
Investment property	6	17,000	17,000	-	-
Investment in subsidiaries	7	-	-	302,113	302,113
Amount due from subsidiaries	8	-	-	97,733	65,235
Deferred tax assets	9	7,034	9,873	-	-
		469,553	497,909	399,892	367,409
CURRENT ASSETS					
Inventories	10	55,440	62,414	-	-
Trade receivables	11	28,846	67,982	-	-
Other receivables	12	14,770	18,812	152	153
Amount due from subsidiaries	8	-	-	7,250	10,838
Tax recoverable		4	44	4	3
Derivative financial assets	13	-	8	-	-
Fixed deposits with licensed banks	14	9,755	9,593	218	215
Cash and bank balances		58,116	78,952	45,334	60,829
		166,931	237,805	52,958	72,038
TOTAL ASSETS		636,484	735,714	452,850	439,447

STATEMENTS OF FINANCIAL POSITION
As At 31 December 2022 (Cont'd)

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	15	276,666	276,666	276,666	276,666
Reserves	16	114,939	146,647	156,892	154,349
TOTAL EQUITY		391,605	423,313	433,558	431,015
NON-CURRENT LIABILITIES					
Other payables	17	-	2,149	-	2,149
Lease liabilities	18	9,130	1,174	29	30
Bank borrowings	19	65,230	80,699	-	-
Employee defined benefit plan	20	8,884	16,049	355	554
		83,244	100,071	384	2,733
CURRENT LIABILITIES					
Trade payables	21	34,597	60,718	-	-
Other payables	17	33,584	35,098	18,863	4,759
Amount due to subsidiaries	8	-	-	44	939
Lease liabilities	18	2,779	413	1	1
Bank borrowings	19	90,424	115,965	-	-
Tax payable		251	136	-	-
		161,635	212,330	18,908	5,699
TOTAL LIABILITIES		244,879	312,401	19,292	8,432
TOTAL EQUITY AND LIABILITIES		636,484	735,714	452,850	439,447

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For The Financial Year Ended 31 December 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	22	328,264	372,768	5,283	28,981
Cost of sales		(333,532)	(339,299)	-	-
Gross (loss)/profit		(5,268)	33,469	5,283	28,981
Other income		9,650	18,373	2,753	1,260
Selling and distribution expenses		(2,849)	(2,906)	-	-
Administrative expenses		(23,231)	(18,233)	(5,676)	(6,640)
Net gain on impairment of financial instruments		317	2,584	-	1,685
Finance costs	23	(9,099)	(10,312)	(2)	(2)
(Loss)/Profit before tax	24	(30,480)	22,975	2,358	25,284
Taxation	25	(3,243)	4,530	-	-
(Loss)/Profit for the financial year		(33,723)	27,505	2,358	25,284

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For The Financial Year Ended 31 December 2022 (Cont'd)

		Group		Company	
		2022	2021	2022	2021
	Note	RM'000	RM'000	RM'000	RM'000
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Actuarial gain on employee defined benefit plan	20	2,034	-	185	-
Items that are or may be reclassified subsequently to profit or loss					
Exchange translation differences for foreign operation		(19)	8	-	-
Total other comprehensive income for the financial year		2,015	8	185	-
Total comprehensive (loss)/income for the financial year		(31,708)	27,513	2,543	25,284
(Loss)/Profit for the financial year attributable to owners of the parent		(33,723)	27,505	2,358	25,284
Total comprehensive (loss)/income for the financial year attributable to owners of the parent		(31,708)	27,513	2,543	25,284
(Loss)/Earnings per share	26				
Basic and diluted (loss)/earnings per share (sen)		(3.37)	3.26		

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

STATEMENTS OF CHANGES IN EQUITY
For The Financial Year Ended 31 December 2022

		Attributable to Owners of the Parent			
		Non-Distributable		Distributable	
	Note	Share Capital RM'000	Foreign Currency Translation Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
Group					
At 1 January 2021		215,866	(43)	119,177	335,000
Profit for the financial year		-	-	27,505	27,505
Other comprehensive income for the financial year		-	8	-	8
Total comprehensive income for the financial year		-	8	27,505	27,513
Transactions with owners:					
Issuance of ordinary shares					
- Private placement	15	60,800	-	-	60,800
At 31 December 2021		276,666	(35)	146,682	423,313
At 1 January 2022		276,666	(35)	146,682	423,313
Loss for the financial year		-	-	(33,723)	(33,723)
Other comprehensive (loss)/income for the financial year		-	(19)	2,034	2,015
Total comprehensive loss for the financial year		-	(19)	(31,689)	(31,708)
At 31 December 2022		276,666	(54)	114,993	391,605

STATEMENTS OF CHANGES IN EQUITY
For The Financial Year Ended 31 December 2022 (Cont'd)

	Note	Share Capital RM'000	Retained Earnings RM'000	Total Equity RM'000
Company				
At 1 January 2021		215,866	129,065	344,931
Profit for the financial year, representing total comprehensive income for the financial year		-	25,284	25,284
Transactions with owners:				
Issuance of ordinary shares				
- Private placement	15	60,800	-	60,800
At 31 December 2021		276,666	154,349	431,015
At 1 January 2022		276,666	154,349	431,015
Profit for the financial year		-	2,358	2,358
Other comprehensive income for the financial year		-	185	185
Total comprehensive income for the financial year		-	2,543	2,543
At 31 December 2022		276,666	156,892	433,558

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

STATEMENTS OF CASH FLOWS
For The Financial Year Ended 31 December 2022

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
OPERATING ACTIVITIES				
(Loss)/Profit before tax	(30,480)	22,975	2,358	25,284
Adjustments for:				
Depreciation of:				
- Property, plant and equipment	25,982	29,576	14	16
- Right-of-use assets	3,823	2,680	1	2
Fair value losses on:				
- Investment property	-	68	-	-
- Derivative financial instruments	8	38	-	-
Finance costs	9,099	10,312	2	2
Impairment losses on:				
- Investment in subsidiaries	-	-	-	325
- Property, plant and equipment	11,728	3,062	-	-
- Right-of-use assets	3,403	-	-	-
- Trade receivables	-	682	-	-
Inventories written down to net realisable value	801	-	-	-
Inventories written off	-	32	-	-
(Gain)/Loss on disposal of property, plant and equipment	(125)	3	-	-
Property, plant and equipment written off	333	101	-	-
Provision for employee defined benefit plan	1,853	1,474	78	74
Waiver of debts	-	-	9	147
Dividend income from subsidiaries	-	-	-	(23,257)
Interest income	(979)	(160)	(2,753)	(1,260)
Operating profit/(loss) before working capital changes carried down	25,446	70,843	(291)	1,333

STATEMENTS OF CASH FLOWS
For The Financial Year Ended 31 December 2022 (Cont'd)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
OPERATING ACTIVITIES (CONT'D)				
Operating profit/(loss) before working capital changes brought down	25,446	70,843	(291)	1,333
Reversal of inventories written down	-	(1,007)	-	-
Reversal of impairment losses on:				
- Amount due from subsidiaries	-	-	-	(1,685)
- Property, plant and equipment	-	(9,625)	-	-
- Right-of-use assets	-	(3,388)	-	-
- Trade receivables	(317)	(3,266)	-	-
Unrealised gain on foreign exchange	(298)	(57)	-	-
Operating profit/(loss) before working capital changes	24,831	53,500	(291)	(352)
Changes in working capital:				
Inventories	6,173	(8,838)	-	-
Trade receivables	39,460	(9,707)	-	-
Other receivables	1,365	(8,385)	1	(54)
Trade payables	(26,181)	1,366	-	-
Other payables	(3,701)	5,126	11,696	(3,956)
Amount due from/(to) subsidiaries	-	-	37	63,854
	17,116	(20,438)	11,734	59,844
Cash generated from operations	41,947	33,062	11,443	59,492
Interest paid	(9,099)	(10,312)	(2)	(2)
Interest received	979	160	2,059	16
Tax paid	(249)	(105)	(1)	(1)
Employee defined benefit paid	(6,984)	(769)	(31)	-
Net cash from operating activities	26,594	22,036	13,468	59,505

STATEMENTS OF CASH FLOWS
For The Financial Year Ended 31 December 2022 (Cont'd)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
INVESTING ACTIVITIES				
Net movement of amount due from subsidiaries	-	-	(28,959)	(59,486)
Purchase of property, plant and equipment	(4,119)	(8,763)	-	(6)
Purchase of right-of-use assets [Note 5(d)]	(678)	(255)	-	-
Purchase of investment property	-	(34)	-	-
Proceeds from disposal of property, plant and equipment	125	300	-	-
Net cash used in investing activities	(4,672)	(8,752)	(28,959)	(59,492)
FINANCING ACTIVITIES				
(Increase)/Decrease in fixed deposits pledged with licensed banks	(162)	2,594	(3)	(6)
Net (repayment)/proceeds from bankers' acceptance	(25,094)	2,505	-	-
Proceeds from private placement	-	60,800	-	60,800
Repayment in term loans	(16,481)	(9,143)	-	-
Payment of lease liabilities	(1,635)	(498)	(1)	(1)
Net cash (used in)/from financing activities	(43,372)	56,258	(4)	60,793
Net (decrease)/increase in cash and cash equivalents	(21,450)	69,542	(15,495)	60,806
Effects of exchange translation differences on cash and cash equivalents	49	(6)	-	-
Cash and cash equivalents at the beginning of the financial year	78,173	8,637	60,829	23
Cash and cash equivalents at the end of the financial year	56,772	78,173	45,334	60,829
Cash and cash equivalents at the end of the financial year comprises:				
Fixed deposits with licensed banks	9,755	9,593	218	215
Cash and bank balances	58,116	78,952	45,334	60,829
Bank overdraft	(1,344)	(779)	-	-
	66,527	87,766	45,552	61,044
Less: Fixed deposits pledged with licensed banks	(9,755)	(9,593)	(218)	(215)
	56,772	78,173	45,334	60,829

Note to statements of cash flows

Cash flows for leases as a lessee

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Included in operating activities:					
Interest paid in relation to lease liabilities	23	274	68	2	2
Payment relating to short-term leases	24	-	200	-	-
Included in financing activities:					
Payment of lease liabilities		1,635	498	1	1
Total cash outflows for leases		1,909	766	3	3

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

1. CORPORATE INFORMATION

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

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 7. There have been no significant changes in the nature of these activities of the Company and its subsidiaries during the financial year.

The registered office of the Company is located at No. 1, Block C, Jalan Indah 2/6, Taman Indah, Batu 11, 43200 Cheras, Selangor Darul Ehsan.

The principal place of business of the Company is located as follows:

(a) No. 1, Block C, Jalan Indah 2/6, Taman Indah, Batu 11, 43200 Cheras, Selangor Darul Ehsan; and

(b) Lot 74, Kawasan Perindustrian Gebeng, 26080 Kuantan, Pahang Darul Makmur.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following new standards and amendments to standards issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

Amendments to MFRS 16	Covid-19 - Related Rent Concessions beyond 30 June 2021
Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract

Annual Improvements to MFRS Standards 2018 - 2020:
- Amendments to MFRS 1
- Amendments to MFRS 9
- Amendments to MFRS 16
- Amendments to MFRS 141

The adoption of the new standards and amendments to standards did not have any significant impact on the financial statements of the Group and of the Company.

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective

The Group and the Company have not applied the following new standards and amendments to standards that have been issued by the MASB but are not yet effective for the Group and for the Company:

		Effective dates for financial periods beginning on or after
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 - Comparative Information	1 January 2023
Amendments to MFRS 101	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 16	Lease liability in a Sale and Lease Back	1 January 2024
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101	Non-current liabilities with Covenants	1 January 2024
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group and the Company intend to adopt the above new standards and amendments to standards, if applicable, when they become effective.

The initial application of the above-mentioned new standards and amendments to standards are not expected to have any significant impacts on the financial statements of the Group and of the Company.

(b) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM in thousands except when otherwise stated.

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Group's and of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

2. BASIS OF PREPARATION (CONT'D)

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Judgements

The following is the judgement made by management in the process of applying the Group's accounting policies that has the most significant effect on the amounts recognised in the financial statements:

<u>Determining the lease term of contracts with renewal options - the Group as lessee</u>

The Group determines the lease term with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether to exercise the option to renew the lease. It considers all relevant factors that create an economic incentive for it to exercise the renewal option. 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 or not to exercise the option to renew.

The Group includes the renewal period as part of the lease term for such leases. The Group typically exercises its option to renew for those leases with renewal option.

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 reporting period are set out below:

<u>Useful lives of property, plant and equipment and right-of-use ("ROU") assets</u>

The Group regularly reviews the estimated useful lives of property, plant and equipment and ROU assets based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment and ROU assets would increase the recorded depreciation and decrease the value of property, plant and equipment and ROU assets. The carrying amounts at the reporting date for property, plant and equipment and ROU assets are disclosed in Notes 4 and 5 respectively.

<u>Impairment of property, plant and equipment and ROU assets</u>

The Group assesses whether there is any indication that property, plant and equipment and ROU assets are impaired at the end of each reporting period. Impairment is measured by comparing the carrying amount of an asset with its recoverable amount. The recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value in use. The value in use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information. Changes to any of these assumptions would affect the amount of impairment.

The key assumptions used to determine the recoverable amounts are disclosed in Notes 4 and 5 respectively.

2. BASIS OF PREPARATION (CONT'D)

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Company engaged independent valuation specialist to assess fair value as at 31 December 2022 for investment properties. Valuation was based on the comparison approach where the comparison approach entails critical analysis of recent evidence of value of comparable properties in the neighbourhood and making adjustments for differences.

The key assumptions used to determine the fair value of the investment properties are disclosed in Note 6.

Impairment of investment in subsidiaries

The Company reviews its investment in subsidiaries when there are indicators of impairment. Impairment is measured by comparing the carrying amount of an investment with its recoverable amount. Significant judgement is required in determining the recoverable amount. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the cash-generating units and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount at the reporting date for investment in subsidiaries is disclosed in Note 7.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unutilised capital allowances, unutilised investment tax allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which unused tax losses, unutilised capital allowances, unutilised investment tax allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised and unrecognised deferred tax assets are disclosed in Note 9.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices less estimated cost to sell. Demand level and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 10.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement, the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

There is no estimation required in determining the transaction price, as revenue from sale of goods or rendering of services are based on invoiced values. Discounts are not considered as they are only given in rare circumstances.

2. BASIS OF PREPARATION (CONT'D)

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Provision for expected credit loss of financial assets at amortised cost

The Group uses a provision matrix to calculate expected credit loss for trade receivables. The provision rates are based on number of days past due.

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. 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 loss is a significant estimate. The Group's historical credit loss experience and forecast of economic conditions may not be representative of customer's actual default in the future. Information about the expected credit loss is disclosed in Note 11.

Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly 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 incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

Defined benefit liability

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate is based on standard rates of inflation, medical cost trends and mortality. It also takes into account the Group's and the Company's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist particularly with regard to medical cost trends, which may vary significantly in future appraisals of the Group's and of the Company's defined benefit obligations. The defined benefit liability of the Group and of the Company at the reporting date is disclosed in Note 20.

Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group and the Company recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. As at 31 December 2022, the Group and the Company have tax payable of RM251,000 and Nil (2021: RM136,000 and Nil) and tax recoverable of RM4,000 and RM4,000 (2021: RM44,000 and RM3,000) respectively.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 *Financial Instruments* either in profit or loss or other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

In the Company's separate financial statements, investment in subsidiaries are stated at cost less accumulated impairment losses. On disposal of such investment, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer accounting policy Note 3(l)(i) on impairment of non-financial assets.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

If the Group losses control of a subsidiary, the assets and liabilities of the subsidiary, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. Refer accounting policy Note 3(l)(i) on impairment of non-financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency translation

(i) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

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

(ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at the rate of exchange prevailing at the reporting date, which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(l)(i) on impairment of non-financial assets.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

Capital work-in-progress consists of land and buildings and plant and machineries under construction and/or installation for intended use as production facilities. The amount is stated at cost until the property, plant and equipment are ready for their intended use.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight-line basis to write off the cost of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Property, plant and equipment (Cont'd)

(iii) Depreciation (Cont'd)

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Freehold buildings	2%
Plant and machineries	3% - 33%
Furniture, fittings, office renovation and equipment	10% - 50%
Motor vehicles	20%

The residual values, useful lives 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 property, plant and equipment.

(d) Leases

As lessee

The Group and the Company recognise a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(l)(i) on impairment of non-financial assets.

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

Leasehold land	Over the remaining lease period
Leasehold buildings	2% - 5%
Plant and machinery	7%
Motor vehicles	20%
Buildings	Over the lease term
Equipment	Over the lease term

The ROU assets are subject to impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leases (Cont'd)

As lessee (Cont'd)

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the respective Group entities' incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group and the Company are reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group or the Company changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

As lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. Leases in which the Group or the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

If the lease arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

The Group and the Company recognise assets held under a finance lease in its statements of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group and the Company use the interest rate implicit in the lease to measure the net investment in the lease.

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investment properties

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

Investment properties are measured initially at cost, including transaction costs. Subsequently, investment properties are measured at fair value which reflects market conditions at the reporting date. Gains and losses arising from changes in the fair values of investment properties are recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are valued by independent professional qualified valuers, having appropriate recognised professional qualifications and recent experience in the locations and categories of the properties being valued. The management team reviewed and discussed the valuations, including valuation processes, performed by the independent valuers for financial reporting purposes.

Investment properties are derecognised when either they are disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the profit or loss in the reporting period of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(f) Financial assets

<u>Recognition and initial measurement</u>

Financial assets are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance of the financial instruments. Transaction costs of financial assets carried at fair value through profit or loss ("FVTPL") are expensed in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial assets (Cont'd)

Financial asset categories and subsequent measurement

The Group and the Company determine the classification of financial assets at initial recognition and are not reclassified subsequent to their initial recognition unless the Group and the Company change its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Group 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.

The Group and the Company classify their financial assets as follows:

(i) Financial assets at amortised cost

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Any gain and loss on derecognition is recognised in profit or loss.

The Group's financial assets at amortised cost include trade and other receivables, fixed deposits with licensed banks and cash and bank balances. The Company's financial assets at amortised cost include other receivables, amount due from subsidiaries, fixed deposits with licensed banks and cash and bank balances.

(ii) Financial assets at fair value through other comprehensive income ("FVTOCI")

The Group and the Company have not designated any financial assets at FVTOCI.

(iii) Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVTOCI, as described above, are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

The Group's financial assets at FVTPL include derivative financial assets. The Company has not designated any financial assets at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial assets (Cont'd)

Financial asset categories and subsequent measurement (Cont'd)

All financial assets, except for those measured at FVTPL and equity investments measured at FVTOCI, are subject to impairment assessment as disclosed in Note 3(l)(ii) on impairment of financial assets.

Regular way purchase or sale of financial assets

Regular way purchase or sale are purchase or sale of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchase or sale of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to receive cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial assets and the sum of consideration received (including new asset obtained less any new liability assumed) is recognised in profit or loss.

(g) Financial liabilities

Recognition and initial measurement

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

At initial recognition, the Group and the Company measure a financial liability at its fair value less, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance of the financial instruments.

Financial liability categories and subsequent measurement

The Group and the Company classify their financial liabilities as follows:

(i) Financial liabilities at amortised cost

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

The Group's financial liabilities designated as amortised cost comprise trade and other payables, lease liabilities and bank borrowings. The Company's financial liabilities designated as amortised cost comprise other payables, amount due to subsidiaries and lease liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial liabilities (Cont'd)

Financial liability categories and subsequent measurement (Cont'd)

The Group and the Company classify their financial liabilities as follows: (Cont'd)

(ii) Financial liabilities at fair value through profit or loss

The Group and the Company have not designated any financial liabilities at FVTPL.

Derecognition

A financial liability or part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(h) 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 when the guaranteed debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequently, the liability is measured at the higher of:

- the amount of the loss allowance; and
- the amount initially recognised, when appropriate, the cumulative amount of the income recognised in accordance with the principles of MFRS 15 *Revenue from Contracts with Customers*.

(i) Offsetting of financial instruments

Financial asset and financial liability are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal 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.

(j) Inventories

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

Cost of raw materials and spares and consumables comprise cost of purchase and other costs incurred in bringing it to their present location and condition are determined on a weighted average basis. Cost of finished goods and work-in-progress consists of direct material, direct labour and an appropriate proportion of production overheads (based on normal operating capacity) are stated on a weighted average basis.

Net realisable value is 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.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft 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. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

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

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

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

(ii) Financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

For trade receivables, other receivables and inter-company balances, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience and the economic environment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

(n) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

(o) Employee benefits

(i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. 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. Short-term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Employee benefits (Cont'd)

(iii) Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plan is an approved fund independent of the Group's finances and defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for actuarial gains/losses and unrecognised past service cost. The Group determines the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of reporting period.

The defined benefit obligation, calculated annually using the Projected Unit Credit Method, is determined by independent actuaries, considering the estimated future cash outflows using market yields at reporting date of Government securities which have currency and terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. The actuarial gains and losses are not subsequently reclassified to profit or loss in subsequent period.

Past-service costs are recognised immediately in profit or loss.

The Group recognises gains and losses on the settlement of a defined benefit plan when settlement occurs.

(p) Revenue and other income

(i) Revenue from contracts with customers

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised good or services to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

The Group recognises revenue from the following major sources:

(a) Sale of goods

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(b) Rendering of services

Management fees are recognised in the reporting period in which the services are rendered, which simultaneously received and consumes the benefits provided by the Group, and the Group has a present right to payment for the services.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Revenue and other income (Cont'd)

(ii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(iii) Interest income

Interest income is recognised on accruals basis using the effective interest method.

(iv) Dividend income

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

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, 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, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

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 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(r) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is 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 financial years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Income taxes (Cont'd)

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period, except for investment properties carried at fair value model. Where investment properties measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Deferred tax assets and liabilities are not discounted.

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

(s) Segments reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(t) Contingencies

Where it is not probable that an inflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent asset or contingent liability, unless the probability of 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Fair value measurement

Fair value of an asset or a liability is determined as 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 measurement assumes that the transaction to sell the asset or transfer of the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement 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.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1	:	quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.
Level 2	:	inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	:	unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Freehold buildings RM'000	Plant and machineries RM'000	Furniture, fittings, office renovation and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
2022							
Group							
Cost							
At 1 January 2022	6,749	16,084	701,461	28,015	12,070	2,993	767,372
Additions	-	-	2,913	193	-	1,013	4,119
Disposals	-	-	-	-	(275)	-	(275)
Written off	-	-	(1,933)	(35)	(260)	-	(2,228)
Transfer to right-of-use assets (Note 5)	-	-	-	-	-	(90)	(90)
Reclassification	-	823	1,974	99	-	(2,896)	-
At 31 December 2022	6,749	16,907	704,415	28,272	11,535	1,020	768,898
Accumulated depreciation							
At 1 January 2022	-	1,345	394,170	19,049	10,302	-	424,866
Charge for the financial year	-	339	23,529	1,480	634	-	25,982
Disposals	-	-	-	-	(275)	-	(275)
Written off	-	-	(1,600)	(35)	(260)	-	(1,895)
At 31 December 2022	-	1,684	416,099	20,494	10,401	-	448,678
Accumulated impairment losses							
At 1 January 2022	-	-	12,489	-	-	-	12,489
Impairment losses recognised	-	-	11,728	-	-	-	11,728
At 31 December 2022	-	-	24,217	-	-	-	24,217
Carrying amount							
At 31 December 2022	6,749	15,223	264,099	7,778	1,134	1,020	296,003

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

	Freehold land RM'000	Freehold buildings RM'000	Plant and machineries RM'000	Furniture, fittings, office renovation and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
2021							
Group							
Cost							
At 1 January 2021	10,671	28,194	680,230	24,844	10,044	28,539	782,522
Additions	-	-	4,201	96	212	4,254	8,763
Disposals	-	-	(766)	-	-	-	(766)
Written off	-	-	(211)	(108)	-	-	(319)
Transfer to investment property (Note 6)	(4,400)	(20,242)	-	-	-	-	(24,642)
Transfer from right-of-use asset (Note 5)	-	-	-	-	1,814	-	1,814
Reclassification	478	8,132	18,007	3,183	-	(29,800)	-
At 31 December 2021	6,749	16,084	701,461	28,015	12,070	2,993	767,372
Accumulated depreciation							
At 1 January 2021	-	1,911	368,021	17,762	8,202	-	395,896
Charge for the financial year	-	443	26,730	1,387	1,016	-	29,576
Disposals	-	-	(463)	-	-	-	(463)
Written off	-	-	(118)	(100)	-	-	(218)
Transfer to investment property (Note 6)	-	(1,009)	-	-	-	-	(1,009)
Transfer from right-of-use asset (Note 5)	-	-	-	-	1,084	-	1,084
At 31 December 2021	-	1,345	394,170	19,049	10,302	-	424,866
Accumulated impairment losses							
At 1 January 2021	564	5,590	11,518	-	-	7,979	25,651
Impairment losses recognised	36	409	2,617	-	-	-	3,062
Reversal of impairment losses	-	-	(9,625)	-	-	-	(9,625)
Transfer to investment property (Note 6)	(600)	(5,999)	-	-	-	-	(6,599)
Reclassification	-	-	7,979	-	-	(7,979)	-
At 31 December 2021	-	-	12,489	-	-	-	12,489
Carrying amount							
At 31 December 2021	6,749	14,739	294,802	8,966	1,768	2,993	330,017

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

	Company	
	2022 RM'000	2021 RM'000
Furniture, fittings, office renovation and equipment		
Cost		
At 1 January	4,975	4,969
Additions	-	6
At 31 December	4,975	4,975
Accumulated depreciation		
At 1 January	4,941	4,925
Charge for the financial year	14	16
At 31 December	4,955	4,941
Carrying amount		
At 31 December	20	34

(a) The freehold land and buildings and all of the plant and machineries, both present and future of the Group, affixed to or on the said lands have been pledged to licensed banks as securities for banking facilities granted to the Group as disclosed in Note 19(a).

(b) Impairment assessment for property, plant and equipment

At 31 December 2022, the Group has performed a review of the recoverable amount of the Group's plants. Based on management's assessment, the results are as follows:

<u>Lipis Plant</u>

The recoverable amount of Lipis Plant is lower than its carrying amount and was based on its value in use. Accordingly, impairment losses on plant and machineries amounted to RM3,965,000 is recognised in administrative expenses in the statements of profit or loss and other comprehensive income during the financial year.

Value in use was determined by discounting the future cash flows to be generated from the use of Lipis Plant over its remaining useful life. The key assumptions used in determining the value in use are as follows:

- Pre-tax discount rate of 9.8%;
- Sale volume growth rate of 34.5% in FY2023 and increase 2.0% for the remaining useful life of Lipis Plant; and
- Selling price growth rate of Nil in FY2023 and increase 2.0% for the next four years and increase 1.3% for the remaining useful life of Lipis Plant.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources.

Sensitivity analysis

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount of Lipis Plant.

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

(b) Impairment assessment for property, plant and equipment (Cont'd)

<u>Gebeng Plant</u>

The recoverable amount of Gebeng Plant is lower than its carrying amount and was based on its value in use. Accordingly, impairment losses on plant and machineries amounted to RM2,186,000 is recognised in administrative expenses in the statements of profit or loss and other comprehensive income during the financial year.

Value in use was determined by discounting the future cash flows to be generated from Gebeng Plant's plant and machineries over its remaining useful life. The key assumptions used in determining the value in use are as follows:

- Pre-tax discount rate of 9.8%;
- Sale volume growth rate of 38.0% in FY2023 and increase 2.0% for the remaining useful life of Gebeng Plant; and
- Selling price growth rate of 3.7% in FY2023 and increase 2.0% for the next four years and increase 1.25% for the remaining useful life of Gebeng Plant.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources.

Sensitivity analysis

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount of Gebeng Plant.

<u>Rompin Plant</u>

The recoverable amount of Rompin Plant's plant and machineries is lower than its carrying amount and was based on its value in use. Accordingly, impairment losses on plant and machineries amounted to RM4,689,000 is recognised in administrative expenses in the statements of profit or loss and other comprehensive income during the financial year.

Value in use was determined by discounting the future cash flows to be generated from Rompin Plant's plant and machineries over its remaining useful life. The key assumptions used in determining the value in use are as follows:

- Pre-tax discount rate of 9.8%;
- Sale volume growth rate of 16.8% in FY2023 and increase 1.0% in FY2024 and increase 2.0% for the next three year and remain constant for the remaining useful life of Rompin Plant; and
- Selling price growth rate of Nil in FY2023 and increase 1.0% for the remaining useful life of Rompin Plant.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources.

Sensitivity analysis

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount of Rompin Plant.

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

(b) Impairment assessment for property, plant and equipment (Cont'd)

<u>Simpang Pertang Plant</u>

The recoverable amount of Simpang Pertang Plant is higher than its carrying amount and was based on its value in use. Value in use was determined by discounting the future cash flows to be generated from the use of Simpang Pertang Plant over its remaining useful life. The key assumptions used in determining the value in use are as follows:

- Pre-tax discount rate of 9.8%;
- Sale volume growth rate of 45.0% in FY2023 and increase 2.0% for the next four years and remain constant for the remaining useful life of Simpang Pertang Plant; and
- Selling price growth rate of Nil in FY2023 and increase 1.0% for the remaining useful life of Simpang Pertang Plant.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources.

Sensitivity analysis

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount of Simpang Pertang Plant.

<u>Gerik Plant</u>

The recoverable amount of Gerik Plant's plant and machinery is lower than its carrying amount and was based on its value in use. Accordingly, impairment losses on plant and machineries amounted to RM888,000 is recognised in administrative expenses in the statements of profit or loss and other comprehensive income during the financial year.

Value in use was determined by discounting the future cash flows to be generated from Gerik Plant's plant and machineries over its remaining useful life. The key assumptions used in determining the value in use are as follows:

- Pre-tax discount rate of 9.8%;
- Growth rate of Nil for the remaining useful life of Gerik Plant's plant and machinery.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources.

(c) In the previous financial year, the freehold land and building of the Group with carrying amount of RM17,034,000 has been transferred to investment property, as the property's usage has been changed from owner-occupied property to investment property.

5. RIGHT-OF-USE ASSETS

	Leasehold land RM'000	Leasehold buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Buildings RM'000	Equipment RM'000	Total RM'000
2022							
Group							
Cost							
At 1 January 2022	22,498	149,492	-	1,976	647	35	174,648
Additions	2,998	-	1,648	10,988	-	-	15,634
Termination of lease contracts	-	-	-	-	(46)	-	(46)
Transfer from property, plant and equipment (Note 4)	-	90	-	-	-	-	90
At 31 December 2022	25,496	149,582	1,648	12,964	601	35	190,326
Accumulated depreciation							
At 1 January 2022	5,229	27,573	-	479	340	8	33,629
Charge for the financial year	273	1,824	73	1,566	85	2	3,823
Termination of lease contracts	-	-	-	-	(45)	-	(45)
At 31 December 2022	5,502	29,397	73	2,045	380	10	37,407
Accumulated impairment losses							
At 1 January 2022	-	-	-	-	-	-	-
Impairment losses recognised	-	3,403	-	-	-	-	3,403
At 31 December 2022	-	3,403	-	-	-	-	3,403
Carrying amount							
At 31 December 2022	19,994	116,782	1,575	10,919	221	25	149,516

5. RIGHT-OF-USE ASSETS (CONT'D)

	Leasehold land RM'000	Leasehold buildings RM'000	Motor vehicles RM'000	Buildings RM'000	Equipment RM'000	Total RM'000
2021						
Group						
Cost						
At 1 January 2021	22,498	149,237	3,790	647	35	176,207
Additions	-	255	-	-	-	255
Transfer to property, plant and equipment (Note 4)	-	-	(1,814)	-	-	(1,814)
At 31 December 2021	22,498	149,492	1,976	647	35	174,648
Accumulated depreciation						
At 1 January 2021	4,956	25,648	1,168	255	6	32,033
Charge for the financial year	273	1,925	395	85	2	2,680
Transfer to property, plant and equipment (Note 4)	-	-	(1,084)	-	-	(1,084)
At 31 December 2021	5,229	27,573	479	340	8	33,629
Accumulated impairment losses						
At 1 January 2021	-	3,388	-	-	-	3,388
Reversal of impairment losses	-	(3,388)	-	-	-	(3,388)
At 31 December 2021	-	-	-	-	-	-
Carrying amount						
At 31 December 2021	17,269	121,919	1,497	307	27	141,019

	Company 2022 RM'000	Company 2021 RM'000
Equipment		
Cost		
At 1 January/31 December	34	34
Accumulated depreciation		
At 1 January	7	5
Charge for the financial year	1	2
At 31 December	8	7
Carrying amount		
At 31 December	26	27

5. RIGHT-OF-USE ASSETS (CONT'D)

(a) The carrying amount of right-of-use assets of the Group pledged to licensed banks as securities for banking facilities granted to the Group as disclosed in Note 19(a) are as follows:

	Group	
	2022 RM'000	2021 RM'000
Leasehold land	16,996	17,269
Leasehold buildings	116,782	121,919
Plant and machinery	1,575	-
	135,353	139,188

(b) The remaining lease terms of the leasehold land range from 26 to 99 years (2021: 27 to 84 years).

(c) The carrying amount of right-of-use assets of the Group held under lease liabilities are as follows:

	Group	
	2022 RM'000	2021 RM'000
Plant and machinery	1,575	-
Motor vehicles	10,919	1,497
	12,494	1,497

The leased assets are pledged as securities for the related lease liabilities as disclosed in Note 18.

(d) The aggregate additional costs for the right-of-use assets of the Group during the financial year acquired under leases financing, offset with deposits and cash payments are as follows:

	Group	
	2022 RM'000	2021 RM'000
Aggregate costs	15,634	255
Less: Leases financing	(11,958)	-
Offset with deposits	(2,998)	-
Cash payments	678	255

5. RIGHT-OF-USE ASSETS (CONT'D)

(e) Impairment assessment for right-of-use assets

At 31 December 2022, the Group has performed a review of the recoverable amount of the Group's plants. Based on management's assessment, the results are as follows:

<u>Lipis Plant</u>

The recoverable amount of Lipis Plant is lower than its carrying amount and was based on its value in use. Accordingly, impairment losses on leasehold buildings amounted to RM1,598,000 is recognised in administrative expenses in the statements of profit or loss and other comprehensive income during the financial year.

The key assumptions used in determining the value in use and the sensitivity analysis of Lipis Plant is disclosed in Note 4(b).

<u>Gebeng Plant</u>

The recoverable amount of Gebeng Plant is lower than its carrying amount and was based on its value in use. Accordingly, impairment losses on leasehold buildings amounted to RM1,099,000 is recognised in administrative expenses in the statements of profit or loss and other comprehensive income during the financial year.

The key assumptions used in determining the value in use and the sensitivity analysis of Gebeng Plant is disclosed in Note 4(b).

<u>Simpang Pertang Plant</u>

The fair value of the leasehold buildings is based on valuation report issued by KGV International Property Consultants (M) Sdn. Bhd. dated 18 January 2023, using comparison approach.

Accordingly, impairment losses on leasehold buildings amounted to RM706,000 is recognised in administrative expenses in the statements of profit or loss and other comprehensive income during the financial year.

6. INVESTMENT PROPERTY

	Group	
	2022 RM'000	2021 RM'000
At fair value		
Freehold property		
At 1 January	17,000	-
Transfer from property, plant and equipment (Note 4)	-	17,034
Additions	-	34
Change in fair value recognised in profit or loss	-	(68)
At 31 December	17,000	17,000

6. INVESTMENT PROPERTY (CONT'D)

(a) In the previous financial year, the above investment property has been transferred from property, plant and equipment, as the property's usage has been changed from owner-occupied to investment property.

(b) The freehold investment property of the Group with carrying amount of RM17,000,000 (2021: RM17,000,000) was revalued by an independent firm of professional valuer on 31 December 2022. The independent professional qualified valuer holds recognised relevant professional qualifications and have recent experience in the locations and category of the investment properties being valued. The fair value is within level 2 of the fair value hierarchy. The fair value was determined based on the comparison approach that entails critical analysis of recent evidence of value of comparable properties in the neighbourhood and making adjustments for differences.

There were no transfers between levels during current financial year.

The decrease in fair value of RM68,000 has been recognised in the profit or loss in the previous financial year.

(c) The freehold investment property of the Group with carrying amount of RM17,000,000 (2021: RM17,000,000) is pledged to a licensed bank for credit facility granted to the Group as disclosed in Note 19(a).

(d) The following income and expenses are recognised in profit or loss in respect of the investment property:

	Group	
	2022 RM'000	2021 RM'000
Rental income	3,209	1,001
Direct operating expenses	465	353

7. INVESTMENT IN SUBSIDIARIES

(a) Investment in subsidiaries

	Company	
	2022 RM'000	2021 RM'000
In Malaysia		
Unquoted shares, at cost	304,328	304,328
Less: Accumulated impairment losses	(2,215)	(2,215)
	302,113	302,113
Outside Malaysia		
Unquoted shares, at cost	50	50
Less: Accumulated impairment losses	(50)	(50)
	-	-
	302,113	302,113

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Investment in subsidiaries (Cont'd)

Movements in the allowance for impairment losses of investment in subsidiaries are as follows:

	Company	
	2022 RM'000	2021 RM'000
At 1 January	2,265	1,940
Impairment losses recognised	-	325
At 31 December	2,265	2,265

In the previous financial year, the Company carried out a review of the recoverable amount of the subsidiaries. The review led to the recognition of an impairment losses of RM325,000, which was recognised in administrative expenses in the statements of profit or loss and other comprehensive income.

(b) Details of the subsidiaries are as follows:

Name of company	Place of business/ Country of incorporation	Effective interest 2022 %	2021 %	Principal activities
Direct holding:				
Mieco Manufacturing Sdn. Bhd. ("MMSB")	Malaysia	100	100	Manufacturing and marketing of chipboards and related products
Great Platform Sdn. Bhd. ("GPSB")	Malaysia	100	100	Manufacturing and trading of particle board and medium density fibre board
Mieco Marketing Sdn. Bhd.	Malaysia	100	100	Dormant
Mieco Chemicals Sdn. Bhd.	Malaysia	100	100	Dormant
Mieco Wood Resources Sdn. Bhd.	Malaysia	100	100	Dormant
Mieco International (HK) Limited*	Hong Kong	100	100	Dormant
Tudor Capital Sdn. Bhd.	Malaysia	100	100	Dormant
Aspire Benchmark Sdn. Bhd. ("ABSB")	Malaysia	100	100	Dormant

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Details of the subsidiaries are as follows: (Cont'd)

Name of company	Place of business/ Country of incorporation	Effective interest 2022 %	2021 %	Principal activities
Direct holding: (Cont'd)				
Mieco Reforestation Sdn. Bhd. ("MRSB")	Malaysia	100	100	Dormant
Indirect holding:				
Held through Great Platform Sdn. Bhd.				
Particleboard Malaysia Sdn. Bhd.	Malaysia	100	100	Dormant

* *Not audited by UHY. As the company is dormant, no statutory audit is required under Hong Kong Companies Ordinance.*

As of 31 December 2022, the shares in GPSB with a carrying value of RM7,064,000 (2021: RM7,064,000) has been pledged as security for outstanding of certain term loan as disclosed in Note 19(c).

(c) Internal reorganisation

On 1 November 2021, the Company completed its internal reorganisation exercise by acquired the entire issued and paid-up share capital of Mieco Reforestation Sdn. Bhd. ("MRSB") from Mieco Wood Resources Sdn. Bhd., a wholly-owned subsidiary of the Company for a total consideration of RM2.

(d) Addition of investment in subsidiaries

(i) On 28 December 2021, MMSB, a wholly-owned subsidiary of the Company had increased its issued and paid-up share capital from 50,000,000 to 250,000,000 ordinary shares and RM50,000,000 to RM250,000,000 respectively. The Company has subscribed the additional 200,000,000 ordinary shares in MMSB for a total consideration of RM200,000,000 by way of capitalisation of amount due from MMSB. MMSB remained as a wholly-owned subsidiary of the Company.

(ii) On 28 December 2021, GPSB, a wholly-owned subsidiary of the Company had increased its issued and paid-up share capital from 30,000,000 to 50,000,000 ordinary shares and RM30,000,000 to RM50,000,00 respectively. The Company has subscribed the additional 20,000,000 ordinary shares in GPSB for a total consideration of RM20,000,000 by way of capitalisation of amount due from GPSB. GPSB remained as a wholly-owned subsidiary of the Company.

(iii) On 28 December 2021, MRSB, a wholly-owned subsidiary of the Company had increased its issued and paid-up share capital from 2 to 300,000 ordinary shares and RM2 to RM300,000 respectively. The Company has subscribed the additional 299,998 ordinary shares for a total consideration of RM299,998 in MRSB by way of capitalisation of amount due from MRSB. MRSB remained as a wholly-owned subsidiary of the Company.

There are no significant restrictions on the ability of the subsidiaries to transfer funds to the Group in the form of cash dividends or repayment of loans and advances.

8. AMOUNT DUE FROM/(TO) SUBSIDIARIES

(a) Amount due from subsidiaries

	Note	Company 2022 RM'000	Company 2021 RM'000
Non-current			
Non-trade related			
Interest bearing	(i)	97,733	65,235
Current			
Non-trade related			
Interest bearing	(i)	-	3,600
Non-interest bearing	(ii)	7,250	7,238
		7,250	10,838
		104,983	76,073

Movements in the allowance for impairment losses of amount due from subsidiaries are as follows:

	Company 2022 RM'000	Company 2021 RM'000
At 1 January	-	1,685
Reversal of impairment losses	-	(1,685)
At 31 December	-	-

(i) Included in the amount due from subsidiaries of the Company are:

(a) RMNil (2021: RM5,748,000) which represents unsecured, interest bearing loan at effective interest rate of Nil (2021: 10.00%) per annum and repayable in Nil (2021: 2 years).

(b) RM97,733,000 (2021: RM63,087,000) which represent unsecured, interest bearing advances at effective interest rate of 2.80% (2021: 1.80%) per annum and repayable on demand.

(ii) This represents unsecured, non-interest bearing advances and repayable in 365 days (2021: 365 days).

(b) Amount due to subsidiaries

This represents unsecured, non-interest bearing advances and repayable on demand.

9. DEFERRED TAX ASSETS

	Group	
	2022 RM'000	2021 RM'000
At 1 January	9,873	5,147
Recognised in profit or loss (Note 25)	(2,839)	4,726
At 31 December	7,034	9,873

The net deferred tax assets shown on the statements of financial position after appropriate offsetting are as follows:

	Group	
	2022 RM'000	2021 RM'000
Deferred tax assets	7,034	9,873

The components and movements of the deferred tax assets and liabilities of the Group are as follows:

	Provisions RM'000	Right-of-use assets and lease liabilities RM'000	Unutilised capital allowances RM'000	Unutilised investment tax allowances RM'000	Unused tax losses RM'000	Total RM'000
Group						
Deferred tax assets						
At 1 January 2022	6,188	8	47,493	25,022	-	78,711
Recognised in profit or loss	(1,777)	(1)	1,344	(7,039)	-	(7,473)
Under/(Over) provision in prior year	1	-	4,853	(2,380)	-	2,474
At 31 December 2022 (before offsetting)	4,412	7	53,690	15,603	-	73,712
Less: Offsetting						(66,678)
At 31 December 2022 (after offsetting)						7,034
At 1 January 2021	6,966	7	50,910	16,330	937	75,150
Recognised in profit or loss	(780)	1	(3,824)	9,172	-	4,569
Under/(Over) provision in prior year	2	-	407	(480)	(937)	(1,008)
At 31 December 2021 (before offsetting)	6,188	8	47,493	25,022	-	78,711
Less: Offsetting						(68,838)
At 31 December 2021 (after offsetting)						9,873

9. DEFERRED TAX ASSETS (CONT'D)

The components and movements of the deferred tax assets and liabilities of the Group are as follows: (Cont'd)

	Accelerated capital allowances RM'000
Group	
Deferred tax liabilities	
At 1 January 2022	(68,838)
Recognised in profit or loss	4,634
Under provision in prior year	(2,474)
At 31 December 2022 (before offsetting)	(66,678)
Less: Offsetting	66,678
At 31 December 2022 (after offsetting)	-
At 1 January 2021	(70,003)
Recognised in profit or loss	157
Over provision in prior year	1,008
At 31 December 2021 (before offsetting)	(68,838)
Less: Offsetting	68,838
At 31 December 2021 (after offsetting)	-

The deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Provisions	437	636	437	636
Right-of-use assets and lease liabilities	3	-	3	-
Unutilised capital allowances	19,662	10,048	6	-
Unutilised investment tax allowances	367,684	338,354	-	-
Unused tax losses	23,592	26,345	477	3,230
	411,378	375,383	923	3,866

The deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen from subsidiaries that have recent history of losses.

9. DEFERRED TAX ASSETS (CONT'D)

Pursuant to Section 8 of the Finance Act 2021 (Act 833) and the amendment to Section 44(5F) of the Income Tax Act 1967, effective from year of assessment 2019 onwards, the time limit on the carried forward unused tax losses has been extended to maximum of ten (10) consecutive years of assessment. Any unused tax losses accumulated up to the year of assessment 2018 can be carried forward for another ten (10) consecutive years of assessment (ie: from year of assessment 2019 to 2028) under the current tax legislation.

The recognised and unrecognised unused tax losses shall be disregarded after the end of the year of assessment as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
2028	23,372	26,125	477	3,230
2029	220	220	-	-
	23,592	26,345	477	3,230

10. INVENTORIES

	Group	
	2022 RM'000	2021 RM'000
Raw materials	8,673	10,132
Work-in-progress	1,453	1,964
Finished goods	22,796	28,493
Spares and consumables	20,657	21,084
Goods-in-transit	1,861	741
	55,440	62,414
Recognised in profit or loss		
Inventories recognised as cost of sales	197,852	199,857
Inventories written down to net realisable value	801	-
Inventories written off	-	32
Reversal of inventories written down	-	(1,007)

11. TRADE RECEIVABLES

	Group 2022 RM'000	Group 2021 RM'000
Trade receivables		
- Related party	2	-
- Third parties	29,927	69,414
	29,929	69,414
Less: Accumulated impairment losses	(1,083)	(1,432)
	28,846	67,982

Related party represents a company in which certain Directors of the Group are also the director and/or shareholder who have substantial financial interests.

Trade receivables of the Group are non-interest bearing and are generally on 1 to 120 days (2021: 1 to 90 days) terms. Other credit terms are assessed and approved on a case by case basis. Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables of the Group amounting to RM2,900,000 (2021: RM2,800,000) is secured by bank guarantee made in favour of the Group.

Movements in the allowance for impairment losses on trade receivables are as follows:

	Lifetime allowance RM'000	Credit impaired RM'000	Loss allowance RM'000
Group			
At 1 January 2022	320	1,112	1,432
Reversal of impairment losses	(297)	(20)	(317)
Written off	-	(32)	(32)
At 31 December 2022	23	1,060	1,083
At 1 January 2021	289	3,727	4,016
Impairment losses recognised	31	651	682
Reversal of impairment losses	-	(3,266)	(3,266)
At 31 December 2021	320	1,112	1,432

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

11. TRADE RECEIVABLES (CONT'D)

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

	Gross amount RM'000	Loss allowance RM'000	Net amount RM'000
Group			
2022			
Not past due	22,144	(15)	22,129
Past due			
Less than 30 days	6,235	(8)	6,227
31 to 60 days	392	-	392
More than 90 days	98	-	98
	6,725	(8)	6,717
Credit Impaired			
Individually impaired	1,060	(1,060)	-
	29,929	(1,083)	28,846
2021			
Not past due	53,097	(233)	52,864
Past due			
Less than 30 days	14,611	(78)	14,533
31 to 60 days	450	(2)	448
More than 90 days	144	(7)	137
	15,205	(87)	15,118
Credit Impaired			
Individually impaired	1,112	(1,112)	-
	69,414	(1,432)	67,982

Trade receivables that are not past due nor individually impaired are creditworthy debtors with good payment records with the Group.

As at 31 December 2022, gross trade receivables of RM6,725,000 (2021: RM15,205,000) were past due but not individually impaired. These relate to a number of independent customers from whom there is no recent history of default.

The trade receivables of the Group that are individually assessed to be impaired amounting to RM1,060,000 (2021: RM1,112,000). These relate to a number of independent customers that are in financial difficulties and have defaulted on payments.

12. OTHER RECEIVABLES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other receivables				
- Related party	1,102	-	-	-
- Third parties	12,579	13,660	191	169
	13,681	13,660	191	169
Deposits	7,458	11,659	5	5
Prepayments	1,343	1,205	8	30
Goods and Services Tax receivable	3	3	2	3
	22,485	26,527	206	207
Less: Accumulated impairment losses				
- Other receivables	(7,706)	(7,706)	(54)	(54)
- Deposits	(9)	(9)	-	-
	(7,715)	(7,715)	(54)	(54)
	14,770	18,812	152	153

(a) Related party represents a company in which a Director of the Company has substantial financial interest.

(b) In the previous financial year, included in deposits of the Group is an amount of RM595,000, paid for the acquisition of leasehold lands. The acquisition has been completed during the financial year.

13. DERIVATIVE FINANCIAL ASSETS

The Group's derivatives comprise solely forward foreign exchange contracts, entered into with a licensed bank to hedge its exposures to foreign exchange risk arising from its export sales of goods denominated in United States Dollar ("USD"). The forward foreign exchange contracts generally have a maturity period between 1 to 6 months.

Details of the Group's derivative financial instruments are outlined below:

	Group			
	Contract amount		Financial assets	
	2022 USD'000	2021 USD'000	2022 RM'000	2021 RM'000
Derivatives held for trading at fair value through profit or loss				
- Forward foreign exchange contracts	-	642	-	8

14. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed banks of the Group and of the Company have been pledged as securities for the banking facilities granted to the Group as disclosed in Note 19(b).

The maturity of the fixed deposits of the Group and of the Company are 365 days and 365 days (2021: 365 days and 365 days) respectively.

The weighted average interest rates of the fixed deposits of the Group and of the Company are as follows:

	Group		Company	
	2022 %	2021 %	2022 %	2021 %
Fixed deposits with licensed banks	2.25	1.66	1.55	1.55

15. SHARE CAPITAL

	Group/Company			
	Number of shares		Amount	
	2022 Units ('000)	2021 Units ('000)	2022 RM'000	2021 RM'000
Issued and fully paid ordinary shares				
At 1 January	1,000,000	525,000	276,666	215,866
Issuance of ordinary shares				
- Bonus issue	-	315,000	-	-
- Private placement	-	160,000	-	60,800
At 31 December	1,000,000	1,000,000	276,666	276,666

In the previous financial year, the Company issued:

(a) 314,999,966 new ordinary shares through a bonus issue on the basis of 3 bonus shares for every 5 existing ordinary shares held in the Company; and

(b) 160,000,000 new ordinary shares pursuant to the private placement at an issue price of RM0.38 per placement share for a total cash consideration of RM60,800,000.

The new ordinary shares issued rank pari passu in all respect with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

16. RESERVES

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Non-distributable				
Foreign currency translation reserve	(54)	(35)	-	-
Distributable				
Retained earnings	114,993	146,682	156,892	154,349
	114,939	146,647	156,892	154,349

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

17. OTHER PAYABLES

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Non-current					
Other payables	(a)	-	2,149	-	2,149
Current					
Other payables					
- Related party	(b)	-	317	-	-
- Third parties	(a)	25,644	23,075	18,327	3,955
		25,644	23,392	18,327	3,955
Accruals		4,184	7,297	536	804
Deposits received		3,756	4,409	-	-
		33,584	35,098	18,863	4,759

(a) In the previous financial year, included in the other payables of the Group and of the Company is a loan from a third party of RM5,993,000 which is unsecured, interest bearing at effective interest rate of 10.00% per annum and repayable in 2 years.

(b) Related party represents a company in which a Director of the Company has substantial financial interest.

18. LEASE LIABILITIES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	1,587	2,085	31	32
Additions	11,958	-	-	-
Accretion of interest	274	68	2	2
Payments	(1,909)	(566)	(3)	(3)
Termination of lease contract	(1)	-	-	-
At 31 December	11,909	1,587	30	31
Presented as:				
Non-current	9,130	1,174	29	30
Current	2,779	413	1	1
	11,909	1,587	30	31

The maturity analysis of lease liabilities of the Group and of the Company at the end of the reporting period are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Minimum lease payments				
Within one year	3,255	469	3	3
Later than one year but not later than two years	3,253	455	3	3
Later than two years but not later than five years	7,323	815	9	9
Later than five years	35	39	36	39
	13,866	1,778	51	54
Less: Future finance charges	(1,957)	(191)	(21)	(23)
Present value of lease liabilities	11,909	1,587	30	31

The Group leases various leasehold land and buildings, motor vehicles, plant and machineries, buildings and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The weighted average incremental borrowing rate applied to lease liabilities of the Group and of the Company at the reporting date are 3.38% and 6.76% (2021: 3.08% and 6.76%) respectively.

19. BANK BORROWINGS

	Group	
	2022 RM'000	2021 RM'000
Secured		
Bank overdraft	1,344	779
Bankers' acceptance	64,596	89,690
Revolving credit	14,000	14,000
Term loans	75,714	92,195
	155,654	196,664
Non-current		
Term loans	65,230	80,699
Current		
Bank overdraft	1,344	779
Bankers' acceptance	64,596	89,690
Revolving credit	14,000	14,000
Term loans	10,484	11,496
	90,424	115,965
	155,654	196,664

The bank overdraft, bankers' acceptance, revolving credit and term loans are secured by the followings:

(a) legal charge over freehold land and buildings, leasehold land and buildings and plant and machinery of certain subsidiaries as disclosed in Notes 4(a), 5(a) and 6(c) respectively;

(b) fixed deposits of certain subsidiaries as disclosed in Note 14;

(c) legal charge over shares of a subsidiary, GPSB, as disclosed in Note 7(b);

(d) specific debenture over the new equipment financed by the bank to be installed on the freehold land and buildings of a subsidiary; and

(e) corporate guarantee by the Company.

Maturity of the bank borrowings of the Group are as follows:

	Group	
	2022 RM'000	2021 RM'000
Within one year	90,424	115,965
Between one and two years	9,639	10,490
Between two and five years	39,982	39,826
After five years	15,609	30,383
	155,654	196,664

19. BANK BORROWINGS (CONT'D)

The weighted average interest rates per annum of the bank borrowings of the Group at the reporting date are as follows:

	Group	
	2022 %	2021 %
Bank overdraft	8.06	6.76
Bankers' acceptance	5.17	4.10
Revolving credit	5.71	4.50
Term loans	6.89	5.80

20. EMPLOYEE DEFINED BENEFIT PLAN

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Present value of defined benefit obligations	8,884	16,049	355	554

The Group and the Company operate an unfunded retirement benefit for those employees who are eligible under the Group and the Company employment policy. The latest actuarial valuation of the plan was carried out on 13 February 2023.

The movement in the present value of defined benefit obligations of the Group and of the Company are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	16,049	15,344	554	480
Recognised in profit or loss:				
- Current service costs	900	897	57	56
- Loss on settlement	345	-	1	-
- Interest expenses	608	577	20	18
Business combination/divestitures/transfers	-	-	(61)	-
Remeasurement recognised in other comprehensive income:				
- Effects of changes in financial assumptions	(1,350)	-	(105)	-
- Effect of experience adjustment	(684)	-	(80)	-
Benefits paid by the plan	(6,984)	(769)	(31)	-
At 31 December	8,884	16,049	355	554

20. EMPLOYEE DEFINED BENEFIT PLAN (CONT'D)

The principal actuarial assumptions at the end of the reporting period are:

	Group		Company	
	2022 %	2021 %	2022 %	2021 %
Discount rate	5.30	3.90	5.30	3.90
Expected rate of salary increases	5.00	5.00	5.00	5.00

At 31 December 2022, the Group's and the Company's weighted average duration of the defined benefit obligation was 10 years and 13 years (2021: 10 years and 15 years) respectively.

Sensitivity analysis

The effect of changes in the principal actuarial assumptions on the present value of unfunded obligations of the Group and of the Company are as follows:

	Group		Company	
	+1% RM'000	-1% RM'000	+1% RM'000	-1% RM'000
2022				
(Decrease)/Increase of present value of the unfunded obligations				
- Discount rate	(784)	912	(42)	50
- Expected salary	862	(757)	48	(41)
2021				
(Decrease)/Increase of present value of the unfunded obligations				
- Discount rate	(1,470)	1,715	(70)	85
- Expected salary	1,761	(1,538)	86	(72)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

21. TRADE PAYABLES

	Group	
	2022 RM'000	2021 RM'000
Trade payables		
- Related party	321	1,473
- Third parties	34,276	59,245
	34,597	60,718

Related party represents a company in which a Director of the Company have substantial financial interest.

The normal trade credit term granted to the Group range from 1 to 90 days (2021: 7 to 90 days) depending on the terms of the contracts.

22. REVENUE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue from contracts with customers				
Sale of goods	328,264	372,768	-	-
Management fees from subsidiaries	-	-	5,283	5,724
Total revenue from contracts with customers	328,264	372,768	5,283	5,724
Revenue from other source				
Dividend income from subsidiaries	-	-	-	23,257
Total revenue from other source	-	-	-	23,257
	328,264	372,768	5,283	28,981
Timing of revenue recognition				
At a point in time	328,264	372,768	-	-
Over time	-	-	5,283	5,724
Total revenue from contracts with customers	328,264	372,768	5,283	5,724

22. REVENUE (CONT'D)

Breakdown of Group's revenue from contracts with customers:

	Manufacturing and sales of wood based products 2022 RM'000	2021 RM'000
Geographical market		
Malaysia	305,917	341,711
Hong Kong and China	5,819	3,076
Others	16,528	27,981
	328,264	372,768

23. FINANCE COSTS

	Group 2022 RM'000	2021 RM'000	Company 2022 RM'000	2021 RM'000
Interest expenses on:				
Bank overdraft	40	5	-	-
Bankers' acceptance	2,530	2,828	-	-
Foreign currency trade financing	82	574	-	-
Revolving credit	652	647	-	-
Term loans	5,262	5,391	-	-
Lease liabilities	274	68	2	2
Other payables	259	799	259	770
	9,099	10,312	261	772
Less: Recovery of interest from a subsidiary in respect of advances from a third party	-	-	(259)	(770)
	9,099	10,312	2	2

24. (LOSS)/PROFIT BEFORE TAX

(Loss)/Profit before tax is arrived at after charging/(crediting):

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Auditors' remuneration				
- Statutory audit	216	216	55	55
- Other	5	5	5	5
Depreciation of:				
- Property, plant and equipment	25,982	29,576	14	16
- Right-of-use assets	3,823	2,680	1	2
Fair value losses on:				
- Investment property	-	68	-	-
- Derivative financial instruments	8	38	-	-
Impairment losses on:				
- Investment in subsidiaries	-	-	-	325
- Property, plant and equipment	11,728	3,062	-	-
- Right-of-use assets	3,403	-	-	-
- Trade receivables	-	682	-	-
Inventories written down to net realisable value	801	-	-	-
Inventories written off	-	32	-	-
Leases expenses relating to short-term leases	-	200	-	-
(Gain)/Loss on disposal of property, plant and equipment	(125)	3	-	-
Non-executive Directors' remuneration				
- Fees	188	175	188	175
- Allowances	34	39	34	39
Property, plant and equipment written off	333	101	-	-
Provision for employee defined benefit plan	1,853	1,474	78	74
Waiver of debts	-	-	9	147
Gain from insurance claims	(312)	(22)	-	-
Gain on foreign exchange:				
- Realised	(2,796)	(941)	-	-
- Unrealised	(298)	(57)	-	-
Interest income from:				
- Licensed banks	(979)	(160)	(815)	(16)
- Subsidiaries	-	-	(1,938)	(1,244)
Rental income	(4,676)	(2,104)	-	-
Reversal of inventories written down	-	(1,007)	-	-
Reversal of impairment losses on:				
- Amount due from subsidiaries	-	-	-	(1,685)
- Property, plant and equipment	-	(9,625)	-	-
- Right-of-use assets	-	(3,388)	-	-
- Trade receivables	(317)	(3,266)	-	-

25. TAXATION

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Tax expenses recognised in profit or loss				
Malaysian income tax				
Current tax provision	563	196	-	-
Over provision in prior year	(159)	-	-	-
	404	196	-	-
Deferred tax (Note 9)				
Relating to origination and reversal of temporary differences	2,839	(4,726)	-	-
	3,243	(4,530)	-	-

Malaysian income tax is calculated at the statutory tax rate of 24% (2021: 24%) of the estimated assessable profits for the financial year.

A reconciliation of income tax expenses applicable to (loss)/profit before tax at the statutory income tax rate to income tax expenses at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(Loss)/Profit before tax	(30,480)	22,975	2,358	25,284
At Malaysian statutory tax rate of 24% (2021: 24%)	(7,315)	5,514	566	6,068
Income not subject to tax	(434)	(1,857)	-	(5,880)
Expenses not deductible for tax purposes	2,512	1,773	140	259
Deferred tax assets not recognised	8,639	(9,960)	(706)	(447)
Over provision of income tax in prior year	(159)	-	-	-
Tax expenses for the financial year	3,243	(4,530)	-	-

On 5 May 2014, Malaysian Investment Development Authority ("MIDA") has approved the application of the "Pioneer Status" under Promotions of Investment Act, 1986, of which 70% of the statutory income from the manufacturing of medium density fibreboard is exempted from tax for a year of 5 years for Great Platform Sdn. Bhd. ("GPSB"), a wholly-owned subsidiary of the Company. GPSB has on 21 July 2017 obtained pioneer certificate from MIDA stating it will be able to enjoy pioneer status starting from 1 November 2016 to 31 October 2021 for pioneer activity of producing medium density fibreboard.

25. TAXATION (CONT'D)

	Group	
	2022 RM'000	2021 RM'000
Tax saving arising from utilisation of tax losses not recognised in prior years	2,753	2,363

The Group and the Company have the following estimated unutilised capital allowances, unutilised investment tax allowances and unused tax losses available for carry forward to offset against future taxable profits. The said amounts are subject to approval by the tax authorities.

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unutilised capital allowances	243,370	228,156	6	-
Unutilised investment tax allowances	432,697	432,696	-	-
Unused tax losses	23,592	26,345	477	3,230
	699,659	687,197	483	3,230

26. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The basic (loss)/earnings per share are calculated based on the consolidated (loss)/profit for the financial year attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2022	2021
(Loss)/Profit attributable to the owners of the parent (RM'000)	(33,723)	27,505
Weighted average number of ordinary shares in issue (in thousand of shares)		
- Ordinary shares in issue at 1 January	1,000,000	525,000
- Bonus issue	-	315,000
- Effect of private placement	-	3,945
Weighted average number of ordinary shares in issue at 31 December (in thousand of shares)	1,000,000	843,945
Basic (loss)/earnings per ordinary share (sen)	(3.37)	3.26

(b) Diluted (loss)/earnings per share

The Group has no dilution in their (loss)/earnings per ordinary share as there are no dilutive potential ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the reporting period and before the authorisation of these financial statements.

27. STAFF COSTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Salaries, wages and other emoluments	23,541	23,350	4,162	4,080
Defined contribution plans	2,634	2,672	506	502
Employee defined benefit plans	1,853	1,474	78	74
Social security contributions	379	400	14	14
Other benefits	6,836	8,352	203	469
	35,243	36,248	4,963	5,139

The staff costs of the Group and of the Company does not include the estimated monetary value of benefit-in-kind amounting to RM28,000 and RM28,000 (2021: RM28,000 and RM28,000) respectively.

Included in the staff costs above is aggregate amount of remuneration received/receivable by the Executive Directors of the Company during the financial year as below:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Executive Directors of the Company				
Salaries and other emoluments	3,222	3,222	3,222	3,222
Defined contribution plans	387	387	387	387
Social security contributions	2	2	2	2
	3,611	3,611	3,611	3,611

The Directors' remuneration of the Group and of the Company does not include the estimated monetary value of benefit-in-kind amounting to RM28,000 and RM28,000 (2021: RM28,000 and RM28,000) respectively.

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below shows the details changes in the liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes:

	Note	At 1 January RM'000	Financing cash flows (i) RM'000	New lease [Note 5(d)] RM'000	Other changes (ii) RM'000	At 31 December RM'000
Group						
2022						
Lease liabilities	18	1,587	(1,635)	11,958	(1)	11,909
Bankers' acceptance	19	89,690	(25,094)	-	-	64,596
Revolving credit	19	14,000	-	-	-	14,000
Term loans	19	92,195	(16,481)	-	-	75,714
		197,472	(43,210)	11,958	(1)	166,219
2021						
Lease liabilities	18	2,085	(498)	-	-	1,587
Bankers' acceptance	19	87,185	2,505	-	-	89,690
Revolving credit	19	14,000	-	-	-	14,000
Term loans	19	101,338	(9,143)	-	-	92,195
		204,608	(7,136)	-	-	197,472

	Note	At 1 January RM'000	Financing cash flows (i) RM'000	At 31 December RM'000
Company				
2022				
Lease liabilities	18	31	(1)	30
2021				
Lease liabilities	18	32	(1)	31

(i) The financing cash flows include the net amount of proceeds from or repayment of bankers' acceptance and revolving credit and repayment of lease liabilities and term loans in the statements of cash flows.

(ii) Other changes represent termination of lease contracts.

29. FINANCIAL GUARANTEES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unsecured				
Corporate guarantee given to licensed banks for banking facilities granted to subsidiaries	-	-	155,654	199,367
Secured				
Banker's guarantee in favour of third parties	7,202	6,636	-	-

The Group has provided financial guarantee amounted to RM5,154,000 (2021: RM5,100,000) to Tenaga Nasional Berhad for the rental of certain electricity equipment and for the supply of electricity.

30. CAPITAL COMMITMENTS

	Group	
	2022 RM'000	2021 RM'000
Approved and contracted for:		
Purchase of property, plant and equipment	3,172	9,657
Share sale agreement for proposed acquisition of a subsidiary	50,000	50,000
	53,172	59,657

31. RELATED PARTY DISCLOSURES

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

31. RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant related party transactions

Related party transactions have been entered into the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the Group and the Company have the following transactions with related parties during the financial year:

	2022 RM'000	2021 RM'000
Group		
Transactions with companies in which certain Directors of the Company are also the Directors and/or shareholders that have substantial financial interests		
Sales	3,592	3,404
Rental received/receivable	1,443	456
Lease expenses paid/payable	96	96
Purchases	9,432	11,131
Commission paid/payable	2	10
Company		
Transactions with subsidiaries		
Dividend income received	-	23,257
Interest back charged received/receivable	259	770
Interest on advances received/receivable	1,938	1,244
Management fee received/receivable	5,283	5,724
Waiver of debts	9	147

(c) Compensation of key management personnel

Information regarding compensation of key management personal are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fees	188	175	188	175
Salaries and other emoluments	3,256	3,261	3,256	3,261
Defined contribution plans	387	387	387	387
Social security contributions	2	2	2	2
	3,833	3,825	3,833	3,825

The Directors' remuneration of the Group and of the Company does not include the estimated monetary value of benefit-in-kind amounting to RM28,000 and RM28,000 (2021: RM28,000 and RM28,000) respectively.

32. SEGMENT INFORMATION

The Group operates principally within one segment, that is, manufacturing and sales of wood based products. Other operation of the Group comprises investment holding which is not of sufficient size to be reported separately. This is consistent with the internally generated reports reviewed by Board of Directors to make strategic decisions.

Geographical segments

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

	Revenue		Total assets		Capital expenditure*	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Group						
Malaysia	305,917	341,711	636,484	735,714	19,753	9,052
Hong Kong and China	5,819	3,076	-	-	-	-
Others	16,528	27,981	-	-	-	-
	328,264	372,768	636,484	735,714	19,753	9,052

* Capital expenditure consist of addition of property, plant and equipment, right-of-use assets and investment property.

Major customers

The Group has large and diversified customers base which consists of individuals and corporations. There was no single customer that contributed 10% or more of the Group's revenue.

33. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and financial liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Financial assets at amortised cost RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
Group			
2022			
Financial assets			
Trade receivables	28,846	-	28,846
Other receivables	13,424	-	13,424
Fixed deposits with licensed banks	9,755	-	9,755
Cash and bank balances	58,116	-	58,116
	110,141	-	110,141
Financial liabilities			
Trade payables	-	34,597	34,597
Other payables	-	33,584	33,584
Lease liabilities	-	11,909	11,909
Bank borrowings	-	155,654	155,654
	-	235,744	235,744

33. FINANCIAL INSTRUMENTS (CONT'D)

(a) Classification of financial instruments (Cont'd)

The following table analyses the financial assets and financial liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis: (Cont'd)

	Financial assets at FVTPL RM'000	Financial assets at amortised cost RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
Group				
2021				
Financial assets				
Trade receivables	-	67,982	-	67,982
Other receivables	-	17,604	-	17,604
Derivative financial assets	8	-	-	8
Fixed deposits with licensed banks	-	9,593	-	9,593
Cash and bank balances	-	78,952	-	78,952
	8	174,131	-	174,139
Financial liabilities				
Trade payables	-	-	60,718	60,718
Other payables	-	-	37,247	37,247
Lease liabilities	-	-	1,587	1,587
Bank borrowings	-	-	196,664	196,664
	-	-	296,216	296,216

33. FINANCIAL INSTRUMENTS (CONT'D)

(a) Classification of financial instruments (Cont'd)

The following table analyses the financial assets and financial liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis: (Cont'd)

	Financial assets at amortised cost RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
Company			
2022			
Financial assets			
Other receivables	142	-	142
Amount due from subsidiaries	104,983	-	104,983
Fixed deposits with licensed banks	218	-	218
Cash and bank balances	45,334	-	45,334
	150,677	-	150,677
Financial liabilities			
Other payables	-	18,863	18,863
Amount due to subsidiaries	-	44	44
Lease liabilities	-	30	30
	-	18,937	18,937
2021			
Financial assets			
Other receivables	120	-	120
Amount due from subsidiaries	76,073	-	76,073
Fixed deposits with licensed banks	215	-	215
Cash and bank balances	60,829	-	60,829
	137,237	-	137,237
Financial liabilities			
Other payables	-	6,908	6,908
Amount due to subsidiaries	-	939	939
Lease liabilities	-	31	31
	-	7,878	7,878

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency and interest rate risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks. The Company's exposure to credit risk arises principally from deposits with banks, amount due from subsidiaries and financial guarantees given to licensed banks for banking facilities granted to certain subsidiaries. There are no significant changes as compared to prior year.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposits with banks with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company provides unsecured advances to its subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

At each reporting date, the Group assesses whether any of the receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting period represents the Group's and the Company's maximum exposure to credit risk.

The Group's credit exposures are concentrated mainly on 2 (2021: 2) debtors, which accounted for 38% (2021: 29%) of total trade receivables balance at the end of the reporting period. There are no other customers which individually represents more than 10% of the total trade receivables balance. The Company has no significant concentration of credit risks except for advances to its subsidiaries where risks of default have been assessed to be low.

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(i) Credit risk (Cont'd)

Financial guarantees

The Company provides unsecured financial guarantees to licensed banks for credit facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

The Company's maximum exposure to credit risk is RM155,654,000 (2021: RM199,367,000), representing the outstanding credit facilities of the subsidiaries at the end of the reporting period. There was no indication that any subsidiary would default on repayment at the end of the reporting period.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand or within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	After 5 years RM'000	Total contractual cash flows RM'000	Total carrying amount RM'000
Group						
2022						
Non-derivative financial liabilities						
Trade payables	34,597	-	-	-	34,597	34,597
Other payables	33,584	-	-	-	33,584	33,584
Lease liabilities	3,255	3,253	7,323	35	13,866	11,909
Bank borrowings	95,245	13,871	47,303	17,281	173,700	155,654
Financial guarantees* (Note 29)	7,202	-	-	-	7,202	-
	173,883	17,124	54,626	17,316	262,949	235,744

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. (Cont'd)

	On demand or within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	After 5 years RM'000	Total contractual cash flows RM'000	Total carrying amount RM'000
Group						
2021						
Non-derivative financial liabilities						
Trade payables	60,718	-	-	-	60,718	60,718
Other payables	35,153	2,222	-	-	37,375	37,247
Lease liabilities	469	455	815	39	1,778	1,587
Bank borrowings	118,104	12,655	46,257	44,354	221,370	196,664
Financial guarantees* (Note 29)	6,636	-	-	-	6,636	-
	221,080	15,332	47,072	44,393	327,877	296,216
Company						
2022						
Non-derivative financial liabilities						
Other payables	18,863	-	-	-	18,863	18,863
Amount due to subsidiaries	44	-	-	-	44	44
Lease liabilities	3	3	9	36	51	30
Financial guarantees* (Note 29)	155,653	-	-	-	155,653	-
	174,563	3	9	36	174,611	18,937
2021						
Non-derivative financial liabilities						
Other payables	4,814	2,222	-	-	7,036	6,908
Amount due to subsidiaries	939	-	-	-	939	939
Lease liabilities	3	3	9	39	54	31
Financial guarantees* (Note 29)	199,367	-	-	-	199,367	-
	205,123	2,225	9	39	207,396	7,878

* Based on the maximum amount that can be called for under the financial guarantee contracts.

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks

(a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Euro ("EUR"), Chinese Renminbi ("RMB") and Swiss Franc ("CHF").

The Group's objective is to mitigate foreign exchange exposure to an acceptable level against pre-determined limits and impact to the statements of profit or loss and other comprehensive income. The Group monitors its foreign currency denominated assets and liabilities and uses hedging instrument such as forward contracts as well as maintaining funds in foreign currencies at appropriate levels to support operating cash flows requirement. The Group's policy requires all transactions for hedging foreign currency exchange risk exposure be executed within the parameters approved by the Board of Directors.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Denominated in				
	USD RM'000	EUR RM'000	RMB RM'000	CHF RM'000	Total RM'000
Group					
2022					
Monetary assets					
Trade receivables	820	-	180	-	1,000
Other receivables	6,150	2,822	8	-	8,980
Cash and bank balances	974	-	2	-	976
Monetary liabilities					
Trade payables	(35)	(3,070)	(114)	(17)	(3,236)
Other payables	(66)	-	-	-	(66)
	7,843	(248)	76	(17)	7,654

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(a) Foreign currency risk (Cont'd)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows: (Cont'd)

	Denominated in				
	USD RM'000	EUR RM'000	RMB RM'000	CHF RM'000	Total RM'000
Group					
2021					
Monetary assets					
Trade receivables	1,592	-	31	-	1,623
Other receivables	9,987	734	904	-	11,625
Cash and bank balances	1,155	-	2	-	1,157
Monetary liabilities					
Trade payables	(832)	(1,506)	(118)	(7)	(2,463)
Other payables	(8,637)	-	-	-	(8,637)
	3,265	(772)	819	(7)	3,305
Less: Trade receivables hedged using forward foreign exchange contracts*	(1,592)	-	-	-	(1,592)
	1,673	(772)	819	(7)	1,713

* Trade receivables denominated in USD are being hedged using forward foreign exchange contracts.

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(a) Foreign currency risk (Cont'd)

Foreign currency risk sensitivity

The following table demonstrates the sensitivity of the Group's (loss)/profit before tax to a reasonably possible change in the USD, EUR, RMB and CHF exchange rates against RM with all other variables held constant.

	Effects on (loss)/ profit before tax	
	2022 RM'000	2021 RM'000
Group		
Change in currency rate		
USD		
- Strengthened by 5% (2021: 5%)	392	84
- Weakened by 5% (2021: 5%)	(392)	(84)
EUR		
- Strengthened by 5% (2021: 5%)	(12)	(39)
- Weakened by 5% (2021: 5%)	12	39
RMB		
- Strengthened by 5% (2021: 5%)	4	41
- Weakened by 5% (2021: 5%)	(4)	(41)
CHF		
- Strengthened by 5% (2021: 5%)	(1)	-
- Weakened by 5% (2021: 5%)	1	-

(b) Interest rate risk

The Group's and the Company's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates.

The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(b) Interest rate risk (Cont'd)

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained.

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts at the end of the reporting period was:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fixed rate instruments:				
Financial assets				
Amount due from subsidiaries	-	-	-	5,748
Fixed deposits with licensed banks	9,755	9,593	218	215
	9,755	9,593	218	5,963
Financial liabilities				
Other payables	-	(5,993)	-	(5,993)
Lease liabilities	(11,909)	(1,587)	(30)	(31)
	(11,909)	(7,580)	(30)	(6,024)
Floating rate instruments:				
Financial asset				
Amount due from subsidiaries	-	-	97,733	63,087
Financial liabilities				
Bank overdraft	(1,344)	(779)	-	-
Bankers' acceptance	(64,596)	(89,690)	-	-
Revolving credit	(14,000)	(14,000)	-	-
Term loans	(75,714)	(92,195)	-	-
	(155,654)	(196,664)	-	-
	(155,654)	(196,664)	97,733	63,087

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(b) Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have (increased)/decreased the Group's loss before tax by RM1,557,000 (2021: (decreased)/increased the Group's profit before tax by RM1,967,000) and (decreased)/increased the Company's profit before tax by RM977,000 (2021: (decreased)/increased the Company's profit before tax by RM631,000) respectively, arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings and lower/higher interest income on floating rate loans and advances respectively. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(c) Fair value of financial instruments

The carrying amounts of short-term receivables and payables, cash and cash equivalents and short-term borrowings approximate their fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

The carrying amount of long-term floating rate borrowings approximate their fair value as the borrowings will be re-priced to market interest rate on or near reporting date.

It was not practicable to estimate the fair value of investment in unquoted equity due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The table below analyses financial instruments carried at fair value, together with their fair value and carrying amount shown in the statements of financial position.

	Fair value of financial instruments carried at fair value				Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000
Group					
2021					
Financial assets					
Derivative financial assets	-	8	-	8	8

The fair value above has been determined using the following basis:

- The fair value of forward foreign exchange contracts are determined by discounting the difference between the contractual forward prices and the current forward prices for the residual maturity of the contracts using a risk-free interest rate.

Transfer between levels of fair value hierarchy

There is no transfer between levels of fair value hierarchy during the financial year.

34. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by total equity. The Group and the Company include within net debt, lease liabilities and bank borrowings less cash and bank balances. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants. The gearing ratios at the end of the reporting period are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Lease liabilities	11,909	1,587	30	31
Bank borrowings	155,654	196,664	-	-
	167,563	198,251	30	31
Less: Cash and bank balances	(58,116)	(78,952)	(45,334)	(60,829)
Net debt/(Excess fund)	109,447	119,299	(45,304)	(60,798)
Total equity	391,605	423,313	433,558	431,015
Gross gearing ratio (times)	0.43	0.47	*	*
Net gearing ratio (times)	0.28	0.28	*	*

* The gearing ratio of the Company at the end of the reporting period is not applicable as its cash and bank balances is sufficient to cover the entire obligation.

There was no changes in the Group's approach to capital management during the financial year.

35. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENT TO THE END OF REPORTING PERIOD

The Company had on 6 October 2021, entered into conditional share sale agreement ("SSA") with SYF Resources Berhad ("SYF") for the acquisition of the entire equity interest in Seng Yip Furniture Sdn. Bhd. ("Seng Yip Furniture"), a wholly-owned subsidiary of SYF, for a purchase consideration of RM50,000,000 to be satisfied entirely via cash ("Proposed Acquisition").

On 28 January 2022, the Company and SYF had mutually agreed to further extend the conditional period of the SSA dated 6 October 2021 until 5 May 2022 ("Extension"). The Extension was made in order to grant the Parties an additional 3 months to fulfil the conditions precedent of the SSA.

On 20 April 2022, the Company and SYF had mutually agreed to further extend the conditional period of the SSA dated 6 October 2021 until 5 November 2022 ("Second Extension"). The Second Extension was made in order to grant the Parties an additional 6 months to fulfil the conditions precedent of the SSA.

On 1 November 2022, the Company and SYF had mutually agreed to further extend the conditional period of the SSA dated 6 October 2021 until 5 February 2023 ("Third Extension"). The Third Extension was made in order to grant the Parties an additional 3 months to fulfil the conditions precedent of the SSA.

On 31 January 2023, the Company and SYF had mutually agreed to further extend the conditional period of the SSA dated 6 October 2021 until 5 May 2023 ("Fourth Extension"). The Fourth Extension was made in order to grant the Parties an additional 3 months to fulfil the conditions precedent of the SSA.

On 10 March 2023, the Board announced that the conditions precedent of the SSA were fulfilled and the SSA has turned unconditional on even date.

On 14 March 2023, the Board announced that the purchase consideration has been received by SYF. The acquisition had been completed as at the date of this report and consequently Seng Yip Furniture became a wholly-owned subsidiary of the Company.

36. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 March 2023.

ANALYSIS OF SHAREHOLDINGS
AS AT 10 APRIL 2023

Issued and Fully Paid-Up Capital	:	999,999,966 shares
Class of Shares	:	Ordinary Shares
Voting Rights	:	1 vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Shares
Less than 100	779	18.76	23,956	0.00
100 – 1,000	390	9.39	167,951	0.02
1,001 – 10,000	1,704	41.03	8,690,868	0.87
10,001 – 100,000	1,097	26.41	32,478,469	3.25
100,001 – less than 5% of issued shares	164	3.95	320,216,403	32.02
5% and above of issued shares	19	0.46	638,422,319	63.84
Total	**4,153**	**100.00**	**999,999,966**	**100.00**

DIRECTORS' INTEREST IN SHARES BASED ON THE REGISTER OF DIRECTORS' SHAREHOLDINGS

	Direct Interest		Indirect Interest	
	Shareholding	%	Shareholding	%
In the Company				
Dato' Sri Ng Ah Chai	626,922,319	62.69	-	-
Ng Wei Ping	11,500,000	1.15	-	-

THIRTY (30) MAJOR SHAREHOLDERS BASED ON THE RECORD OF DEPOSITORS

	Name	Shareholding	%
1)	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai*	130,960,000	13.10
2)	Affin Hwang Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai*	80,000,000	8.00
3)	M & A Nominee (Tempatan) Sdn Bhd *Insas Credit & Leasing Sdn Bhd for Ng Ah Chai*	63,000,000	6.30
4)	M & A Nominee (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai (M&A)*	58,195,900	5.82
5)	Apex Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai*	57,489,200	5.75
6)	Ng Ah Chai	49,515,219	4.95
7)	Amsec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account – Ambank (M) Berhad for Ng Ah Chai*	40,000,000	4.00

THIRTY (30) MAJOR SHAREHOLDERS BASED ON THE RECORD OF DEPOSITORS (Cont'd)

	Name	Shareholding	%
8)	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB for Ng Ah Chai (PB)*	30,000,000	3.00
9)	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai*	26,300,000	2.63
10)	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai (8103749)*	23,450,000	2.35
11)	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai (7000786)*	19,470,000	1.95
12)	SJ Sec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account – Al Rajhi Bank for Chiau Beng Teik*	19,300,000	1.93
13)	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chiau Beng Teik (MY2975)*	18,719,800	1.87
14)	Apex Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chee Chik Eng (Margin)*	18,504,620	1.85
15)	Apex Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chee Chik Keng (Margin)*	17,312,540	1.73
16)	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB for Dato' Ong Choo Meng (PB)*	17,000,000	1.70
17)	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai (MGN-NAC0003M)*	16,210,000	1.62
18)	Amsec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account – Ambank (M) Berhad for Chiau Haw Choon (Smart)*	13,546,600	1.35
19)	Amsec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chiau Haw Choon*	12,543,800	1.25
20)	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Low Peng Sian @ Chua Peng Sian*	12,288,000	1.23
21)	Amsec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Wei Ping*	11,500,000	1.15
22)	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Hii Chii Kok @ Hii Chee Kok (MY1723)*	11,500,000	1.15
23)	Apex Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Cheng Kien Wing (Margin)*	11,209,980	1.12
24)	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai (001)*	10,752,000	1.08
25)	HLIB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Low Peng Sian @ Chua Peng Sian (MG0195-166)*	10,196,000	1.02
26)	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Low Peng Sian @ Chua Peng Sian (7004588)*	10,000,000	1.00

THIRTY (30) MAJOR SHAREHOLDERS BASED ON THE RECORD OF DEPOSITORS (Cont'd)

	Name	Shareholding	%
27)	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chiau Haw Choon (MY4189)*	9,170,000	0.92
28)	Affin Hwang Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Low Peng Sian @ Chua Peng Sian*	8,800,000	0.88
29)	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Dato' Ong Choo Meng (MY3273)*	8,700,000	0.87
30)	Amsec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Ah Chai*	8,400,000	0.84

SUBSTANTIAL SHAREHOLDER BASED ON THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Dato' Sri Ng Ah Chai	626,922,319	62.69	-	-

LIST OF PROPERTIES
AS AT 31 DECEMBER 2022

Location	Tenure	Land area	Description	Approximate age of building (Years)	Net book value RM'000	Acquisition date	Balance of lease by Year
Mieco Manufacturing Sdn Bhd Lot 73, Gebeng Industrial Area 26080 Kuantan Pahang Darul Makmur	Lease expiring 18.08.2048	653,670 sq.ft.	Warehouse & Industrial land	7	11,807	26.10.1999	26
Mieco Manufacturing Sdn Bhd Lot 74, Gebeng Industrial Area 26080 Kuantan Pahang Darul Makmu	Lease expiring 22.02.2097	1,254,528 sq.ft.	Chipboard factory & Industrial land	20-28	33,485	24.08.1995	75
Mieco Manufacturing Sdn Bhd Lot 3, Kawasan Perindustrian Kechau Tui 27100 Lipis Pahang Darul Makmur	Lease expiring 2104	2,178,000 sq. ft.	Chipboard factory & Industrial land	18	75,517	05.12.2004	82
Mieco Manufacturing Sdn Bhd Lot 27, Kawasan Perindustrian Kechau Tui, Lipis Pahang Darul Makmur	Lease expiring 20.12.2105	158,253 sq.ft.	Industrial land		198	20.12.2006	83
Mieco Manufacturing Sdn Bhd Lot 28, Kawasan Perindustrian Kechau Tui, Lipis Pahang Darul Makmur	Lease expiring 20.12.2105	299,257 sq.ft.	Industrial land		375	20.12.2006	83
Mieco Manufacturing Sdn Bhd Lot 29, Kawasan Perindustrian Kechau Tui, Lipis Pahang Darul Makmur	Lease expiring 20.12.2105	304,484 sq.ft.	Industrial land		382	20.12.2006	83
Mieco Manufacturing Sdn Bhd Lot 30, Kawasan Perindustrian Kechau Tui, Lipis Pahang Darul Makmur	Lease expiring 20.12.2105	281,398 sq.ft.	Industrial land		353	20.12.2006	83

LIST OF PROPERTIES
AS AT 31 DECEMBER 2022 (Cont'd)

Location	Tenure	Land area	Description	Approximate age of building (Years)	Net book value RM'000	Acquisition date	Balance of lease by Year
Mieco Manufacturing Sdn Bhd Lot 26 & Lot 27A Jalan Kawasan Perindustrian Padang Tengku Kechau Tui, Lipis Pahang Darul Makmur	Lease expiring 18.11.2121	594,594 sq.ft.	Industrial land & road		2,998	18.11.2022	99
Great Platform Sdn Bhd Lot PT 1150 Mukim Gemas 73400 Daerah Tampin Negeri Sembilan	Freehold	563,882 sq.ft.	Land, office, factory and warehouse	8	-	23.12.2011	
Great Platform Sdn Bhd Lot 7056, Pekan Simpang Pertang 72300 Daerah Jelebu Negeri Sembilan	Lease expiring 18.06.2094	281,692 sq.ft.	Land, office, factory and warehouse	9	10,645	15.11.2013	72
Great Platform Sdn Bhd Lot 436, 437 & 488 Lot 152,487,489 & 490 Jalan Bahau, Rompin 73500 Bahau Negeri Sembilan	Freehold	1,744,152 sq.ft.	Land, office, factory and warehouse	6	21,972	10.06.2016	
Great Platform Sdn Bhd Batu 103 Jalan Klian Intan 33310 Gerik Perak	Freehold	934,523 sq.ft.	Land, office, factory and warehouse (Renting)	6	17,000	13.01.2017	
Great Platform Sdn Bhd Lot 4656, 4657 Pekan Simpang Pertang 72300 Daerah Jelebu Negeri Sembilan	Lease expiring 18.06.2089	145,550 sq.ft	Industrial land		1,014	06.04.2017	67

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fiftieth Annual General Meeting ("50th AGM") of Mieco Chipboard Berhad ("MIECO" or the "Company") will be conducted on a virtual basis entirely through live streaming from the broadcast venue at Board Room, No. 1, Block C, Jalan Indah 2/6, Taman Indah, Batu 11, 43200 Cheras, Selangor on Monday, 29 May 2023 at 9:30 a.m.

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 and the Reports of the Directors and Auditors thereon. — [Please refer to Explanatory Note (a)]

AS ORDINARY BUSINESS

2. To approve the Payment of Directors' fees and benefits to the Non-Executive Directors up to an amount of RM300,000.00 from 30 May 2023 until the next Annual General Meeting of the Company. — Ordinary Resolution 1

3. To re-elect the following Directors retiring in accordance with Clause 103 of the Company's Constitution and who, being eligible, offer themselves for re-election:

   (i) Dato' Sri Ng Ah Chai — Ordinary Resolution 2
   (ii) Dato' Abdul Rashid Bin Mat Amin — Ordinary Resolution 3

4. To re-appoint Messrs UHY as auditors of the Company and to authorise the Board of Directors to fix their remuneration. — Ordinary Resolution 4

AS SPECIAL BUSINESS

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

5. **Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016 and Waiver of Pre-Emptive Rights**

   "THAT, subject always to the Companies Act 2016, the Constitution of the Company and the approvals of the relevant governmental/regulatory authorities, if applicable, the Directors be and are hereby empowered, pursuant to Section 75 and Section 76 of the Companies Act 2016, to issue shares in the Company from time to time and 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 issued pursuant to this Resolution does not exceed 10% of the total number of issued shares of the Company for the time being; — Ordinary Resolution 5

   THAT pursuant to Section 85 of the Act to be read together with Clause 61 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 of the Company ranking equally to the existing issued shares arising from any issuance of new shares in the Company pursuant to Sections 75 and 76 of the Act;

   AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so be issued on Bursa Malaysia Securities Berhad;

AND FURTHER THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

6. **Proposed Renewal of Authority for the Company to Purchase Its Own Shares ("Proposed Renewal of Share Buy-Back")**

"THAT, subject always to the Companies Act 2016, the provisions of the Constitution of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities as the Directors may deem fit and expedient in the interest of the Company, provided that: Ordinary Resolution 6

(i) the aggregate number of shares purchased does not exceed 10% of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase(s);

(ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest Audited Financial Statements and/or the latest management accounts of the Company (where applicable) available at the time of the purchase(s); and

(iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends;

THAT the authority conferred by this Resolution shall commence immediately and shall continue to be in force until the conclusion of the next Annual General Meeting of the Company following the passing of this Ordinary Resolution, unless earlier revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting;

AND THAT authority be and is hereby given to the Directors of the Company to act and take all such steps and do all things as are necessary or expedient to implement, finalise and give full effect to the aforesaid purchase."

7. To transact any other business of which due notice shall have been given.

By Order of the Board

NG GEOK LIAN (LS 0007155)
SSM Practicing Certificate No. 201908002080
COMPANY SECRETARY

Cheras, Selangor.
28 April 2023

NOTES:

1. The 50th AGM of the Company will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Voting facilities ("RPV") which are available on website at www.metramanagement.com.my. Please follow the procedures provided in the Administrative Details of 50th AGM in order to register, participate and vote remotely via the RPV.

2. The Broadcast Venue of the 50th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairperson of the meeting to be at the main venue of the meeting. No shareholders/proxies from the public should be physically present at the Broadcast Venue on the day of the 50th AGM.

3. Members may submit questions to the Board of Directors prior to the 50th AGM to elaine@mieco.com.my no later than 9:30 a.m. on Monday, 22 May 2023 or to use the Question and Answer platform to transmit questions to Board of Directors via RPV during live streaming.

4. Since the 50th AGM will be conducted via a virtual meeting, a member entitled to attend and vote at the meeting may appoint the Chairman of the meeting as his/her proxy and indicate the voting instruction in the Form of Proxy.

5. A proxy may but need not be a member of the Company and a member shall be entitled to appoint a maximum of two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy.

6. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

7. Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owner in one (1) 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 its holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

8. 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, the Form of Proxy must be executed under the corporation's seal or under the hand of an officer or attorney duly authorised.

9. The instrument appointing a proxy must be deposited at the Company's Share Registrar, Metra Management Sdn. Bhd. at 35th Floor, Menara Multi- Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur ("Share Registrar Office") not less than 48 hours before the time for holding the 50th AGM or at any adjournment thereof, either by hand or post to the Share Registrar Office or email to **corporate@mweh.com.my**. In the case where the instrument appointing a proxy is delivered by email, the original instrument appointing a proxy shall also be deposited at the Share Registrar Office, either by hand or post not less than 48 hours before the time for holding the 50th AGM or at any adjournment thereof.

10. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors ("ROD") as at 22 May 2023 and only a Depositor whose name appears on such ROD shall be entitled to attend this meeting or appoint proxy to attend and/or vote in his/her behalf.

11. Pursuant to Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements, all resolutions set out in the Notice of 50th AGM will be put to vote on a poll.

Explanatory Notes on Ordinary and Special Business:

(a) Item 1 of the Agenda

This Agenda item is meant for discussion only. The provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements, hence, this Agenda item is not put forward for voting.

(b) Ordinary Resolution 1 : To approve the payment of Directors' fees and benefits payable

Section 230(1) of the Companies Act 2016 provides amongst others, that the fees of the Directors and any benefits payable to the Directors of a listed company shall be approved at a general meeting.

The total estimated Directors' fees and benefits payable to Non-Executive Directors are calculated based on the current Board of Directors ("Board") size and the number of scheduled meetings for the period from 30 May 2023, being the day after the 50th AGM until the next AGM and other benefits.

In the event that the proposed Directors' fees and benefits payable to Non-Executive Directors are insufficient due to enlarged size of the board of directors, approval will be sought at the next AGM for additional Directors' fees and benefits to meet the shortfall.

The proposed Resolution 1, if passed, will facilitate the payment of Directors' fees and benefits to Non-Executive Directors on a monthly basis and/or as and when required. The Board is of the view that Directors should be paid such fees and meeting allowances upon them discharging their responsibilities and rendering their services to the Company. 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.

(c) Ordinary Resolutions 2 and 3: Re-election of Directors

The performance and fitness based on the fit and proper criteria of Dato' Sri Ng Ah Chai who is recommended for re-election have been assessed through the Board annual evaluation. The Nomination Committee and the Board are satisfied with the performance, effectiveness and fitness of Dato' Sri Ng Ah Chai who is due for retirement as Director, and being eligible, has offered himself for re-election at the 50th AGM.

The independence and fitness based on the fit and proper criteria of Dato' Abdul Rashid Bin Mat Amin have been assessed by the Board. The Nomination Committee and the Board are satisfied with the independence and fitness of Dato' Abdul Rashid Bin Mat Amin who is due for retirement as Director, and being eligible, has offered himself for re-election at the 50th AGM.

The profiles of Directors who are standing for re-election are set out in the Directors' Profile of Annual Report 2022.

(d) Ordinary Resolution 4: Re-appointment of Auditors

The Audit Committee had undertaken an annual assessment of the external auditors, Messrs UHY ("UHY") on their independence, scope of audit, audit fee, expertise and experience, performance based on annual audit scope and planning. The Audit Committee was satisfied with the suitability of UHY on the quality of audit, performance, competency and sufficiency of resources the external audit team provided to the Company and recommended the re-appointment of UHY to the Board for their recommendation to the shareholders for re-appointment at the 50th AGM until the conclusion of the next AGM.

The Board had endorsed the Re-appointment of Auditors.

The proposed Resolution 4, if passed, will also give the Directors of the Company, the authority to determine the remuneration of the Auditors.

(e) **Ordinary Resolution 5: Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016 and Waiver of Pre-Emptive Rights**

The Company had been granted a general mandate by its shareholders at the 49th AGM of the Company held on 26 May 2022 to issue shares pursuant to the Companies Act 2016.

The Company wishes to renew the mandate on the authority granted to the Directors to issue and allot shares pursuant to the Companies Act 2016 at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being.

The general mandate will provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the funding of the Company's future investment projects, working capital and/or acquisitions, by the issuance of shares in the Company to such persons at any time as the Directors may deem fit, without incurring any further cost to convene a separate general meeting to approve such authority. 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.

As at the date of this Notice, the Company has not issued any new shares pursuant to the general mandate granted to the Directors at the 49th AGM held on 26 May 2022 and which will lapse at the conclusion of the 50th AGM.

Pursuant to Section 85 of the Companies Act 2016 read together with Clause 61 of the Constitution of the Company, shareholders have pre-emptive rights to be offered any new shares in the Company which rank equally to the existing issued shares in the Company or other securities.

The proposed Resolution 5, if passed, would allow the Directors to issue new shares to any person under the authority to issue shares pursuant to the Companies Act 2016 without having to offer the new shares to be issued equally to all existing shareholders of the Company prior to issuance.

(f) **Ordinary Resolution 6: Proposed Renewal of Share Buy-Back**

The Ordinary Resolution 6, if passed will allow the Company to purchase its own shares. The total number of shares purchased shall not exceed 10% of the total number of issued shares of the Company. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.

For further information on this resolution, please refer to the Statement to Shareholders dated 28 April 2023.

Personal Data Privacy by lodging of a completed Form of Proxy to the Company and the Share Registrar (as the case maybe) for appointing a proxy(ies) and/or representative(s) to attend and/or in person at the 50th AGM and any adjournment therefore, a shareholder of the Company and the Share Registrar is hereby: i. consenting to the collection, use and disclosure of the member's personal data by the Company and to Share Registrar (as the case maybe) for the purpose of the processing and administration by the Company and the Share Registrar (as the case maybe) of proxy(ies) and representative(s) appointed for the 50th AGM (including any adjournment thereof), and in order for the Company and the Share Registrar (as the case maybe) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively the "Purpose"). ii. warranting that where the member discloses the personal data of shareholder's proxy(ies) and/or representative(s) to the Company and the Share Registrar (as the case maybe), the shareholder has obtained to prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company and the Share Registrar (as the case maybe) of the personal data of such proxy(ies) and/or representative(s) for the purpose ("Warranty"); and iii. agreeing that the member will indemnify the Company and the Share Registrar (as the case maybe) in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of Warranty.

For the purpose of the paragraph, "personal data" shall have the same meaning given in section 4 of Personal Data Protection Act 2010.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

1. No individual is standing for election as a Director (excluding the above Directors who are standing for re-election) at the forthcoming 50th AGM of the Company.

2. The detailed information relating to general mandate for issue of securities pursuant to Paragraph 6.03(3) of the Listing Requirements of Bursa Securities are set out under Explanatory Note (e) of the Notice of the 50th AGM of the Company.

Mieco Chipboard Berhad
(Registration No. 197201001235 [12849-K])

FORM OF PROXY

CDS ACCOUNT NO.
_ _ _ - _ _ _ - _ _ _ _ _ _ _ _ _

I/We ______________________________ Tel No. ______________________________
(FULL NAME IN BLOCK CAPITALS)

NRIC No./Company No. ______________________________ of ______________________________
(ADDRESS)

______________________________ being a Member

of **MIECO CHIPBOARD BERHAD**, hereby appoint ______________________________
(FULL NAME IN BLOCK CAPITALS)

NRIC No. ______________________________ of ______________________________
(ADDRESS)

______________________________Tel No.______________________________ Email address ______________________________

or failing him, ______________________________ NRIC No. ______________________________
(FULL NAME IN BLOCK CAPITALS)

of ______________________________
(ADDRESS)

Tel No. ______________________________ Email address ______________________________ or failing him,

the **CHAIRMAN OF THE MEETING** as my/our proxy to vote on my/our behalf at the Fiftieth Annual General Meeting of the Company to be conducted entirely through live streaming from the broadcast venue at Board Room, No. 1, Block C, Jalan Indah 2/6, Taman Indah, Batu 11, 43200 Cheras, Selangor on Monday, 29 May 2023 at 9:30 a.m. and at any adjournment thereof.

No.	Agenda	FOR	AGAINST
Ordinary Business			
1.	Ordinary Resolution 1 - To approve the payment of Directors' fees and benefits to the Non-Executive Directors up to an amount of RM300,000.00 from 30 May 2023 until the next Annual General Meeting of the Company.		
2.	Ordinary Resolution 2 - To re-elect Dato' Sri Ng Ah Chai who retires by rotation in accordance with Clause 103 of the Company's Constitution and being eligible, offers himself for re-election.		
3.	Ordinary Resolution 3 - To re-elect Dato' Abdul Rashid Bin Mat Amin who retires by rotation in accordance with Clause 103 of the Company's Constitution and being eligible, offers himself for re-election.		
4.	Ordinary Resolution 4 - To re-appoint Messrs UHY as Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration.		
Special Business			
5.	Ordinary Resolution 5 - Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016 and Waiver of Pre-Emptive Rights		
6.	Ordinary Resolution 6 - Proposed Renewal of Share Buy-Back		

Please indicate with an "X" how you wish your vote to be casted. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

As witness my/our hand(s) this _______ day of ______________, 2023.

For appointment of two (2) proxies, percentage of shareholdings to be represented by the two (2) proxies		
	No. Of Shares	Percentage
Proxy 1		
Proxy 2		
Total		**100**

Number Of Shares Held

____
Signature Of Member

Fold this flap for sealing

Notes:

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8. *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, the Form of Proxy must be executed under the corporation's seal or under the hand of an officer or attorney duly authorised.*

Then fold here

AFFIX
STAMP

The Share Registrar
Metra Management Sdn. Bhd.
35th Floor, Menara Multi-Purpose,
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia

1st fold here

9. *The instrument appointing a proxy must be deposited at the Company's Share Registrar, Metra Management Sdn. Bhd. at 35th Floor, Menara Multi- Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur ("Share Registrar Office") not less than 48 hours before the time for holding the 50th AGM or at any adjournment thereof, either by hand or post to the Share Registrar Office or email to corporate@mweh.com.my. In the case where the instrument appointing a proxy is delivered by email, the original instrument appointing a proxy shall also be deposited at the Share Registrar Office, either by hand or post not less than 48 hours before the time for holding the 50th AGM or at any adjournment thereof.*
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