# PANTECH GROUP HOLDINGS BERHAD

200601013856 (733607-W)



# 2023
# ANNUAL REPORT

## ONE-STOP CENTRE

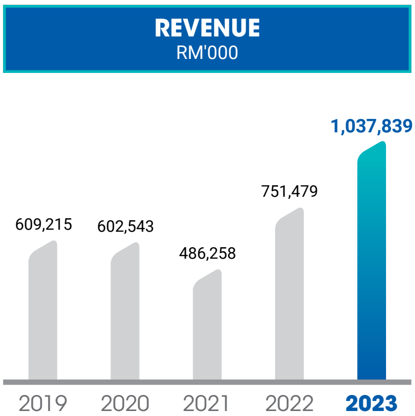
PIPES • VALVES • FITTINGS

# CONTENTS

# FINANCIAL HIGHLIGHTS

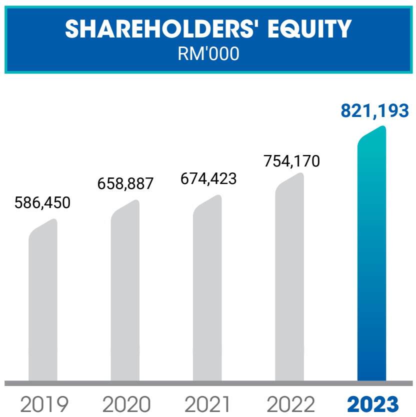
| Ringgit Malaysia (RM'000) | FYE 28 Feb 2019 | FYE 29 Feb 2020 | FYE 28 Feb 2021 | FYE 28 Feb 2022 | FYE 28 Feb 2023 |
|---|---|---|---|---|---|
| Revenue | 609,215 | 602,543 | 486,258 | 751,479 | 1,037,839 |
| EBITDA | 87,161 | 74,654 | 61,547 | 121,324 | 182,878 |
| Profit Before Tax | 60,792 | 46,023 | 36,013 | 96,742 | 155,609 |
| Profit After Tax | 47,458 | 36,002 | 26,468 | 71,753 | 115,633 |
| Profit Attributable to Shareholders | 47,458 | 36,002 | 26,468 | 71,753 | 115,633 |
| Paid-Up Capital | 208,298 | 209,920 | 210,312 | 258,892 | 263,417 |
| Shareholders' Equity | 586,450 | 658,887 | 674,423 | 754,170 | 821,193 |
| Total Assets | 891,685 | 908,988 | 907,206 | 1,170,066 | 1,146,023 |
| Total Net Tangible Assets | 585,260 | 657,693 | 674,423 | 754,170 | 821,193 |
| Total Borrowings | 243,738 | 191,907 | 176,340 | 231,542 | 232,937 |
| Basic Earnings Per Share (sen) | 6.40 | 4.80 | 3.55 | 9.23 | 14.07 |
| Diluted Earnings Per Share (sen) | 6.32 | 4.78 | 3.53 | 9.15 | 13.96 |
| Total Net Dividend Declared | 14,970 | 14,087 | 17,415 | 32,337 | 49,429 |
| Net Dividend Per Share (sen) | 2.01 | 1.89 | 2.30 | 4.00 | 6.00 |
| Net Tangible Assets Per Share (RM) | 0.79 | 0.88 | 0.90 | 0.90 | 0.97 |

Total net dividend declared is **RM49.43** million, representing **42.75%** of our PAT





NTA stands at **RM821.19** million, translating to a NTA/share of **RM0.97**

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**DATO' CHEW TING LENG**
Executive Chairman/
Group Managing Director

**DATO' GOH TEOH KEAN**
Group Deputy Managing Director

**MR. TAN ANG ANG**
Executive Director

**MR. TO TAI WAI**
Executive Director

**MS. NG LEE LEE**
Executive Director

**MR. LIM YOONG XAO**
Independent Non-Executive Director

**DATO' SRI YAP TIAN LEONG**
Independent
Non-Executive Director

**PUAN NOORAINI BINTI MOHD YASIN**
Independent
Non-Executive Director

**PUAN SAKINAH BINTI SALLEH**
Non-Independent
Non-Executive Director

## AUDIT COMMITTEE

*Chairman*
Mr. Lim Yoong Xao

*Members*
Dato' Sri Yap Tian Leong
Puan Nooraini Binti Mohd Yasin

## REMUNERATION COMMITTEE

*Chairman*
Puan Nooraini Binti Mohd Yasin

*Members*
Dato' Sri Yap Tian Leong
Mr. Lim Yoong Xao

## NOMINATING COMMITTEE

*Chairman*
Dato' Sri Yap Tian Leong

*Members*
Mr. Lim Yoong Xao
Puan Nooraini Binti Mohd Yasin

## COMPANY SECRETARIES

**Ms. Siew Suet Wei**
**(MAICSA 7011254)**
SSM Practicing Certificate No.
202008001690

**Ms. Liang Siew Ching**
**(MAICSA 7000168)**
SSM Practicing Certificate No.
202008000879

## REGISTERED OFFICE

No. 5-9A The Boulevard Offices
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

Tel No. : 03-2282 6331
Fax No.: 03-2201 9331

## SHARE REGISTRAR

**Tricor Investor &**
**Issuing House Services Sdn Bhd**
Registration No.: 197101000970
(11324-H)

Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No.8, Jalan Kerinchi
59200 Kuala Lumpur

Tel No. : 03-2783 9299
Fax No.: 03-2783 9222

## PRINCIPAL BANKERS

Affin Bank Berhad
Alliance Bank Malaysia Berhad
Alliance Islamic Bank Berhad
AmBank (M) Berhad
AmBank Islamic Berhad
CIMB Bank Berhad
CIMB Islamic Bank Berhad
Citibank Berhad
Hong Leong Bank Berhad
Hong Leong Islamic Bank Berhad
HSBC Amanah Malaysia Berhad
HSBC Bank Malaysia Berhad
HSBC Bank Plc
OCBC Bank (Malaysia) Berhad
Public Bank Berhad
United Overseas Bank Limited
United Overseas Bank (Malaysia) Berhad

## SOLICITORS

Ng Kee Chong & Company

## AUDITORS

**Grant Thornton Malaysia PLT**
**(Member Firm of Grant Thornton International Ltd)**

Chartered Accountants
Suite 28.01, 28th Floor
Menara Zurich
15, Jalan Dato' Abdullah Tahir
80300 Johor Bahru
Johor Darul Takzim

## STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad

Stock Code: 5125

# GROUP STRUCTURE

## PANTECH GROUP HOLDINGS BERHAD

Registration No. 200601013856 (733607-W)

- 100% PANTECH CORPORATION SDN. BHD.
  - 100% PANTECH (KUANTAN) SDN. BHD.
  - 100% PANTECH REALTY SDN. BHD.
  - 40% TUAH NUSA SDN. BHD.
- 100% PANTECH STEEL INDUSTRIES SDN. BHD.
- 100% PANTECH STAINLESS & ALLOY INDUSTRIES SDN. BHD.
- 100% PANAFLO CONTROLS PTE. LTD.
- 100% NAUTIC STEELS (HOLDINGS) LIMITED
  - NAUTIC STEELS LIMITED 100%
- 100% PANTECH GALVANISING SDN. BHD.
- 100% NAUTIC STEELS SDN. BHD.
- 100% PANTECH INTERNATIONAL (KSA) SDN. BHD.
- 100% UNITY PRECISION ENGINEERING SDN. BHD.*

* Acquisition completed on 25 April 2022

# DIRECTORS' PROFILE

## DATO' CHEW TING LENG

| Malaysian | Aged 68 | Male |
|---|---|---|

Executive Chairman/ Group Managing Director

**Dato' Chew Ting Leng** is one of the co-founders of the Group. He has more than 30 years of experience in the Pipes, Valves and Fittings ("PVF") solutions industries. He was appointed as Group Managing Director and Executive Chairman of Pantech Group Holdings Berhad on 11 November 2006 and 13 November 2006 respectively.

He does not hold any directorship in any other public companies.

He has no conflict of interest with the Group and has not been convicted for offences within the past five years. There were no sanctions and/or penalties imposed on him by any regulatory body during the financial year.

## DATO' GOH TEOH KEAN

| Malaysian | Aged 67 | Male |
|---|---|---|

Group Deputy Managing Director

**Dato' Goh Teoh Kean** graduated with Diploma in Commerce (Financial Accounting) from Tunku Abdul Rahman College.

He has more than 30 years of experience in the PVF solutions industry. He is one of the co-founders of the Group and was appointed as the Group Deputy Managing Director on 11 November 2006. He is responsible for the financial functions of the Group.

He does not hold any directorship in any other public companies.

He has no conflict of interest with the Group and has not been convicted for offences within the past five years. There were no sanctions and/or penalties imposed on him by any regulatory body during the financial year.

## TAN ANG ANG

| Malaysian | Aged 67 | Male |
|---|---|---|

Executive Director

**Mr. Adrian Tan** was appointed as the Executive Director on 11 November 2006. He is responsible for the overall operation and performance of the Group's manufacturing business and is also the Managing Director of Pantech Steel Industries Sdn. Bhd., Pantech Stainless & Alloy Industries Sdn. Bhd. and Nautic Steels Limited. He obtained his professional Diploma from the Chartered Institute of Marketing in 1989.

He does not hold any directorship in any other public companies.

He has no conflict of interest with the Group and has not been convicted for offences within the past five years. There were no sanctions and/or penalties imposed on him by any regulatory body during the financial year.

# Directors' Profile (cont'd)

## TO TAI WAI

Malaysian | Aged 52 | Male

Executive Director

**Mr. David To** was appointed as the Executive Director on 11 November 2006. He started his career in Pantech Corporation Sdn. Bhd. since 1989 and has more than 30 years of experience in the PVF solution industries. He is primarily responsible for the domestic, international and project sales activities of the Group's trading division and trading operation in Malaysia.

He does not hold any directorship in any other public companies.

He has no conflict of interest with the Group and has not been convicted for offences within the past five years. There were no sanctions and/or penalties imposed on him by any regulatory body during the financial year.

## NG LEE LEE

Malaysian | Aged 56 | Female

Executive Director

**Ms. Ng Lee Lee** was appointed as the Executive Director on 8 May 2013. She started her career in Pantech Corporation Sdn. Bhd. since 1990. She is primarily responsible for the human resources, administration and project sales division.

She does not hold any directorship in any other public companies.

She has no conflict of interest with the Group and has not been convicted for offences within the past five years. There were no sanctions and/or penalties imposed on her by any regulatory body during the financial year.

## SAKINAH BINTI SALLEH

Malaysian | Aged 54 | Female

Non-Independent Non-Executive Director

**Pn. Sakinah Binti Salleh** was appointed as Non-Independent Non-Executive Director on 21 July 2016. She graduated from Mara University of Technology (UITM) with Bachelor (Hons) in Accountancy. She is a Chartered Accountant and a member of Malaysian Institute of Accountants (MIA) since 2002. She has a Master of Business Administration from International Teaching University of Georgia (University Institute for International and European Studies) since August 2017.

She joined Koperasi Permodalan Felda Malaysia Berhad ("KPF") as a Manager, Accountant & Investment from August 2000 to 2004. Subsequently, she was promoted to General Manager, Investment & Finance, KPF from January 2004 to 2010 and Deputy Chief Executive Officer, KPF from January 2010 to 2014.

She was Acting Chief Executive Officer in January 2014. She was promoted to Chief Executive Officer & Group Senior Executive Director since November 2014 until to-date.

She does not hold any directorship in any other public companies.

She has no conflict of interest with the Group and has not been convicted for offences within the past five years. There were no sanctions and/or penalties imposed on her by any regulatory body during the financial year.

# Directors' Profile (cont'd)

## LIM YOONG XAO

Malaysian | Aged 48 | Male

Independent Non-Executive Director

**Mr. Lim Yoong Xao** was appointed as an Independent Non-Executive Director on 26 July 2017. He completed his Bachelor of Commerce in Accounting from University of Otago, New Zealand in 1996. He is a Chartered Accountant of the Malaysian Institute of Accountants. He is also a member of Chartered Global Management Accountant and Associate Chartered Management Accountant (CIMA), UK.

Mr. Lim Yoong Xao started his career as a Cost Accountant in 2002 with Monsanto (Malaysia) Sdn. Bhd. and later held various managerial positions in multi-national companies between 2007 to 2012. From 2013 until 2017, he was a Director/SEA Regional Finance Manager of United Creation Packaging Solutions, South East Asia Division. From 2017 until present, he is the Asia Financial Controller of Samtec Asia Pacific (M) Sdn. Bhd.

He is the Chairman of the Audit Committee and a member of both the Nominating and Remuneration Committees.

He does not hold any directorship in any other public companies.

He has no conflict of interest with the Group and has not been convicted for offences within the past five years. There were no sanctions and/or penalties imposed on him by any regulatory body during the financial year.

## DATO' SRI YAP TIAN LEONG

Malaysian | Aged 64 | Male

Independent Non-Executive Director

**Dato' Sri Yap Tian Leong** was appointed as an Independent Non-Executive Director on 26 July 2017. He is a member of the Malaysian Association of Company Secretaries (MACS), Malaysian Institute of Corporate Governance (MICG) and Institute of Corporate Directors Malaysia (ICDM). Apart from these, he is also a member of The Chinese Chamber Of Commerce & Industry of Kuala Lumpur & Selangor and Hong Kong-Malaysia Business Association.

Dato' Sri Yap Tian Leong is currently the Group Managing Partner of MM Group of Companies.

He is the Chairman of the Nominating Committee and a member of both the Audit and Remuneration Committees.

He does not hold any directorship in any other public companies.

He has no conflict of interest with the Group and has not been convicted for offences within the past five years. There were no sanctions and/or penalties imposed on him by any regulatory body during the financial year.

# Directors' Profile (cont'd)

## NOORAINI BINTI MOHD YASIN

| Malaysian | Aged 64 | Female |
|---|---|---|

Independent Non-Executive Director

**Puan Nooraini Binti Mohd Yasin** was appointed as an Independent Non-Executive Director on 26 July 2017. She graduated from University of Buckingham, UK, with a BSc (Econs), Accounting and Financial Management degree.

Puan Nooraini gained experience in banking and journalism before moving into a leading stockbroking company in JB where she became the Head of the Research Department. She holds a Certified Financial Planner license with the Financial Planning Association of Malaysia (FPAM).

Puan Nooraini founded Sri Ara Private and International Schools and is Chairman of the Board of Governors. She served as President of Non-Governmental Organisation, Soroptimist International Club of Johor Bahru and is Charter President of Soroptimist International Club of Iskandar Puteri. She served as the Member Development Convenor from 2017 to 2020 and is currently the Programme/UN Liaison on the Executive Committee of Soroptimist International Region of Malaysia as well as a Zone Coordinator on the Programme team of SI South East Asia Pacific.

She is the Chairperson of the Remuneration Committee and a member of both the Audit and Nominating Committees.

She does not hold any directorship in any other public companies.

She has no conflict of interest with the Group and has not been convicted for offences within the past five years. There were no sanctions and/or penalties imposed on her by any regulatory body during the financial year.

### OTHER INFORMATION:-

**Directors' Shareholdings**

Details of Directors' Shareholdings in the Company are as disclosed on page 186 of the Annual Report 2023.

**Family relationship with Directors and/or Major Shareholders**

Dato' Chew Ting Leng and his spouse, Datin Shum Kah Lin are major shareholders of Pantech Group Holdings Berhad ("PGHB") by virtue of their substantial shareholdings in CTL Capital Holding Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

Dato' Goh Teoh Kean and his spouse, Datin Lee Sock Kee are major shareholders of PGHB by virtue of their substantial shareholdings in GL Management Agency Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

**Conflict of Interest**

All Directors have no family relationship with each other or major shareholders of PGHB. They have no conflict of interest in PGHB.

**Attendance at Board Meetings**

The attendance of the Directors is disclosed in the Corporate Governance Overview Statement on page 54 of this Annual Report 2023.

# KEY SENIOR MANAGEMENT PROFILE

## DATO' CHEW TING LENG

| Malaysian | Aged 68 | Male |
|---|---|---|

Executive Chairman/ Group Managing Director

Please refer to his Director's Profile appearing in Page 5 of this Annual Report 2023.

## DATO' GOH TEOH KEAN

| Malaysian | Aged 67 | Male |
|---|---|---|

Group Deputy Managing Director

Please refer to his Director's Profile appearing in Page 5 of this Annual Report 2023.

## TAN ANG ANG

| Malaysian | Aged 67 | Male |
|---|---|---|

Executive Director

Please refer to his Director's Profile appearing in Page 5 of this Annual Report 2023.

## TO TAI WAI

| Malaysian | Aged 52 | Male |
|---|---|---|

Executive Director

Please refer to his Director's Profile appearing in Page 6 of this Annual Report 2023.

## NG LEE LEE

| Malaysian | Aged 56 | Female |
|---|---|---|

Executive Director

Please refer to her Director's Profile appearing in Page 6 of this Annual Report 2023.

## WANG WOON CHIN

| Malaysian | Aged 48 | Male |
|---|---|---|

Chief Financial Officer

**Mr. Wang Woon Chin** is the Chief Financial Officer of the Group. He graduated in 1996 from University of Otago, New Zealand with a Bachelor of Commerce (Accounting) degree. He is a Chartered Accountant of the Malaysian Institute of Accountants (MIA) and a Fellow Chartered Certified Accountant (FCCA).

He has many years of experience in the field of audit, finance, accounting, taxation and human resource management before he joined the Group. He joined Pantech Group in February 2006 as Group Finance Manager and was promoted to Chief Financial Officer effective 1 August 2013. He is currently responsible for the finance and accounts function of the Group.

He does not hold any directorships in any other public listed companies.

He does not have any family relationship with any Director and/or major shareholder of the Company and does not have any conflict of interest with the Company. He has not been convicted for offences within the past five years. There were no sanctions and/or penalties imposed on him by any regulatory body during the financial year.

# ABOUT THIS REPORT

## Introduction

Pantech Group Holdings Berhad (Pantech Group)'s annual report for financial year ended 28 February 2023 (FY2023) aims to deliver a comprehensive overview of the company's performance, progress and future direction.

Commencing with this financial year's report, Pantech Group is committing to further prioritise transparency and accountability for enhanced disclosure. To streamline the presentation of information, there are changes made to the reporting format.

## Reporting Philosophy and Principles

Pantech Group's reporting philosophy is guided by our aim to provide stakeholders with relevant and reliable information that will support more informed decision-making about Pantech Group.

Our financial statements are independently audited, and this report is produced in compliance with Malaysia's reporting requirements, including the Malaysian Code on Corporate Governance 2021 and Bursa Malaysia Securities Berhad's Main Market Listing Requirements.

## Reporting Scope and Boundaries

The scope of this report extends beyond financial reporting and includes non-financial performance, opportunities, risks and outcomes during the period 1 March 2022 to 28 February 2023, unless stated otherwise.

The report encompasses our operating units in Malaysia, Singapore and the United Kingdom.

## Reporting Framework and Guidance

This report is guided by local and global standards of reporting, such as:

- Bursa Malaysia Securities Berhad's Main Market Listing Requirements
- Malaysian Code on Corporate Governance 2021
- Companies Act 2016
- Malaysian Financial Reporting Standards
- International Financial Reporting Standards

## Forward-looking Statements

This report contains forward-looking statements used to project Pantech Group's future plans and performance. These statements are based on assumptions at the time of this report preparation. Actual results and outcomes may differ materially due to various factors, such as emerging risks, uncertainties and other scenarios which could adversely affect Pantech Group's financial and non-financial performance. Therefore, such statements should not be taken as guarantees of Pantech Group's future results.

## Material Matters

This report aims to disclose information relating to the issues, opportunities and challenges that are material to our business and stakeholders. During the year in review, we engaged with our internal and external stakeholders to identify key material issues that affect our ability to create value over the short, medium and long term.

## Approval by the Board

The Board of Directors (Board) acknowledges its responsibility in upholding the integrity of this report. To the Board's best knowledge, this report provides reliable disclosures of material matters affecting Pantech Group, and fairly presents Pantech Group's performance in FY2023.

This report was approved by the Board on 13 June 2023.

# KEY HIGHLIGHTS

**Revenue**
**RM 1.038**
billion

**Inventory**
**RM 405.44**
million

**Total Net Dividend Declared**
**RM 49.43**
million

**PAT**
**RM 115.63**
million

**Cashflow Position**
**RM 180.03**
million

**Dividend Payout Ratio**
**42.75%**
of PAT

**One-Stop Centre**
More than
**30,000** SKUs

**International Acceptance**
Presence in
**70** countries

## ENVIRONMENTAL

**Renewable Resources**

**1,469.32 kWp**
total solar capacity installed to-date

**160 tCO2e**
avoided through solar energy use

## GOVERNANCE

**Compliance**

**ZERO**
whistle-blowing & anti-bribery and corruption incidences reported

## SOCIAL

**Health & Safety**

**28%**
reduction in safety incidences

**1.48**
Lost Time Incident Rate (LTIR)

**Workforce**

**1,050**
total employment

**3,583**
training hours

**Social Impact**

**RM112,000**
contributed to CSR activities

# EXECUTIVE CHAIRMAN'S STATEMENT

**Dear Shareholders,**

It is a great pleasure to share with you that Pantech Group has registered a milestone performance, crossing over the RM1 billion revenue threshold, in the financial year ended 28 February 2023 (FY2023). The solid foundation laid and sound strategy are bearing fruit aplenty.

## Performance Highlights

We worked diligently to optimise operations and capitalise on new opportunities in the market to strengthen our business performance. In FY2023, we focused on optimising the deployment and utilisation of existing resources. We were ready as the economy reopened and this was reflected as a year of remarkable growth and profitability.

Group revenue increased by 38.11% to surpass the RM1 billion mark for the first time, while profit after tax (PAT) soared (+61.15%) to RM115.63 million, the highest in Pantech Group's 36 years in operations.

This record net profit translated to an enlarged earnings per share (EPS) of 14.07 sen or 52.44% higher than last year's 9.23 sen.

FY2023's stellar performance enabled us to deliver greater value to our loyal shareholders. Upon shareholders' approval at our 17th AGM, Pantech Group will pay an unprecedented 6.00 sen net dividend per ordinary share after including the Final Single Tier Dividend of 1.50 sen per ordinary share, translating to 42.75% payout of the PAT while still maintaining robust retained earnings for reinvestment into the business.

Our financial position remained healthy with a reduced gearing of 0.28 from last year's 0.31. This put Pantech Group in a poised position to act on expansionary opportunities.

We closely monitor macro and micro developments while keeping an eye on the price of crude to thrive in our industry. This will enable us to continue pursuing actionable strategies aimed at enhancing performance and generating value for our stakeholders.

## Seizing Opportunities

The financial year began positively as the Malaysian government announced the reopening of its international borders for travellers from all countries on 1 April 2022. The resumption of international travel and tourism had a welcome knock-on effect on oil and gas demand. The reopening of borders and economies reignited many sectors, and along with it, demand for energy increased.

With our products servicing mainly the oil and gas industry, Pantech Group recorded an uptick in export, at 47% of overall revenue.

Our continued compliance with international regulations and standards, in addition to holding the required certifications and accreditation for our products have strengthened our position in the market. This was further reaffirmed by the European Union, which cleared Pantech Stainless and Alloy Industries Sdn Bhd (PSA) of circumvention via Malaysia after a thorough investigation. This augurs well for PSA future export.

The acquisition of Unity Precision Engineering Sdn Bhd (UPE) was completed and it strengthened our manufacturing capability with revenue coming onstream in FY2023.

The Manufacturing division outperformed the Trading division marginally at 50.64% of overall Group revenue, giving rise to a balanced contribution between the two divisions of Pantech Group. This is aligned with our target of even contribution from the two divisions.

On the domestic front, with enhanced capital activities in the oil and gas industry, we ramped up our Trading division capability to secure and supply to large-scaled local projects. In our aspiration to be a One-Stop Centre for Pipes, Valves and Fittings (PVF), Pantech Group continues to evaluate and maintain an extensive inventory portfolio to cater to different specifications required by customers with minimal turnaround.

Pantech Group has earned a reputation of producing goods to the highest standards and quality. This bodes well in our vision to be an international leader in the provision of total solutions for gas and fluid transmission systems.

## Corporate Governance

Pantech Group's corporate governance practices across all entities embody integrity and transparency, two fundamental values for us.

We believe enhanced disclosure will provide a more holistic view of our value creation for stakeholders to make more informed decisions. Commencing with this year's Annual Report, Pantech Group is voluntarily shifting towards presenting information in an Integrated Reporting <IR> format in a progressive manner. This move helps prepare the Group adopt a more comprehensive reporting format.

Bursa Malaysia Securities Berhad's Main Market Listing Requirements frames our corporate governance. We continue to ensure compliance with all relevant laws, regulations and industry standards. Detailed reading can be found on pages 52 to 58.

# Executive Chairman's Statement (cont'd)

## Sustainability Commitment

Sustainability is not just compliance for Pantech Group. We take the commitment seriously and we do what we say. All members of the Board actively participate in discussions to ensure that sustainability is effectively integrated into our business strategy. During the financial year in review, we revised and improved our mission and values to reflect our sustainability commitment.

Our updated mission is to deliver products and services in a sustainable manner to create long-term value for stakeholders through human capital development and technology improvements. Supporting this are our enhanced values of Sustainability, Trustworthy & Integrity, Excellence, Employee Empowerment, and Leadership & Innovation, which forms the acronym STEEL.

With increased global attention in sustainability matters and about climate change, Pantech Group is determined to contribute to the country's carbon emission reduction goal. We initiated the calculation of our carbon emissions to have a baseline for target-setting and thereafter better monitoring of the impact of our operations on the environment.

Two material matters for Pantech Group are energy and water. We pay heed to our utilisation of these resources. In addition to reducing utilisation of these two key resources, Pantech Group has looked into diversifying our sources by adopting solar power energy and harnessing rainwater for non-potable use. We will continue playing our part in protecting and conserving the environment, and any cost savings are ancillary.

Another key aspect to sustainability is workplace health and safety. The nature of our business, especially at the production floor and warehouse facilities, involves potential hazards and requires utmost care and monitoring. We continue investing into trainings on Operational Safety and Health (OSH) for our people to equip them with the know-how, with the aim of mitigating risks and safeguarding our employees' wellbeing.

As a corporate citizen, we continue looking after local communities through our social initiatives. In FY2023, our initiatives included biodiversity conservation through mangrove planting and restoration, community upliftment and development of human capital.

More details can be read in our Sustainability Statement from page 24 to 43.

## Acknowledgement

Pantech Group listed on the Main Market of Bursa Malaysia in early 2007. We have come a long way since. We humbly acknowledge the unwavering support of our stakeholders who have stood by us through the years, good and challenging. On behalf of Pantech Group's Board, I extend my heartfelt appreciation to all stakeholders for their ongoing trust in Pantech Group. Our successes today and records set are traceable to their steadfast support.

Special appreciation to our shareholders who have given us their continued confidence, and our customers for trusting in the Pantech brand. Similarly, I record gratitude to our Management and employees of Pantech Group, all of whom have worked tenaciously in the past year to achieve this record-breaking performance. Their dedication and persistence in pursuing leads is noteworthy.

To our Board, I thank them for their judicious guidance in steering the Group on the straight and narrow. Their expertise and experience have been vital in shaping our company's direction and ensuring sound governance.

We will continue investing in our people, our products, and our operations to remain competitive and innovative, responding to the evolving needs of our customers and the market. I am confident that Pantech Group will continue to deliver positive results in the coming year.

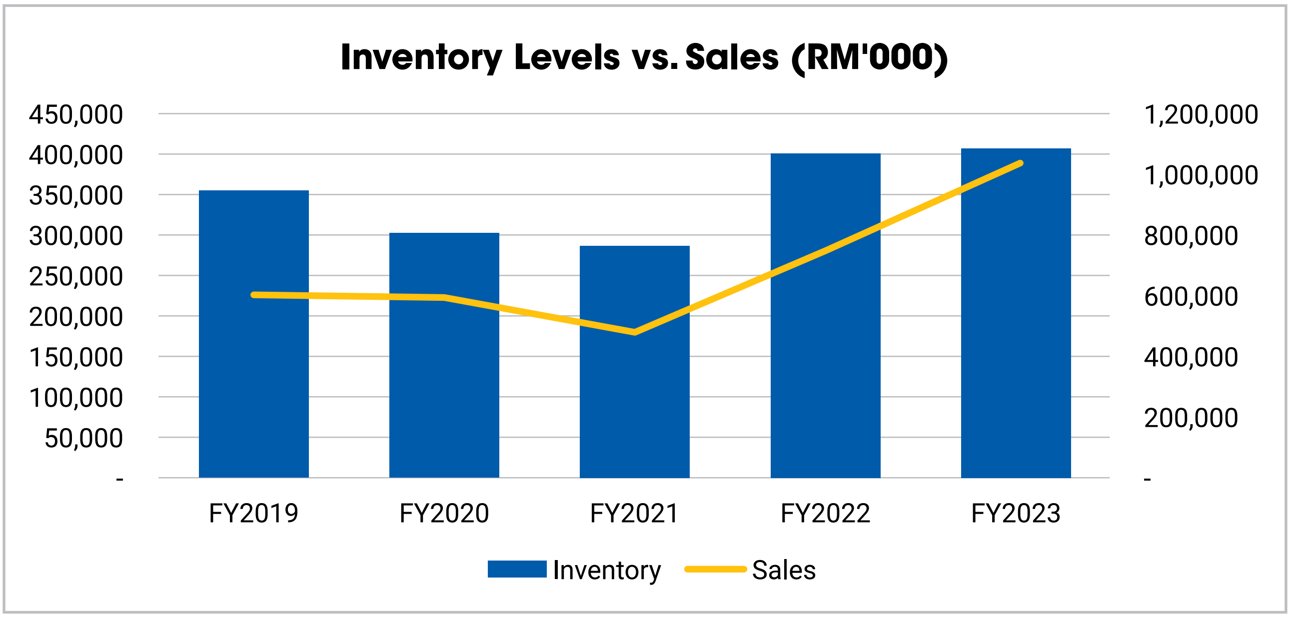
Dato' Chew Ting Leng (Jimmy)
Executive Chairman / Group Managing Director

# BUSINESS STRATEGY

Pantech Group's strategy is informed by our vision of being an international leader in the provision of total solutions for gas and fluid transmission systems. It comprises three pillars and drives how we utilise resources to create value for shareholders, employees, communities and the environment.

## Inventory Management

Optimised inventory levels and well-located warehouses combine to enable quick turnaround time to meet customers' fluid transmission needs across multiple industries.




As a One-Stop Centre for PVF and to perpetuate our value proposition, Pantech Group holds over 30,000 product units of various categories, sizes, grades, and types in our inventory. These items are housed in warehouses strategically identified for their locations i.e. near ports, in free trade zone or near customers.

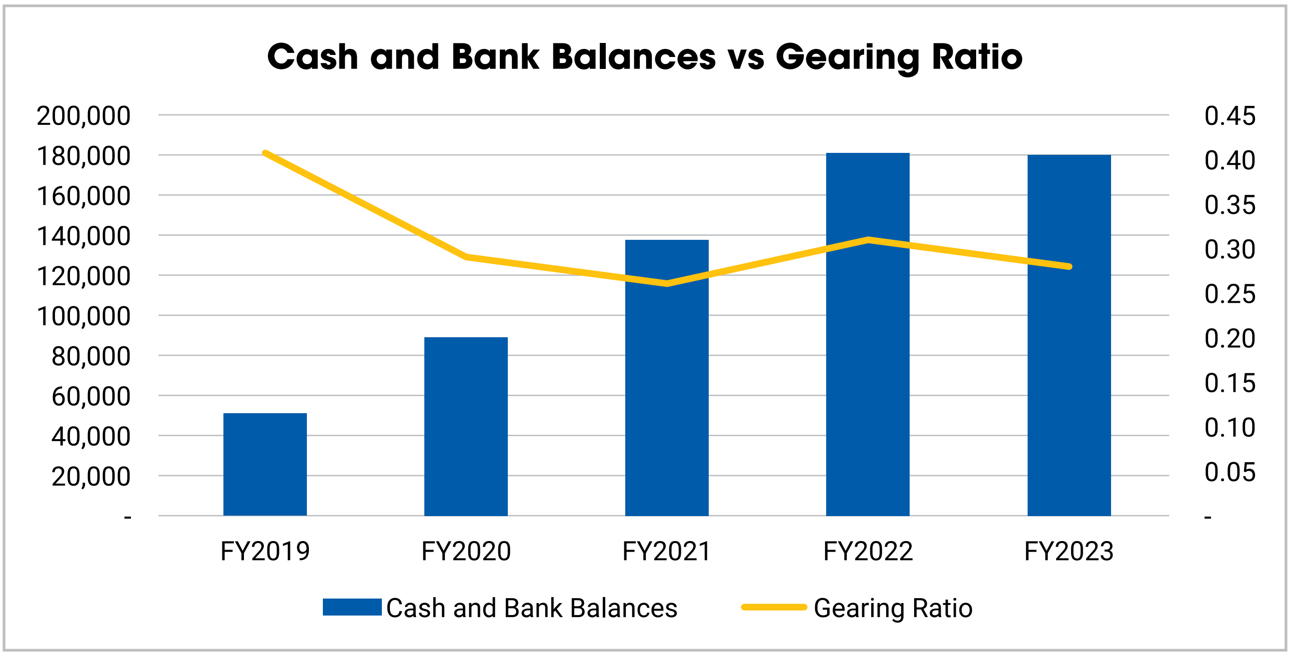
To closely monitor the holding in our warehouses, we leverage technology to effectively manage and track inventory levels in real time. Audits across procurement and inventory management functions were conducted to ensure the effectiveness of internal controls and mitigation of risks.

The senior management actively participate in the planning and management of inventory levels while considering the dynamic nature of the external environment.

This is also considering that working capital is a fundamental factor in Pantech Group's ability to meet operational needs, strengthen supply chain management and reduce finance costs. A calculated balance is maintained by routinely assessing expected and actual cash flow requirements, and the ratio of internal funds to borrowings is updated when necessary. As a result, adequate working capital allows greater flexibility to our advantage in our supply chain, particularly on delivery time and better pricing. Hedging strategies are utilised to reduce foreign exchange exposure and maintain adequate cash and bank balances, protecting the Group against liquidity risks.

### Inventory Management (Cont'd)

Together, the inventory and cash flow management processes strengthen our value proposition as the One-Stop Centre for PVF.




### Relationship and Partnership

Pantech Group's consistent order book is testament to our long-standing relationships with customers and vendors. Our reputation was built on integrity and mutual respect in all business communications and transactions.

With more than 30 years in the business, we have forged strong rapport with and grown alongside our customers. We constantly refine and improve our products and services to meet customers' demands, and we take initiative to better understand customers' needs through open and honest communications. Our customers place their trust in Pantech Group to provide effective and quality product solutions and meticulous project management.

We are cognisant of our role in the overall supply chain and personify the same values throughout our procurement process. Close professional relationships have been formed with our suppliers, many of which have conducted business with Pantech Group for over a decade. Nevertheless, the Group maintains professionalism and integrity in all transactions. Care and due diligence are exercised to ensure business is done ethically.

### Leadership and Innovation

We strive for excellence through the delivery of high-quality products and services that meet customers' needs. Business functions are on a continuous improvement journey to drive the Group towards market leadership.

Resources are allocated and invested to enhance Pantech Group's competitive advantages, chiefly through inventory holding at the Trading Division and process improvement for the Manufacturing Division. The need to acquire additional property, plant and equipment is periodically evaluated in line with enhancing internal capabilities and providing a comprehensive range of PVF. We also remain receptive to opportunities for synergistic mergers and acquisitions as seen by our acquisition of Unity Precision Engineering Sdn Bhd.

# Business Strategy (cont'd)

## Leadership and Innovation (Cont'd)

Economic, environment and social impacts are considered throughout our business. The sustainability direction is cascaded from the Board of Directors, and is supported by the Sustainability Governance Structure which determines and monitors our initiatives while engaging stakeholders to address their expectations.

Keeping a finger on the pulse of developments within the oil and gas industry, Pantech Group innovates business functions and processes in both Trading and Manufacturing Divisions to stay ahead of our customers evolving needs. The ability to deliver items that meet our customers' customised specifications gives Pantech Group a competitive advantage.

Quality assurance has always been Pantech Group's forte, setting us apart. Every product from the Trading or Manufacturing Division undergoes stringent quality assurance checks to ensure compliance with international standards. Items manufactured by Pantech Group are put through stringent quality control tests at three fully equipped test labs in Pasir Gudang, Klang and Tamworth (United Kingdom).

We continue to deliver items to customers which are accompanied with the respective certifications and at the same time, documented in our own library for traceability.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Operating Environment

The financial year under review of 1 March 2022 to 28 February 2023 (FY2023) marked a full year of post-pandemic operations.

The ensuing economic recovery met with headwinds arising from the prolonged geopolitical tension in Ukraine. The supply chain disruptions that continued in 2022 and elevated commodity prices forced businesses to adjust operations accordingly. There were positive developments amid these difficulties as the gradually reopened economies around the world boosted trade and consumption. Additionally, synchronised monetary policies helped kept a lid on inflation, keeping it within intended targets and generating a sense of stability in the overall economic landscape.

Global GDP moderated to 3.4% in 2022 whereas in Malaysia, growth hit a 22-year high of 8.7% as the country bounced back from its pandemic slump. This environment set the stage for Pantech Group to turn in a record year.

## Business and Strategy

Pantech Group aspires to be an international leader in the provision of total solutions for gas and fluid transmission systems. This aspiration guides our strategy as we perpetuate our value proposition of being a One-Stop Centre for pipes, valves and fittings (PVF) to professionals who construct and maintain fluid handling systems.

Through our Manufacturing facilities and Trading operations, we supply a wide and diverse range of PVF products to cater to the specific needs of the oil & gas (onshore and offshore), marine, palm oil, refinery, energy, process industrial and petrochemical and chemical industries.

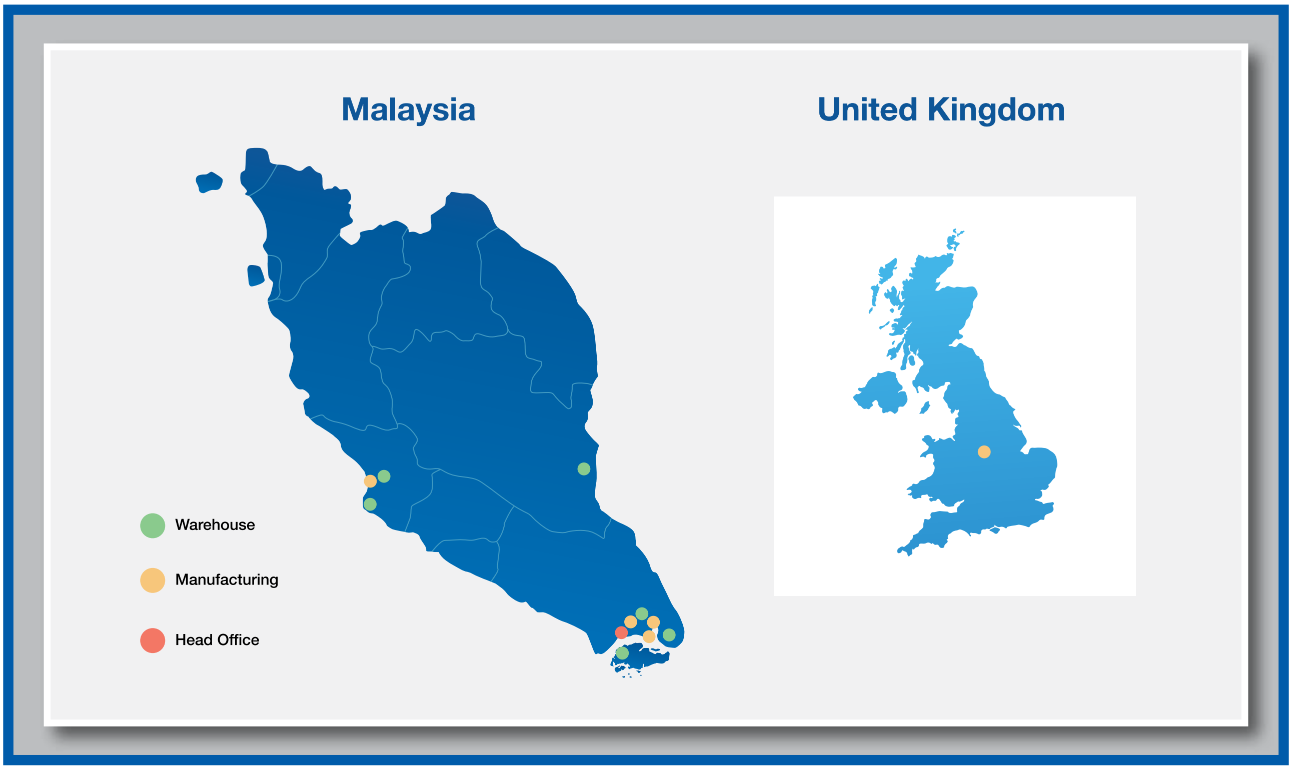
We complement the provision of PVF products with project management and advisory services, providing insights and advice to customers.

Pantech Group calls on its years of experience and established track record to serve customers in 70 countries, via operations and warehouses in 10 locations across Malaysia, Singapore and the United Kingdom.

To perpetuate our position as a One-Stop Centre for PVF, Pantech Group focuses on three strategic thrusts to deliver quality products and services in a sustainable manner to create long-term value for stakeholders through human capital development and technology improvements. We continue to prudently manage working capital and cash flow with the focus trained on improving productivity and operational efficiency.

Read about our strategy on pages 15 to 17.

## Business and Strategy (Cont'd)




### Trading

Our Trading Division provides project management and solutions to customers, in addition to the stockholding, as part of our One-Stop Centre value proposition to meet customers' varying requirements that are underpinned by quality and ability to deliver.

The division stocks and distributes over 30,000 PVF and other fluid transmission related products from reputable international vendors as well as Pantech Group's own Manufacturing Division.

Pantech Group's five warehouses are situated strategically nearby ports, a free-trade zone or near customer locations, effectively reducing time-to-market to meet customers' needs.

### Manufacturing

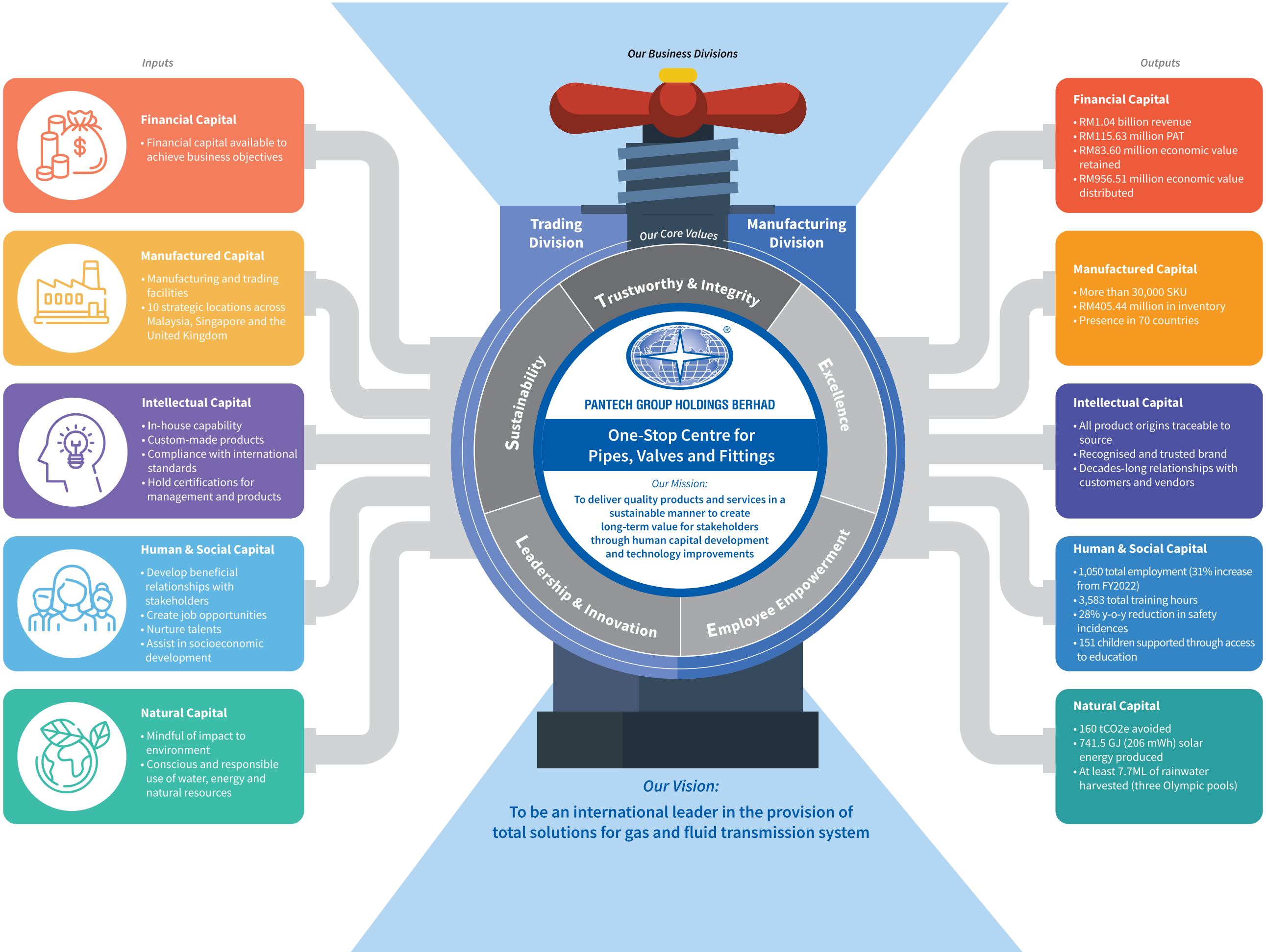
Pantech Group manufactures standard and customised ranges of pipes and fittings of various materials which meet international standards. Our diverse manufacturing portfolio includes stainless steel welded pipes and fittings including elbows, tees, reducers, stub ends and endcaps made of carbon steel, stainless steel, nickel alloys, duplex and other alloys. Products manufactured by Pantech Group bear the Made in Malaysia stamp.

The Manufacturing Division has four plants in Malaysia and one in United Kingdom spread across 173,000 square metres of total land area. Each of these plants is operated by a respective subsidiary, and has capabilities and capacities to fabricate bespoke products of different materials and requirements. Pantech Group also owns one of the largest galvanising bath in Southern Peninsular Malaysia, and offers metal precision machining as well as engineering and turnkey solutions.

Our plants have the capability and capacity to fabricate products of different materials and requirements to customers' specifications. Our catalogue includes fittings such as elbows, tees, reducers, stub ends and endcaps made of carbon steel, stainless steel, nickel alloys, duplex and other alloys.

# Management Discussion and Analysis (cont'd)

## Value Creation Model




## Risk and Opportunities

Pantech Group's internal controls and risk management systems are under the purview of the Board. Supported by the Audit and Risk Management committees, the Board identifies, evaluates, and quantifies potential risks that can affect the Group's value creation ability. Consequently, suitable measures are devised to mitigate these risks towards accomplishing the Group's business goals.

More details about Pantech Group's key risks and risk mitigation activities can be read on pages 49 to 51.

## Financial & Operational Review

Pantech Group performance in the fiscal year reflected that of the oil and gas industry, buoyed by the higher average oil prices. Both the Trading Division and Manufacturing Division posted improved results in FY2023, helping Pantech Group break through the billion ringgit revenue mark for the first time.

## Financial & Operational Review (Cont'd)

### Challenges

Businesses are facing an increasingly challenging operating environment. From geopolitical tensions, inflationary pressures to sustainability expectations, companies especially one such as Pantech Group that operates in the oil and gas industry, must navigate carefully.

The protracted Russia-Ukraine war has extended supply disruptions, pushing energy and food prices up. This resulted in higher cost for importing countries like Malaysia. Inflationary pressures translated into headwinds as input cost rose.

At the same time, as average temperature increases, the race heats for greener energy. Until green infrastructure is saturated and industries have shifted completely to renewable energy, the world is still reliant on oil and gas. However, it is incumbent on players in the oil and gas to play a role in a just transition to a more sustainable economy.

Pantech Group recognises our role in the supply chain to contribute to our customers' sustainability agenda. We will continue pursuing and implementing sustainability practices in an organisation-wide manner to meet our own targets and to support our customers. Having been in business for over three decades, Pantech Group is looking to continuously update our systems to align with our commitment. This requires investment in infrastructure, technology and employee engagement.

Guided by our strategic direction, we will continue to focus on our areas of strength and deliver what we do best to our customers while being mindful of our link in the supply chain. We are committed to engaging with our stakeholders to ensure we supply solutions for fluid transmission systems to their requirements.

### Trading Division

Our Trading Division revenue rose 24.49% to RM512.29 million, up from FY2022's RM411.50 million. Segment profit rose 9.23% to RM51.39 million.

This improvement can be traced to greater ability to secure and supply large-scale O&G projects domestically, spurred by the ramping up of industry activities following the previously moderate years.

The strong demand was reflected in the increased trading revenue. Pantech Group was well positioned to capture the opportunities presented due to our strong and comprehensive product mix. This was proven in the improved revenue and profitability in FY2023.

### Manufacturing Division

The Manufacturing Division recorded stellar performance in FY2023, with a 54.58% jump in revenue to RM525.55 million from the preceding year's RM339.98 million.

This marked improvement translated to a phenomenal 96.49% increase in profit for our manufacturing operations, at RM115.94 million, compared to RM59.01 million in FY2022.

Strong export demand and an overall better product mix enabled this outstanding performance in revenue and profit. The focus on improving productivity and efficiency also paid off with better margins at our carbon steel and stainless steel manufacturing plants.

Contribution from UPE following the completion of the acquisition helped bolster performance.

The planned solar photovoltaic system installation in PSI reported in the last annual report was completed in the financial year under review. Its 1,469kWp capacity now supports production operations at PSI, enables cost savings, contributes to bottom line and helps reduce the Group's carbon footprint.

Manufacturing productivity remains steady and a core focus of our operations. The Group closely monitors output for optimum production for economic viability.

## Financial & Operational Review (Cont'd)

### Manufacturing Division (Cont'd)

| Manufacturing Company | Pantech Steel Industries Sdn. Bhd. (PSI) | Pantech Stainless & Alloy Industries Sdn. Bhd. (PSA) | Nautic Steels Limited | Pantech Galvanising Sdn. Bhd. (PGSB) |
|---|---|---|---|---|
| Products | Carbon steel butt-welded fittings and induction long bends | Stainless steel pipes & fittings | Copper nickel & nickel alloy pipes & fittings, flanges and ancillary products | Hot-dip galvanising treatment and coating services |
| Annual Capacity | 21,000 metric tonnes | 18,000 metric tonnes | 800 metric tonnes | 48,000 metric tonnes |
| Output Achieved | 90% | 90% | 65% | 65% |

### Group

Pantech Group experienced a record-setting year given excellent performance from both the Manufacturing and Trading Divisions.

We broke through the one billion ringgit mark to reach RM1.04 billion in revenue. Similarly, the RM115.63 million profit after tax (PAT) recorded is also the highest achieved. Compared to the previous financial period, these results are a 38.11% and 61.15% improvement y-o-y respectively.

These results are proof that the Group's strategy and execution is sound. As part of the execution, Pantech Group has been prudently regulating inventory levels to provide a more diverse mix to serve customers more expeditiously. FY2023 inventory value grew marginally to RM405.44 million from RM400.83 million. The Group remains vigilant, monitoring developments and adjusting inventory levels accordingly.

Prudent but decisive action is an approach taken by Pantech Group in all aspects of operations. In this respect it has served the Group well as cash and bank balances have been conserved well even after funding expansionary activities. They sit at a comparable RM177.29 million (FY2022: RM178.59 million).

Gearing as at 28 February 2023 was at a healthy 0.28. It was 0.31 in the previous financial year. Our long-term relationship and ability to keep communication channels open with bankers, vendors and customers supported our working capital management efforts.

With the Group's strategy returning tangible results in the form of record profitability for the company, Pantech Group has shared the value created with loyal shareholders through dividends. Dividend for FY2023 has been paid out as:

- First interim single tier dividend of 1.50 sen per ordinary share, amounting to RM12.32 million.
- Second interim single tier dividend of 1.50 sen per ordinary share, amounting to RM12.35 million.
- Third interim single tier dividend of 1.50 sen per ordinary share, amounting to RM12.37 million.

## Financial & Operational Review (Cont'd)

### Group (Cont'd)

The Board of Directors proposes a final single tier dividend of 1.50 sen per ordinary share in respect of the financial year ended 28 February 2023 for the approval of shareholders at the forthcoming Annual General Meeting.

Upon approval, total dividend per share for the fiscal year amounts to 6.0 sen per ordinary share, up from the 4.0 sen of the previous year. This will also translate to a total dividend payout of RM49.43 million, or a whopping 52.77% increase.

## Outlook

Most economic sectors are projected to have more moderate expansion amid the expectation of slower global growth and the normalisation of high growth recorded last year. Nonetheless, the easing of supply chain disruption and the resolution of labour shortages will lend support to all economic activities.

In the first quarter of 2023, Malaysia's economy beat forecasts with a 5.6% growth, buoyed by domestic demand. Bank Negara Malaysia projected 2023 GDP to be between 4% and 5%. However, geopolitical conflicts could have a chain-effect on Malaysia's growth momentum.

Pantech Group is watchful of the economic risks from the ongoing and prolonged geopolitical conflicts, rising interest rates and inflation that will pose extended challenges and hinder positive sentiments and economic progress.

China's reopening of its borders is expected to have impact on the economy but the momentum remains to be seen. The International Energy Agency (IEA) raised its forecast for global oil demand in May 2023 by 200,000 bpd to 102 million bpd. It notes that China is second only to US as an oil user is projected to account for nearly 60% of global growth in 2023. Record demand in China, India and the Middle East offsets a lacklustre industrial activity and oil use in the OECD, and this is expected to translate into continued oil and gas activities. This encourages related capital activities such as facility maintenance and upgrading works in the oil and gas industry and in turn, we expect to see positive demand for our products, both domestically and internationally.

Closer to home, national oil giant Petronas expressed positive sentiment in its 2023-2025 Activity Outlook Report and its FY2022 results reported in March 2023 was its strongest-ever financial performance. These encapsulate the brighter days ahead for the industry.

Pantech Group has weathered the storms of pandemic and two anti-dumping circumvention investigations within the last five years. We embodied the saying, "when the going gets tough, the tough get going" and have emerged stronger. The experience forged our resilience and preparations that laid the foundation for our own record-setting year.

Going forward, we will continue to bolster existing revenue generating operations while exploring opportunities to grow our core businesses. Enhancing productivity and efficiency as a One-Stop Centre for PVF solutions for the oil and gas and related upstream and downstream activities will ensure we remain ahead as a preferred vendor in the highly demanding industry.

Following a record year where a number of oil and gas investments have taken place, Pantech Group is projecting steady performance in the coming financial year.

# SUSTAINABILITY STATEMENT

## About This Statement

Our fifth Sustainability Statement (the Statement) is prepared as part of Pantech Group's commitment to providing transparent and holistic disclosures to stakeholders.

Conducting business ethically is a non-negotiable in our mission to deliver quality products and services in a sustainable manner to create long-term value for stakeholders. This Statement illustrates the qualitative and quantitative information regarding Pantech Group's Economic, Environmental and Social (EES) impact.

To articulate Pantech Group's commitments and strategic objectives, we established three (3) main scopes of sustainability initiatives that aim to bring positive EES impact:

- **Sustainable Business Growth**
  Pantech Group's priority is generating long-term value for stakeholders. We keep ourselves abreast of emerging trends, industry regulations and best practices through trainings and courses to remain agile and adaptable in consideration of a fluid business environment. Opportunities are carefully evaluated and risks monitored to optimise capital utilisation. Strategic investments allow us to improve Pantech Group's operation efficiency and capacity as we supply a wide range of PVF to fulfil specific customer demands.

- **Environmental Protection**
  Achieving a low-carbon economy is a shared goal. Pantech Group has adopted carbon reducing initiatives to minimise our impact on the environment, such as efficient energy and water use, proper waste management and disposal, and carbon offsetting.

- **Workplace Management**
  Ensuring a safe and conducive workplace is integral to Pantech Group. We strive to maintain a safe and healthy workplace, nurture and invest in talent, and promote diversity, equality and inclusivity to support the wellbeing of our people.

| Sustainability Initiaves | 3 | 4 | 5 | 6 | 7 | 8 | 11 | 12 | 13 |
|---|---|---|---|---|---|---|---|---|---|
| Sustainable Business Growth | | | | | | ● | | ● | |
| Environmental Protection | | | | ● | ● | | | | ● |
| Workplace Management | ● | ● | ● | | | ● | ● | | ● |

## Reporting Approach

This Statement is prepared in accordance with Bursa Malaysia's Sustainability Reporting Guide (2022). It focuses on the material sustainability matters for Pantech Group. This Statement also aligns with global sustainability agendas and the United Nations Sustainable Development Goals (UN SDGs).

As part of our ongoing effort to enhance disclosure to our stakeholders, this Statement is prepared with guidance from the Integrated Reporting <IR> Framework, wherever relevant and possible.

## Scope of Report

This Statement covers the period from 1 March 2022 to 28 February 2023. For the purpose of this Statement, data is consolidated across Pantech Group's subsidiaries mentioned below, unless otherwise stated.

Our report covers all wholly-owned subsidiaries which:

1. Have business operations within Malaysia
2. Have substantial magnitude revenue contribution or impact to Pantech Group

These subsidiaries fall under said scope:

- Pantech Corporation Sdn. Bhd.
- Pantech Galvanising Sdn. Bhd.
- Pantech (Kuantan) Sdn. Bhd.
- Pantech Stainless & Alloy Industries Sdn. Bhd.
- Pantech Steel Industries Sdn. Bhd.
- Unity Precision Engineering Sdn. Bhd.

## Sustainability Governance

Our Board of Directors (Board) are custodians of Pantech Group's Sustainability matters, initiatives and performance, with the goal of assimilating sustainability into our strategic direction and business operations.

The Sustainability Management Committee (SMC) supports the Board in overseeing Pantech Group's Sustainability strategies, policies and practices.

The Board proactively reviewed SMC's roles and responsibility during the financial year with the view to better integrate business and Sustainability priorities as well as effective management of sustainability risks. To drive the way forward for Pantech Group's Sustainability, an updated term of reference is set to take effect in mid calendar year 2023.

The SMC is tasked with developing and implementing a Sustainability Strategy that aligns with the Group's vision, mission and core values. Other mandates include guiding the Group's decision-making by establishing policies and guidelines in compliance to relevant regulations, reviewing and monitoring Pantech Group's ESG performance against key indicators, and evaluating policy effectiveness and setting targets. The committee identifies areas requiring improvements and develops respective corrective actions. The SMC is to update the Board on Pantech Group's performance against targets on a regular basis, and has been empowered to engage external consultation to provide objective input and guidance.

In FY2023, the SMC and the Sustainability Taskforce members had reviewed and evaluated the implementation of Pantech Group's existing Sustainability Strategy. As a result, our mission statement and core values now incorporate Sustainability as a key focus in our business strategy.

## Sustainability Governance (Cont'd)

### Board of Directors

- Monitors and governs Sustainability strategies, policies and management of economic, environmental and social issues

### Sustainability Management Committee (SMC)

- Develops and implements Sustainability Strategy aligned with the Group's vision, mission and core values
- Establishes Sustainability policies and guidelines to ensure compliance with relevant regulations
- Lead the Sustainability Taskforce to execute Sustainability Strategy and coordinate implementation across ESG areas:

| Environment | Social | Governance |
|---|---|---|
| a) Pollution & Resources | a) Labour Standards | a) Risk Management |
| b) Climate Change | b) Health & Safety | b) Corporate Governance |
| c) Water Security | c) Human Rights & Community | c) Anti-Corruption |

- Reviews and monitors ESG performance and identifies areas for improvements

### Coordinator

- Intermediates between SMC and Sustainability Taskforce to communicate feedback between both parties
- Participates in executing and implementing the Sustainability Strategy set out by SMC
- Compiles the data for key indicators to be submitted to SMC on quarterly basis

### Sustainability Taskforce

- Sets action plans and guides subsidiaries or departments involved in its implementation
- Collects, analyses and reports key indicator data to the Coordinator

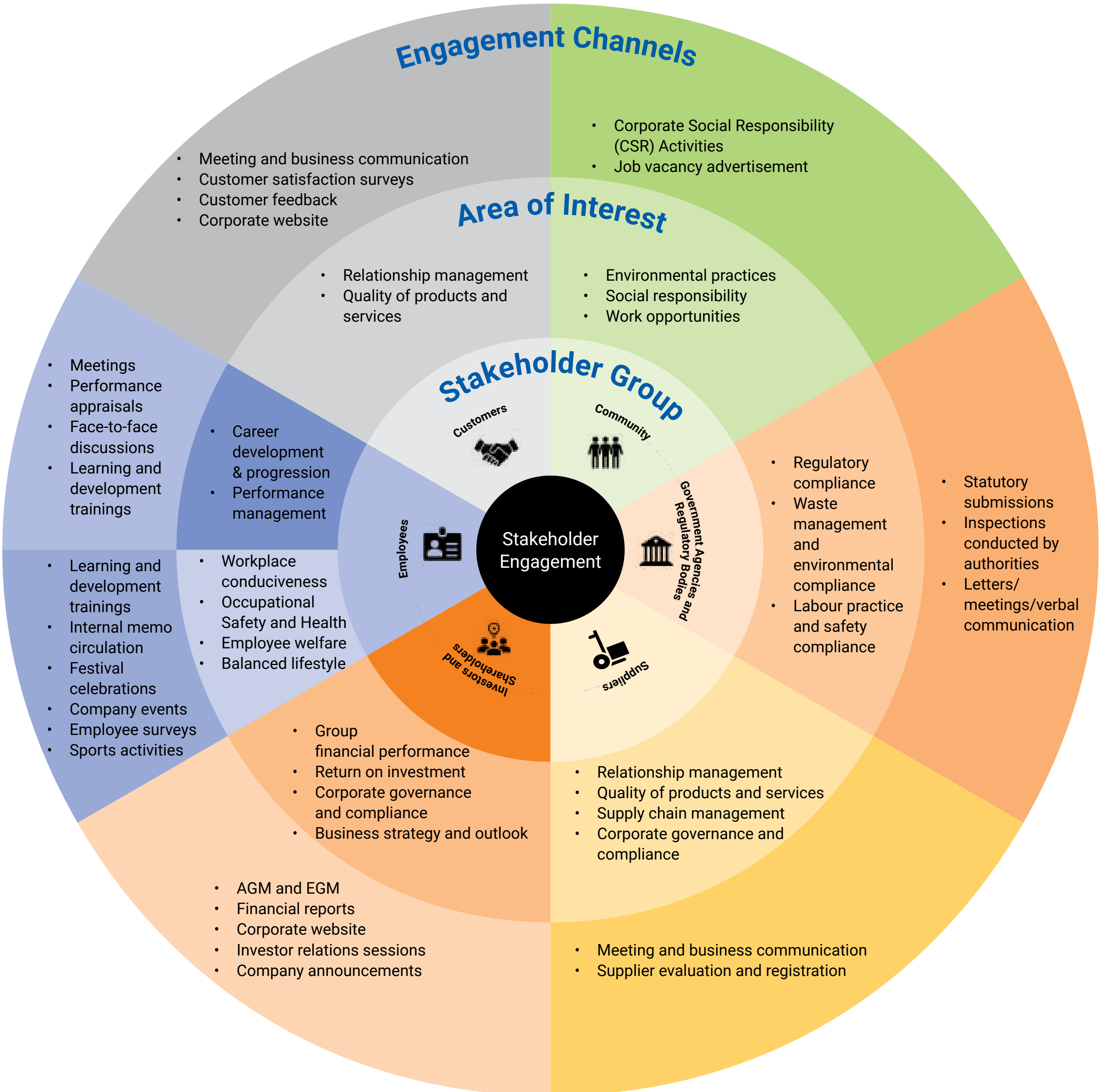
## Materiality Assessment

To align the relevance of our existing sustainability and material matters to our stakeholders, Pantech Group initiated a full-scale materiality assessment in November 2022. The assessment aims to collate valuable information on material matters based on our stakeholders' areas of concerns.

The materiality assessment survey is still underway; its results will be evaluated and reported in the next financial year's Sustainability Statement. Assessments of such scale will be conducted once every three (3) years, and limited-scaled assessments will be conducted annually to keep Pantech Group informed of potential changes in our stakeholders' material matters.

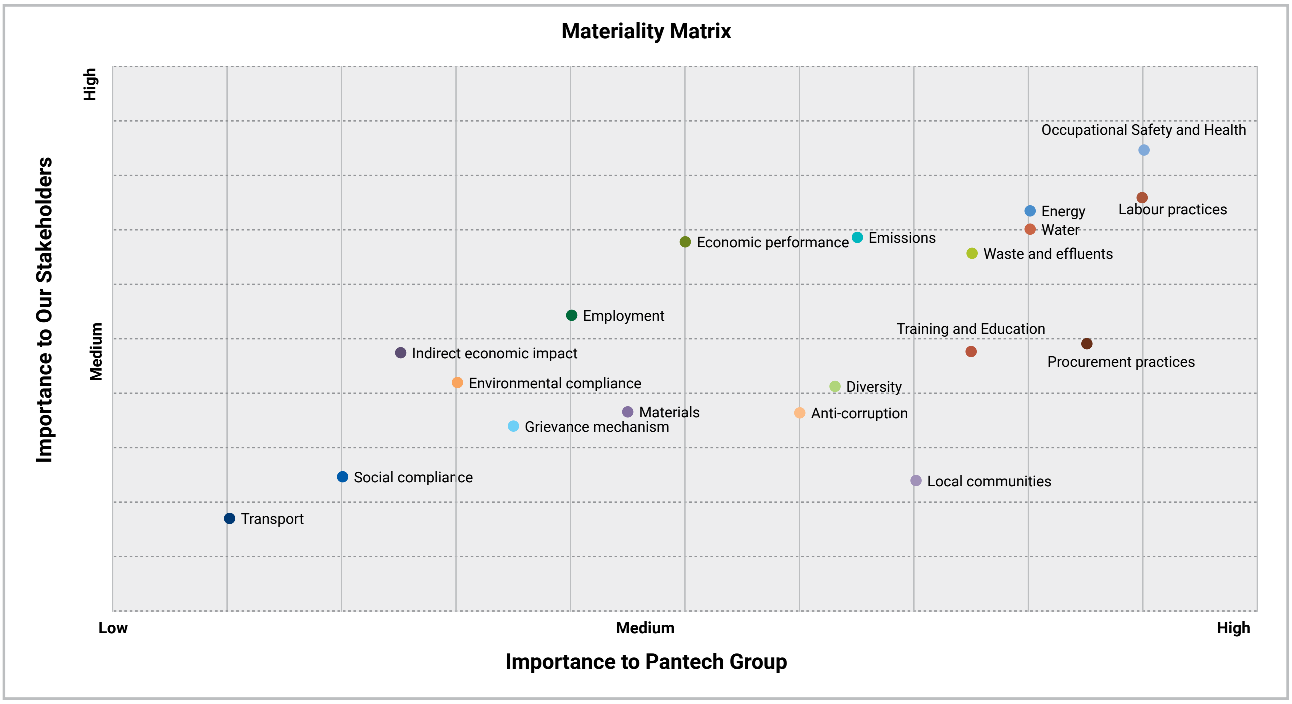
## Stakeholders Engagement

We engage our stakeholders in proactive manner to align stakeholder interest with our business strategy. By obtaining stakeholders' feedback through identified and established channels, we are able to achieve better decision-making in our operations.



## Materiality Matrix

Pantech Group's FY2023 material matters are mapped below in accordance to importance to our stakeholders.




# ECONOMIC

## Sustainable Business Growth

A sustainable business transcends positive growth on financial statements. It encompasses a healthy balance between economic well-being, environmental stewardship and social responsibility to create positive and lasting impact for stakeholders. By pursuing sustainable business growth, Pantech Group creates value not only for our shareholders, but also for our employees, suppliers, vendors, customers and the wider society.

## Economic Responsibility

With presence in 70 countries, Pantech Group's operations have a wider economic effect in our stakeholders, in particular for our customers. Our business has a socio-economic impact beyond internal stakeholders in multiple operating locations with a ripple effect on the value chain.

# ECONOMIC

## Economic Responsibility (Cont'd)

In FY2023, Pantech Group generated a total revenue of RM1.04 billion, of which 92% was distributed to stakeholders. The economic value generated and distributed (EVG&D) arising from our business operations is illustrated below.

| | FY2022 RM'000 | FY2023 RM'000 |
|---|---|---|
| **Direct Economic Value Generated** | | |
| Revenue | 751,479 | 1,037,839 |
| Interest income | 1,573 | 2,270 |
| | 753,052 | 1,040,109 |
| **Operating Costs** | | |
| Materials, operating and administrative expenses | 546,803 | 748,500 |
| Selling and distribution expenses | 30,813 | 48,606 |
| | 577,616 | 797,106 |
| **Employee Wages and Benefits** | | |
| Wages, salaries, defined contributions and others | 57,148 | 67,052 |
| | 57,148 | 67,052 |
| **Payments to providers of capital** | | |
| Interest payments | 5,340 | 9,052 |
| Dividend paid to shareholders | 23,242 | 45,176 |
| | 28,582 | 54,228 |
| **Community Investments** | | |
| Contributions to charities, community and social programmes | 129 | 112 |
| | 129 | 112 |
| **Payments to Government** | | |
| Tax expense | 15,658 | 38,008 |
| | 15,658 | 38,008 |
| Economic Value Distributed | **679,133** | **956,506** |
| Economic Value Retained | 73,919 | 83,603 |

*Please see the section on our Social impact on page 36 – 43.*

# ECONOMIC

## Quality Assurance and Professional Certification

We are mindful that a company's business reputation speaks volumes to stakeholders. Pantech Group is iron-willed in providing quality assurance and affirmation that our operations comply with the applicable laws, environmental regulations and health and safety standards to our customers.

Pantech Group is determined to uphold strict industry regulations for our extensive range of PVF products. We relentlessly conduct meticulous Quality Control (QC) checks that involve assessment throughout the manufacturing process to assure the quality of our goods. These stringent QC checks serve to confirm that our products meet all requirements and specifications. Products that are not up to par are segregated to be disposed of as scrap metal via a qualified contractor, ensuring that we honour our environmental obligation.

Pantech Group's integrity also lies in the supply chain. All our products and its components are traceable to its origin, which are recorded and updated in our dedicated document archive. We remain vigilant in our supply and procurement process to maintain supply chain integrity.

In addition to stringent processes, Pantech Group also holds certifications and accreditations from various regulatory bodies. These certifications prove our products meet the necessary criteria for entry into different markets, thus gearing Pantech Group to be an international leader in the provision of total solutions for gas and fluid transmission systems.

We defend these certifications by subjecting our operations, processes and products to audit and scrutiny by the regulatory bodies and accreditation organisations. With our teams' collective effort, shortcomings are identified and rectified for continued compliance and quality assurance as part of continuous improvement efforts.

The certificates Pantech Group holds:

| Entity | Certificate | Certification Body |
|---|---|---|
| Pantech Corporation Sdn Bhd | ISO 14001:2015 | SGS United Kingdom Ltd Systems & Service Certification |
| | ISO 14001:2015 | SGS (Malaysia) Sdn Bhd Systems & Services Certification |
| | ISO 45001:2018 | SGS (Malaysia) Sdn Bhd Systems & Services Certification |
| | ISO 9001:2015 | LRQA Limited |
| Panaflo Controls Pte Ltd | ISO 9001:2015 | LRQA Limited |
| Pantech Steel Industries Sdn Bhd | ISO 9001:2015 | Lloyd's Register Quality Assurance Ltd |
| | EU Certificate of Quality System Approval | EU Certificate - Lloyd's Register Nederland |
| | Approval of Manufacturer Certificate | DNV |
| Pantech Stainless & Alloy Industries Sdn Bhd | ISO 9001:2015 | Lloyd's Register Quality Assurance Ltd |
| | ASTM A 312/A 312M & A 403/A 403M | Sirim QAS International Sdn Bhd |
| | SPAN | Suruhanjaya Perkhidmatan Air Negara |
| | EU Certificate of Quality System Approval | LRQA Nederland B.V. |

# ECONOMIC

| Entity | Certificate | Certification Body |
|---|---|---|
| Pantech Stainless & Alloy Industries Sdn Bhd (Cont'd) | Standards Compliance for Welded Stainless Steel Pipes | Construction Industry Development Board (CIDB) Johor |
| | NSF/ANSI/CAN 61 | NSF International |
| | Approval for Water Supply Products | Jabatan Air Negeri Sabah |
| | Approval for Water Supply Products | Pihak Berkuasa Air Negeri Sarawak |
| Nautic Steels Ltd | ISO 9001:2015 | LRQA Limited |
| Pantech Galvanising Sdn Bhd | ISO 9001:2015 | Transpacific Certifications Limited |
| Unity Precision Engineering Sdn Bhd | ISO 9001:2015 | LRQA Limited |

## Procurement Practices

In procurement processes, impartiality is paramount. Pantech Group adheres to a fair procurement process that promotes equal opportunities for all existing and potential suppliers and vendors. At the same time, we uphold compliance with relevant laws, regulations and internal policies throughout our procurement function.

Our suppliers and vendors are vetted and are appointed based on the quality of material, reliability, lead time and cost. We work closely with our suppliers and communicate our expectations of doing business in accordance with the highest ethical standards.

Pantech Group has open communication channels with suppliers and vendors in an effort to foster a collaborative relationship with mutual trust and respect. Such relationships are evinced as some vendors have journeyed with Pantech Group for over decades. Nevertheless, we remain unbiased and diligent in ensuring procurement is conducted responsibly. Our procurement team follows established guidelines and procedures to promote competitiveness and avoid any potential conflicts of interest.

Fortifying our position as a One-Stop Centre for PVF, maintaining optimal inventory levels is an important skill that is honed over time and experience. Being able to meet customers' expectations and requirements in a timely manner solidifies our business proposition. Our procurement team keeps a tight rein on this through careful planning and strategising to minimise the risk of costly excess or product obsolescence.

# ENVIRONMENTAL

Pantech Group is cognisant of the impact of our decisions and actions, and strives to integrate sustainability in all aspects in our operations, encompassing economic sustainability and consideration for our impact to the environment and society.

Our business, especially the Manufacturing Division, requires significant amount of energy and water in its operations. We continuously seek ways to improve efficiency, minimise our consumption and withdrawal, and adopt good waste management practices. We have engaged an external consultant who is advising and guiding Pantech Group on our Environmental, Social and Governance adoption journey, which includes developing a Sustainability Policy that incorporates indicators for Climate Change, to be tabled in FY2024.

## Energy

Energy powers our everyday lives. It is a crucial aspect for economic growth and sustainable development. In Malaysia, energy is mainly generated from non-renewable sources, such as natural gas and coal, which deals significant damage to the environment in the long run.

Understanding this, Pantech Group is committed to minimising our negative impact through efficient energy usage and diversification of energy sources as this is a key resource in the operation of our business. Our manufacturing division, particularly PSI, consumes the highest portion of energy, while our trading offices consume the least energy.

With operations dotted in nine locations, Pantech Group has implemented energy efficiency measures across board for cumulative impact to our overall energy consumption and to the environment.

Reminders are placed at strategic locations throughout our buildings to encourage and remind all staff to adhere to good energy consumption practices, such as turning off non-critical machineries, lights and air-conditioning system when not in use. These simple acts to reduce consumption have been rolled out across all subsidiaries.

With our key operating locations sitting near the equator, Pantech Group is blessed with an abundance of sunshine. We installed translucent roofing in all five warehouses to capitalise on natural lighting and reduce energy consumption. During the financial year, we replaced 2,160 square metres of translucent roofing across 2 building blocks.

In addition, Pantech Group also completed the installation of the planned grid connected photovoltaic system at PSI as reported in the last year's annual report. Harnessing the power of solar, the 1,469.32 kWp system, which came online in January 2023, produced around 741.5 GJ (206 mWh) of electricity in less than two months. Based on Energy Commission, Malaysia (Suruhanjaya Tenaga)'s guideline on the emission factor of 0.78 tCO2e/mWh, we avoided approximately 160 tCO2e within this short period.

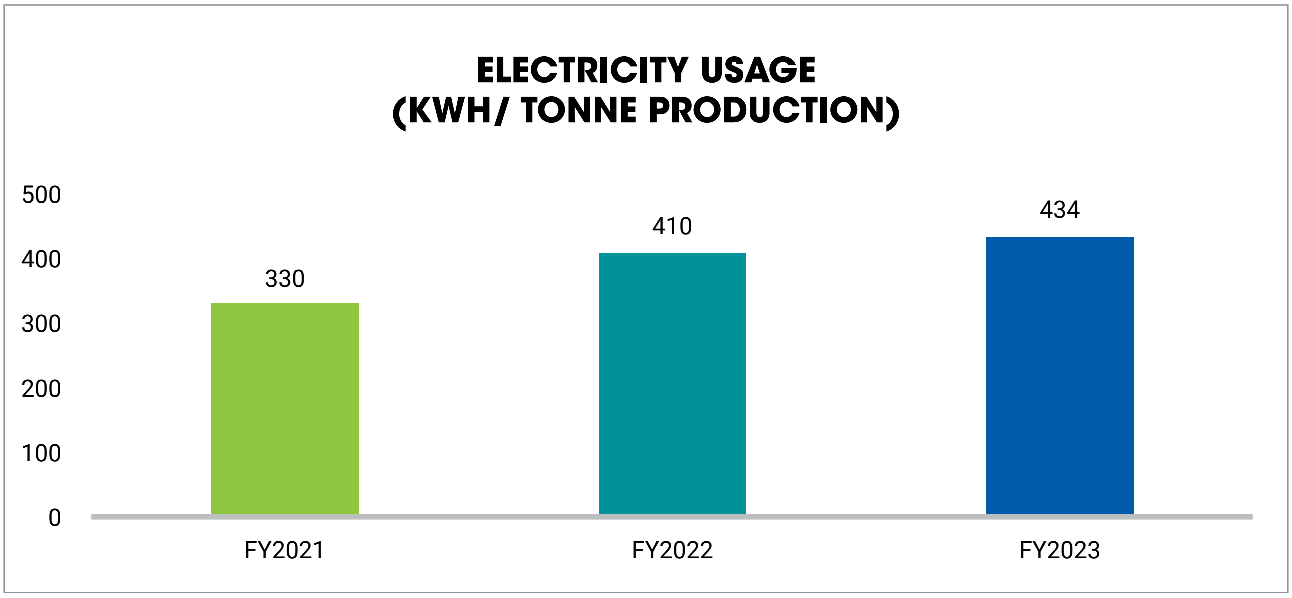
Grid connected photovoltaic system

# ENVIRONMENTAL

## Energy (Cont'd)

The energy-efficiency measures are complemented by a daily monitoring system. Electric surges are reported to the Head of Production and Management team, who are tasked with verifying and investigating such surges to ensure that the electricity consumption usage aligns with the on-going production activities and to identify risks of electrical damages, hazards and wastage, which may be detrimental to our operations.

Electricity intensity is tracked at the Manufacturing Division excluding UPE. Our electricity intensity increased 5.85% to 434 kWh/tonne production as PSA and PSI operated at maximum capacity, while a two-month production disruption at PGSB caused a decrease in the output level before normalising.




*Data from Manufacturing Division in Malaysia (excluding UPE)*

Pantech Group has taken another step forward towards setting a carbon-reduction target. In an effort to enhance our disclosure on environmental impact, Pantech Group adopted the calculation and monitoring of our carbon emissions, in accordance to Peninsular Malaysia's grid electricity emission factor published by Energy Commission, Malaysia. The total Scope 2 emissions for FY2023 was 17,474 $tCO_2e$.

## Water

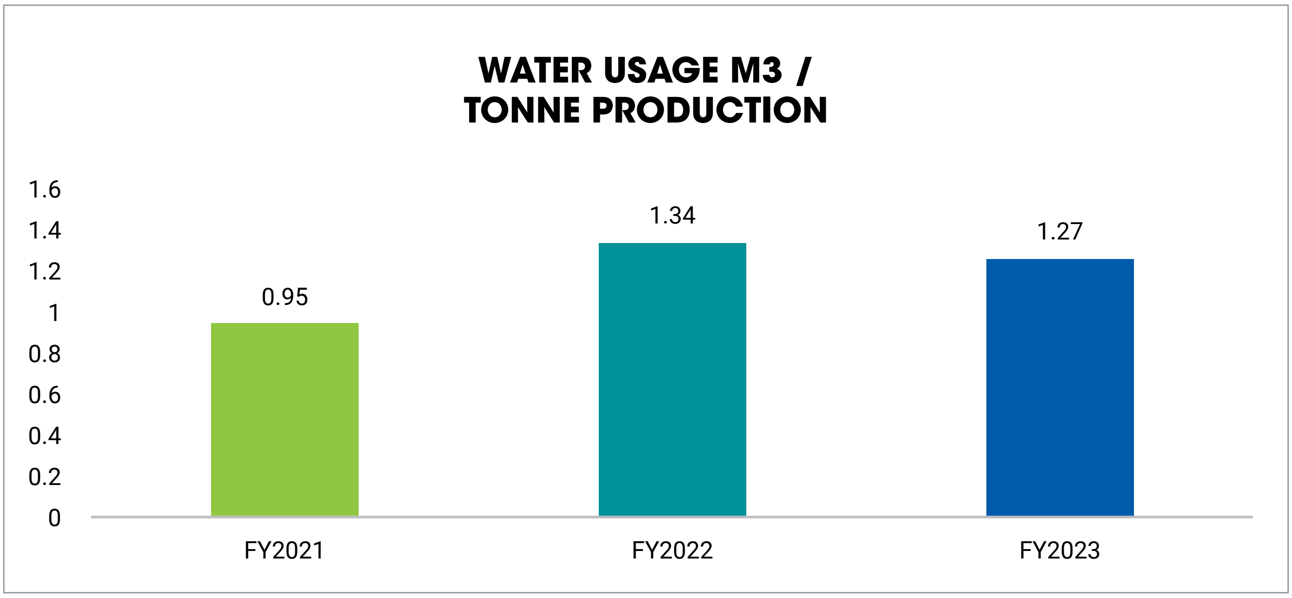
Access to clean water is a fundamental human right. Pantech Group is conscious of the need to manage our water resources responsibly and sustainably. As a manufacturer of PVF, water is a critical resource input in our operations. We endeavour to use only what is necessary to minimise our water withdrawal, thereby reducing our environmental impact and ensuring access to clean water for local communities.

To reduce water withdrawal from municipal source, we have rain harvesting systems which include collection, filtration, and storage systems. Eight rainwater catchment tanks with a total capacity of around 270 cubic metres (70,790 gallons) are installed in PGSB and PSA. At least 7,702 cubic metres (7.7 ML) of rainwater or the equivalent of more than three Olympic sized swimming pools were harvested for operational use.

# ENVIRONMENTAL

## Water (Cont'd)

With our teams' collective effort in meticulous production planning, daily monitoring of water usage, timely inspections of water pipes and utilisation of harvested rainwater, we reduced our water usage (m3/tonne production) at the Manufacturing Division by 5.22%.




*Data from Manufacturing Division in Malaysia (excluding UPE)*

## Effluents, Waste and Emissions

In caring for the environment, three (3) Industrial Effluent Treatment Systems (IETS) are installed at PGSB and PSA to ensure that wastewater from our manufacturing activities are treated properly and accordingly before disposal. This system comprises wastewater and sludge treatment facilities capable of treating and neutralising up to 126 cubic metres of acid water per day from pickling tanks.

Pantech Group engages licensed vendors to ensure that sludge from our operations are handled properly and taken for onward processing according to regulations.

Air scrubber systems are also in place to neutralise and filter acidic fumes emitted from the pickling process. Dust collector systems supplement the scrubber systems by filtering air and preventing the release of dust particles into the atmosphere.

Pantech Group continuously assesses the need for additional waste management solutions. To date, the industrial effluent treatment system, air scrubber system, and dust collector system have helped the Group's waste management initiatives.

## ENVIRONMENTAL

### Effluents, Waste and Emissions (Cont'd)

Industrial Effluent Treatment System

Air Scrubber System

Dust Collector

In FY2023, Pantech Group received three compounds amounting to RM93,000 issued by the Department of Environment (DOE) and Majlis Perbandaran Pasir Gudang (MBPG) to our factories in Johor. The inspections and audits helped improve our compliance. We undertook remediation and rectification works to adhere to good practices.

- Repair work on IETS with installation of new sensors, pumps and supporting equipment
- Installation of online analyser on IETS to enhance monitoring and recording
- Installation of alarm system on the Air Scrubber System
- Inspection and maintenance of the Waste Water Treatment Plant (WWTP) system
- Recalibration of the pH controller of water treatment plant
- Engaged contractor to clean drainage system
- Conducted training sessions to operational staff handling the machineries.

Pantech Group will continue investing on waste management trainings for our employees to emphasise the importance of caring for the environment and mitigate potential environmental risks.

The effluent, waste and emission management implemented is supported by a monitoring system that meets the requirements set out by the Department of Environment. This includes:

- Daily testing of the water discharged;
- Testing of water discharged conducted by a third-party laboratory on a weekly basis;
- Testing of effluent or sewage by a third-party laboratory on a weekly and monthly basis;
- Daily performance monitoring of air scrubbers; and
- Annual inspection of air scrubber conducted by a third-party vendor.

The results of the monitoring system are recorded and reported to the management on a timely basis ensuring proper action is taken if there are any abnormalities.

# SOCIAL

Pantech Group understands that our success and sustainability as a company is intrinsically tied to the wellbeing of our employees and those we serve and interact with. From our dedication to empower employees, to our commitment to good governance and engagements with local communities, we strive to embed social responsibility as a driving force of our business operations.

## Employee Empowerment

Human capital development is an essential element in Pantech Group's ability to create long-term value for stakeholders. Aligned with this, Pantech Group has identified three core themes to attract, nurture, develop and retain top talents:


## Employee Development

One of Pantech Group's core values is to empower employees to create an energetic and enthusiastic workforce through talent management and development.

In promoting a work environment where employees are encouraged to step up and lead, Pantech Group encourages a culture of continuous learning and adaptability to nurture their growth as they make decisions based on critical thinking. We support our employees in their endeavour to acquire new skills and capabilities through courses that benefit their personal development.

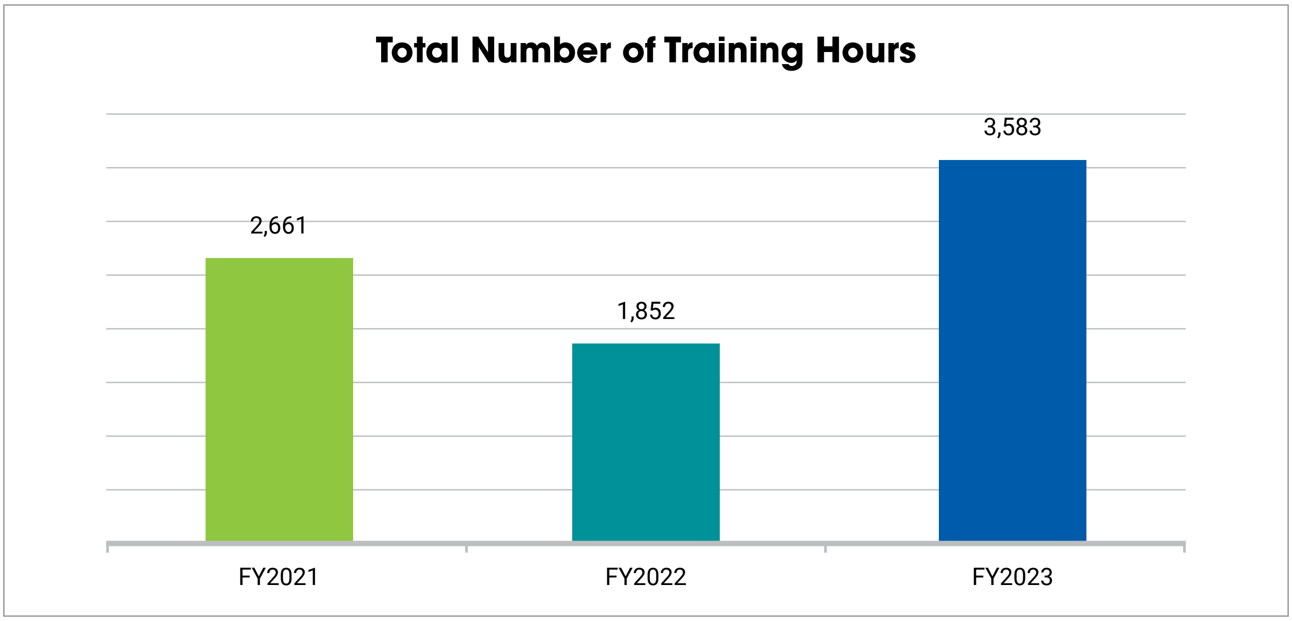
Working towards our vision to be a leader in the provision of total solutions for gas and fluid transmission systems requires a habit of prioritising safety among our workforce. We conduct regular trainings on health, safety, and environment (HSE) and personal protective equipment (PPE) in our effort to promote a safe and conducive workplace. These sessions help ensure that our employees have the necessary knowledge and skills to maintain a safe working environment.

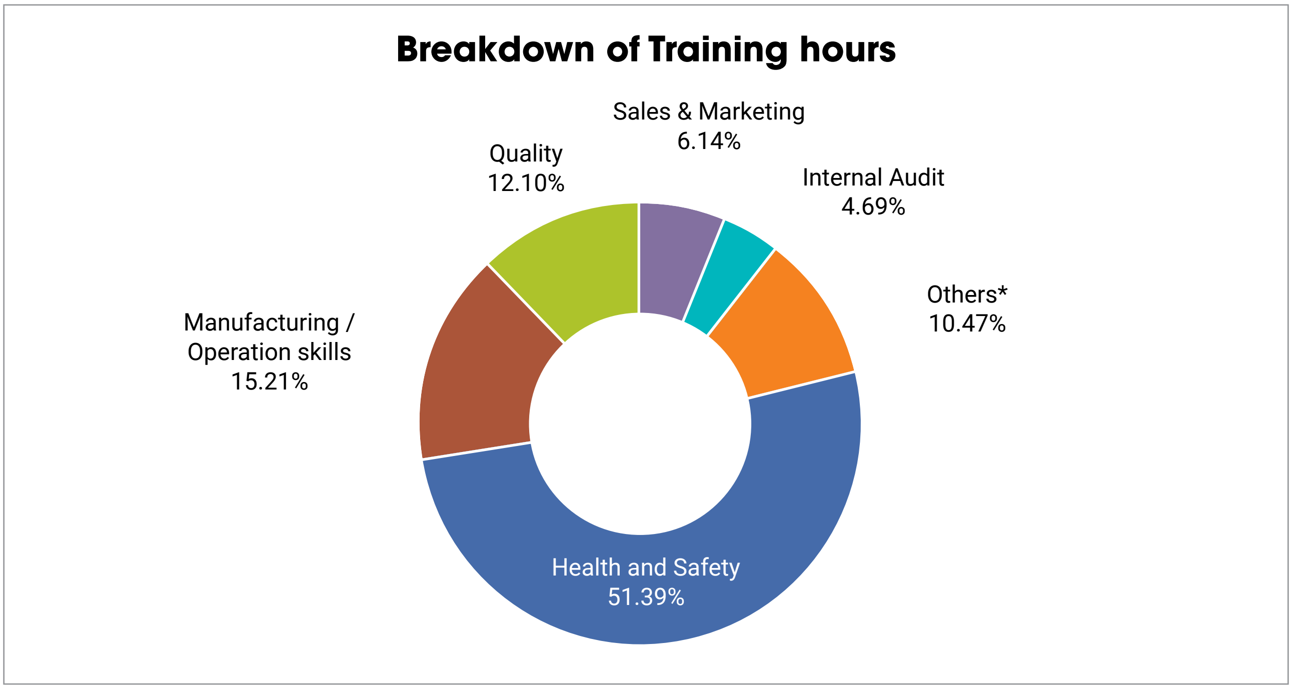
Beyond equipping with HSE and PPE know-how, Pantech Group also develops the skills and knowledge in areas such as manufacturing and operational skills, quality assurance, sales & marketing, internal audit and sustainability among others. These employee development initiatives which increase individual skillsets benefit the team as a whole and contribute positively to their personal career progression.

# SOCIAL

## Employee Development (Cont'd)

In line with this, FY2023 saw an increase in employee participation in training programmes. Correspondingly, training hours increased 93% in the financial year in review, with an average of 5.21 training hours per local employee, exceeding our target training hours by 30%.




* *Topics covered in Others: Sustainability, Finance and Purchasing, Human Resources and Information Technology, Product Knowledge and Shipping.*

## SOCIAL

### Employee Development (Cont'd)

Pantech Group resumed events that recognised employees for their contribution (Annual Dinner) and foster camaraderie (Team Building) following Malaysia's transition in endemicity.

36 long-service staff who have been with the Group for 5, 10, 15 and 20 years were given special honour during the Dinner, while the Team Building event saw cross-level and divisional participation. Both initiatives were participated by directors, management, executives and non-executive staff.

### Employee Wellness

A safe working environment transcends reporting zero incidences. It upholds the right of a person to return home safely to loved ones after a day's work.

### Operational Safety and Health (OSH)

Employee safety and health is paramount in our business operations. Pantech Group strives to conduct business activities in a safe and responsible manner. We aim to achieve the goal of zero health and safety incidences for all employees, customers, visitors and contractors during their association with the Group.

To this end, we implement rigorous safety and health management systems that are continuously monitored and evaluated to mitigate risks of unwanted incidences by identifying potential hazards.

Our safety procedures are reviewed and updated periodically to ensure the continued safety of our staff. Our CARE Policy captures the essence of Pantech Group's safety culture.


Pantech Group has 15-minute weekly Toolbox Sessions for the Production floor and Warehouse departments to encourage healthy dialogue on workplace safety. These sessions provide the opportunity to reinforce safety basics and communicate updates on safety related matters.

Our scheduling of regular safety related training sessions for employees contributed to the steady decline of safety incidents of Pantech Group since FY2020. There were 18 incidents (9 major, 9 minor) recorded in FY2023 compared to 25 incidents (4 major, 21 minor) recorded in FY2022. However, the total man-hours lost increased by 75% as there were more major incidents which required temporary production halt of the sections involved for investigation and remediation. None of the incidents resulted in fatal injuries.

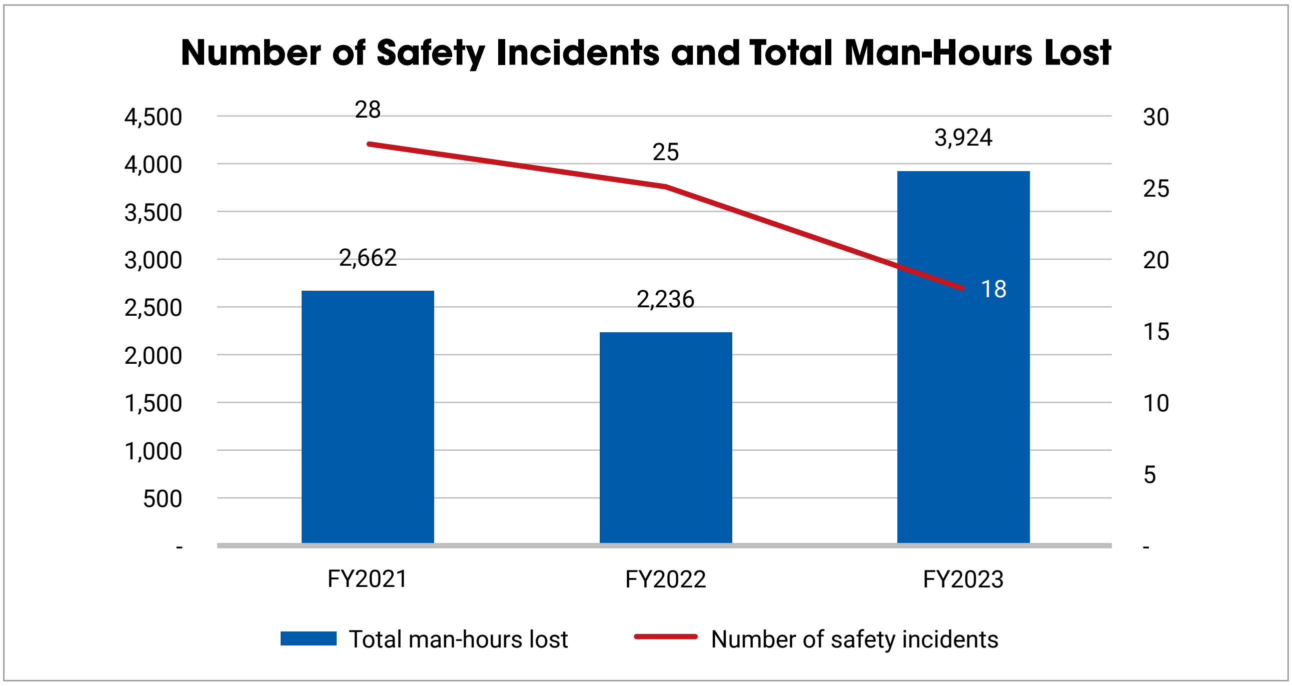
For the year under review, Pantech Group recorded a Lost Time Incident Rate (LTIR) of 1.48. LTIR reflects loss of productivity associated with safety incidents and is calculated according to Bursa Malaysia's Sustainability Reporting Guide (3rd Edition).

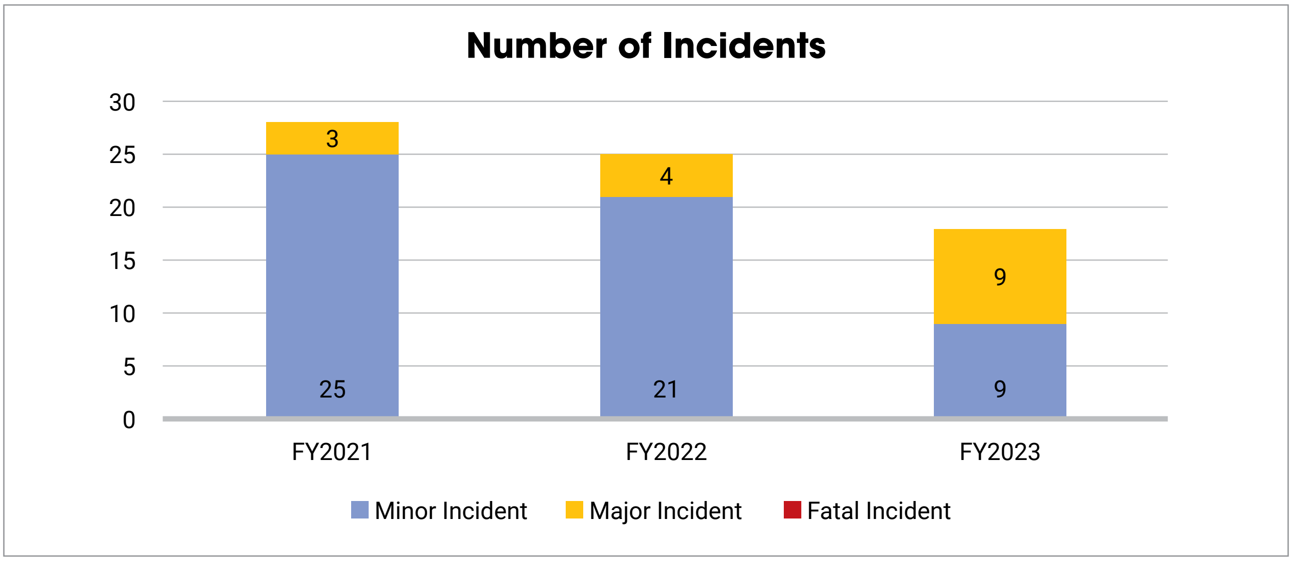
# SOCIAL

## Operational Safety and Health (OSH) (Cont'd)

All safety incidents were carefully investigated, with necessary precautionary and remedial actions taken to ensure that they are addressed at the root cause level.

Pantech Group will continue to emphasise good operational safety and health practices by assessing the risks of safety incidents in our operations. We are dedicated to contributing towards a sustainable future by maintaining a safe and conducive workplace with zero safety incidents.



# SOCIAL

## Operational Safety and Health (OSH) (Cont'd)

| Type of Incidents | Description |
|---|---|
| Fatal | • Incidents that result in death |
| Major | • Incidents that result in non-fatal injury but cause permanent disability<br>• Prolonged but non-permanent disability with absence from work or on medical leave (MC) of more than 3 weeks |
| Minor | • Incidents that result in minor injuries but not permanent disability<br>• Not critical or life threatening, minor abrasions, bruises, cuts and first aid type injury<br>• Absence from work or MC of less than 3 weeks |

## Diversity and Equal Opportunities

Pantech Group practises inclusivity and values diversity in all its forms, including race, religion, gender, age, sexual orientation, disabilities and nationality. We appreciate that every employee has the right to work in an atmosphere of respect, dignity and fairness. Discrimination in any form whatsoever is not tolerated.

Our diverse workforce comprises individuals from different backgrounds who bring on board their own individual experiences, knowledge and perspectives. This collaborative and inclusive approach creates a harmonious workforce which has the benefit of enhancing the value of our operations.

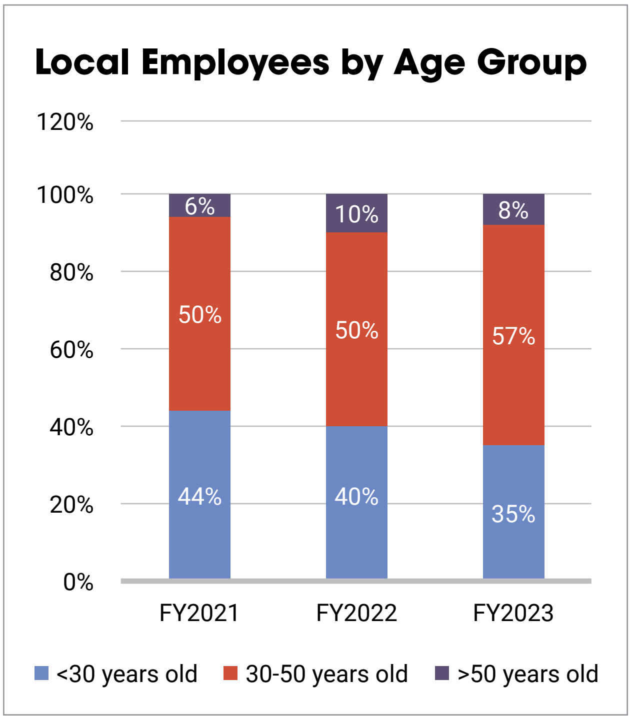
FY2023 saw an uptick in headcount to address the increase in production demand. Pantech Group expanded employment by 31% which also helped promote social and economic opportunities for individuals and families. The completion of UPE's acquisition contributed to the headcount increase.

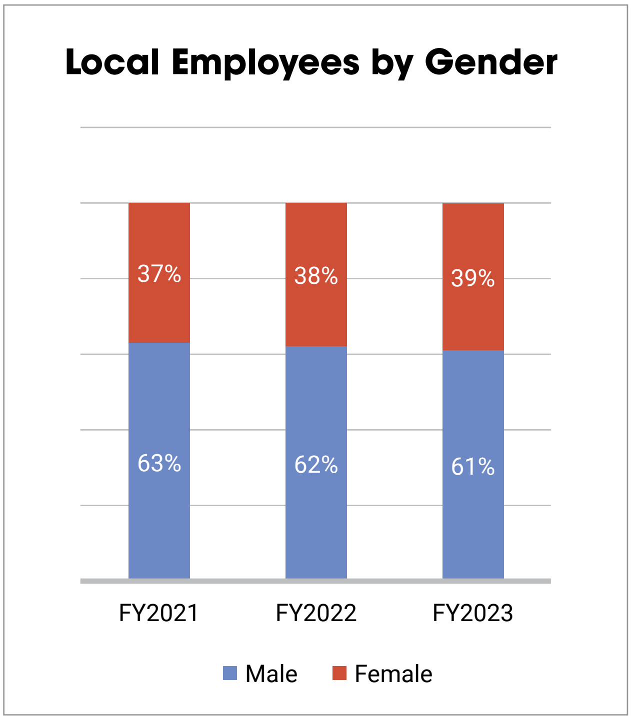
92% of Pantech Group's local employees are below 50 years old, reflecting the Group's dedication in investing in our employees' growth and development, while providing work opportunities for young talents. Meanwhile, the majority of our Board comprises directors above 50 years old with experience and nous honed over the years. Their valuable insights, industry expertise and professional networks contribute to sound strategic guidance, supporting informed decisions.

Our gender ratio continues to improve as it had over the last three financial years. 39% of our local workforce is female, and one third of the Board are represented by female directors. Our operations comprise production and warehouse departments, which predominantly consist of male workers due to the physically demanding nature of the work. Nevertheless, we recognise the importance of gender diversity and are committed to creating opportunities for female employees in administrative roles. We are pleased that 64% of our non-Operation workforce are female. We believe in providing equal opportunities for career advancement and fostering a work environment that embraces the diverse strengths and talents of our employees.

# SOCIAL

## Diversity and Equal Opportunities (Cont'd)




## Anti-Corruption and Bribery

Ethical standards in all our business activities is an unwavering commitment of Pantech Group's. This is reflected by our core value to conduct business with honesty and integrity at all times, to develop trust and strengthen relationships with stakeholders.

Our policies and procedures are guided by our Code of Ethics, which outlines our risk mitigation efforts for bribery and corruption risks in all our dealings. This is complemented by Pantech Group's Anti-Corruption & Bribery policy which is regularly communicated to both internal and external stakeholders.

In addition, we have a robust Whistleblowing policy in place for staff to safely report any suspected misconduct or illegal behaviour without fear of retaliation. All reports will be subject to an internal inquiry and subsequently, if found in breach, commensurate action will be taken.

In this respect, Pantech Group is pleased to announce that there were no corruption or bribery incidences reported in FY2023.

## Human Rights

Respect for human beings is a moral obligation at Pantech Group. Respecting and promoting human rights is fundamental to achieving sustainable growth. Pantech Group has developed a human rights policy that outlines our approach to managing and mitigating potential negative human rights impact, and is in the process of being ratified by the Board for implementation. We are committed to improving our human rights performance in line with updated guidelines issued by key authorities.

# SOCIAL

## Community

As part of Pantech Group's commitment to sustainability, we believe in creating value that extends beyond financial compensation for our employees – by helping to shape the future of their loved ones. Our annual Back to School Programme continued in its 12th year to help employees with school-going children in both primary and secondary school by subsidising education expenses and encourage kids to stay in school. In FY2023, the programme benefitted 88 employees, impacting 126 children's future through access to quality education.

Pantech Group also implemented initiatives that centre on community and social contribution. We work closely with local organisations and stakeholders to identify areas where we can make a positive impact as we strive to be a responsible and engaged corporate citizen.

We believe that these initiatives can help build stronger and more resilient communities, in addition to addressing social and environmental challenges.

Our community and social contribution initiatives in the financial year under review are listed below for reference.

# SOCIAL

## Community Initiatives

# CSR

Soup Kitchen
KECHARA

Pantech Group contributed to Kechara Soup Kitchen in their mission to provide sustenance, medical care and welfare aid to 17,000 people among local marginalised community.

We extended support for the works of Trinity Community Children Home in providing a safe and nurturing sanctuary for 25 underprivileged children.


Since 2018 we have been supporting the National Stroke Association of Malaysia (NASAM) to help make rehabilitation programmes more accessible to stroke survivors in Malaysia.


Pantech Group supported a Soroptimist International Iskandar Puteri (SIIP) project with Kiwanis Careheart that provides therapy for people with learning disabilities in form of herbal garden farming and conservation of mother nature.

Pantech Group facilitated the purchase of a brand-new dialysis machine and supported the daily operating expenses of the Kulai Rotary Haemodialysis Centre by the Rotary Club Foundation.

Approximately 85 kidney patients receiving dialysis treatment at the Centre benefit from this support.


We collaborated with SIIP in the restoration of ecological balance and biodiversity by participating in mangrove replanting activity at Tanjung Piai National Park, Kukup, Johor with the International Women Association.

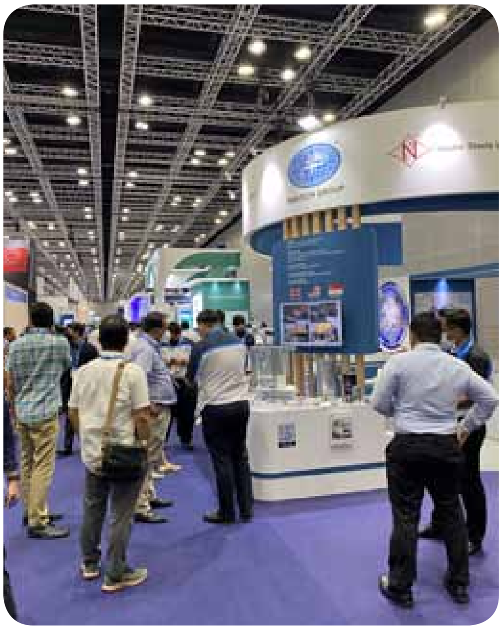
A total of 23 employees led by our executive director, participated in the programme to plant 53 mangrove seedings and cleaned up 63kg of rubbish collected from the swamp.

In total, Pantech Group channelled close to RM112,000 in FY2023 to help sustain the communities around us.

# CORPORATE EVENTS

**22-25 March 2022**

Kuala Lumpur Convention Centre | Offshore Technology Conference Asia (OTC Asia) 2022



**20-24 June 2022**

Düsseldorf, Germany | Tube 2022

**13-15 September 2022**

Kuala Lumpur Convention Centre | Oil & Gas Asia (OGA) and Malaysia Oil, Gas & Services Exhibition and Conference (MOGSEC)
OGA x MOGSEC 2022


**7-9 December 2022**

Kuala Lumpur Convention Centre | Asiawater 2022


**12-13 December 2022**

Kuala Lumpur Convention Centre | International Project Management Conference (IPMC) 2022

# AUDIT COMMITTEE REPORT

The primary objective of the Audit Committee is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting process and internal control system.

The Audit Committee have adopted practices aimed at maintaining appropriate standards of responsibility, integrity and accountability to all the Company's shareholders.

## MEMBERSHIP

The Audit Committee comprises of three (3) members of which all are Independent Non-Executive Directors, in compliance with Paragraph 15.09 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The members of the Audit Committee and details of their attendance at the Audit Committee Meetings during the financial year ended 28 February 2023 ("FYE 2023") are as follows:

| Name | Designation | Number of Meeting(s) Attended |
|---|---|---|
| Lim Yoong Xao ^ | Chairman, Independent Non-Executive Director | 5/5 |
| Dato' Sri Yap Tian Leong | Member, Independent Non-Executive Director | 5/5 |
| Nooraini Binti Mohd Yasin | Member, Independent Non-Executive Director | 5/5 |

^ *Member of the Malaysian Institute of Accountants*

## MEETINGS

The Audit Committee met five (5) times during the financial year. Other Board members and senior management staff attended the meetings by invitation of the Audit Committee. The representatives of internal and external auditors were also present during deliberations of the subjects which required their input and advice. During the financial year, the Audit Committee also met with the representatives of the internal auditors and external auditors, both without the presence of Executive Directors and Management team.

## TERMS OF REFERENCE

The Terms of Reference of the Audit Committee are aligned with the MMLR of Bursa Securities and recommendations of the Malaysian Code on Corporate Governance. The Terms of Reference will be revised accordingly, to cater for changes, if any. The Terms of Reference is available at www.pantech-group.com.

## SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE

In line with the Terms of Reference of the Audit Committee, the following is a summary of work undertaken by the Audit Committee during the financial year ended 28 February 2023 in discharging its functions and duties:

| Date of Meeting | Subject matters |
|---|---|
| 27 April 2022 | • Audit Status Report for FYE 28 February 2022 by Grant Thornton Malaysia PLT<br>• Performance review on external auditors & private session with Grant Thornton Malaysia PLT<br>• Review and approval of Internal Audit Plan for FYE 2023<br>• Review of Fourth Quarter Results ended 28 February 2022<br>• Review of Internal Audit Report on Information Technology Management of Pantech Corporation Sdn Bhd<br>• Review of Risk Management Report<br>• Review of Employees' Share Option Scheme (ESOS) allocation |
| 14 June 2022 | • Review draft financial statement for FYE 28 February 2022<br>• Review and approval of Audit Committee Report and Statement on Risk Management and Internal Control for Annual Report 2022 |
| 28 July 2022 | • Review of First Quarter Results ended 31 May 2022 |
| 18 October 2022 | • Audit Planning Presentation for FYE 28 February 2023 by Grant Thornton Malaysia PLT<br>• Review of Internal Audit Report on Sales and Marketing, Procurement and Inventory of Pantech (Kuantan) Sdn Bhd<br>• Review of Second Quarter Results ended 31 August 2022 |
| 12 January 2023 | • Review of Internal Audit Report on Inventory Management of Pantech Corporation Sdn Bhd, Pantech Steel Industries Sdn Bhd and Pantech Stainless & Alloy Industries Sdn Bhd<br>• Review of Third Quarter Results ended 30 November 2022 |

**1. Financial Reporting**

a) The Audit Committee had reviewed all the four (4) unaudited quarterly financial results of the Group and ensured that it is in compliance with the Malaysian Financial Reporting Standards ("MFRS") and Appendix 9B of the MMLR.

b) The Audit Committee had on 14 June 2022 reviewed and made recommendation to the Board for approval in respect of the annual Audited Financial Statements of the Group and the Company for the financial year ended 28 February 2022 to ensure that the financial statements of the Group and the Company give a true and fair view in accordance with MFRSs, International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

**2. Annual Reporting**

The Audit Committee approved the Audit Committee Report and Statement on Risk Management & Internal Control in respect of the Annual Report 2022 to ensure compliance to the regulatory reporting requirements and recommended the same to the Board for approval.

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

**3. External Audit**

a) Deliberated on the external auditors' report at its meeting on 14 June 2022 with regards to the relevant disclosures in the annual audited financial statement for the financial year ended 28 February 2022.
b) Reviewed the external auditors' findings arising from audits, particularly comments and response in management letters in order to be satisfied that appropriate action is being taken.
c) Discussed and reviewed with the external auditors the applicability and the impact of the new accounting standards issued by the Malaysian Accounting Standards Board.
d) Private sessions held with the external auditors, without the presence of the Executive Directors and management.
e) Evaluated the external auditors' independence and objectivity, as well as their ability to serve the Group in terms of technical competencies and manpower resource sufficiency and reviewed the reasonableness of the proposed audit fees against the size and complexity of the Group.
f) Reviewed and evaluated the performance and effectiveness of the external auditors. The Audit Committee assessed the integrity, capability, professionalism and work ethics of the external auditors. The Audit Committee was satisfied with the external auditor's performance and therefore, the Audit Committee had recommended to the Board, the re-appointment of the external auditors at the Annual General Meeting.
g) On 18 October 2022, the Audit Committee discussed and reviewed the external auditors' Audit Plan for the financial year ended 28 February 2023 outlining the auditors' responsibilities, engagement team, significant risks and areas of audit focus, proposed scope of work, independence policies and procedures and audit fees.

**4. Internal Audit**

a) The Group has an in-house internal audit function and supported by an independent professional consulting firm to assist the Audit Committee in discharging their responsibilities and duties. The role of the internal audit function is to undertake independent, regular and systematic reviews of the system of internal controls so as to provide reasonable assurance that such systems continue to operate satisfactory and effectively.

b) During the FYE 2023, the Audit Committee:

    i) Reviewed the Internal Audit Reports of the subsidiaries in scope and assessed the internal audits' findings, recommendations together with the Management's comments. The audit areas covered included inventory management, IT function, sales and purchasing functions.
    ii) Reviewed the adequacy and performance of Internal Audit function and its comprehensiveness of the coverage of activities within the Group.
    iii) Reviewed and approved the Risk Management Report.
    iv) Reviewed and approved the Internal Audit Plan for the financial year ended 28 February 2023.

c) The professional fee and other cost incurred in respect of the internal audit function for the financial year ended 28 February 2023 was RM330,390.

d) The main role of the internal audit function is stated in the Statement on Risk Management and Internal Control of this Annual Report. During the financial year under review, the Internal Audit Department activities were:

    i) Presented and obtained approval from the Audit Committee the annual internal audit plan, its audit strategy and scope of audit work.
    ii) Performed audits according to the annual internal audit plan, to review the adequacy and effectiveness of the internal control system, compliance with policies and procedures and reported ineffective and inadequate controls and made recommendations to improve their effectiveness.

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

**5. Related Party Transaction**

The Audit Committee also reviewed related party transactions and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or course of conduct that raises the questions on management integrity.

**6. Review of Employees' Share Option Scheme (ESOS) Allocation**

Pursuant to paragraph 8.17(2) of the Listing Requirements, the Audit Committee verified that the allocation of ESOS as at 28 February 2023 is in compliance with the criteria for allocation of options pursuant to the ESOS Bye-Laws to ensure the quantum of ESOS offered is within the approved limit and to eligible employees only.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("the Board") is pleased to present this Statement on Risk Management and Internal Control ("Statement") which has been prepared pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and as guided by the Statement on Risk Management and Internal Controls: Guidelines for Directors of Listed Issuers and Malaysian Code on Corporate Governance. This Statement outlines the state of risk management and internal control of the Group.

## BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility in establishing an effective risk management and internal control system and has in place an on-going process for identifying, evaluating and managing the significant risks faced by the Group in its achievement of business objectives and strategies during the financial year and up to the date of approval of this statement for inclusion in the Annual Report. The risk management and internal control system are designed to manage and mitigate, rather than eliminate the risk that may impede the achievement of the Group's business objectives and strategies. Due to the inherent limitations of internal controls, the system can only provide reasonable but not absolute assurance against material misstatement, loss or fraud.

The Board also takes into consideration the need to balance the business risks and the potential returns to stakeholders in its daily operations, with the dynamic business climate it operates in. The Board recognises the need for a concerted effort from management, head of departments and senior staff members in ensuring that the integrity, effectiveness and adequacy of the control mechanism are monitored and maintained throughout the financial year.

## ENTERPRISE RISK MANAGEMENT FRAMEWORK

During the financial year, the Group monitored significant risks and implement risk mitigation strategies on an ongoing basis through its Executive Directors, management and Risk Management Committee ("RMC") within its risk appetite.

The Board has established a Risk Management Committee ("RMC") which comprises of Executive Directors and Senior Management of the Group. Executive Directors, senior management personnel and Departmental Heads are responsible for identifying, assessing and managing the risks of their respective business units, operational units and departments. The specific business risks identified encompasses risks on finance, operations, regulatory compliance, reputation, cyber security and sustainability, including respective internal controls in place to manage the risks. For the financial year under review, a reassessment of business risks with risk mitigation and response management was conducted and the report has been submitted to the Audit Committee and the Board. Significant issues and risks identified are also discussed during Executive Group Directors Meeting and Monthly Management Meeting which are attended by Executive Directors and senior management personnel on a monthly basis.

## INTERNAL AUDIT FUNCTION

The Group has an in-house internal audit function and supported by an independent professional consulting firm. The in-house internal audit function reports directly to the Audit Committee on its findings and recommendations for improvements. An internal audit plan has been submitted and approved by the Audit Committee.

For the financial year under review, the internal auditors have carried out their review according to the approved internal audit plan. The review covered the assessment on the adequacy and effectiveness of the Group's risk management and internal control system. Upon completion, the internal audit observations, recommendations and management comments were reported to the Audit Committee. The Audit Committee reviews internal control matters and updates the Board on significant issues for the Board's attention and action.

Total cost incurred for the internal audit function in respect of the financial year ended 28 February 2023 was RM330,390.

**KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROL SYSTEM**

- Responsibilities of the Board and management are defined to ensure effective discharge of roles and responsibilities;

- The Board and the Audit Committee meet every quarter to discuss matter(s) raised by Management and/or Internal Auditor on business and operational matters including potential risks and control issues;

- The Board and Audit Committee receive feedback from the External Auditor on the risk and control issues (if any) highlighted during the course of their statutory audit;

- The Board has established and documented a Schedule of Matters Reserved for the Board to facilitate the effective reporting and operation of the Board at regular Board meeting. Major capital investment, acquisition, disposals or any other transaction that are not in the ordinary course of business exceeding a certain threshold must be referred to the Board for approval;

- Management reports to the Board on material findings and/or variances, if any, and the Board will review their implications to the Group and advise accordingly;

- Annual budgeting process is in place and performance is monitored on an ongoing basis;

- Senior Management attends management meetings on a regular basis to address budgets, operational and financial performance, business planning, control environment and other key issues;

- Key personnel from respective subsidiaries provide monthly reports to the corporate office on the subsidiaries' performance;

- Communication channels have been established between subsidiaries, business units, divisions and employees through internal memorandums, staff briefings and operational meetings to achieve the Group's overall business objectives;

- Close and active involvement of the Executive Directors on the day-to-day business operations of the Group;

- Health, Safety and Environmental Committee has been established in order to review and ensure compliance with occupational safety and health policies and procedures on a continuous basis;

- System access controls are established to ensure the information systems are duly safeguarded and secured from unauthorised access. Regular review on user access rights for the Enterprise Resource Planning Systems is also in place;

- The Group has adopted a whistle blowing policy, providing an avenue for employees and external parties to raise concerns, in confidence, about actual or suspected misconduct, malpractice or irregularities in any matters related to the Group; and

- The Group has adopted an Anti-Bribery and Corruption Policy prohibiting bribery and corruptions activities in its daily operations and dealings with stakeholders.

## CONCLUSION

In reviewing the risk management and internal control system of the Group, the Board has, through the Audit Committee, received reports from External Auditors and Internal Auditors in relation to the findings on risk and internal control system. The Board has also received reasonable assurance from the Group Managing Director and Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material respects.

No major weaknesses in the internal control system were noted that may have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

The Board is of the opinion that the risk management and internal control system in place is adequate and effective at its current level of operations and will continuously strive to enhance the Group's risk management and internal control system in safeguarding stakeholders' interest, shareholders' investment and Group's assets.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, this Statement has been reviewed by the external auditors for inclusion in the Annual Report for the financial year ended 28 February 2023. The review was conducted in accordance with the Audit and Assurance Practice Guide 3 ("AAPG 3"): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing had come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the risk management and internal control processes implemented by the Group.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

THE BOARD OF DIRECTORS ("BOARD") OF PANTECH GROUP HOLDINGS BERHAD ("PANTECH" OR "THE COMPANY") PRESENTS THIS STATEMENT TO PROVIDE SHAREHOLDERS AND INVESTORS WITH AN OVERVIEW OF THE CORPORATE GOVERNANCE PRACTICES OF THE COMPANY DURING THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023 ("FYE 2023").

The Corporate Governance Overview Statement ("CG Statement") is made pursuant to Paragraph 15.25(1) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and guidance was drawn from Practice Note 9 of Bursa Securities' Listing Requirements and the Corporate Governance Guide (4th Edition) issued by Bursa Securities with reference to the following three (3) key principles under the leadership of the Board:

| Principle A | Principle B | Principle C |
|---|---|---|
| Board leadership and effectiveness | Effective audit and risk management | Integrity in corporate reporting and meaningful relationships with stakeholders |
| • Board responsibilities<br>• Board composition<br>• Remuneration | • Audit Committee<br>• Risk management and internal control | • Engagement with stakeholders<br>• Conduct of general meetings |

This CG Statement is to be read together with the Corporate Governance Report 2023 ("CG Report") of the Company which is available at www.pantech-group.com.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### 1.0 BOARD RESPONSIBILITIES

The Board takes full responsibility for the oversight and overall performance of the Group and provides leadership within a framework of prudent and effective controls which enables risk to be appropriately assessed and managed.

To ensure effective discharge of their function and responsibilities, the Board has defined and collectively reviewed and approved the roles and responsibilities as well as the schedule of reserved matters in the Board Charter. In order to assist the Board in the oversight function on specific responsibility areas, the Board has established three (3) Board Committees, namely:

(i) Audit Committee ("AC")
(ii) Nominating Committee ("NC")
(iii) Remuneration Committee ("RC")

Governed by their respective Terms of References, the Chairman of the respective Board Committees shall report to the Board on their meeting proceedings and deliberations as well as make recommendations to the Board on the matters under their purview. The Board ensure all Directors have unrestricted access to the advice and services of Senior Management and Company Secretaries and may obtain independent professional advice at the Company's expense in order to discharge their duties effectively.

The Executive Chairman instils good governance practices, leadership and effectiveness in the Board through chairing of board meetings and deliberating together with the Board members on board matters and policies.

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

**1.0 BOARD RESPONSIBILITIES (CONT'D)**

The positions of the Executive Chairman and Group Managing Director are held by Dato' Chew Ting Leng. He implements the Group's strategies, policies and decision adopted by the Board and is supported by Dato' Goh Teoh Kean, Group Deputy Managing Director and three (3) Executive Directors. Both Dato' Chew Ting Leng and Dato' Goh Teoh Kean have extensive exposure and experience in the businesses of the Group and have shown great commitment and exercised due care in managing the operations of the Group's businesses in the best interest of the shareholders. The Board believes that for its current size, it is more expedient for the roles of Executive Chairman and Group Managing Director to be held by the same person as long as there are pertinent checks and balance to ensure no one person in the Board has unfettered powers to make major decisions for the Company unilaterally.

The Chairman of the Board is not a member of any Board Committees. However, the Chairman and other Executive Directors are invited to attend the Board Committee meetings to provide explanation and answers where appropriate.

The Board is supported by two (2) professional Chartered Company Secretaries who carry out the responsibilities of the company secretarial function for the Group. Both Company Secretaries have the requisite credentials and are qualified to act as Company Secretaries under Section 235(2)(a) of the Companies Act 2016. The Company Secretaries assists the Board in discharging its duties in regard to compliance with regulatory requirements, guidelines, legislations and the principles of best corporate governance practices.

During the FYE 2023, the Board had reviewed and approved, amongst others:

1) Audited Financial Statements for FYE 28 February 2022
2) Annual Report 2022
3) Directors' Fit & Proper Policy
4) Directors' Remuneration Policy
5) AC's Report on Audit Plan for FYE 2023
6) AC's Report on Internal Audit Plan for FYE 2023
7) Quarterly Results
8) Employees Share Option Scheme
9) Share Buy-Back Statement; and
10) Corporate Calendar for the year 2023

The Board had established the Anti Bribery and Corruption Policy in keeping with the commitment set forth to prevent bribery and corruption. Pantech takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all business dealings and relationships wherever the Group operates and expects the individuals and organization the Group works with to uphold and adopt the same approach.

As an additional measure to safeguard the integrity of the Group, the Board has defined its Whistleblowing Policy to provide guidance for stakeholders to report genuine concerns of any possible improprieties pertaining to financial reporting, compliance, malpractices and unethical business conduct within the Group. In addition, the Board has also defined its Code of Ethics which serves as a tool for the Board to convey and instil its values into the organization.

The Board Charter, Terms of Reference of the Board Committees, Director's Fit and Proper Policy, Anti Bribery and Corruption Policy, Whistleblowing Policy and Code of Ethics are also available on the Company's website at www.pantech-group.com.

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

**2.0 BOARD COMPOSITION**

The NC oversees and reviews the overall composition of the Board in terms of size, the required mix of skills, experience and other qualities and core competencies for the Directors of the Company. The effectiveness of the Board as a whole and the contribution and performance of each individual Director to the effectiveness of the Board and the Board Committees will also be assessed by the NC on an annual basis.

During the FYE 2023, the Board comprised of nine (9) members, consisting of five (5) Executive Directors and four (4) Non-Executive Directors out of which three (3) are Independent Directors. The Board's composition is in compliance with the provisions of the Listing Requirements of Bursa Securities for independent non-executive directors to make up at least one third (1/3) of the Board membership. The profiles of the individual Directors are set out in the Directors' Profile in this Annual Report 2023.

The presence of Independent Non-Executive Directors from various fields are invaluable assets to the Company and fulfil the pivotal role in corporate accountability. The role of Independent Non-Executive Directors is particularly important as they provide unbiased and independent views, advices and judgments to take into account the interests of the Group and stakeholders.

The Board is supportive of boardroom diversity as it can offer greater depth and breadth compared to non-diverse board. The Board practices no discrimination in terms of appointment of Directors as well as hiring employees wherein the Directors and Senior Management are recruited based on their merit, skills and experiences and not driven by age, cultural background and gender.

The Board understands that quality of information affects the effectiveness of the Board to oversee the conduct of business and to evaluate the Managements' performance of the Group. Information and materials that are important to the Board's understanding of the business to be conducted at a Board or committee meeting will be distributed to the Directors in order to provide ample time for review beforehand. Notice of Board meetings are usually issued at least five (5) working days prior to the meeting. Upon conclusion of meeting, the Company Secretary will ensure that accurate and proper records of proceedings and resolutions passed are recorded and the minutes is circulated to the Board members before the next meetings.

During FYE 2023, there were five (5) Board meetings held and all the Board Papers were circulated to the Board in a timely manner. The Directors attendance at the Board meetings during FYE 2023 were as follows:

| | Board of Directors | Audit Committee | Nominating Committee | Remuneration Committee |
|---|---|---|---|---|
| Dato' Chew Ting Leng | 5/5 | – | – | – |
| Dato' Goh Teoh Kean | 5/5 | – | – | – |
| Tan Ang Ang | 5/5 | – | – | – |
| To Tai Wai | 5/5 | – | – | – |
| Ng Lee Lee | 5/5 | – | – | – |
| Sakinah binti Salleh | 5/5 | – | – | – |
| Lim Yoong Xao | 5/5 | 5/5 | 1/1 | 1/1 |
| Dato' Sri Yap Tian Leong | 5/5 | 5/5 | 1/1 | 1/1 |
| Nooraini binti Mohd Yasin | 5/5 | 5/5 | 1/1 | 1/1 |

| | |
|---|---|
| | Chairman |

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

**2.0 BOARD COMPOSITION (CONT'D)**

The Directors are encouraged and afforded the opportunity to upskill and keep themselves abreast with the market and regulatory changes throughout the financial year. During the FYE 2023, the Directors attended the following training programmes:

| Director | Programme | Date |
|---|---|---|
| Dato' Chew Ting Leng | • Moving Forward Together - The Bigger Picture | 27 July 2022 |
| Dato' Goh Teoh Kean | • Creating Competitive advantage through Sustainability<br>• Citi Markets 2H Economic Seminar<br>• Moving Forward Together - The Bigger Picture<br>• Taxation on Foreign Source Income<br>• 2023 Economic Outlook / Global Treasury Research & Strategy | 11 May 2022<br>13 July 2022<br>27 July 2022<br>5 January 2023<br>16 January 2023 |
| Tan Ang Ang | • Moving Forward Together - The Bigger Picture<br>• Embracing the ESG Revolution: Zeroing in on Investor Expectations | 27 July 2022<br>27 September 2022 |
| To Tai Wai | • Moving Forward Together - The Bigger Picture<br>• Advocacy Session for Directors and Senior Management of Main Market Listed Issuers<br>• Embracing the ESG Revolution: Zeroing in on investor expectations | 27 July 2022<br>20 September 2022<br>27 September 2022 |
| Ng Lee Lee | • Moving Forward Together - The Bigger Picture<br>• Embracing the ESG Revolution: Zeroing in on investor expectations | 27 July 2022<br>27 September 2022 |
| Sakinah Binti Salleh | • Webinar with Minister of Agricultural & Food Industry (MAFI) on 'Dasar Halatuju Industri Agro Makanan Dalam Memperkukuhkan Sekuriti Makanan Negara'<br>• Moving Forward Together - The Bigger Picture<br>• Invest Malaysia (Pivoting for the Future) by Bursa<br>• Seminar on Leadership Development Programme (SLDP) | 11 May 2022<br>27 July 2022<br>14 September 2022<br>15 - 16 November 2022 |
| Lim Yoong Xao | • Moving Forward Together - The Bigger Picture<br>• MIA Webinar Series: MFRS 16: Lease Modifications and Other Recent Issues<br>• MIA Webinar Series: Corporate Reporting: What Else is Next?<br>• MIA Webinar Series: MFRS 2022/2023 Updates | 27 July 2022<br>19 Oct 2022<br>24 Nov 2022<br>23 Dec 2022 |
| Dato' Sri Yap Tian Leong | • Webinar on Governance, Ethics & A Code of Conduct by Malaysian Institute of Corporate Governance<br>• Moving Forward Together - The Bigger Picture | 16 June 2022<br>27 July 2022 |
| Nooraini Binti Mohd Yasin | • TCFD 101: Getting started with climate-related financial reporting by Bursa Malaysia<br>• TCFD 102: Building experience in climate-related financial reporting by Bursa Malaysia<br>• Moving Forward Together - The Bigger Picture | 2 March 2022<br>9 March 2022<br>27 July 2022 |

The directors will continue to undergo a periodic training in the relevant courses as well as attend seminars, conferences and similar events in keeping themselves abreast with the latest skills and knowledge to discharge their duties effectively.

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

**2.0 BOARD COMPOSITION (CONT'D)**

**NOMINATING COMMITTEE STATEMENT**

During the FYE 2023, the NC comprised of three (3) Independent Non-Executive Directors as follows:

| Name | Designation | Directorship |
|---|---|---|
| Dato' Sri Yap Tian Leong | Chairman | Independent Non-Executive Director |
| Nooraini binti Mohd Yasin | Member | Independent Non-Executive Director |
| Lim Yoong Xao | Member | Independent Non-Executive Director |

Activities of the NC

During the FYE 2023, the NC met once and performed the following activities in the discharge of its duties:

- Recommended the re-election of the directors who are to retire by rotation at the 16th AGM of the Company
- Reviewed the contribution and performance of each individual director to assess the character, experience, integrity and competence to effectively discharge their role as a director through a comprehensive assessment system
- Evaluated the performance of the Board and the Board committees
- Assessed the independence of the Independent Directors of the Company
- Reviewed the term of office of the AC and assessed its effectiveness as a whole

In recommending suitable candidates for directorships and Board committees to the Board, the NC takes into consideration the candidate's experience, competency, character, time commitment and potential contribution to the Group. Any new nomination received is recommended to the Board after a comprehensive assessment and the NC's endorsement.

**3.0 REMUNERATION**

The remuneration of Directors is determined at levels which enable the Company to attract and retain Directors with the relevant experience and expertise to manage the business of the Group effectively. The RC oversees the remuneration of directors. The remuneration for directors is in line with the Board's aim to retain, attract and reward talent based on industry benchmarks.

The remuneration packages for Executive Directors are reviewed by the RC and recommended to the Board for approval. It is then decided by the Board without the respective Executive Directors' participation in determining their remuneration.

Bonuses payable to executive directors are performance-based and relate to the individual and the Company's as well as Group's achievement of specific goals. The non-executive directors do not receive any performance related remuneration.

The remuneration details of the individual Directors for FY 2023 are disclosed in Practice 8.1 of the CG Report. The Board is of the view that the disclosure of the Senior Management's remuneration components will not be in the best interest of the Group given the competitive human resources environment as such disclosure may give rise to talent recruitment and retention issue. Also premised on the confidentiality of the remuneration package of the Senior Management, the Board has adopted a disclosure of the Senior Management remuneration in bands of RM50,000 on an unnamed basis.

**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT**

**1.0 AUDIT COMMITTEE**

The members of AC comprise of all Independent Non-Executive Directors. The Chairman of the AC is distinct from the Chairman of the Board so as to promote unfettered objectivity during the Board's review of the AC's findings and recommendations. The current AC composition meets the requirements of Paragraph 15.09 of MMLR where the AC Chairman, Mr Lim Yoong Xao is a member of Malaysian Institute of Accountants. The present composition of the AC allows it to possess the requisite level of financial literacy and business acumen to have a sound understanding of the financial matters of the Group as well as an understanding of the latest developments in financial reporting, accounting and auditing standards.

None of the members of the AC are former audit partners of the current external audit firm of the Group. As stated in the Terms of Reference of the AC, the Committee is mindful of the minimum three (3) years cooling off period best practice under the Malaysian Code of Corporate Governance ("MCCG") when considering the appointment of former key audit partner from its current external audit firm to ensure that the review of the Group's financial statements and the performance and independence of the External Auditors are being done objectively by the Committee.

Before the commencement of the current financial year audit, the AC had reviewed and deliberated with the External Auditors on their audit planning memorandum, covering the audit risk areas, approach, emphasis and timeline. The AC also noted the External Auditors' independence check and confirmation procedures carried out in the firm as well as no conflict of interest for rendering their non-audit services to the Group presently.

Full details of the AC's duties and responsibilities are stated in its Terms of Reference which is made available on the Company's website at www.pantech-group.com and the detailed disclosure on the role and activities undertaken by the AC during the financial year is provided in the AC Report of this Annual Report 2023.

**2.0 RISK MANAGEMENT AND INTERNAL CONTROL**

The Board has ultimate responsibility for reviewing the Company's risks, approving the risk management framework and policy and overseeing the Company's strategic risk management and internal control framework to achieve its objectives within an acceptable risk profile as well as safeguarding the interest of stakeholders and shareholders and the Group's assets.

The Board has established a Risk Management Committee ("RMC") which comprises of Executive Directors and Senior Management of the Group. Executive Directors, senior management personnel and Departmental Heads are responsible for identifying, assessing and managing the risks of their respective business units, operational units and departments. The specific business risks identified encompasses risks on finance, operations, regulatory compliance, reputation, cyber security and sustainability, including respective internal controls in place to manage the risks. Significant issues and risks identified are also discussed during Executive Group Directors Meeting and Monthly Management Meeting which are attended by Executive Directors and senior management personnel on a monthly basis.

The Group has an in-house internal audit function and supported by an independent professional consulting firm whose work is performed with impartiality, proficiency and due professional care. The internal audit function is independent of the operations of the Company and provides reasonable assurance that the Company's system of internal control is satisfactory and operating effectively. The internal auditor undertakes regular reviews of the adequacy and effectiveness of the Group's system of internal controls and risk management process, as well as appropriateness and effectiveness of the corporate governance practices. Further details on the internal audit function can be found in the Audit Committee Report and the Statement on Risk Management and Internal Control in this Annual Report.

The Group's Internal Auditor has more than 9 years of Internal Audit related working experience and currently is an Associate Member of The Institute of Internal Auditors Malaysia. The Internal Auditor is supported by Affluence Consulting, an independent professional consulting firm, whose member is a Chartered Member of the Institute of Internal Auditors with more than 18 years of Internal Audit working experience. The internal audit was conducted using a risk-based approach and was guided by the International Professional Practice Framework (IPPF).

**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)**

**2.0 RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)**

The process of the risk management and internal control are ongoing, which are undertaken by each department within the Company. The Company will continuously enhance the existing system of risk management and internal control by taking into consideration the changing business environment.

**PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS**

**1.0 Engagement with Stakeholders**

The Board is committed to provide effective, transparent and regular communication with its shareholders and other stakeholders regarding the business, operations and financial performance of the Group to enable them to make informed decisions.

Through its website at www.pantech-group.com and its announcements on Bursa Malaysia's website, the Group shares mandatory public announcements as well as publishes its quarterly and annual results. The quarterly financial results are announced via Bursa LINK immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public. Any comments, queries and suggestions can be directed to a designated e-mail address, namely info@pantechcorp.com

**2.0 Conduct of General Meetings**

The AGM serves as the primary platform for shareholders to engage the Board and Senior Management in a productive two-way dialogue. Shareholders are accorded with the opportunity to put forward questions and seek clarifications on the broad areas of the Group's performance, business activities and outlook during a Question & Answer session held during the AGM.

The Notice for the 16th AGM that was held on 28 July 2022 was issued on 30 June 2022 which is the 28 days recommended notice period under Practice 13.1 of the MCCG. This gave shareholders sufficient time to read and consider the resolutions to be resolved and enable shareholders to make an informed decision in exercising their voting rights.

The Minutes of the 16th AGM, which includes the questions raised by shareholders together with the responses by the Company and outcome of the voting results, was made available to the shareholders within thirty (30) business days after the 16th AGM at www.pantech-group.com.

Barring any unforeseen circumstances, all Directors of the Company will attend the 17th AGM of the Company scheduled on 26 July 2023 to engage with shareholders and proxies proactively. The Chairman will ensure that sufficient opportunities are given to shareholders and proxies to raise questions relating to the affairs of the Company and that adequate responses are given.

**COMPLIANCE STATEMENT**

Saved as disclosed above, the Board is satisfied that throughout the FYE 2023, the Company has applied the principles and recommendations set out in the MCCG, where necessary and appropriate.

This CG Statement has been reviewed and approved by the Board on 13 June 2023.

# ADDITIONAL COMPLIANCE STATEMENT

## 1. UTILISATION OF PROCEEDS

During the financial year ended 28 February 2023, there were no proceeds raised from any corporate proposal.

## 2. OPTIONS, WARRANTS OF CONVERTIBLE SECURITIES EXERCISED

During the financial year ended 28 February 2023, a total of 7,447,400 ESOS was exercised under the Company's ESOS as follows:

| | No of ESOS exercised | Exercise Price (per unit) |
|---|---|---|
| 1. | 1,747,250 | RM0.47 |
| 2. | 5,700,150 | RM0.49 |

## 3. EMPLOYEES SHARE OPTION SCHEME

The Employees' Share Option Scheme of the Company ("ESOS" or "Scheme") was implemented on 23 January 2017 and shall be in force for a duration of ten (10) years.

There is one ESOS in existence during the financial year. The total number of options granted, exercised and outstanding under the ESOS are set out in the table below:

| Description | | Number of Options (Since commencement of ESOS to 28 February 2023) | |
|---|---|---|---|
| | | All Eligible Employees including Directors and Chief Executive | Directors and Chief Executive |
| (a) | Total options granted | 84,621,000 | 13,600,000 |
| (b) | Total options exercised | 55,628,150 | 11,710,000 |
| (c) | Total options outstanding | 16,612,400 | 1,125,000 |

No ESOS was granted during the financial year ended 28 February 2023.

In accordance with the Company's ESOS Bye-Laws, not more than forty per centum (40%) of the Company's ordinary shares available under the Scheme shall be allocated, in aggregate, to Directors and senior management of the Group. Since the commencement of the Scheme up to the financial year ended 28 February 2023, the Company has granted 31.61% of options to the Directors and senior management.

No ESOS was granted to the Non-Executive Directors during the financial year ended 28 February 2023. A total of 300,000 options were exercised by the Non-Executive Directors during the financial year.

## 4. MATERIAL CONTRACTS AND CONTRACTS RELATING TO LOANS

There were no contracts relating to loan and material contracts of the Company and its subsidiaries involving the interests of the Directors or major shareholders during the financial year or since the end of the previous financial year.

## 5. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND TRADING NATURE ("RRPT")

There was no RRPT entered during the financial year.

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

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

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements, the Directors have:

(i) adopted appropriate accounting policies and applied them consistently;
(ii) made judgements and estimates that are reasonable and prudent; and
(iii) prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Act.

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

# FINANCIAL
## STATEMENTS

# DIRECTORS' REPORT

The Directors of Pantech Group Holdings Berhad have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 28 February 2023.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of management services.

The principal activities and details of the subsidiary companies and associate company are disclosed in Notes 7 and 8 to the Financial Statements respectively.

There have been no significant changes in the nature of these activities of the Company, its subsidiary companies and associate company during the financial year.

## RESULTS

| | Group<br>RM | Company<br>RM |
|---|---|---|
| Profit for the financial year | 115,633,046 | 52,741,660 |
| Attributable to:- | | |
| Owners of the Company | 115,633,046 | 52,741,660 |

## RESERVES AND PROVISIONS

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

## DIVIDENDS

The amount of dividends paid and declared since the end of the last financial year were as follows:-

| | RM |
|---|---|
| Final single tier dividend of 1.50 sen per ordinary share in respect of the financial year ended 28 February 2022 and paid on 9 September 2022. | 12,315,346 |
| First interim single tier dividend of 1.50 sen per ordinary share in respect of the financial year ended 28 February 2023 and paid on 21 October 2022. | 12,318,593 |
| Second interim single tier dividend of 1.50 sen per ordinary share in respect of the financial year ended 28 February 2023 and paid on 13 January 2023. | 12,345,275 |
| Third interim single tier dividend of 1.50 sen per ordinary share in respect of the financial year ended 28 February 2023 and paid on 24 March 2023. | 12,367,488 |

At the forthcoming Annual General Meeting, a final single tier dividend of 1.50 sen per ordinary share, in respect of the financial year ended 28 February 2023, will be proposed for shareholder's approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of unappropriated profit in the financial year ending 29 February 2024.

**DIRECTORS**

The Directors who held office during the financial year and up to the date of this report are as follows:-

Dato' Chew Ting Leng (Executive Chairman/Group Managing Director)*
Dato' Goh Teoh Kean (Group Deputy Managing Director)*
Tan Ang Ang (Executive Director)*
To Tai Wai (Executive Director)*
Ng Lee Lee (Executive Director)*
Sakinah Binti Salleh (Non-Independent Non-Executive Director)
Dato' Sri Yap Tian Leong (Independent Non-Executive Director)
Lim Yoong Xao (Independent Non-Executive Director)
Nooraini Binti Mohd Yasin (Independent Non-Executive Director)

* Directors of the Company and its subsidiary company(ies).

The Directors of the subsidiary companies who held office during the financial year and up to the date of this report, not including those Directors listed above are as follows:-

Freddie Chew Sun Ghee
Jairus Tan Vern Hsien
Kong Chiong Lee
Lim Soon Beng
Teo Tiong Teck
Wang Woon Chin
Chew Zhiyin
Chew Zhiqi
Chew Soon Jiat (resigned on 1 July 2022)

**DIRECTORS' INTERESTS**

According to the Register of Directors' Shareholdings, the beneficial interests of those who were Directors at the end of the financial year in shares and Employee Share Option Scheme ("ESOS") of the Company and its related corporations are as follows:-

| | Number of ordinary shares | | | | |
|---|---|---|---|---|---|
| | **As at 1.3.2022** | **Exercise of ESOS** | **Acquired** | **(Sold)** | **As at 28.2.2023** |
| Dato' Chew Ting Leng | | | | | |
| - direct interest | 10,118,491 | 75,000 | 600,000 | – | 10,793,491 |
| - deemed interest through CTL Capital Holding Sdn. Bhd. | 142,349,429 | – | – | – | 142,349,429 |
| - deemed interest through his daughter, Chew Zhiyin | 1,158,015 | 62,500 | – | – | 1,220,515 |
| Dato' Goh Teoh Kean | | | | | |
| - direct interest | 8,181,321 | 75,000 | – | – | 8,256,321 |
| - deemed interest through GL Management Agency Sdn. Bhd. | 102,266,209 | – | – | – | 102,266,209 |

**DIRECTORS' INTERESTS (CONT'D)**

According to the Register of Directors' Shareholdings, the beneficial interests of those who were Directors at the end of the financial year in shares and Employee Share Option Scheme ("ESOS") of the Company and its related corporations are as follows (cont'd):-

| | Number of ordinary shares | | | | |
|---|---|---|---|---|---|
| | **As at 1.3.2022** | **Exercise of ESOS** | **Acquired** | **(Sold)** | **As at 28.2.2023** |
| Tan Ang Ang | | | | | |
| - direct interest | 13,100,697 | 225,000 | 515,000 | (800,000) | 13,040,697 |
| - deemed interest through his spouse, Yong Yui Kiew | 2,039,165 | – | – | – | 2,039,165 |
| - deemed interest through his son, Jairus Tan Vern Hsein | 425,000 | 247,500 | 233,400 | (220,600) | 685,300 |
| To Tai Wai | | | | | |
| - direct interest | 16,293,126 | – | – | – | 16,293,126 |
| Ng Lee Lee | | | | | |
| - direct interest | 10,159,176 | – | – | – | 10,159,176 |
| Sakinah Binti Salleh | | | | | |
| - direct interest | 301,809 | – | – | – | 301,809 |
| Dato' Sri Yap Tian Leong | | | | | |
| - direct interest | 150,000 | 75,000 | – | (225,000) | – |
| Lim Yoong Xao | | | | | |
| - deemed interest through his spouse, Wong Hui Chin | 2,040 | – | – | – | 2,040 |
| Nooraini Binti Mohd Yasin | – | 225,000 | – | (185,500) | 39,500 |

| | Number of ordinary shares under Employee Share Option Scheme | | | | |
|---|---|---|---|---|---|
| | **Unexercised as at 1.3.2022** | **Granted** | **(Exercised)** | **(Expired)** | **Unexercised as at 28.2.2023** |
| Dato' Chew Ting Leng | 150,000 | – | (75,000) | – | 75,000 |
| - deemed interest through his daughter, Chew Zhiyin | 295,000 | – | (62,500) | – | 232,500 |
| Dato' Goh Teoh Kean | 150,000 | – | (75,000) | – | 75,000 |
| Tan Ang Ang | 300,000 | – | (225,000) | – | 75,000 |
| - deemed interest through his son, Jairus Tan Vern Hsein | 450,000 | – | (247,500) | – | 202,500 |
| To Tai Wai | 300,000 | – | – | – | 300,000 |
| Ng Lee Lee | 150,000 | – | – | – | 150,000 |

## DIRECTORS' INTERESTS (CONT'D)

According to the Register of Directors' Shareholdings, the beneficial interests of those who were Directors at the end of the financial year in shares and Employee Share Option Scheme ("ESOS") of the Company and its related corporations are as follows (cont'd):-

| | Number of ordinary shares under Employee Share Option Scheme | | | | |
|---|---|---|---|---|---|
| | **Unexercised as at 1.3.2022** | **Granted** | **(Exercised)** | **(Expired)** | **Unexercised as at 28.2.2023** |
| Dato' Sri Yap Tian Leong | 150,000 | – | (75,000) | – | 75,000 |
| Lim Yoong Xao | 300,000 | – | – | – | 300,000 |
| Nooraini Binti Mohd Yasin | 300,000 | – | (225,000) | – | 75,000 |

Except as disclosed, none of the Directors of the Company, who were Directors at the end of the financial year, held any interest in shares of the Company or its related corporations during the financial year.

## DIRECTORS' REMUNERATION

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

| | Incurred by the Company RM | Incurred by the Subsidiaries RM | Total RM |
|---|---|---|---|
| Directors of the Company:- | | | |
| Salaries, allowances and bonuses | 1,702,400 | 7,051,350 | 8,753,750 |
| Fee | 225,000 | 530,000 | 755,000 |
| Others | 108,213 | 447,197 | 555,410 |
| | 2,035,613 | 8,028,547 | 10,064,160 |

The estimated monetary value of benefits provided to the Directors of the Company during the financial year by way of usage of the Group's assets and other benefits amounted to RM116,783.

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

## INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

During the financial year, the total amount of insurance premium paid for the Directors and Officers of the Company is RM34,680. No other indemnity coverage paid for Directors and Officers of the Company during the financial year.

## ISSUE OF SHARES AND DEBENTURES

During the current financial year, the Company had increased its issued and fully paid-up ordinary share capital from RM258,891,721 to RM263,417,332 by way of:-

(a) 5,700,150 new ordinary shares arising from the exercise of employee's share option (Batch 2) at an exercise price of RM0.490 per ordinary share;
(b) 1,747,250 new ordinary shares arising from the exercise of employee's share option (Batch 3) at an exercise price of RM0.470 per ordinary share;

All the new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

There were no issuance of debentures during the financial year.

## TREASURY SHARES

The shareholders of the Company, through the Annual General Meeting held on 21 August 2008, approved the Company's plan to repurchase up to 10% of the issued and paid-up share capital of the Company ("Share Buy Back"). The authority granted by the shareholders was subsequently renewed in every Annual General Meeting held and it was last renewed in the Annual General Meeting held on 28 July 2022. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interest of the Company and its shareholders.

During the financial year ended 28 February 2023, the Company repurchased 2,600,000 ordinary shares of its issued share capital from the open market. The average price paid for the repurchased shares was RM0.59 per share. The repurchased transactions were financed by internally generated funds. These repurchased shares were held as treasury shares and treated in accordance with the requirements of Section 127 of the Companies Act 2016.

The Company has the right to cancel, resell these shares and/or distributes as dividends at a later date. As treasury shares, the rights attached to voting, dividends and participation in other distribution is suspended. None of the treasury shares repurchased had been sold as at the reporting date.

As at financial year end, the number of ordinary shares issued and fully paid-up after deducting treasury shares against equity is 824,500,179 ordinary shares.

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issuance of options pursuant to the Employee Share Option Scheme ("ESOS").

At an extraordinary general meeting held on 2 December 2016, the Company's shareholders approved the establishment of an ESOS of not more than 10% of the issued and paid-up share capital of the Company (excluding treasury shares) to eligible Directors and employees of the Group.

The salient features and other terms of the ESOS are disclosed in the Note 35 to the Financial Statements.

**OTHER STATUTORY INFORMATION**

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

(a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

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

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

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

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

(c) 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; or

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

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

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

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

In the opinion of the Directors:-

(a) 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, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

(b) the results of 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

(c) 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 operations of the Group and of the Company for the current financial year in which this report is made.

**AUDITORS' REMUNERATION**

The amount of audit and other fees paid or payable to the external auditor and its member firms by the Group and the Company for the financial year ended 28 February 2023 amounted to RM447,850 and RM147,800 respectively. Further details are disclosed in Note 29 to the Financial Statements.

The Group and the Company have agreed to indemnify the Auditors, Grant Thornton Malaysia PLT to the extent permissible under the provision of the Companies Act 2016 in Malaysia. However, no payment has been made arising from this indemnity for the financial year ended 28 February 2023.

**AUDITORS**

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

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

| | | |
|---|---|---|
| ............................................................... | ) | |
| DATO' CHEW TING LENG | ) | |
| | ) | DIRECTORS |
| ............................................................... | ) | |
| DATO' GOH TEOH KEAN | ) | |

Johor Bahru
13 June 2023

# STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 74 to 174 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 28 February 2023 and of their financial performance and cash flows for the financial year then ended.

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

| | |
|---|---|
| ............................................................... | ............................................................ |
| DATO' CHEW TING LENG | DATO' GOH TEOH KEAN |

Johor Bahru
13 June 2023

# STATUTORY DECLARATION

I, Wang Woon Chin, being the Officer primarily responsible for the financial management of Pantech Group Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 74 to 174 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by )
the abovenamed at Johor Bahru in the )
State of Johor this day of )
13 June 2023 )

............................................................
WANG WOON CHIN
(MIA No. 19232)

Before me:

VASANTHI A/P VADIVELOO
No. J258
Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PANTECH GROUP HOLDINGS BERHAD

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Pantech Group Holdings Berhad ("the Company"), which comprise the statements of financial position as at 28 February 2023, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 74 to 174.

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 28 February 2023, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") 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 ("ISAs"). 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.

*Impairment on doubtful receivables*

**The risk**
Referring to Note 41(c) to the Financial Statements. We focused on this area because the Group has trade receivables that are past due but not impaired. The key associate risk was the recoverability of billed trade receivables as management judgement is required in determining the completeness of the trade receivables provision and in assessing its adequacy through considering the expected recoverability of the year-end trade receivables.

**Our response**
We have obtained an understanding of the Group's policy on impairment of trade receivables and evaluated management's judgement in calculating the allowance for impairment of trade receivables. This includes reviewing the ageing of receivables and testing the integrity of ageing by calculating the due date for a sample of invoices. We also checked the recoverability of outstanding receivables through examination of subsequent cash receipts and tested the operating effectiveness of the relevant policies and control procedures that management has in place.

The basis of management's judgement over the recoverability of billed trade receivables are disclosed in Notes 3.9 and 41(c) to the Financial Statements.

**Key Audit Matters (cont'd)**

*Inventory valuation*

**The risk**
Refer to Note 12 to the Financial Statements. The Group's inventories is subject to a risk that the inventories become slow-moving or obsolete and rendering it not saleable or can only be sold for selling prices that are lesser than the carrying value. There is inherent subjectivity and estimation involved in determining the accuracy of inventory obsolescence provision and in making an assessment of its adequacy due to risks of inventory prices not valid and inventory not stated at the lower of cost or market.

**Our response**
We have obtained an understanding on the Group's accounting policy in making the accounting estimates for inventories write-down. We have also attended the year-end physical inventories count to validate counts performed by the Group. Besides that, we also tested a sample of inventories to ensure that they were held at the lower of cost and net realisable value. We have also evaluated management judgement and Group's accounting policy with regards to the application of provision to the inventories.

We have determined that there are no key audit matters to communicate in our report in relation to our audit of the financial statements of the Company.

**Information Other than the Financial Statements and Auditors' Report Thereon**

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

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

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

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

**Responsibilities of Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs 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 ISAs 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 ISAs, we exercise professional judgement and maintain professional skepticism 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.

- 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 Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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

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

We also provided 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, related safeguards applied.

From the matters communicated with Directors, we determined 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 described these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

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

**GRANT THORNTON MALAYSIA PLT**
(201906003682 & LLP0022494-LCA)
CHARTERED ACCOUNTANTS (AF 0737)

**MOHAMAD HEIZRIN BIN SUKIMAN**
(NO: 03046/05/2025 J))
CHARTERED ACCOUNTANT

Johor Bahru
13 June 2023

# STATEMENTS OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2023

| | Note | Group 2023 RM | Group 2022 RM | Company 2023 RM | Company 2022 RM |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 4 | 343,862,447 | 321,197,797 | – | – |
| Capital work-in-progress | 5 | 20,000 | 13,537,174 | – | – |
| Investment properties | 6 | 11,750,000 | 11,800,000 | – | – |
| Investment in subsidiary companies | 7 | – | – | 266,310,458 | 252,310,458 |
| Investment in an associate company | 8 | 3,197,846 | 2,585,098 | – | – |
| Other investment | 9 | 2,022,698 | 438,000 | – | – |
| Goodwill on acquisition | 10 | 2,342,882 | – | – | – |
| Deferred tax assets | 11 | – | 3,200 | – | – |
| Total non-current assets | | 363,195,873 | 349,561,269 | 266,310,458 | 252,310,458 |
| **Current assets** | | | | | |
| Inventories | 12 | 405,441,261 | 400,832,436 | – | – |
| Trade receivables | 13 | 147,707,199 | 206,638,758 | – | – |
| Other receivables | 14 | 28,129,221 | 22,427,851 | 23,578 | 71,849 |
| Dividend receivables | | – | – | 13,763,000 | – |
| Amount due from subsidiary companies | 7 | – | – | 6,071,861 | 34,235 |
| Amount due from an associate company | 8 | 19,314,123 | 8,790,172 | – | – |
| Tax recoverable | | 10,445 | 536,011 | – | – |
| Fixed deposits with licensed banks | 15 | 2,733,826 | 2,692,726 | – | – |
| Cash and bank balances | 16 | 177,291,370 | 178,586,601 | 11,612,894 | 34,874,555 |
| Total current assets | | 780,627,445 | 820,504,555 | 31,471,333 | 34,980,639 |
| Non-current asset held for sale | 17 | 2,200,000 | – | – | – |
| **Total assets** | | 1,146,023,318 | 1,170,065,824 | 297,781,791 | 287,291,097 |
| **EQUITY AND LIABILITIES** | | | | | |
| **EQUITY** | | | | | |
| Share capital | 18 | 263,417,332 | 258,891,721 | 263,417,332 | 258,891,721 |
| Treasury shares | 19 | (9,156,065) | (7,590,553) | (9,156,065) | (7,590,553) |
| Revaluation reserve | 20 | 58,708,372 | 59,758,918 | – | – |
| Employees share option reserve | 21 | 1,630,084 | 1,894,101 | 1,630,084 | 1,894,101 |
| Exchange translation reserve | | 9,256,957 | 11,275,773 | – | – |
| Share application money | | 51,563 | 28,820 | 51,563 | 28,820 |
| Unappropriated profit | | 497,284,520 | 429,910,770 | 28,801,605 | 25,406,647 |
| **Total equity** | | 821,192,763 | 754,169,550 | 284,744,519 | 278,630,736 |

# Statements of Financial Position (cont'd)

| | Note | Group 2023 RM | Group 2022 RM | Company 2023 RM | Company 2022 RM |
|---|---|---|---|---|---|
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Lease liabilities | 22 | 11,074,410 | 9,280,323 | – | – |
| Borrowings | 23 | 21,348,979 | 32,504,388 | – | – |
| Deferred tax liabilities | 24 | 26,053,558 | 23,949,044 | – | – |
| Total non-current liabilities | | 58,476,947 | 65,733,755 | – | – |
| **Current liabilities** | | | | | |
| Trade payables | 25 | 23,560,307 | 123,837,528 | – | – |
| Other payables | 26 | 21,509,818 | 26,152,243 | 344,786 | 243,382 |
| Derivatives financial instruments | 27 | 12,390 | 3,940 | – | – |
| Lease liabilities | 22 | 2,286,467 | 2,277,982 | – | – |
| Borrowings | 23 | 198,227,294 | 187,479,450 | – | – |
| Dividend payable | | 12,367,488 | 8,196,528 | 12,367,488 | 8,196,528 |
| Tax payable | | 8,389,844 | 2,214,848 | 324,998 | 220,451 |
| Total current liabilities | | 266,353,608 | 350,162,519 | 13,037,272 | 8,660,361 |
| **Total liabilities** | | 324,830,555 | 415,896,274 | 13,037,272 | 8,660,361 |
| **Total equity and liabilities** | | 1,146,023,318 | 1,170,065,824 | 297,781,791 | 287,291,097 |

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 28 FEBRUARY 2023

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2023<br>RM | 2022<br>RM | 2023<br>RM | 2022<br>RM |
| Revenue | 28 | 1,037,838,655 | 751,478,771 | 57,254,427 | 26,338,630 |
| Cost of sales | | (763,610,560) | (566,125,070) | – | – |
| Gross profit | | 274,228,095 | 185,353,701 | 57,254,427 | 26,338,630 |
| Other income | | 8,807,072 | 5,265,168 | 4,440 | 9,081 |
| Finance income | | 2,269,908 | 1,572,550 | 394,771 | 201,093 |
| Selling and distribution expenses | | (48,606,050) | (30,813,030) | – | – |
| Administration expenses | | (68,628,992) | (57,349,443) | (3,954,779) | (3,931,790) |
| Finance costs | | (9,862,097) | (6,723,130) | (1,392) | (2,917) |
| Other expenses | | (937,166) | (440,407) | (15,208) | (1,051) |
| Reversal of allowance for impairment/ (Allowance for impairment) on receivables | 13, 14 | (2,274,879) | 53,398 | – | – |
| Profit from operations | | 154,995,891 | 96,918,807 | 53,682,259 | 22,613,046 |
| Share of profit/(loss) in associate company | | 612,748 | (176,350) | – | – |
| Profit before tax | 29 | 155,608,639 | 96,742,457 | 53,682,259 | 22,613,046 |
| Tax expense | 30 | (39,975,593) | (24,989,439) | (940,599) | (745,789) |
| Profit for the financial year | | 115,633,046 | 71,753,018 | 52,741,660 | 21,867,257 |
| **Other comprehensive (loss)/income, net of tax** | | | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | | | |
| Realisation of revaluation reserve upon depreciation of revalued assets | | 1,087,406 | 906,986 | – | – |
| Transfer of revaluation reserve to unappropriated profit | | (1,087,406) | (906,986) | – | – |
| Revaluation of land and buildings | | 48,500 | – | – | – |
| Tax effect on item that will not be reclassified to profit or loss | | (11,640) | – | – | – |
| | | 36,860 | – | – | – |

# Statements of Profit or Loss and Other Comprehensive Income (cont'd)

| | Note | Group 2023 RM | Group 2022 RM | Company 2023 RM | Company 2022 RM |
|---|---|---|---|---|---|
| **Other comprehensive (loss)/income, net of tax (cont'd)** | | | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | | | |
| Fair value loss on cash flow hedge | | – | (6,615) | – | (6,615) |
| Foreign currency translation differences for foreign operations, net of tax | | (2,018,816) | 1,571,225 | – | – |
| | | (2,018,816) | 1,564,610 | – | (6,615) |
| **Other comprehensive (loss)/income for the financial year, net of tax** | | (1,981,956) | 1,564,610 | – | (6,615) |
| **Total comprehensive income for the financial year** | | 113,651,090 | 73,317,628 | 52,741,660 | 21,860,642 |
| **Profit attributable to:-** | | | | | |
| Owners of the Company | | 115,633,046 | 71,753,018 | 52,741,660 | 21,867,257 |
| Non-controlling interest | | – | – | – | – |
| Profit for the financial year | | 115,633,046 | 71,753,018 | 52,741,660 | 21,867,257 |
| **Total comprehensive income attributable to:-** | | | | | |
| Owners of the Company | | 113,651,090 | 73,317,628 | 52,741,660 | 21,860,642 |
| Non-controlling interest | | – | – | – | – |
| **Total comprehensive income for the financial year** | | 113,651,090 | 73,317,628 | 52,741,660 | 21,860,642 |
| **Earnings per share attributable to owners of the Company** | | | | | |
| Earnings per ordinary share | | | | | |
| - Basic (sen) | 33 | 14.07 | 9.23 | – | – |
| - Diluted (sen) | 33 | 13.96 | 9.15 | – | – |

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

# STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Non-distributable | | | | | | | | Distributable | | | |
| | Share capital RM | Treasury shares RM | Revaluation reserve RM | Employees share option reserve RM | Cash flow hedge reserve RM | Warrants reserve RM | Exchange translation reserve RM | Share application money RM | Unappropriated profit RM | Total RM | Non-controlling interest RM | Total equity RM |
| **Group** | | | | | | | | | | | | |
| Balance at 1 March 2021 | 210,312,047 | (1,771,714) | 60,665,904 | 4,949,236 | 6,615 | 7,294,493 | 9,704,548 | - | 383,262,258 | 674,423,387 | - | 674,423,387 |
| **Transactions with owners:-** | | | | | | | | | | | | |
| Share option granted under ESOS | - | - | - | 761,896 | - | - | - | - | - | 761,896 | - | 761,896 |
| Exercise of ESOS | 19,537,076 | - | - | (3,817,031) | - | - | - | - | - | 15,720,045 | - | 15,720,045 |
| Issuance of shares pursuant to exercise of warrants | 29,042,598 | - | - | - | - | (5,621,146) | - | - | - | 23,421,452 | - | 23,421,452 |
| Expiration of warrants | - | - | - | - | - | (1,673,347) | - | - | 1,673,347 | - | - | - |
| Acquisition of treasury shares | - | (5,818,839) | - | - | - | - | - | - | - | (5,818,839) | - | (5,818,839) |
| Shares pending allotment | - | - | - | - | - | - | - | 28,820 | - | 28,820 | - | 28,820 |
| Final single tier dividend of 0.50 sen per ordinary share and a special final single tier dividend of 0.50 sen per ordinary share for the financial year ended 28 February 2021 | - | - | - | - | - | - | - | - | (7,675,850) | (7,675,850) | - | (7,675,850) |
| First interim single tier dividend of 0.50 sen per ordinary share for the financial year ended 28 February 2022 | - | - | - | - | - | - | - | - | (3,852,027) | (3,852,027) | - | (3,852,027) |
| Second interim single tier dividend of 1.00 sen per ordinary share for the financial year ended 28 February 2022 | - | - | - | - | - | - | - | - | (7,960,434) | (7,960,434) | - | (7,960,434) |
| Third interim single tier dividend of 1.00 sen per ordinary share for the financial year ended 28 February 2022 | - | - | - | - | - | - | - | - | (8,196,528) | (8,196,528) | - | (8,196,528) |
| Total transactions with owners | 48,579,674 | (5,818,839) | - | (3,055,135) | - | (7,294,493) | - | 28,820 | (26,011,492) | 6,428,535 | - | 6,428,535 |
| Profit for the financial year | - | - | - | - | - | - | - | - | 71,753,018 | 71,753,018 | - | 71,753,018 |
| Other comprehensive income for the financial year | - | - | (906,986) | - | (6,615) | - | 1,571,225 | - | 906,986 | 1,564,610 | - | 1,564,610 |
| Total comprehensive income for the financial year | - | - | (906,986) | - | (6,615) | - | 1,571,225 | - | 72,660,004 | 73,317,628 | - | 73,317,628 |
| Balance at 28 February 2022 | 258,891,721 | (7,590,553) | 59,758,918 | 1,894,101 | - | - | 11,275,773 | 28,820 | 429,910,770 | 754,169,550 | - | 754,169,550 |

# Statements of Changes in Equity (cont'd)

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Non-distributable | | | | | | Distributable | | | |
| | Share capital RM | Treasury shares RM | Revaluation reserve RM | Employees share option reserve RM | Exchange translation reserve RM | Share application money RM | Unappropriated profit RM | Total RM | Non-controlling interest RM | Total equity RM |
| **Group (cont'd)** | | | | | | | | | | |
| Balance at 1 March 2022 | 258,891,721 | (7,590,553) | 59,758,918 | 1,894,101 | 11,275,773 | 28,820 | 429,910,770 | 754,169,550 | – | 754,169,550 |
| **Transactions with owners:-** | | | | | | | | | | |
| Share option granted under ESOS | – | – | – | 585,245 | – | – | – | 585,245 | – | 585,245 |
| Exercise of ESOS | 4,525,611 | – | – | (849,262) | – | (28,820) | – | 3,647,529 | – | 3,647,529 |
| Acquisition of treasury shares | – | (1,565,512) | – | – | – | – | – | (1,565,512) | – | (1,565,512) |
| Shares pending allotment | – | – | – | – | – | 51,563 | – | 51,563 | – | 51,563 |
| Final single tier dividend of 1.50 sen per ordinary share for the financial year ended 28 February 2022 | – | – | – | – | – | – | (12,315,346) | (12,315,346) | – | (12,315,346) |
| First interim single tier dividend of 1.50 sen per ordinary share for the financial year ended 28 February 2023 | – | – | – | – | – | – | (12,318,593) | (12,318,593) | – | (12,318,593) |
| Second interim single tier dividend of 1.50 sen per ordinary share for the financial year ended 28 February 2023 | – | – | – | – | – | – | (12,345,275) | (12,345,275) | – | (12,345,275) |
| Third interim single tier dividend of 1.50 sen per ordinary share for the financial year ended 28 February 2023 | – | – | – | – | – | – | (12,367,488) | (12,367,488) | – | (12,367,488) |
| Total transactions with owners | 4,525,611 | (1,565,512) | – | (264,017) | – | 22,743 | (49,346,702) | (46,627,877) | – | (46,627,877) |
| Profit for the financial year | – | – | – | – | – | – | 115,633,046 | 115,633,046 | – | 115,633,046 |
| Other comprehensive loss for the financial year | – | – | (1,050,546) | – | (2,018,816) | – | 1,087,406 | (1,981,956) | – | (1,981,956) |
| Total comprehensive income for the financial year | – | – | (1,050,546) | – | (2,018,816) | – | 116,720,452 | 113,651,090 | – | 113,651,090 |
| Balance at 28 February 2023 | 263,417,332 | (9,156,065) | 58,708,372 | 1,630,084 | 9,256,957 | 51,563 | 497,284,520 | 821,192,763 | – | 821,192,763 |

# Statements of Changes in Equity (cont'd)

| | Non-distributable | | | | | | Distributable | |
|---|---|---|---|---|---|---|---|---|
| | Share capital RM | Treasury shares RM | Employees share option reserve RM | Cash flow hedge reserve RM | Warrants reserve RM | Share application money RM | Unappropriated profit RM | Total equity RM |
| **Company** | | | | | | | | |
| Balance at 1 March 2021 | 210,312,047 | (1,771,714) | 4,949,236 | 6,615 | 7,294,493 | – | 29,550,882 | 250,341,559 |
| **Transactions with owners:-** | | | | | | | | |
| Share option granted under ESOS | – | – | 761,896 | – | – | – | – | 761,896 |
| Exercise of ESOS | 19,537,076 | – | (3,817,031) | – | – | – | – | 15,720,045 |
| Issuance of shares pursuant to exercise of warrants | 29,042,598 | – | – | – | (5,621,146) | – | – | 23,421,452 |
| Expiration of warrants | – | – | – | – | (1,673,347) | – | 1,673,347 | – |
| Acquisition of treasury shares | – | (5,818,839) | – | – | – | – | – | (5,818,839) |
| Shares pending allotment | – | – | – | – | – | 28,820 | – | 28,820 |
| Final single tier dividend of 0.50 sen per ordinary share and a special final single tier dividend of 0.50 sen per ordinary share for the financial year ended 28 February 2021 | – | – | – | – | – | – | (7,675,850) | (7,675,850) |
| First interim single tier dividend of 0.50 sen per ordinary share for the financial year ended 28 February 2022 | – | – | – | – | – | – | (3,852,027) | (3,852,027) |
| Second interim single tier dividend of 1.00 sen per ordinary share for the financial year ended 28 February 2022 | – | – | – | – | – | – | (7,960,434) | (7,960,434) |
| Third interim single tier dividend of 1.00 sen per ordinary share for the financial year ended 28 February 2021 | – | – | – | – | – | – | (8,196,528) | (8,196,528) |
| Total transactions with owners | 48,579,674 | (5,818,839) | (3,055,135) | – | (7,294,493) | 28,820 | (26,011,492) | 6,428,535 |
| Profit for the financial year | – | – | – | – | – | – | 21,867,257 | 21,867,257 |
| Other comprehensive loss for the financial year | – | – | – | (6,615) | – | – | – | (6,615) |
| Total comprehensive income for the financial year | – | – | – | (6,615) | – | – | 21,867,257 | 21,860,642 |
| Balance at 28 February 2022 | 258,891,721 | (7,590,553) | 1,894,101 | – | – | 28,820 | 25,406,647 | 278,630,736 |

# Statements of Changes in Equity (cont'd)

| | Non-distributable | | | | Distributable | |
|---|---|---|---|---|---|---|
| | Share capital RM | Treasury shares RM | Employees share option reserve RM | Share application money RM | Unappropriated profit RM | Total equity RM |
| **Company (cont'd)** | | | | | | |
| Balance at 1 March 2022 | 258,891,721 | (7,590,553) | 1,894,101 | 28,820 | 25,406,647 | 278,630,736 |
| **Transactions with owners:-** | | | | | | |
| Share option granted under ESOS | – | – | 585,245 | – | – | 585,245 |
| Exercise of ESOS | 4,525,611 | – | (849,262) | (28,820) | – | 3,647,529 |
| Acquisition of treasury shares | – | (1,565,512) | – | – | – | (1,565,512) |
| Shares pending allotment | – | – | – | 51,563 | – | 51,563 |
| Final single tier dividend of 1.50 sen per ordinary share for the financial year ended 28 February 2022 | – | – | – | – | (12,315,346) | (12,315,346) |
| First interim single tier dividend of 1.50 sen per ordinary share for the financial year ended 28 February 2023 | – | – | – | – | (12,318,593) | (12,318,593) |
| Second interim single tier dividend of 1.50 sen per ordinary share for the financial year ended 28 February 2023 | – | – | – | – | (12,345,275) | (12,345,275) |
| Third interim single tier dividend of 1.50 sen per ordinary share for the financial year ended 28 February 2023 | – | – | – | – | (12,367,488) | (12,367,488) |
| Total transactions with owners | 4,525,611 | (1,565,512) | (264,017) | 22,743 | (49,346,702) | (46,627,877) |
| Profit for the financial year | – | – | – | – | 52,741,660 | 52,741,660 |
| Other comprehensive income for the financial year | – | – | – | – | – | – |
| Total comprehensive income for the financial year | – | – | – | – | 52,741,660 | 52,741,660 |
| Balance at 28 February 2023 | 263,417,332 | (9,156,065) | 1,630,084 | 51,563 | 28,801,605 | 284,744,519 |

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

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| **OPERATING ACTIVITIES** | | | | | |
| Profit before tax | | 155,608,639 | 96,742,457 | 53,682,259 | 22,613,046 |
| Adjustments for:- | | | | | |
| Allowance for impairment of receivables | | 3,637,259 | 2,203,069 | – | – |
| Allowance for impairment of receivables no longer required | | (1,362,380) | (2,256,467) | – | – |
| Bad debts written off | | 1,228 | – | – | – |
| Inventories written down | | 473,417 | 933,464 | – | – |
| Depreciation of property, plant and equipment | | 14,873,029 | 15,719,700 | – | – |
| Depreciation of right-of-use assets | | 3,344,315 | 3,521,726 | – | – |
| Interest expense | | 8,381,230 | 4,654,929 | – | 2,161 |
| Lease liabilities interest expense | | 670,631 | 684,807 | – | – |
| Property, plant and equipment written off | | 326,186 | 10,276 | – | – |
| Reversal of inventories written down | | (2,002,783) | (651,374) | – | – |
| Employees Share Option Scheme expenses | | 585,245 | 761,896 | 585,245 | 761,896 |
| Interest income | | (2,269,908) | (1,572,550) | (394,771) | (201,093) |
| Share of (profit)/loss from associate company | | (612,748) | 176,350 | – | – |
| Dividend income | | – | – | (53,544,650) | (23,000,200) |
| Gain on disposal of property, plant and equipment | | (328,041) | (72,612) | – | – |
| Fair value loss on derivative financial instrument | | 8,450 | 3,073 | – | – |
| Fair value gain on other investment | | (16,497) | (39,000) | – | – |
| Fair value loss on investment properties | | 283,998 | – | – | – |
| Unrealised (gain)/loss on foreign exchange | | (755,964) | 80,834 | 115 | – |
| Waiver of debts | | (117,165) | – | – | – |
| Operating profit before working capital changes | | 180,728,141 | 120,900,578 | 328,198 | 175,810 |
| Changes in working capital:- | | | | | |
| Inventories | | (3,079,459) | (112,030,181) | – | – |
| Receivables | | 52,117,014 | (123,402,363) | 21,074 | (57,790) |
| Payables | | (110,018,603) | 115,334,609 | 101,404 | (258,592) |
| Associate company | | (11,103,651) | 15,132,253 | – | – |
| Cash flows from/(used in) operations | | 108,643,442 | 15,934,896 | 450,676 | (140,572) |
| Tax refunded | | 429 | 98,074 | – | – |
| Tax paid | | (31,301,057) | (16,408,079) | (836,052) | (810,176) |
| Net cash flows from/(used in) operating activities | | 77,342,814 | (375,109) | (385,376) | (950,748) |

# Statements of Cash Flows (cont'd)

| | Note | Group 2023 RM | Group 2022 RM | Company 2023 RM | Company 2022 RM |
|---|---|---|---|---|---|
| **INVESTING ACTIVITIES** | | | | | |
| Addition/Acquisition of an investment property | | (233,998) | (5,500,000) | – | – |
| Acquistion of a subsidiary, net of cash acquired | 7(b)(iii) | 119,325 | – | – | – |
| Investment in a subsidiary company | A | – | – | (550,000) | – |
| Dividend received | | – | – | 39,781,650 | 23,000,200 |
| Interest received | | 2,269,908 | 1,572,550 | 394,771 | 201,093 |
| Purchase of property, plant and equipment | B | (14,383,716) | (7,699,045) | – | – |
| Proceeds from disposal of property, plant and equipment | | 525,063 | 218,376 | – | – |
| Investment in other investment | | (1,568,201) | (399,000) | – | – |
| Capital work-in-progress incurred | | (815,265) | (4,161,486) | – | – |
| Net cash flows (used in)/from investing activities | | (14,086,884) | (15,968,605) | 39,626,421 | 23,201,293 |
| **FINANCING ACTIVITIES** | | | | | |
| Dividend paid | | (45,175,742) | (23,241,582) | (45,175,742) | (23,241,582) |
| Proceeds from issuance of share capital | | 3,699,092 | 39,170,317 | 3,699,092 | 39,170,317 |
| Purchase of treasury shares | | (1,565,512) | (5,818,839) | (1,565,512) | (5,818,839) |
| Interest paid | | (8,381,230) | (4,654,929) | – | (2,161) |
| Lease liabilities interest paid | | (670,631) | (684,807) | – | – |
| Repayment of lease liabilities | | (2,464,079) | (3,231,066) | – | – |
| Loan to subsidiary companies | | – | – | (19,400,000) | – |
| Advances to subsidiary companies | | – | – | (60,544) | – |
| Drawndown of short-term borrowings | | 423,831,432 | 299,002,727 | – | – |
| Repayment of short-term borrowings | | (408,862,001) | (233,392,407) | – | – |
| Repayment of term loans | | (24,393,561) | (16,040,635) | – | (514,318) |
| Drawndown of term loans | | 1,100,400 | 7,173,066 | – | – |
| Net cash flows (used in)/from financing activities | | (62,881,832) | 58,281,845 | (62,502,706) | 9,593,417 |
| **CASH AND CASH EQUIVALENTS** | | | | | |
| Net changes | | 374,098 | 41,938,131 | (23,261,661) | 31,843,962 |
| Effect of exchange rate changes | | (1,628,229) | 1,624,998 | – | – |
| At beginning of financial year | | 181,279,327 | 137,716,198 | 34,874,555 | 3,030,593 |
| At end of financial year | C | 180,025,196 | 181,279,327 | 11,612,894 | 34,874,555 |

# Statements of Cash Flows (cont'd)

## NOTES TO THE STATEMENTS OF CASH FLOWS

### A. INVESTMENT IN A SUBSIDIARY COMPANY

The Company acquired 100% equity interest in Unity Precision Engineering Sdn. Bhd. during the financial year. Details of the investment are as follows:-

| | Company RM |
|---|---|
| Capitalisation from deposit paid in previous financial year | 50,000 |
| Capitalisation from amount due from subsidiary company | 13,400,000 |
| Cash payment | 550,000 |
| Total cost of investment (Note 7(a)) | 14,000,000 |

### B. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Acquired by means of finance lease arrangements | 2,630,210 | 1,463,800 | – | – |
| Addition to right–of–use in exchange for increased lease liabilities | 41,681 | – | – | – |
| Cash payments | 14,383,716 | 7,699,045 | – | – |
| | 17,055,607 | 9,162,845 | – | – |

### C. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Cash and bank balances | 177,291,370 | 178,586,601 | 11,612,894 | 34,874,555 |
| Fixed deposits with licensed banks | 2,733,826 | 2,692,726 | – | – |
| | 180,025,196 | 181,279,327 | 11,612,894 | 34,874,555 |

**NOTES TO THE STATEMENTS OF CASH FLOWS (CONT'D)**

**D. CASH OUTFLOWS FOR LEASES AS A LESSEE**

| | Group 2023 RM | Group 2022 RM |
|---|---|---|
| Included in net cash from operating activities | | |
| - Payment relating to short-term leases and low-value assets | 774,529 | 608,489 |
| Included in net cash used in financing activities | | |
| - Interest paid in relation to lease liabilities | 670,631 | 684,807 |
| - Payment of principal portion of lease liabilities | 2,464,079 | 3,231,066 |
| | 3,909,239 | 4,524,362 |

**Reconciliation of liabilities arising from financing activities**

**Group**

| | Lease liabilities RM | Term loans RM | Short-term borrowings RM | Total RM |
|---|---|---|---|---|
| **At 1 March 2021** | 13,325,571 | 57,699,173 | 105,315,393 | 176,340,137 |
| Additions | 1,463,800 | 7,173,066 | 299,002,727 | 307,639,593 |
| Repayment | (3,231,066) | (16,040,635) | (233,392,407) | (252,664,108) |
| Foreign exchange movement | – | – | 226,521 | 226,521 |
| **At 28 February 2022/1 March 2022** | 11,558,305 | 48,831,604 | 171,152,234 | 231,542,143 |
| Additions | 2,671,891 | 1,100,400 | 423,831,432 | 427,603,723 |
| Additions through acquisition of a subsidiary company | – | 8,732,146 | – | 8,732,146 |
| Repayment | (2,464,079) | (24,393,561) | (408,862,001) | (435,719,641) |
| Lease modification | 1,594,760 | – | – | 1,594,760 |
| Foreign exchange movement | – | – | (815,981) | (815,981) |
| **At 28 February 2023** | 13,360,877 | 34,270,589 | 185,305,684 | 232,937,150 |

**Company**

| | Term loan RM |
|---|---|
| **At 1 March 2021** | 514,318 |
| Repayment | (514,318) |
| **At 28 February 2022/1 March 2022** | – |
| Repayment | – |
| **At 28 February 2023** | – |

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

# NOTES TO THE FINANCIAL STATEMENTS
- 28 FEBRUARY 2023

## 1. GENERAL INFORMATION

The Company is principally engaged in investment holding and provision of management services.

The principal activities of the subsidiary companies and associate company are disclosed in Notes 7 and 8 to the Financial Statements respectively.

There have been no significant changes in the nature of these activities of the Company, its subsidiary companies and associate company during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office of the Company is located at No. 5-9A, The Boulevard Office, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur. The principal place of business of the Company is located at PTD 204334, Jalan Platinum Utama, Kawasan Perindustrian Pasir Gudang, Zon 12B, 81700 Pasir Gudang, Johor Darul Takzim.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 13 June 2023.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

### 2.1 Statement of compliance

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

### 2.2 Basis of measurement

The financial statements of the Group and of the Company are prepared under historical cost convention, except for land and buildings and financial instruments that are measured at revalued amount or fair value respectively as indicated in the summary of significant accounting policies.

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

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

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

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

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

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

### 2.2 Basis of measurement (cont'd)

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting period.

The Group and the Company have established control framework in respect of measurement of fair values of financial instruments. The Board of Directors has overall responsibility for overseeing all significant fair value measurements. The Board of Directors regularly reviews significant unobservable inputs and valuation adjustments.

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

### 2.3 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

### 2.4 MFRSs

#### 2.4.1 Adoption of New or Revised MFRSs

The Group and the Company have applied the following amendments to published standards approved by Malaysian Accounting Standards Board ("MASB") for the first time for the financial year beginning on 1 March 2022:-

- Amendments to MFRS 16 Leases – *Covid-19-Related Rent Concessions beyond 30 June 2021*
- *Amendments to MFRS 3 Business Combinations - Reference to the Conceptual Framework*
- *Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts – Cost of Fulfilling a Contract*
- *Annual Improvements to MFRSs contained in the document entitled – Annual improvements to MFRS Standards 2018-2020*

The adoption of the above amendments to published standards did not have any material impact on the current and prior year financial statements of the Group and of the Company.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

### 2.4 MFRSs (cont'd)

#### 2.4.2 Standards Issued But Not Yet Effective

The following are MFRSs, Amendments to MFRSs and IC Interpretations with effective dates on or after 1 January 2023 issued by the MASB and they have not been early adopted by the Group and the Company. The Group and the Company intend to adopt these new standards, amendments to the published standards and interpretations, if applicable, when they become effective.

**(a) MFRS and amendments effective for financial period beginning on or after 1 January 2023**

- MFRS 17 Insurance Contracts and Amendments to MFRS 17 Insurance Contracts*
- Amendments to MFRS 17 – Initial Application of MFRS 17 and MFRS 9 – *Comparative Information**
- Amendments to MFRS 101 Presentation of Financial Statements – *Disclosure of Accounting Policies*
- Amendments to MFRS 108 Accounting Policies - Changes in Accounting Estimates and Errors - *Definition of Accounting Estimates*
- Amendments to MFRS 112 Income Taxes – *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

**(b) Amendments effective for period beginning on or after 1 January 2024**

- Amendments to MFRS 16 Leases – *Lease liability in a Sale and Leaseback*
- Amendments to MFRS Presentation of Financial Statements – *Non-Current Liabilities with Covenants*
- Amendments to MFRS 101 Presentation of Financial Statements – *Classification of Liabilities as Current or Non-current*

**(c) Amendments effective for date yet to be confirmed**

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

* Not applicable to the Group's and the Company's operations.

The initial application of these MFRSs, amendments to the published standards and interpretations is not expected to have any material impact on the financial statements of the Group and the Company.

### 2.5 Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

### 2.5 Significant Accounting Estimates and Judgements (cont'd)

#### 2.5.1 Estimation uncertainty

Information about significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

**Useful lives of depreciable assets**

The management estimates the useful lives of the property, plant and equipment other than right-of-use assets to be within 3 to 50 years and reviews the useful lives of depreciable assets at each reporting date. At 28 February 2023, the management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analysed in Note 4 to the Financial Statements. Actual results, however, may vary due to change in the expected level of usage and technological developments, which result in adjustment to the Group's assets.

The management anticipate that the expected useful lives of the property, plant and equipment other than right-of-use assets would not have material difference from their estimates and hence it would not result in material variance in the Group's profit for the financial year.

**Impairment of inventories**

The management reviews inventories to identify damaged, obsolete and slow-moving inventories which require judgement and changes in such estimates could result in revision to valuation of inventories.

The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 12 to the Financial Statements.

**Provision for expected credit losses ("ECLs") for trade receivables**

The Group undergoes a specific review of its trade receivables through an analysis of the customers' credit risk and the ageing of the trade receivables balances. Further details of how the credit risk is determined and managed is described in Note 41(c) to the Financial Statements.

The information about the ECLs on the Group's trade receivables is disclosed in Note 13 to the Financial Statements.

**Impairment of property, plant and equipment and right-of-use assets**

The Group carries out impairment tests based on a variety of estimation including value-in-use of cash-generating unit to which the property, plant and equipment and right-of-use assets are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from cash-generating unit and also to choose a suitable discount rate in order to calculate present value of those cash flows.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

### 2.5 Significant Accounting Estimates and Judgements (cont'd)

#### 2.5.1 Estimation uncertainty (cont'd)

**Impairment of non-financial assets**

An impairment loss is recognised for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Further details of the carrying values, key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are disclosed in Note 10 to the Financial Statements.

**Deferred tax assets**

Deferred tax assets are recognised for all deductible temporary differences, unutilised tax losses, unabsorbed capital allowances and unused tax credits to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences, unutilised tax losses and unabsorbed capital allowances 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.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statement of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

**Income taxes/Deferred tax liabilities**

Significant judgement is involved in determining the Group-wide 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 recognise tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

### 2.5 Significant Accounting Estimates and Judgements (cont'd)

#### 2.5.1 Estimation uncertainty (cont'd)

**Employees share option**

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The assumptions and model used for estimating fair value for share-based payment transactions, sensitivity analysis and the carrying amounts are disclosed in Note 35 to the Financial Statements.

**Fair value measurement and valuation processes**

Some of the Group's assets and liabilities are measured at fair value for financial reporting. Significant judgement is involved in determining the appropriate valuation techniques and inputs for fair value measurements where active market quotes are not available.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in measuring the assets and liabilities. Where Level 1 inputs are not available, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting date. For the valuation of land and buildings, the Group engages third party qualified valuers to perform the valuation.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in the Notes 4 and 6 to the Financial Statements respectively.

**Leases – Estimating the incremental borrowing rate**

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

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

### 2.5 Significant Accounting Estimates and Judgements (cont'd)

#### 2.5.2 Significant management judgements

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

**Classification between investment properties and owner-occupied properties**

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. The Group accounts for the portions separately if the portions could be sold separately (or leased out separately under a finance lease). If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies, as summarised below, consistently throughout all periods presented in the financial statements.

### 3.1 Consolidation

#### 3.1.1 Subsidiary companies

Subsidiary companies are entities, including structured entities, controlled by the Company. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiary companies is stated at cost in the Company's statement of financial position. Where an indication of impairment exists, the carrying amount of the subsidiary companies is assessed and written down immediately to their recoverable amount.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.1 Consolidation (cont'd)

#### 3.1.2 Basis of consolidation

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

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Intra-group losses may indicate an impairment that requires recognition in the consolidated financial statements.

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

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

#### 3.1.3 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.1 Consolidation (cont'd)

#### 3.1.3 Business combinations and goodwill (cont'd)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### 3.1.4 Loss of control

Upon the loss of control of a subsidiary company, the Group derecognises the assets and liabilities of the subsidiary company, any non-controlling interests and the other components of the equity related to the subsidiary company. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary company, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### 3.1.5 Associate company

An associate company is an entity in which the Group has significant influence, but no control, over its financial and operating policies.

The Group's investment in associate company is accounted for using the equity method. Under the equity method, investment in an associate company is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate company. Goodwill relating to the associate company is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The share of the result of an associate company is reflected in profit or loss. This is the profit attributable to equity holders of the associate company and therefore is the profit after tax and non-controlling interests in the associate company. When the Group's share of losses exceeds its interest in an associate company, the carrying amount of that interest including any long-term investment is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate company.

Where there has been a change recognised directly in the equity of an associate company, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.1 Consolidation (cont'd)

#### 3.1.5 Associate company (cont'd)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate company. The Group determines at each end of the reporting period whether there is any objective evidence that the investment in the associate company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate company and their carrying value and recognise the amount in the "share of profit of associates" in profit or loss.

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

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

### 3.2 Property, plant and equipment

Property, plant and equipment are initially stated at cost. Land and buildings are subsequently shown at market value, based on valuations by external valuers, less subsequent depreciation and any impairment losses. All other property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses.

Revaluation is made at least once in every five years based on valuation by an independent valuer on an open market value basis. Any revaluation increase is credited to equity as a revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case, the increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation decrease is first offset against an increase on unutilised valuation surplus in respect of the same asset and is thereafter recognised as an expense. Upon the disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to unappropriated profit.

Depreciation is provided on the straight-line method in order to write off the cost of each asset over its estimated useful life. No depreciation is provided on freehold land.

The principal annual depreciation rates used are as follows (other than right-of-use assets):-

| | |
|---|---|
| Buildings | 2.00% - 5.50% |
| Renovation and electrical installation | 10.00% - 33.33% |
| Crane, machinery, equipment, furniture and fittings | 7.00% - 33.33% |
| Forklift and motor vehicles | 20.00% - 25.00% |

Restoration cost relating to an item of property, plant and equipment is capitalised only if such expenditure is expected to increase the future benefits from the existing property, plant and equipment beyond its previously assessed standard of performance.

Property, plant and equipment are written down to recoverable amount if, in the opinion of the Directors, it is less than their carrying value. Recoverable amount is the net selling price of the property, plant and equipment i.e. the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.2 Property, plant and equipment (cont'd)

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the financial year in which the asset is derecognised.

### 3.3 Leases

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

#### 3.3.1 The Group as lessee

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

##### 3.3.1.1 Right-of-use assets

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:-

| | Estimated useful lives |
|---|---|
| Leasehold land | 20 – 96 years |
| Buildings | 2 years |
| Crane, machinery, equipment, furniture and fittings | 5 – 14 years |
| Forklift and motor vehicles | 5 years |

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

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Section 3.10 Impairment of non-financial assets.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.3 Leases (cont'd)

#### 3.3.1 The Group as lessee (cont'd)

##### 3.3.1.2 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

As a practical expedient, MFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

##### 3.3.1.3 Short-term leases and leases of low-value assets

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

#### 3.3.2 The Group as a lessor

The Group classified its leases as either operating leases or finance leases. Leases where the Group retains substantially all the risks and rewards of ownership of the leased assets are classified as operating leases. Initial direct costs incurred in negotiating 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.

If the Group transfers substantially all the risks and rewards incidental to ownership of the leased assets, leases are classified as finance leases and are capitalised at an amount equal to the net investment in the lease.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.4 Investment properties

Investment properties consist of land and buildings held for capital appreciation or rental purpose and not occupied by the Group or only an insignificant portion is occupied for use in the operations of the Group. Investment properties are treated as long-term investments and are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the financial year in which they arise.

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 profit or loss in the financial year of retirement or disposal.

### 3.5 Goodwill/Negative goodwill

Goodwill/(Negative goodwill) represents the excess/(deficit) of the cost of acquisition of subsidiary company acquired over the Group's share of the fair values of their separable net assets at the date of acquisition.

The goodwill is retained in the consolidated statement of financial position and subject to annual impairment review. The negative goodwill is credited immediately to profit or loss as it arises.

### 3.6 Inventories

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

The costs of inventories are determined on weighted average method.

Cost of trading finished goods and raw materials refers to invoiced cost of goods purchased plus incidental handling and freight charges.

Cost of work-in-progress and finished goods include raw materials, direct labour, other direct costs and an appropriate proportion of manufacturing overheads.

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

### 3.7 Foreign currency translation

The Group's consolidated financial statements are presented in RM, which is also the parent company's functional currency.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.7 Foreign currency translation (cont'd)

#### 3.7.1 Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising in translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

#### 3.7.2 Foreign operations

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combination before 1 March 2011 (the date when the Group and the Company first adopted MFRSs) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at exchange rates at the date of the transactions.

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

When the Group disposes of only part of its interest in a subsidiary company 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 company or joint venture company that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.8 Tax expenses

Tax expense comprises of current tax and deferred tax but exclude taxes arising from business combinations and items recognised directly in equity or other comprehensive income. Current tax and deferred tax are recognised as an expense or income in the profit or loss.

#### 3.8.1 Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years. Tax payable (recoverable) for current and prior periods is recognised as liability (or asset) to the extent that it is unpaid (or refundable).

#### 3.8.2 Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between carrying amount of assets or liabilities in the statement of financial position and its tax base at reporting date. However, deferred tax on temporary difference arising from the initial recognition of goodwill and initial recognition of assets and liabilities in a transaction that is not a business combination is not recognised because they affect neither accounting nor taxable profit or loss.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group and the Company expect, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reversed, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences, unused tax credit and tax carried forward losses can be utilised. The carrying amount of a deferred tax asset is reviewed at each reporting date. If it is no longer probable that sufficient taxable profit will be available to offset against part or the entire deferred tax asset, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

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

#### 3.8.3 Indirect tax

Sales and Services Tax ("SST") was imposed effective from 1 September 2018. The rate for sales tax is fixed at 5% or 10% while the rate for services tax is fixed at 6%.

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

(i) where the SST incurred in a purchase of assets or services is not recoverable from the authority, in which case the SST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and

(ii) receivables and payables that are stated with the amount of SST included.

The net amount of SST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.9 Financial instruments

#### 3.9.1 Financial assets

##### 3.9.1.1 Classification

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them.

The Group and the Company classify their financial assets in the following measurement categories:-

- Those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss); and
- Those to be measured at amortised cost.

##### 3.9.1.2 Recognition and derecognition

A financial asset is 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 instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

##### 3.9.1.3 Initial measurement

With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.9 Financial instruments (cont'd)**

**3.9.1 Financial assets (cont'd)**

**3.9.1.4 Subsequent measurement**

Financial assets are subsequently measured at the following categories:-

**(i)** Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortised cost.

Financial assets at amortised cost are subsequently measured using effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost include trade receivables, most of the other receivables, amount due from subsidiary companies, amount due from an associate company, fixed deposits with licensed bank and cash and cash equivalents.

(ii) Fair value at other comprehensive income ("FVTOCI") (debt instruments)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVTOCI.

For debt instruments at FVTOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statements of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is reclassified from equity to profit or loss.

(iii) Designated at fair value at other comprehensive income ("FVTOCI") (equity instruments)

The Group's and the Company's management may make an irrevocable election at initial recognition to present subsequent changes in fair value gains and losses on equity investments in OCI. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends are recognised as other income in the statements of profit or loss when the right of payment has been established, except when the benefits from such proceeds as a recovery of part of the cost of the financial asset, such gains are recorded in other comprehensive income. Equity instruments designated at FVTOCI are not subject to impairment assessment.

The Group and the Company have not elected to designate any equity investments at FVTOCI.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.9 Financial instruments (cont'd)

#### 3.9.1 Financial assets (cont'd)

##### 3.9.1.4 Subsequent measurement (cont'd)

Financial assets are subsequently measured at the following categories (cont'd):-

(iv) FVTPL

Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Net changes in fair value is recognised in profit or loss in the period which it arises.

This category includes derivative instruments and listed equity investments of which the Group had not irrevocably elected to classify as FVTOCI. Dividends on listed equity investments are also recognised in the statements of profit or loss when the right of payment has been established.

##### 3.9.1.5 Impairment of financial assets

The Group and the Company assess on a forward looking basis the expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs represent probability-weighted estimate of the difference between the contractual cash flows due in accordance with the contract and all 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 include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECL reflects:-

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following basis:-

- 12-month ECLs: the portion of lifetime expected credit losses that result from possible default events on a financial instrument within the 12 months after the reporting date; and
- Lifetime ECLs: the expected credit loss that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group and the Company are exposed to credit risk.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.9 Financial instruments (cont'd)

#### 3.9.1 Financial assets (cont'd)

##### 3.9.1.5 Impairment of financial assets (cont'd)

For trade receivables, 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 process to monitor the recoverability of trade receivables based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and economic environment.

For all other financial instruments, the Group and the Company recognise a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are re-measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Group and the Company recognise an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVTOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have any assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off.

#### 3.9.2 Financial liabilities

##### 3.9.2.1 Classification

The Group and the Company classify their financial liabilities in the following measurement categories:-

- Those to be measured subsequently at fair value through profit or loss; and
- Those to be measured at amortised cost.

##### 3.9.2.2 Recognition and derecognition

A financial liability is 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.

A financial liability (or a part of a financial liability) from its statements of financial position when, and only when, the obligation specified in the contract is discharged or cancelled or expired. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount of the financial liability (or part 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.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.9 Financial instruments (cont'd)**

**3.9.2 Financial liabilities (cont'd)**

**3.9.2.3 Initial measurement**

The Group and the Company initially measure a financial liability at its fair value plus, in the case of a financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial liability.

**3.9.2.4 Subsequent measurement**

The subsequent measurement of financial liabilities depends on their classification, as described below:-

(i) FVTPL

Financial liabilities at FVTPL include financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities designated upon initial recognition as at FVTPL.

At initial recognition, the Group and the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:-

- If doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's and the Company's key management personnel.

Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses recognised on derivatives include exchange differences.

For financial liability that is designated as at fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk in other comprehensive income and the remaining amount of the change in the fair value in profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

The Group and the Company have not elected to designate any financial liability at fair value through profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.9 Financial instruments (cont'd)

#### 3.9.2 Financial liabilities (cont'd)

##### 3.9.2.4 Subsequent measurement (cont'd)

The subsequent measurement of financial liabilities depends on their classification, as described below (cont'd):-

(ii) Amortised cost

Other financial liabilities not categorised as FVTPL 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 and the Company's financial liabilities at amortised cost include borrowings, trade and most of the other payables. Borrowings are classified as current liabilities unless the Group and the Company have unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

#### 3.9.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount 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.

### 3.10 Impairment of non-financial assets

The Group and the Company assess at each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimate the asset's recoverable amount. An asset's recoverable amount is higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell or its value in use and it is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. At each reporting date, the Group and the Company review the carrying amounts of non-financial assets to determine whether there is any indication of impairment.

The Group and the Company base its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's and the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of 5 years.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.10 Impairment of non-financial assets (cont'd)**

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group and the Company estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's 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, had no impairment loss has been recognised for asset in prior financial years. Such reversal is recognised in the profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

**3.11 Derivative financial instruments and hedging activities**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivatives designated as hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as follows:-

**Derivative financial instruments**

The Group holds derivative financial instruments to hedge its foreign currency exposures.

Forward foreign exchange contracts used are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as those arising from the related assets, liabilities or net position.

Exchange gains or losses on contracts are recognised when settled at which time they are included in the measurement of the transaction hedged.

The fair value of foreign currency forward contract is determined using the forward exchange market rates at the reporting date.

**Cash flow hedge**

A cash flow hedge is a hedge of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedge forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in other comprehensive income until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity to profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.12 Capital work-in-progress

Capital work-in-progress consists of property, plant and equipment under construction/installation for intended use as production facilities. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under construction/installation until the property, plant and equipment are ready for their intended use.

### 3.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances, short term demand deposits and highly liquid investments which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the statements of financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the reporting date are classified as non-current asset.

### 3.14 Share-based payment transactions

**Share-based payment transactions of the Company**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 35 to the Financial Statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

The policy described above is applied to all equity-settled share-based payment transactions that were granted after 31 December 2004 and vested after 1 January 2006. No amounts have been recognised in the consolidated financial statements in respect of other equity-settled shared-based payments.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.14 Share-based payment transactions (cont'd)

**Share-based payment transactions of the acquiree in a business combination**

When the share-based payment awards held by the employees of an acquiree (acquiree awards) are replaced by the Group's share-based payment awards (replacement awards), both the acquiree awards and the replacement awards are measured in accordance with MFRS 2 Share-based Payment ("market-based measure") at the acquisition date. The portion of the replacement awards that is included in measuring the consideration transferred in a business combination equals the market-based measure of the acquiree awards multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree award. The excess of the market-based measure of the replacement awards over the market-based measure of the acquiree awards included in measuring the consideration transferred is recognised as remuneration cost for post-combination service.

However, when the acquiree awards expire as a consequence of a business combination and the Group replaces those awards when it does not have an obligation to do so, the replacement awards are measured at their market-based measure in accordance with MFRS 2. All of the market-based measure of the replacement awards is recognised as remuneration cost for post-combination service.

At the acquisition date, when the outstanding equity-settled share-based payment transactions held by the employees of an acquiree are not exchanged by the Group for its share-based payment transactions, the acquiree share-based payment transactions are measured at their market-based measure at the acquisition date. If the share-based payment transactions have vested by the acquisition date, they are included as part of the non-controlling interest in the acquiree. However, if the share-based payment transactions have not vested by the acquisition date, the market-based measure of the unvested share-based payment transactions is allocated to the non-controlling interest in the acquiree based on the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the share-based payment transaction. The balance is recognised as remuneration cost for post-combination service.

### 3.15 Equity, reserves and dividend payment

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of their liabilities. Ordinary shares are equity instruments.

The revaluation reserve within equity comprises gains and losses due to the revaluation of property, plant and equipment.

Foreign currency translation differences arising on the translation of the Group's foreign entities are included in the exchange translation reserve.

Gains and losses on certain financial instruments are included in reserve for cash-flow hedges.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Final dividends proposed by the Directors are not accounted for in shareholders' equity as an appropriation of unappropriated profit, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Unappropriated profits include all current and prior period unappropriated profits.

All transactions with owners of the Company are recorded separately within equity.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.16 Treasury shares

When issued share of the Company are repurchased, the consideration paid, including directly attributable costs is presented as a change in equity. Repurchased shares that have not been cancelled are classify as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the profit or loss on the sale, reissuance or cancellation of treasury shares.

When treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the treasury shares account or distributable reserves, or both.

When treasury shares are reissued by resale, the difference between the sale consideration net of directly attributable costs and the carrying amount of the treasury shares is shown as a movement in equity.

### 3.17 Warrants

Warrants are classified as equity instruments and its value is allocated based on the Black Scholes model upon issuance. The issuance of ordinary shares upon exercise of the warrants is treated as new subscription of ordinary shares for the consideration equivalent to the exercise price of the warrants.

Upon exercise of warrants, the proceeds are credited to share capital. The warrants reserve in relation to the unexercised warrants at the expiry of the warrants will be reversed.

### 3.18 Financial guarantee contracts

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

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

### 3.19 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, 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 a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are reviewed at each reporting date 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. Where 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 provisions 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.20 Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a 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 liabilities unless the probability of outflow of economic benefits is remote.

### 3.21 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

### 3.22 Revenue recognition

The Group and the Company recognise revenue from contracts with customers for goods or services based on the five-step model as set out under MFRS 15 *Revenue from Contracts with customers*:-

i. Identify contracts with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
ii. Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer goods or services to the customer that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.
iii. Determine the transaction price. The transaction price is the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
iv. Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group and the Company allocate transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group and the Company expect to be entitled in exchange for satisfying each performance obligation.
v. Recognise revenue when (or as) the Group and the Company satisfy a performance obligation. An asset is transferred when (or as) the customer obtains control of the asset.

The Group and the Company satisfy a performance obligation and recognise revenue over time if the Group's and the Company's performance:-

i. Do not create an asset with an alternative use to the Group and the Company and have an enforceable right to payment for performance completed to-date; or
ii. Create or enhance an asset that the customer controls as the asset is created or enhanced; or
iii. Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform.

For performance obligations where none of the above conditions are met, revenue is recognised at a point in time at which the performance obligation is satisfied.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.22 Revenue recognition (cont'd)

When the Group and the Company satisfy a performance obligation by delivering the promised goods or services, it creates a contract based on asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this give rise to a contract liability.

#### 3.22.1 Sales of goods

All revenue is recognised at a point in time, which is typically on delivery. An asset is transferred when (or as) the customer obtains control of the asset. All the contracts are completed at the adoption date. The revenue is recognised net of any related rebates, discounts and tax. The Company shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

#### 3.22.2 Interest income

Interest income is recognised as it accrued using effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualified asset which is accounted for in accordance with the accounting policy on borrowing costs.

#### 3.22.3 Rental income

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

#### 3.22.4 Dividend income

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

### 3.23 Related parties

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

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

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

(b) An entity is related to the Group if any of the following conditions applies:-

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.24 Employee benefits

#### (i) Short term employee benefits

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

#### (ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as expenses in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

### 3.25 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets during the period of time that is necessary to complete and prepare the asset for its intended use or sale.

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.

All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that Group and the Company incurred in connection with the borrowing of funds.

### 3.26 Government grant

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group and the Company will comply with all attached conditions.

Government grants relating to costs are recognised in profit or loss over the periods to match the related costs for which the grants are intended to compensate.

### 3.27 Operating segments

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.28 Non-current assets held for sale

Non-current assets, or disposal group comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

A component of the Group is classified as discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single coordinate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification of the asset (or disposal group) as held for sale occurs only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary and the sale must be highly probable. Management must be committed to a plan to sell the assets which are expected to qualify for recognition as a completed sale within one year from the date of classification. Action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or the plan will be withdrawn.

Immediately before classification as held for sale (or disposal group), the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell.

Liabilities are classified as held for sale and presented as such in the statement of financial position if they are directly associated with a disposal group.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excel of any cumulative impairment loss.

In the consolidated statement of profit or loss and other comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after tax, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after tax) is reported separately in the statement of profit or loss and other comprehensive income.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity accounted associates ceases once classified as held for sale.

## 4. PROPERTY, PLANT AND EQUIPMENT

**Group**

| Cost/Valuation | Freehold land RM | Leasehold land RM | Buildings RM | Total land and buildings RM | Renovation and electrical installation RM | Crane, machinery, equipment, furniture and fittings RM | Forklift and motor vehicles RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| At 1 March 2021 | 40,869,892 | 89,781,525 | 128,638,336 | 259,289,753 | 6,136,061 | 176,575,277 | 14,560,810 | 456,561,901 |
| Additions | – | – | 2,178,239 | 2,178,239 | 35,500 | 5,893,035 | 1,056,071 | 9,162,845 |
| Disposals | – | – | – | – | – | – | (545,081) | (545,081) |
| Written off | – | – | – | – | – | (505,507) | – | (505,507) |
| Transferred from capital work-in-progress | – | – | – | – | – | 702,684 | – | 702,684 |
| Currency translation difference | (2,326) | – | (49,942) | (52,268) | 583 | (76,832) | 1,755 | (126,762) |
| At 28 February 2022 | 40,867,566 | 89,781,525 | 130,766,633 | 261,415,724 | 6,172,144 | 182,588,657 | 15,073,555 | 465,250,080 |
| **Representing:-** | | | | | | | | |
| At cost | 14,544 | 7,281,525 | 5,590,122 | 12,886,191 | 6,172,144 | 182,588,657 | 15,073,555 | 216,720,547 |
| At valuation | 40,853,022 | 82,500,000 | 125,176,511 | 248,529,533 | – | – | – | 248,529,533 |
| At 1 March 2022 | 40,867,566 | 89,781,525 | 130,766,633 | 261,415,724 | 6,172,144 | 182,588,657 | 15,073,555 | 465,250,080 |
| Additions through acquisition of a subsidiary company | 3,600,000 | – | 4,800,000 | 8,400,000 | 1,367,246 | 10,611,015 | 91,245 | 20,469,506 |
| Additions | – | 2,076,852 | 3,813,164 | 5,890,016 | 307,764 | 8,292,902 | 2,564,925 | 17,055,607 |
| Disposals | – | – | – | – | – | (476,196) | (1,726,382) | (2,202,578) |
| Written off | – | – | – | – | – | (1,638,851) | – | (1,638,851) |
| Transferred from capital work-in-progress | – | – | 6,999,811 | 6,999,811 | 88,852 | 7,243,776 | – | 14,332,439 |
| Lease modification | – | 1,594,760 | – | 1,594,760 | – | – | – | 1,594,760 |
| Derecognition of right-of-use assets | – | – | (149,253) | (149,253) | – | – | – | (149,253) |
| Revaluation | – | 23,148 | 25,352 | 48,500 | – | – | – | 48,500 |
| Currency translation difference | (12,287) | – | (246,577) | (258,864) | 3,554 | (401,793) | 1,333 | (655,770) |
| At 28 February 2023 | 44,455,279 | 93,476,285 | 146,009,130 | 283,940,694 | 7,939,560 | 206,219,510 | 16,004,676 | 514,104,440 |

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

**Group (Cont'd)**

| | Freehold land RM | Leasehold land RM | Buildings RM | Total land and buildings RM | Renovation and electrical installation RM | Crane, machinery, equipment, furniture and fittings RM | Forklift and motor vehicles RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **Cost/Valuation (cont'd)** | | | | | | | | |
| Representing:- | | | | | | | | |
| At cost | 1,100,000 | 8,876,285 | 20,505,162 | 30,481,447 | 7,939,560 | 206,219,510 | 16,004,676 | 260,645,193 |
| At valuation | 43,355,279 | 84,600,000 | 125,503,968 | 253,459,247 | – | – | – | 253,459,247 |
| At 28 February 2023 | 44,455,279 | 93,476,285 | 146,009,130 | 283,940,694 | 7,939,560 | 206,219,510 | 16,004,676 | 514,104,440 |
| **Accumulated depreciation** | | | | | | | | |
| At 1 March 2021 | – | 2,269,393 | 3,884,857 | 6,154,250 | 4,685,566 | 103,559,864 | 11,381,712 | 125,781,392 |
| Charge for the financial year | – | 1,872,218 | 3,505,296 | 5,377,514 | 329,797 | 12,294,381 | 1,239,734 | 19,241,426 |
| Disposals | – | – | – | – | – | – | (399,317) | (399,317) |
| Written off | – | – | – | – | – | (495,231) | – | (495,231) |
| Currency translation difference | – | – | (8,499) | (8,499) | 184 | (68,318) | 646 | (75,987) |
| At 28 February 2022 | – | 4,141,611 | 7,381,654 | 11,523,265 | 5,015,547 | 115,290,696 | 12,222,775 | 144,052,283 |
| Additions through acquisition of a subsidiary company | – | – | (22,319) | (22,319) | 1,351,156 | 10,360,080 | 91,244 | 11,780,161 |
| Charge for the financial year | – | 1,943,097 | 3,667,755 | 5,610,852 | 343,037 | 11,016,424 | 1,247,031 | 18,217,344 |
| Disposals | – | – | – | – | – | (287,291) | (1,718,265) | (2,005,556) |
| Written off | – | – | – | – | – | (1,312,665) | – | (1,312,665) |
| Derecognition of right-of-use assets | – | – | (149,253) | (149,253) | – | – | – | (149,253) |
| Currency translation difference | – | – | (7,326) | (7,326) | 2,138 | (333,395) | (1,738) | (340,321) |
| At 28 February 2023 | – | 6,084,708 | 10,870,511 | 16,955,219 | 6,711,878 | 134,733,849 | 11,841,047 | 170,241,993 |
| **Net carrying amount** | | | | | | | | |
| At 28 February 2022 | 40,867,566 | 85,639,914 | 123,384,979 | 249,892,459 | 1,156,597 | 67,297,961 | 2,850,780 | 321,197,797 |
| At 28 February 2023 | 44,455,279 | 87,391,577 | 135,138,619 | 266,985,475 | 1,227,682 | 71,485,661 | 4,163,629 | 343,862,447 |

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

On 28 February 2020, the Directors revalued the above land and buildings based on professional revaluations made by Sr. Chong Shek Heong, M. Com. (Applied Finance), B. Bus. (Property), MRISM and Registered Valuer (V-0951) & Sr. Ungku Mohd Iskandar Ungku Ismail, BSc. (Hons) Property Management, MRISM, MPEPS, MMIPFM and Registered Valuer (V-855) of C H Williams Talhar & Wong Sdn. Bhd., on the market value basis. The valuations were incorporated in the financial statements for the financial year ended 29 February 2020. During the financial year, the subsidiaries Pantech (Kuantan) Sdn. Bhd. and Unity Precision Engineering Sdn. Bhd. revalued their properties. The valuations were incorporated in the financial statements for the financial year ended 28 February 2023. Details of the valuation are as follows:-

i) Pantech (Kuantan) Sdn. Bhd.

Leasehold land and building

Professional revaluations made by Sr. Zulkamal Ruhaizat Ooi, B. Sc (Hons) Property Management, MRISM, MPEPS, MMIPFM and Registered Valuer (V-1124) of CBRE WTW Valuation & Advisory Sdn. Bhd., (formerly known as C H Williams Talhar & Wong Sdn. Bhd.) on the market value basis.

ii) Unity Precision Engineering Sdn. Bhd

Freehold land and building

Professional revaluations made by Choy Wei Yin Debbie, MRICS, MRISM and Registered Valuer (V-1056) of Knight Frank Malaysia Sdn. Bhd., on the market value basis.

The market value is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. The market value of the land and buildings was determined based on the comparison approach, cost approach and income approach.

Land and buildings at valuation are categorised at Level 2 fair value.

Level 2 Fair Value of Freehold and Leasehold Land

Level 2 fair value of freehold and leasehold land has been generally derived using the comparison approach or cost approach. The most significant input into these valuation approaches is price per square foot of comparable properties.

Level 2 Fair Value of Freehold Building and Leasehold Building

Level 2 fair value of freehold building and leasehold building has been generally derived using the comparison approach, cost approach or income approach. The most significant input into comparison approach and cost approach is construction cost of comparable properties while the most significant input into income approach is rental price per square foot of comparable properties.

### 4.1 Comparison approach

The comparison approach entails analysing recent transactions and asking prices of similar property in and around the locality for comparison purpose with adjustments made for differences in location, accessibility, terrain, size, and shape of land, tenure, visibility and exposure, planning status, title restriction if any and other relevant characteristics to arrive at the market value.

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

### 4.2 Cost approach

The cost approach entails separate valuations of the land and building to arrive at the market value.

The land is valued by reference to transactions of similar lands in the surrounding with adjustments made for differences in location, terrain, size and shape of land, tenure, title restrictions if any and other relevant characteristics.

The buildings are valued by reference to their depreciated replacement costs, i.e. the replacement cost of the buildings as new less an appropriate adjustment for profits and depreciation or obsolescence to reflect the existing condition of the buildings at the date of valuation.

The land and buildings values are then summated to arrive at the market value of the subject property.

### 4.3 Income approach

The building is valued by determining the net annual income by deducting the annual outgoings from the gross annual income and capitalising the net income by a suitable rate of return consistent with the type and quality of investment to arrive at the market value.

At the reporting date, had the revalued land and buildings of the Group been carried under the cost model, the net carrying amount would have been as follows:-

| | **Freehold land RM** | **Leasehold land RM** | **Buildings RM** | **Total RM** |
|---|---|---|---|---|
| **2023** | | | | |
| Cost | 21,847,860 | 41,963,126 | 135,398,436 | 199,209,422 |
| Accumulated depreciation | – | (6,219,820) | (29,583,415) | (35,803,235) |
| Currency translation difference | (14,613) | – | 1,751,965 | 1,737,352 |
| Net carrying amount | 21,833,247 | 35,743,306 | 107,566,986 | 165,143,539 |
| **2022** | | | | |
| Cost | 16,192,311 | 39,886,274 | 124,542,952 | 180,621,537 |
| Accumulated depreciation | – | (5,436,454) | (25,704,496) | (31,140,950) |
| Currency translation difference | (2,326) | – | 1,996,266 | 1,993,940 |
| Net carrying amount | 16,189,985 | 34,449,820 | 100,834,722 | 151,474,527 |

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

Included in the property, plant and equipment is right-of-use assets as follows:-

| | Leasehold land RM | Buildings RM | Forklift and motor vehicles RM | Crane, machinery, equipment, furniture and fittings RM | Total RM |
|---|---|---|---|---|---|
| **Net carrying amount** | | | | | |
| At 1 March 2021 | 87,512,132 | 14,974 | 2,471,643 | 7,799,677 | 97,798,426 |
| Additions | – | – | 398,246 | 1,250,000 | 1,648,246 |
| Depreciation charges | (1,872,218) | (10,597) | (928,040) | (710,871) | (3,521,726) |
| Disposal | – | – | (88,151) | – | (88,151) |
| Currency translation difference | – | – | 1,120 | – | 1,120 |
| At 28 February 2022 | 85,639,914 | 4,377 | 1,854,818 | 8,338,806 | 95,837,915 |
| Additions | 2,076,852 | 41,681 | 2,130,439 | 1,000,000 | 5,248,972 |
| Depreciation charges | (1,943,097) | (11,970) | (866,966) | (522,282) | (3,344,315) |
| Lease modification | 1,594,760 | – | – | – | 1,594,760 |
| Disposal | – | – | (8,117) | – | (8,117) |
| Revaluation | 23,148 | – | – | – | 23,148 |
| Fully settlement of lease liabilities | – | – | (119,217) | (3,925,661) | (4,044,878) |
| At 28 February 2023 | 87,391,577 | 34,088 | 2,990,957 | 4,890,863 | 95,307,485 |

## 5. CAPITAL WORK-IN-PROGRESS

**Group**

| | Buildings RM | Renovation and electrical installation RM | Crane, machinery, equipment, furniture and fittings RM | Total RM |
|---|---|---|---|---|
| At 1 March 2021 | 5,241,076 | 852 | 4,844,444 | 10,086,372 |
| Additions | 1,522,729 | 88,000 | 2,550,757 | 4,161,486 |
| Transferred to property, plant and equipment | – | – | (702,684) | (702,684) |
| Transferred to cost of production | – | – | (8,000) | (8,000) |
| At 28 February 2022 | 6,763,805 | 88,852 | 6,684,517 | 13,537,174 |
| Additions | 248,006 | – | 567,259 | 815,265 |
| Transferred to property, plant and equipment | (6,999,811) | (88,852) | (7,243,776) | (14,332,439) |
| At 28 February 2023 | 12,000 | – | 8,000 | 20,000 |

## 6. INVESTMENT PROPERTIES

| Group<br>At fair value:- | Leasehold land RM | Buildings RM | Total land and buildings RM | Freehold land and shophouse building RM | Total RM |
|---|---|---|---|---|---|
| At 1 March 2021 | 2,500,000 | 3,200,000 | 5,700,000 | 600,000 | 6,300,000 |
| Addition | 5,500,000 | – | 5,500,000 | – | 5,500,000 |
| At 28 February 2022 | 8,000,000 | 3,200,000 | 11,200,000 | 600,000 | 11,800,000 |
| Addition through acquisition of a subsidiary company | – | – | – | 2,200,000 | 2,200,000 |
| Addition | 233,998 | – | 233,998 | – | 233,998 |
| Fair value loss | (233,998) | – | (233,998) | (50,000) | (283,998) |
| Transferred to non-current asset held for sale | – | – | – | (2,200,000) | (2,200,000) |
| At 28 February 2023 | 8,000,000 | 3,200,000 | 11,200,000 | 550,000 | 11,750,000 |

The investment properties consist of land and buildings and are valued annually at fair value, comprising market value, by an external independent professionally qualified property valuer having appropriate recognised professional qualifications and recent experience in the location and category of properties being valued.

The market value is defined as the estimated amount for which an asset or an interest in a property should exchange 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 acted knowledgeably, prudently and without compulsion. The market value of the investment properties was determined based on the comparison approach and cost approach.

Investment properties at valuation are categorised at Level 2 fair value.

Level 2 Fair Value of Freehold Land and Shophouse Buildings

Level 2 fair value of freehold land and shophouse building has been generally derived using the comparison approach. The most significant input into this valuation approach is price per square foot of comparable properties.

Level 2 Fair Value of Leasehold Land and Buildings

Level 2 fair value of leasehold land and buildings has been generally derived using the cost approach. The most significant input into this valuation approach is price per square foot and cost of construction of comparable properties.

### 6.1 Comparison approach

The comparison approach analysing recent transactions and asking prices of similar property in and around the locality for comparison purpose with adjustments made for differences in location, size, age and condition of property, tenure, title restriction if any and other relevant characteristics to arrive at the market value.

## 6. INVESTMENT PROPERTIES (CONT'D)

### 6.2 Cost approach

The cost approach entails separate valuations of the land and buildings to arrive at the market value.

The land is valued by reference to transactions of similar lands in the surrounding with adjustments made for differences in location, terrain, size and shape of the land, tenure, title restriction if any and other relevant characteristics.

The building is valued by reference to its depreciated replacement costs, i.e. the replacement cost of the building as new less an appropriate adjustment for profits and depreciation or obsolescence to reflect the existing condition of the building at the date of valuation.

The land and buildings values are then summated to arrive at the market value of the subject property.

Included in the investment properties is right-of-use assets as follows:-

| **At fair value** | **Leasehold land RM** | **Total RM** |
|---|---|---|
| At 1 March 2021 | 2,500,000 | 2,500,000 |
| Addition | 5,500,000 | 5,500,000 |
| At 28 February 2022 | 8,000,000 | 8,000,000 |
| Addition | 233,998 | 233,998 |
| Fair value loss | (233,998) | (233,998) |
| At 28 February 2023 | 8,000,000 | 8,000,000 |

## 7. SUBSIDIARY COMPANIES

(a) Investment in subsidiary companies

| | **Company 2023 RM** | **2022 RM** |
|---|---|---|
| Unquoted shares - At cost:- | | |
| At beginning of financial year | 252,310,458 | 252,310,458 |
| Acquisition of a new subsidiary company | 14,000,000 | – |
| At end of financial year | 266,310,458 | 252,310,458 |

## 7. SUBSIDIARY COMPANIES (CONT'D)

(a) Investment in subsidiary companies (cont'd)

The particulars of the subsidiary companies are as follows:-

| Name of company | Country of incorporation | Effective equity interest 2023 % | Effective equity interest 2022 % | Principal activities |
|---|---|---|---|---|
| 1. Pantech Corporation Sdn. Bhd. | Malaysia | 100 | 100 | Trading, supply and stocking of high pressure seamless and specialised steel pipes, fittings, flanges, valves and other related products for use in the oil and gas, gas reticulation, marine, onshore and offshore heavy engineering, power generation, petrochemicals, palm oil refining and other related industries. |
| **Subsidiary companies of Pantech Corporation Sdn. Bhd.** | | | | |
| 1.1 Pantech Realty Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding and property investment. |
| 1.2 Pantech (Kuantan) Sdn. Bhd. | Malaysia | 100 | 100 | Trading and supply of high pressure seamless and specialised steel pipes, fittings, flanges, valves and other related products for use in the oil and gas, gas reticulation, marine, onshore and offshore heavy engineering, power generation, petrochemicals, palm oil refining and other related industries. |
| 2. Pantech Steel Industries Sdn. Bhd. | Malaysia | 100 | 100 | Manufacturing and supply of butt-welded carbon steel fittings such as elbows, tees, reducers, end-caps and high frequency induction long bends for use in the oil and gas and other related industries. |
| 3. Panaflo Controls Pte. Ltd.# | Singapore | 100 | 100 | Supplier of flow control solutions such as valves, actuators and controls for the oil and gas, petrochemicals, water treatment and other related industries and trading of specialised steel pipes and related products. |
| 4. Pantech International (KSA) Sdn. Bhd. | Malaysia | 100 | 100 | Dormant. |

**7. SUBSIDIARY COMPANIES (CONT'D)**

(a) Investment in subsidiary companies (cont'd)

The particulars of the subsidiary companies are as follows (cont'd):-

| Name of company | Country of incorporation | Effective equity interest 2023 % | 2022 % | Principal activities |
|---|---|---|---|---|
| 5. Pantech Stainless & Alloy Industries Sdn. Bhd. | Malaysia | 100 | 100 | Manufacturing and supply of stainless steel and alloy pipes, fittings and related products for use in the oil and gas, marine, onshore and offshore heavy engineering, petrochemical and chemical, palm oil refinery and oleochemical, power generation, pharmaceutical, water and other related industries. |
| 6. Nautic Steels (Holdings) Limited# | United Kingdom | 100 | 100 | Investment holdings. |
| **Subsidiary company of Nautic Steels (Holdings) Limited:-** | | | | |
| 6.1 Nautic Steels Limited# | United Kingdom | 100 | 100 | Milling, machining and welding of tube and pipe fittings in special metals for the oil industry. |
| 7. Nautic Steels Sdn. Bhd. | Malaysia | 100 | 100 | Dormant. |
| 8. Pantech Galvanising Sdn. Bhd. | Malaysia | 100 | 100 | Hot dip galvanising, treatment and coating of metals and its related activities, engineering fabrication works and its related activities and manufacturing of industrial consumable products. |
| 9. Unity Precision Engineering Sdn. Bhd. | Malaysia | 100 | – | Metal precision machining, engineering and turnkey solutions that mainly serves the oil and gas industry. |

# Not audited by Grant Thornton Malaysia PLT.

(b) Acquisition of a subsidiary

On 25 April 2022, the Company completed the acquisition of 400,000 ordinary shares, representing 100% equity interest in Unity Precision Engineering Sdn. Bhd. The initial purchase consideration was RM50,000. Subsequently the Company increased its cost of investment to RM14,000,000 by way of capitalisation of amount due from Unity Precision Engineering Sdn. Bhd. amounted to RM13,400,000 and cash payment of RM550,000.

## 7. SUBSIDIARY COMPANIES (CONT'D)

(b) Acquisition of a subsidiary (cont'd)

Consideration transferred, assets recognised and liabilities assumed

(i) Fair value of consideration transferred

| | Group and Company 2023 RM |
|---|---|
| **Consideration transferred** | |
| Unity Precision Engineering Sdn. Bhd. | 50,000 |

(ii) Fair value of identified assets acquired and liabilities assumed

| | Group 2023 RM |
|---|---|
| Property, plant and equipment | 8,689,345 |
| Investment properties | 2,200,000 |
| Trade and other receivables | 630,355 |
| Current tax assets | 1,310 |
| Cash and bank balances | 169,325 |
| Trade and other payables | (3,041,935) |
| Amount due to a director | (2,068,534) |
| Borrowings | (8,732,146) |
| Deferred tax liabilities | (140,602) |
| Total identifiable assets and liabilities | (2,292,882) |

(iii) Net cash inflow arising from acquisition of subsidiary

| | Group 2023 RM |
|---|---|
| Purchase consideration settled in cash | (50,000) |
| Cash and bank balances acquired | 169,325 |
| Net cash inflow | 119,325 |

**7. SUBSIDIARY COMPANIES (CONT'D)**

(b) Acquisition of a subsidiary (cont'd)

Consideration transferred, assets recognised and liabilities assumed (cont'd)

(iv) Goodwill arising from business combination

Goodwill was recognised as a result of the acquisition as follows:-

| | Group 2023 RM |
|---|---|
| Fair value of consideration transferred | 50,000 |
| Fair value of identifiable assets acquired and liabilities assumed | (2,292,882) |
| Goodwill | 2,342,882 |

(v) Impact of the acquisition on the Consolidated Statement of Profit or Loss and Other Comprehensive Income

From the date of acquisition, the newly acquired subsidiary has contributed RM4,329,752 and RM778,196 to the Group's revenue and profit for the year respectively. If the combination had taken place at the beginning of the financial year, the contribution to the Group's revenue and profit for the year would have been RM4,133,745 and RM1,904,783 respectively. The subsidiary's contribution to the Group's revenue if the combination had taken in place at the beginning of the financial year is lower than from contribution to the Group's revenue from the date of acquisition is mainly due to elimination of inter-company transaction.

(c) Amount due from subsidiary companies

The amount due from subsidiary companies is non-trade in-nature, bears no interest and repayable upon demand except for a temporary loan to a subsidiary company amounted to RM6,000,000 (2022: RM Nil) which bears interest at rates ranging from 2.42% to 3.18% per annum.

The amount due from subsidiary companies is denominated in Ringgit Malaysia.

## 8. ASSOCIATE COMPANY

(a) Investment in an associate company

| | Group 2023 RM | Group 2022 RM |
|---|---|---|
| Unquoted shares - at cost | 288,717 | 288,717 |
| Share of post acquisition profit | | |
| - At beginning of financial year | 2,741,881 | 2,918,231 |
| - Share of post acquisition profit/(loss) during the financial year | 612,748 | (176,350) |
| - At end of financial year | 3,354,629 | 2,741,881 |
| Less: Dividend received (cumulative) | (445,500) | (445,500) |
| | 3,197,846 | 2,585,098 |
| Represented by:- | | |
| Share of net assets | 3,197,846 | 2,585,098 |

Summarised financial information of associate company is as follows:-

| | Group 2023 RM | Group 2022 RM |
|---|---|---|
| **Assets and liabilities** | | |
| Current assets | 27,763,843 | 23,801,442 |
| Non-current assets | 6,240 | 4,567 |
| Total assets | 27,770,083 | 23,806,009 |
| Current liabilities | 19,775,169 | 17,342,964 |
| Non-current liabilities | – | – |
| Total liabilities | 19,775,169 | 17,342,964 |
| **Results** | | |
| Revenue | 133,997,703 | 99,414,563 |
| Profit/(Loss) for the financial year | 1,531,869 | (440,876) |

There is no share of commitments and contingent liabilities from the associate company to the Group.

## 8. ASSOCIATE COMPANY (CONT'D)

(a) Investment in an associate company (cont'd)

The particulars of the associate company are as follows:-

| Name of company | Country of incorporation | Effective equity interest 2023 % | Effective equity interest 2022 % | Principal activities |
|---|---|---|---|---|
| Tuah Nusa Sdn. Bhd. | Malaysia | 40 | 40 | Trading and supply of specialised industrial products, alloys and ferrous materials for the oil and gas and related industries. |

(b) Amount due from an associate company

The amount due from an associate company is trade in-nature, unsecured, bears no interest and repayable upon demand.

The currency exposure profile of the amount due from an associate company is as follows (foreign currency balances are unhedged):-

| | Group 2023 RM | Group 2022 RM |
|---|---|---|
| Ringgit Malaysia | 6,128,308 | 2,727,908 |
| United State Dollar | 13,185,815 | 6,062,264 |
| | 19,314,123 | 8,790,172 |

## 9. OTHER INVESTMENT

| | Group 2023 RM | Group 2022 RM |
|---|---|---|
| **Fair value through profit or loss:-** | | |
| Quoted share in Malaysia | | |
| At beginning of financial year | 438,000 | – |
| Addition | 1,568,201 | 399,000 |
| Fair value gain | 16,497 | 39,000 |
| At end of financial year | 2,022,698 | 438,000 |

## 10. GOODWILL ON ACQUISITION

| | Group 2023 RM | 2022 RM |
|---|---|---|
| **Cost** | | |
| At beginning of financial year | 1,194,131 | 1,194,131 |
| Addition | 2,342,882 | – |
| At end of financial year | 3,537,013 | 1,194,131 |
| **Accumulated impairment loss** | | |
| At beginning of financial year | 1,194,131 | 1,194,131 |
| Charge during the financial year | – | – |
| At end of financial year | 1,194,131 | 1,194,131 |
| **Net carrying amount** | 2,342,882 | – |

The goodwill arise from the acquisition of Nautic Steels (Holdings) Limited and Unity Precision Engineering Sdn. Bhd. on 7 March 2012 and 25 April 2022 respectively.

**Impairment tests for goodwill**

(a) Allocation of goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's cash generating units ("CGU") identified as follows:-

| | Group 2023 RM | 2022 RM |
|---|---|---|
| **Subsidiary company** | | |
| Nautic Steels (Holdings) Limited | 1,194,131 | 1,194,131 |
| Unity Precision Engineering Sdn. Bhd. | 2,342,882 | – |
| | 3,537,013 | 1,194,131 |

In the previous financial years, impairment loss is provided on goodwill allocated to Nautic Steels (Holdings) Limited due to uncertainty in economic condition and business environment encountered by this subsidiary company as a result of the COVID-19 pandemic.

## 10. GOODWILL ON ACQUISITION (CONT'D)

**Impairment tests for goodwill (cont'd)**

(b) Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a period of not more than five years. Key assumptions and management's approach to determine the values assigned to each key assumption are as follows:-

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the period immediately before the budgeted period and revised for expected demand of their products.

(ii) Growth rate

The average growth rates used are based on management's estimate of average growth rate based on the past and current trends of the industry.

(iii) Discount rate

The pre-tax discount rate of 8.77% in 2023 for Unity Precision Engineering Sdn. Bhd. was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the weighted average cost of capital of the subsidiary.

The Directors believe that any reasonably possible changes in the above key assumptions applied are not likely to materially cause the recoverable amount to be lower than its carrying amount except for the changes in prevailing operating environment which is not ascertainable.

## 11. DEFERRED TAX ASSETS

| | Group | |
|---|---|---|
| | **2023** | **2022** |
| | **RM** | **RM** |
| At beginning of financial year | 3,200 | 3,200 |
| Transferred to profit or loss (Note 30) | (3,200) | – |
| At end of financial year | – | 3,200 |

The balance in the deferred tax assets made up of temporary differences arising from:-

| | Group | |
|---|---|---|
| | **2023** | **2022** |
| | **RM** | **RM** |
| Carrying amount of qualifying property, plant and equipment in excess of their tax base | (15,749) | (19,800) |
| Inventories written down | 15,749 | 23,000 |
| | – | 3,200 |

## 11. DEFERRED TAX ASSETS (CONT'D)

The following temporary differences (stated at gross amount) have not been recognised in the financial statements:-

| | Group | |
|---|---|---|
| | 2023 RM | 2022 RM |
| Carrying amount of qualifying property, plant and equipment in excess of their tax base | (2,249,000) | (49,000) |
| Inventories written down | 102,000 | 53,000 |
| Unabsorbed business losses | 18,825,000 | 8,900,000 |
| Unutilised capital allowances | 2,962,000 | 1,085,000 |
| | 19,640,000 | 9,989,000 |

Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of the subsidiary companies in the Group in the foreseeable future and they have arisen in subsidiary companies that have recent history of losses.

In prior financial year, a subsidiary estimated to apply reinvestment allowances and industrial building allowances amounted to approximately RM6,031,000 in total for the new factory which will start operation in the current financial year. The subsidiary has applied the reinvestment allowances and industrial building allowances in the current financial year. Deferred tax has not been recognised in respect of the following items as they may not be used to offset taxable profits of that subsidiary in the foreseeable future and that subsidiary is making loss during the current financial year.

| | Group | |
|---|---|---|
| | 2023 RM | 2022 RM |
| Carrying amount of qualifying property, plant and equipment in excess of their tax base | (12,545,000) | (7,710,000) |
| Allowance for impairment of receivables | 1,733,000 | – |
| Unabsorbed business losses | 3,082,000 | 3,082,000 |
| Unutilised capital allowances | 6,976,000 | 841,000 |
| Unutilised reinvestment allowance | 5,128,000 | 330,000 |
| | 4,374,000 | (3,457,000) |

The unutilised capital allowances are available indefinitely for offset against future taxable profits of the subsidiary companies in which those items arose. As for unabsorbed business losses, it can only be carried forward up to ten (10) consecutive years of assessment ("YA"). Upon expiry of the 10 years, the unabsorbed losses shall be disregarded.

## 11. DEFERRED TAX ASSETS (CONT'D)

The expiry of the unabsorbed business losses is as follows:-

| | Group | | | |
|---|---|---|---|---|
| | 2023 RM | 2022 RM | Carried forward up to YA | Unabsorbed amount will be disregard in YA |
| Business losses incurred in:- | | | | |
| YA 2018 | 7,619,757 | 3,082,498 | 2028 | 2029 |
| YA 2019 | 3,952,471 | – | 2029 | 2030 |
| YA 2020 | 60,585 | – | 2030 | 2031 |
| YA 2022 | 519,013 | – | 2032 | 2033 |
| YA 2023 | 511,605 | – | 2033 | 2034 |
| | 12,663,431 | 3,082,498 | | |

Unabsorbed losses arise from foreign subsidiary companies are available indefinitely for offset against future taxable profits of the foreign subsidiary companies.

The unutilised reinvestment allowances can only be carried forward up to seven (7) consecutive years of YA upon expiry of the qualifying period of that reinvestment allowances, which is specifically until YA 2045 for the subsidiary company. Any such amount that would not be fully deducted after YA 2045 shall be disregarded.

## 12. INVENTORIES

| | Group | |
|---|---|---|
| | 2023 RM | 2022 RM |
| Raw materials | 46,216,274 | 70,203,692 |
| Work-in-progress | 39,421,765 | 35,420,503 |
| Finished goods | 319,803,222 | 295,208,241 |
| Total inventories | 405,441,261 | 400,832,436 |
| **Recognised in profit or loss:-** | | |
| Inventories recognised in cost of sales | 668,333,201 | 478,567,821 |
| Inventories written down | 473,417 | 933,464 |
| Reversal of inventories written down | (2,002,783) | (651,374) |

## 13. TRADE RECEIVABLES

| | Group 2023 RM | 2022 RM |
|---|---|---|
| Trade receivables | 153,650,907 | 210,307,587 |
| Less: Allowance for impairment of trade receivables | (5,943,708) | (3,668,829) |
| | 147,707,199 | 206,638,758 |

Movement in allowance for impairment of trade receivables:-

| | Group 2023 RM | 2022 RM |
|---|---|---|
| At beginning of financial year | (3,668,829) | (6,965,244) |
| Impairment written off | – | 3,925,567 |
| Charge for the financial year | (3,637,259) | (2,203,069) |
| Reversal of impairment - payment received | 1,362,380 | 1,598,467 |
| | (2,274,879) | (604,602) |
| Currency translation difference | – | (24,550) |
| At end of financial year | (5,943,708) | (3,668,829) |

The currency exposure profile of the trade receivables is as follows (foreign currency balances are unhedged):-

| | Group 2023 RM | 2022 RM |
|---|---|---|
| Ringgit Malaysia | 94,358,853 | 71,058,382 |
| United States Dollar | 53,694,768 | 134,345,533 |
| Singapore Dollar | 1,444,713 | 2,180,444 |
| Great Britain Pound Sterling | 3,891,950 | 2,090,486 |
| Euro | 260,623 | 632,742 |
| | 153,650,907 | 210,307,587 |

Trade receivables comprise amounts receivable from sales of goods. The credit terms granted on sales of goods ranged from 7 days to 120 days (2022: 7 days to 120 days). Allowance has been made for estimated irrecoverable of trade receivables based on the default experience of the Group.

An impairment analysis is performed at each reporting date to measure ECLs. Information regarding the Group's and the Company's exposure to the credit risk and ECLs for trade receivables is disclosed in Note 41 (c) to the Financial Statements.

## 14. OTHER RECEIVABLES

| | Group 2023 RM | Group 2022 RM | Company 2023 RM | Company 2022 RM |
|---|---|---|---|---|
| Non-trade receivables | 90,684 | 194,858 | – | – |
| Advance payment to suppliers | 22,783,028 | 17,558,458 | – | – |
| Deposit for purchase of property, plant and equipment | 1,000 | – | 1,000 | – |
| Deposits | 1,342,269 | 1,486,151 | – | 50,000 |
| Prepayment of expenses | 3,177,584 | 2,757,811 | 22,578 | 21,849 |
| GST/VAT receivables | 734,656 | 430,573 | – | – |
| | 28,129,221 | 22,427,851 | 23,578 | 71,849 |

Movement in allowance for impairment of non-trade receivables:-

| | Group 2023 RM | Group 2022 RM |
|---|---|---|
| At beginning of financial year | – | (658,000) |
| Reversal of impairment - payment received | – | 658,000 |
| At end of financial year | – | – |

The currency exposure profile of the other receivables is as follows (foreign currency balances are unhedged):-

| | Group 2023 RM | Group 2022 RM | Company 2023 RM | Company 2022 RM |
|---|---|---|---|---|
| Ringgit Malaysia | 4,383,747 | 4,060,312 | 23,578 | 71,849 |
| United States Dollar | 22,422,028 | 17,091,106 | – | – |
| Singapore Dollar | 11,492 | 393,572 | – | – |
| Great Britain Pound Sterling | 1,280,267 | 851,174 | – | – |
| Euro | 31,687 | 31,687 | – | – |
| | 28,129,221 | 22,427,851 | 23,578 | 71,849 |

## 15. FIXED DEPOSITS WITH LICENSED BANKS

**Group**

The fixed deposits with licensed banks of the Group are on fixed rate basis and will mature within 1 month to 6 months (2022: 1 month to 6 months) period.

The effective interest rates on fixed deposits with licensed banks ranged from 0.80% to 2.40% (2022: 0.70% to 1.40%) per annum.

All fixed deposits with licensed banks are denominated in Ringgit Malaysia.

## 16. CASH AND BANK BALANCES

The currency exposure profile of the cash and bank balances is as follows (foreign currency balances are unhedged):-

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Ringgit Malaysia | 110,514,853 | 140,136,123 | 11,349,688 | 34,685,648 |
| United States Dollar | 54,148,895 | 27,744,235 | – | – |
| Singapore Dollar | 6,294,158 | 4,867,435 | – | – |
| Great Britain Pound Sterling | 6,218,216 | 5,382,244 | 263,206 | 188,907 |
| Euro | 115,248 | 456,564 | – | – |
| | 177,291,370 | 178,586,601 | 11,612,894 | 34,874,555 |

## 17. NON-CURRENT ASSET HELD FOR SALE

**Group**

| | Freehold land and building RM |
|---|---|
| At 1 March 2021, 28 February 2022 and 1 March 2022 | – |
| Transferred from investment properties | 2,200,000 |
| At 28 February 2023 | 2,200,000 |

On 6 December 2022, the Group entered into a Sale and Purchase arrangement for disposal of a freehold land and building for a total sale consideration of RM2,380,000.

The sale of the property is expected to be completed within the next twelve months.

## 18. SHARE CAPITAL

| | 2023 Unit | 2023 RM | 2022 Unit | 2022 RM |
|---|---|---|---|---|
| **Group and Company** | | | | |
| Issued and fully paid with no par value:- | | | | |
| Ordinary shares | | | | |
| At beginning of financial year | 835,739,072 | 258,891,721 | 751,757,872 | 210,312,047 |
| Exercise of warrants | – | – | 46,842,900 | 29,042,598 |
| Pursuant to exercise of ESOS | 7,447,400 | 4,525,611 | 37,138,300 | 19,537,076 |
| At end of financial year | 843,186,472 | 263,417,332 | 835,739,072 | 258,891,721 |

New ordinary shares issued during the financial year ranked pari passu in all respect with the existing ordinary shares of the Company.

## 19. TREASURY SHARES

**Group and Company**

The shareholders of the Company, through the Annual General Meeting held on 21 August 2008, approved the Company's plan to repurchase up to 10% of the issued and paid-up share capital of the Company ("Share Buy Back"). The authority granted by the shareholders was subsequently renewed in every Annual General Meeting held and it was last renewed in the Annual General Meeting held on 28 July 2022. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interest of the Company and its shareholders.

The Company repurchased 2,600,000 (2022: 11,411,200) ordinary shares of its issued share capital from the open market. The average price paid for the repurchased shares was RM0.59 (2022: RM0.51) per share. The repurchased transactions were financed by internally generated funds. These repurchased shares were held as treasury shares and treated in accordance with the requirements of Section 127 of the Companies Act 2016.

The shares purchased were retained as treasury shares. The Company has the right to cancel, resell these shares and/or distributes as dividends at a later date. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended.

As at the financial year end, the Company held 18,686,293 (2022: 16,086,293) of the Company's shares and the number of outstanding shares in issue after setting treasury shares off against equity are 824,500,179 (2022: 819,652,779).

No treasury shares were sold during the current and previous financial year.

## 20. REVALUATION RESERVE

**Group**

The revaluation reserve arose from the revaluation of land and buildings and is not available for distribution as dividends.

## 21. EMPLOYEES SHARE OPTION RESERVE

**Group and Company**

Employees share option reserve represents the equity-settled share option granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share option, and is reduced by the expiry or exercise of the share option.

The employees share option reserve is not available for distribution as dividends.

## 22. LEASE LIABILITIES

22.1 Lease liabilities are presented in the statements of financial position as follows:-

| | Group 2023 RM | Group 2022 RM |
|---|---|---|
| Current | 2,286,467 | 2,277,982 |
| Non-current | 11,074,410 | 9,280,323 |
| | 13,360,877 | 11,558,305 |

22.2 Future minimum lease payments were as follows:-

**Group**

| | Minimum lease payment due Within 1 year RM | 1 to 5 years RM | After 5 years RM | Total RM |
|---|---|---|---|---|
| **2023** | | | | |
| Lease payment | 2,825,136 | 6,813,374 | 6,774,712 | 16,413,222 |
| Less: Finance charges | (538,669) | (1,317,804) | (1,195,872) | (3,052,345) |
| Net present values | 2,286,467 | 5,495,570 | 5,578,840 | 13,360,877 |
| **2022** | | | | |
| Lease payment | 2,826,003 | 5,784,580 | 6,522,239 | 15,132,822 |
| Less: Finance charges | (548,021) | (1,424,637) | (1,601,859) | (3,574,517) |
| Net present values | 2,277,982 | 4,359,943 | 4,920,380 | 11,558,305 |

22.3 Lease payments not recognised as a liability

The Group has elected not to recognise lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred. The expense relating to payments not included in the measurement of the lease liabilities is as follows:-

| | Group 2023 RM | Group 2022 RM |
|---|---|---|
| Low-value assets | | |
| - Administration expenses | 69,710 | 72,657 |
| Short-term leases | | |
| - Administration expenses | – | 13,700 |
| - Cost of sales | 704,819 | 522,132 |
| | 704,819 | 535,832 |

## 22. LEASE LIABILITIES (CONT'D)

22.4 Nature of leasing activities

Each lease generally imposes a restriction that the right-of-use assets can be used by the Group. The Group is prohibited from selling or pledging the underlying leased assets as security.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on statements of financial position:-

**Group**

| Type | Number of right-of-use assets leased | Range of remaining term | Number of lease with extension options |
|---|---|---|---|
| **2023** | | | |
| Leasehold land | 1 | 172 months | – |
| Buildings | 2 | 19 - 30 months | – |
| Crane, machinery, equipment, furniture and fittings | 18 | 111 - 168 months | – |
| Forklift and motor vehicles | 25 | 2 - 60 months | – |
| **2022** | | | |
| Leasehold land | 1 | 184 months | – |
| Buildings | 1 | 6 months | – |
| Crane, machinery, equipment, furniture and fittings | 27 | 107 - 170 months | – |
| Forklift and motor vehicles | 22 | 2 - 57 months | – |

All lease liabilities are denominated in Ringgit Malaysia.

## 23. BORROWINGS

| | Group 2023 RM | Group 2022 RM |
|---|---|---|
| Current | | |
| Unsecured:- | | |
| Term loans | 1,524,147 | 2,401,200 |
| Term loans-i | 11,397,463 | 13,926,016 |
| Trade loans:- | | |
| - Accepted bills-i | 16,735,545 | 10,581,782 |
| - Bankers' acceptance | 143,968,622 | 132,154,788 |
| - Onshore foreign currency loans | 24,601,517 | 27,319,862 |
| - Clean import loans | – | 1,095,802 |
| Total current | 198,227,294 | 187,479,450 |

## 23. BORROWINGS (CONT'D)

| | Group 2023 RM | Group 2022 RM |
|---|---|---|
| Non-current | | |
| Unsecured:- | | |
| Term loans | 783,041 | 1,290,987 |
| Term loans-i | 20,565,938 | 31,213,401 |
| Total non-current | 21,348,979 | 32,504,388 |
| Total borrowings | 219,576,273 | 219,983,838 |

(i) The term loans, term loans-i, accepted bills-i, bankers' acceptance and clean import loans are obtained by way of corporate guarantee from the Company and negative pledge on subsidiary companies' assets.

A term loan of a subsidiary company is obtained by way of facility agreement and corporate guarantee from the Company.

The term loans bear interest at rates ranging from 3.76% to 5.10% (2022: 3.82% to 5.50%) per annum.

The term loans-i bear interest at rates ranging from 2.99% to 5.89% (2022: 2.99% to 4.65%) per annum.

All term loans are repayable by monthly or quarterly installments.

The accepted bills-i bears interest at rates ranging from 2.56% to 4.30% (2022: 2.66% to 2.80%) per annum.

The bankers' acceptance bears interest at rates ranging from 2.28% to 4.22% (2022: 1.97% to 2.93%) per annum.

The clean import loans bear interest at the rate of 0.88% per annum in financial year 2022.

(ii) The onshore foreign currency loans are obtained by way of corporate guarantee from the Company. Certain onshore foreign currency loans are obtained by way of negative pledge on subsidiary companies' assets.

It bears interest at rates ranging from 0.92% to 5.90% (2022: 0.67% to 1.35%) per annum.

The currency exposure profile of the borrowings is as follows (foreign currency balances are unhedged):-

| | Group 2023 RM | Group 2022 RM |
|---|---|---|
| Ringgit Malaysia | 194,974,756 | 191,568,174 |
| United States Dollar | 24,601,517 | 28,415,664 |
| | 219,576,273 | 219,983,838 |

## 24. DEFERRED TAX LIABILITIES

| | Group | |
|---|---|---|
| | 2023<br>RM | 2022<br>RM |
| At beginning of financial year | 23,949,044 | 14,620,469 |
| Additions through acquisition of a subsidiary company | 140,602 | – |
| Transferred to profit or loss (Note 30) | 2,236,027 | 9,507,262 |
| Transferred from other comprehensive income | 11,640 | – |
| Realisation of deferred tax liabilities upon depreciation of revalued assets | (265,509) | (265,951) |
| (Over)/under provision of deferred tax liabilities in prior year (Note 30) | (6,000) | 90,000 |
| Currency translation difference | (12,246) | (2,736) |
| At end of financial year | 26,053,558 | 23,949,044 |

The balance in the deferred tax liabilities is made up of temporary differences arising from:-

| | Group | |
|---|---|---|
| | 2023<br>RM | 2022<br>RM |
| Carrying amount of qualifying property, plant and equipment in excess of their tax base | 15,623,459 | 15,589,678 |
| Revaluation of land and buildings | 13,578,099 | 13,691,366 |
| Allowance for impairment of receivables | (969,000) | (880,000) |
| Inventories written down | (1,625,000) | (2,020,000) |
| Provision of expenses | (564,000) | (256,000) |
| Unutilised reinvestment allowances | – | (2,147,000) |
| Unrealised gain/(loss) on foreign exchange | 10,000 | (29,000) |
| | 26,053,558 | 23,949,044 |

## 25. TRADE PAYABLES

**Group**

Trade payables comprise amounts outstanding for trade purchases. The credit terms granted to the Group ranged from 30 days to 90 days (2022: 30 days to 90 days).

The currency exposure profile of the trade payables is as follows (foreign currency balances are unhedged):-

| | Group | |
|---|---|---|
| | 2023<br>RM | 2022<br>RM |
| Ringgit Malaysia | 13,293,594 | 16,188,368 |
| United States Dollar | 8,099,197 | 103,000,196 |
| Singapore Dollar | 1,714,900 | 1,788,793 |
| Great Britain Pound Sterling | 147,716 | 1,848,350 |
| Euro | 304,900 | 1,011,821 |
| | 23,560,307 | 123,837,528 |

## 26. OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Non-trade payables | 5,671,863 | 5,722,576 | 10,328 | 10,410 |
| Deposits received | 27,500 | 28,500 | – | – |
| Accrual of expenses | 11,805,027 | 9,211,445 | 334,458 | 232,972 |
| Advance payment from customers | 3,999,745 | 11,186,442 | – | – |
| SST payable | 5,683 | 3,280 | – | – |
| | 21,509,818 | 26,152,243 | 344,786 | 243,382 |

The currency exposure profile of the other payables is as follows (foreign currency balances are unhedged):-

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Ringgit Malaysia | 18,882,033 | 21,459,547 | 344,786 | 243,382 |
| United States Dollar | 2,107,221 | 4,240,532 | – | – |
| Singapore Dollar | 97,267 | 141,123 | – | – |
| Great Britain Pound Sterling | 423,297 | 311,041 | – | – |
| | 21,509,818 | 26,152,243 | 344,786 | 243,382 |

## 27. DERIVATIVES FINANCIAL INSTRUMENTS

| Group | Contract/ Notional amount RM | Assets RM | Liabilities RM | Net RM |
|---|---|---|---|---|
| 2023 | | | | |
| **Liability** | | | | |
| Non-hedging derivatives:- | | | | |
| - Forward currency contract | 3,126,200 | 3,126,200 | 3,138,590 | (12,390) |
| | 3,126,200 | 3,126,200 | 3,138,590 | (12,390) |
| 2022 | | | | |
| **Liability** | | | | |
| Non-hedging derivatives:- | | | | |
| - Forward currency contract | 1,255,800 | 1,255,800 | 1,259,740 | (3,940) |
| | 1,255,800 | 1,255,800 | 1,259,740 | (3,940) |

## 27. DERIVATIVES FINANCIAL INSTRUMENTS (CONT'D)

| Group (cont'd) | 2023<br>RM | 2022<br>RM |
|---|---|---|
| Analysed as:- | | |
| - Within 1 year | (12,390) | (3,940) |
| - More than 1 year but less than 5 years | – | – |
| | (12,390) | (3,940) |

**Non-hedging activities**

The Group uses forward currency contracts to manage some of the transaction exposure. Trading derivatives are classified as a current asset or liability. The full fair value of a derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

## 28. REVENUE

Revenue for the Group comprise of revenue from contract with customers.

28.1 Disaggregation of revenue from contract with customers

Revenue from contracts with customers is disaggregated by major products, primary geographical markets and timing of revenue recognition as follows:-

| Group | 2023<br>RM | 2022<br>RM |
|---|---|---|
| **Major products** | | |
| Manufacturing and trading of pipes, fittings, flanges, valves and other related products | 1,037,838,655 | 751,478,771 |
| **Primary geographical markets** | | |
| Malaysia | 545,613,533 | 448,802,474 |
| Other countries | 492,225,122 | 302,676,297 |
| | 1,037,838,655 | 751,478,771 |
| **Timing of revenue recognition** | | |
| Products transferred at a point in time | 1,037,838,655 | 751,478,771 |

| Company | 2023<br>RM | 2022<br>RM |
|---|---|---|
| Dividend income | 53,544,650 | 23,000,200 |
| Management fee | 3,709,777 | 3,338,430 |
| | 57,254,427 | 26,338,630 |

## 29. PROFIT BEFORE TAX

Profit before tax has been determined after charging/(crediting), amongst others, the following items:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Auditors' remuneration | | | | |
| Grant Thornton Malaysia PLT:- | | | | |
| - statutory | 247,500 | 202,000 | 22,000 | 20,000 |
| - assurance related service | 24,000 | 22,000 | 24,000 | 22,000 |
| - non-assurance related service | 95,000 | – | 95,000 | – |
| - non-statutory – other service | 81,350 | 53,750 | 6,800 | 4,200 |
| Other auditors | 170,139 | 153,163 | – | – |
| Direct operating expenses:- | | | | |
| - revenue generating investment properties during the financial year | 39,603 | 51,915 | – | – |
| Directors' fee | 955,000 | 903,000 | 225,000 | 173,000 |
| Expenses relating to short-term leases | 704,819 | 535,832 | – | – |
| Expenses relating to lease of low-value assets | 69,710 | 72,657 | – | – |
| Realised (gain)/loss on foreign exchange | (2,470,233) | (2,103,858) | 15,093 | 1,050 |
| Rental income | (519,000) | (134,800) | – | – |
| Wages subsidies received* | – | (1,478,400) | – | – |

* In the previous financial year, the Group received financial assistance from Wage Subsidy Program ("PSU") implemented by Malaysia Social Security Organisation ("SOCSO").

The estimated monetary value of benefits provided to the Directors of the Company during the financial year by way of usage of the Group's assets and other benefits amounted to RM116,783 (2022: RM144,747).

The remuneration paid (Company and Group basis) to the Directors of the Company is categorised as follows:-

| | Fees RM | Other emoluments RM | Benefits-in-kind RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| 2023 | | | | |
| Executive Directors | 530,000 | 9,309,160 | 116,783 | 9,955,943 |
| Non-Executive Directors | 225,000 | – | – | 225,000 |
| Total | 755,000 | 9,309,160 | 116,783 | 10,180,943 |
| 2022 | | | | |
| Executive Directors | 530,000 | 6,973,383 | 144,747 | 7,648,130 |
| Non-Executive Directors | 173,000 | – | – | 173,000 |
| Total | 703,000 | 6,973,383 | 144,747 | 7,821,130 |

## 29. PROFIT BEFORE TAX (CONT'D)

The remuneration paid (Company and Group basis) to the Directors of the Company is categorised as follows (cont'd):-

| | Fees RM | Other emoluments RM | Benefits-in-kind RM | Total RM |
|---|---|---|---|---|
| **Company** | | | | |
| 2023 | | | | |
| Executive Directors | – | 1,810,613 | – | 1,810,613 |
| Non-Executive Directors | 225,000 | – | – | 225,000 |
| Total | 225,000 | 1,810,613 | – | 2,035,613 |
| 2022 | | | | |
| Executive Directors | – | 1,630,153 | – | 1,630,153 |
| Non-Executive Directors | 173,000 | – | – | 173,000 |
| Total | 173,000 | 1,630,153 | – | 1,803,153 |

The remuneration paid to the Directors of the Company analysed into bands are as follows:-

| Number of Directors | <RM100,000 | RM100,000 to RM1,000,000 | RM1,000,001 to RM2,000,000 | RM2,000,001 to RM3,000,000 | RM3,000,001 to RM4,000,000 |
|---|---|---|---|---|---|
| 2023 | | | | | |
| Executive Directors | – | – | 2 | 2 | 1 |
| Non-Executive Directors | 4 | – | – | – | – |
| 2022 | | | | | |
| Executive Directors | – | 1 | 3 | 1 | – |
| Non-Executive Directors | 4 | – | – | – | – |

## 30. TAX EXPENSE

**Tax recognised in profit or loss**

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 RM** | **2022 RM** | **2023 RM** | **2022 RM** |
| In Malaysia | | | | |
| Current tax expense | | | | |
| Current year's tax expense | 38,222,957 | 15,629,698 | 943,008 | 773,751 |
| (Over)/under provision of tax expense in prior financial year | (215,082) | 28,430 | (2,409) | (27,962) |
| | 38,007,875 | 15,658,128 | 940,599 | 745,789 |
| Deferred tax expense | | | | |
| (Over)/under provision of deferred tax liabilities in prior financial year (Note 24) | (6,000) | 90,000 | – | – |
| Realisation of deferred tax liabilities upon depreciation of revalued assets | (265,509) | (265,951) | – | – |
| Transferred from deferred tax liabilities (Note 24) | 2,241,400 | 9,464,479 | – | – |
| Transferred from deferred tax assets (Note 11) | 3,200 | – | – | – |
| | 1,973,091 | 9,288,528 | – | – |
| | 39,980,966 | 24,946,656 | 940,599 | 745,789 |
| Outside Malaysia | | | | |
| Deferred tax expense | | | | |
| Transferred (to)/from deferred tax liabilities (Note 24) | (5,373) | 42,783 | – | – |
| | (5,373) | 42,783 | – | – |
| Total | 39,975,593 | 24,989,439 | 940,599 | 745,789 |

## 30. TAX EXPENSE (CONT'D)

Malaysian income tax is calculated at the statutory tax rate of 24% (2022: 24%) of the estimated taxable profits for the financial year.

The reconciliations of income tax expense applicable to profit before tax at the statutory tax rate to the income tax expense at the effective tax rate of the Group and of the Company are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2023<br>RM | 2022<br>RM | 2023<br>RM | 2022<br>RM |
| Profit before tax | 155,608,639 | 96,742,457 | 53,682,259 | 22,613,046 |
| Tax expense at Malaysian statutory tax rate of 24% (2022: 24%) | 37,346,073 | 23,218,190 | 12,883,742 | 5,427,131 |
| Tax effects in respect of:- | | | | |
| Expenses not deductible for tax purposes | 3,354,979 | 3,043,465 | 909,982 | 866,668 |
| Income not subject to tax | (574,752) | (937,453) | (12,850,716) | (5,520,048) |
| Deferred tax not recognised in current financial year | 334,881 | (223,117) | – | – |
| Different tax rate of subsidiary companies in overseas | 4,534 | 40,892 | – | – |
| (Over)/Under provision of deferred tax liabilities in prior financial year | (6,000) | 90,000 | – | – |
| Utilisation of deferred tax assets previously not recognised | (3,531) | (5,017) | – | – |
| (Over)/Under provision of tax expense in prior financial year | (215,082) | 28,430 | (2,409) | (27,962) |
| Realisation of deferred tax liabilities upon depreciation of revalued assets | (265,509) | (265,951) | – | – |
| Total tax expense | 39,975,593 | 24,989,439 | 940,599 | 745,789 |

Tax expense for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The Group has unutilised capital allowances, unabsorbed business losses and unutilised reinvestment allowances which can be carried forward to offset against future taxable profit amounted to approximately RM9,938,000, RM21,907,000 and RM5,128,000 (2022: RM1,933,000, RM11,982,000 and RM Nil) respectively.

## 31. CASH FLOW HEDGE RESERVE

In the previous financial years, the cash flow hedge reserve contains the effective portion of the gain or loss on hedging instruments in cash flow hedges and is not available for distribution as dividends.

## 32. WARRANTS RESERVE

**Group and Company**

| | Warrant B 2016/2021 RM | Total RM |
|---|---|---|
| At 1 March 2021 | 7,294,493 | 7,294,493 |
| Exercise of warrant | (5,621,146) | (5,621,146) |
| Expiration of warrant | (1,673,347) | (1,673,347) |
| At 28 February 2022, 1 March 2022 and 28 February 2023 | – | – |

(a) Warrants 2016/2021 ("Warrant B")

On 22 December 2016, the Company issued 61,561,667 free warrants on the basis of one (1) Warrant B for every ten (10) existing ordinary shares held on the same entitlement date as the Bonus Issue of Shares.

The fair value of the warrants is estimated using the Black Scholes model, taking into account the terms and conditions upon which the warrants are acquired. The fair value of the warrants measured at issuance date and the assumptions are as follows:-

| | |
|---|---|
| Style | Vanilla |
| Exercise type | American |
| Tenure | 5 years |
| 5-day volume weighted average price of Pantech share at 2 December 2016 | RM0.534 |
| Conversion price | RM0.50 |
| Volatility rate | 28.805 % |

Each warrant entitles the registered holder of warrant to subscribe for one new ordinary share in the Company at any time on or after 22 December 2016 up to the date of expiry on the 21 December 2021, at an exercise price of RM0.50 per share or such adjusted price in accordance with the provisions in the Deed Poll. The warrants were listed on the Bursa Malaysia Securities Berhad on 29 December 2016.

A total of 46,842,900 units of Warrants B were exercised and converted to ordinary shares in financial year 2022.

Warrant B has expired on 21 December 2021.

## 33. EARNINGS PER ORDINARY SHARE

**Group**

**Basic earnings per ordinary share**

The calculation of basic earnings per ordinary share was based on Group's profit for the financial year attributable to owners of the Company and weighted average number of ordinary shares calculated as follows:-

| | Group | |
|---|---|---|
| | **2023** | **2022** |
| Profit after tax for the financial year attributable to owners of the Company (RM) | 115,633,046 | 71,753,018 |
| Weighted average number of ordinary shares in issue | 821,600,879 | 777,152,658 |
| Basic earnings per ordinary share (sen) | 14.07 | 9.23 |

**Diluted earnings per ordinary share**

The calculation of diluted earnings per ordinary share was based on Group's profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

| | Group | |
|---|---|---|
| | **2023** | **2022** |
| Profit after tax for the financial year attributable to owners of the Company (RM) | 115,633,046 | 71,753,018 |
| Weighted average number of ordinary shares in issue (basic) | 821,600,879 | 777,152,658 |
| Adjustment for dilutive effect on exercise of ESOS and warrants | 6,917,506 | 7,190,393 |
| Weighted average number of ordinary shares in issue (diluted) | 828,518,385 | 784,343,051 |
| Diluted earnings per ordinary share (sen) | 13.96 | 9.15 |

## 34. EMPLOYEE BENEFITS EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 RM** | **2022 RM** | **2023 RM** | **2022 RM** |
| Staff costs | 67,051,699 | 57,147,977 | 2,174,667 | 2,147,353 |

## 34. EMPLOYEE BENEFITS EXPENSE (CONT'D)

Employee benefits expense of the Group and of the Company consists of, amongst others, the following items:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Directors' remuneration | | | | |
| - Salaries, allowances and bonuses | 8,753,750 | 6,561,725 | 1,702,400 | 1,532,400 |
| - others | 555,410 | 411,658 | 108,213 | 97,753 |
| Defined contribution plan – staff EPF | 3,922,757 | 3,556,593 | 38,872 | 49,891 |

## 35. EMPLOYEE SHARE OPTION SCHEME

At an extraordinary general meeting held on 2 December 2016, the Company's shareholders approved the establishment of Employee Share Option Scheme ("ESOS" or "Scheme") for the eligible Directors and employees of the Group.

The salient features of the Scheme are as follows:-

(a) The maximum number of new ordinary shares in the Company ("Shares") which may be available under the Scheme shall not be more than ten per centum (10%) of the issued and fully paid-up share capital (excluding treasury shares) of the Company at any point in time during the Duration of the Scheme.

(b) The Company will for the Duration of the Scheme make available sufficient number of new Shares in the unissued share capital of the Company to satisfy all outstanding options, which may be exercisable from time to time.

(c) Any employee or Director of any company comprised in the Group (save for any subsidiaries which are dormant) shall be eligible to participate in the ESOS if, as at the date of offer, the employee is at least eighteen (18) years of age or above; and is employed on a continuous full time basis (either permanent or on contract) and on the payroll of that corporation comprised in the Group and has been given notification in writing that the employee is a confirmed employee.

(d) The option price shall be determined by the Board of Directors of the Company upon recommendation of the Option Committee at a discount of not more than 10% from the volume weighted average market price of the Company's shares as quoted on Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the date of the offer.

(e) The shares under options shall remain unissued until the options are exercised and shall, on allotment, rank pari passu in all respects with the existing issued and fully paid-up Shares at the time of allotment save that they will not entitle the holders thereof to receive any rights and bonus issues announced or to any dividend or other distribution declared to the shareholders of the Company as at a date which precedes the date of the exercise of the options.

(i) Employee Share Option Scheme (Batch 1)

The Scheme shall be in force for a duration of ten (10) years from the date of commencement from 23 January 2017 ("Duration of the Scheme"). During the previous financial years, the Company has granted options under the Scheme and the options are exercisable within a period of five (5) years from the date commencing from 24 January 2017.

**35. EMPLOYEE SHARE OPTION SCHEME (CONT'D)**

(i) Employee Share Option Scheme (Batch 1) (Cont'd)

**Number of unexercised share option**

| | Company | |
|---|---|---|
| | **2023 RM** | **2022 RM** |
| At beginning of financial year | – | 33,096,600 |
| Exercised during the financial year | – | (32,957,600) |
| Forfeited during the financial year | – | (139,000) |
| At end of financial year | – | – |

**Option price**

| | **Company RM** |
|---|---|
| Option granted | |
| - on grant date | 0.415 |

**Share option exercised during the financial year**

During the previous financial year, 32,957,600 number of ordinary shares were issued under the Company's ESOS.

**Fair value of share option granted**

The fair value of share option granted was estimated by an external valuer using the Binomial Model, taking into consideration the terms and conditions upon which the option was granted.

The fair value of the share option measured at grant date and the assumptions are as follow:-

| | |
|---|---|
| Fair value of share option granted on 24 January 2017 based on vesting date (RM) | |
| - 24 January 2017 | 0.102343 |
| - 24 January 2018 | 0.099692 |
| - 24 January 2019 | 0.100360 |
| - 24 January 2020 | 0.100640 |
| - 24 January 2021 | 0.099612 |
| Expected volatility of Company's share price (%) | 30.00 |
| Option term (years) | 5 |
| Risk free rate of interest per annum (%) | 3.60 |
| Expected dividend yield per annum (%) | 5.00 |

## 35. EMPLOYEE SHARE OPTION SCHEME (CONT'D)

(ii) Employee Share Option Scheme (Batch 2)

The Scheme shall be in force for a duration of ten (10) years from the date of commencement from 23 January 2017. On 3 April 2019, the Company has granted batch 2 options under the Scheme and the options are exercisable within a period of five (5) years from the date commencing from 4 April 2019.

**Number of unexercised share option**

| | Company | |
|---|---|---|
| | **2023** | **2022** |
| At beginning of financial year | 12,557,400 | 17,044,500 |
| Exercised during the financial year | (5,700,150) | (3,885,600) |
| Forfeited during the financial year | (431,250) | (601,500) |
| At end of financial year | 6,426,000 | 12,557,400 |
| Analysed as:- | | |
| Exercisable in financial year 2022 | – | 4,378,400 |
| Exercisable in financial year 2023 | 2,564,000 | 4,089,500 |
| Exercisable in financial year 2024 | 3,862,000 | 4,089,500 |
| | 6,426,000 | 12,557,400 |

**Option price**

| | Company RM |
|---|---|
| Option granted | |
| - on grant date | 0.490 |

**Share option exercised during the financial year**

During the financial year, 5,700,150 (2022: 3,885,600) number of ordinary shares were issued under the Company's ESOS.

**Fair value of share option granted**

The fair value of share option granted was estimated by an external valuer using the Binomial Model, taking into consideration the terms and conditions upon which the option was granted.

## 35. EMPLOYEE SHARE OPTION SCHEME (CONT'D)

(ii) Employee Share Option Scheme (Batch 2) (Cont'd)

**Fair value of share option granted (cont'd)**

The fair value of the share option measured at grant date and the assumptions are as follow:-

| | |
|---|---|
| Fair value of share option granted on 4 April 2019 based on vesting date (RM) | |
| - 4 April 2019 | 0.125865 |
| - 4 April 2020 | 0.122563 |
| - 4 April 2021 | 0.123261 |
| - 4 April 2022 | 0.123723 |
| - 4 April 2023 | 0.122789 |
| Expected volatility of Company's share price (%) | 28.00 |
| Option term (years) | 5 |
| Risk free rate of interest per annum (%) | 3.50 |
| Expected dividend yield per annum (%) | 4.50 |

(iii) Employee Share Option Scheme (Batch 3)

The Scheme shall be in force for a duration of ten (10) years from the date of commencement from 23 January 2017. On 13 September 2021, the Company has granted batch 3 options under the Scheme and the options are exercisable within a period of five (5) years from the date commencing from 14 September 2021.

**Number of unexercised share option**

| | Company | |
|---|---|---|
| | **2023** | **2022** |
| At beginning of financial year | 13,336,250 | – |
| Granted during the financial year | – | 15,598,000 |
| Exercised during the financial year | (1,747,250) | (295,100) |
| Forfeited during the financial year | (1,402,600) | (1,966,650) |
| At end of financial year | 10,186,400 | 13,336,250 |
| Analysed as:- | | |
| Exercisable in financial year 2022 | – | 1,017,200 |
| Exercisable in financial year 2023 | 1,751,400 | 2,173,950 |
| Exercisable in financial year 2024 | 2,410,000 | 2,898,600 |
| Exercisable in financial year 2025 | 3,012,500 | 3,623,250 |
| Exercisable in financial year 2026 | 3,012,500 | 3,623,250 |
| | 10,186,400 | 13,336,250 |

## 35. EMPLOYEE SHARE OPTION SCHEME (CONT'D)

(iii) Employee Share Option Scheme (Batch 3) (Cont'd)

**Option price**

| | Company RM |
|---|---|
| Option granted | |
| - on grant date | 0.470 |

Share option exercised during the financial year

During the financial year, 1,747,250 (2022: 295,100) number of ordinary shares were issued under the Company's ESOS.

**Fair value of share option granted**

The fair value of share option granted was estimated by an external valuer using the Binomial Model, taking into consideration the terms and conditions upon which the option was granted.

The fair value of the share option measured at grant date and the assumptions are as follow:-

| | |
|---|---|
| Fair value of share option granted on 14 September 2021 based on vesting date (RM) | |
| - 14 September 2021 | 0.108224 |
| - 14 September 2022 | 0.127479 |
| - 14 September 2023 | 0.136808 |
| - 14 September 2024 | 0.141973 |
| - 14 September 2025 | 0.144045 |
| Expected volatility of Company's share price (%) | 36.00 |
| Option term (years) | 5 |
| Risk free rate of interest per annum (%) | 2.70 |
| Expected dividend yield per annum (%) | 4.20 |

## 36. RELATED PARTY DISCLOSURES

(a) The transactions of the Group and the Company with the related parties were as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Transactions with subsidiary companies:- | | | | |
| - management fee received | – | – | 3,709,777 | 3,338,430 |
| - dividend received (net) | – | – | 53,544,650 | 23,000,200 |
| - loan interest received | – | – | 180,312 | – |
| - loan to | – | – | 19,400,000 | – |

## 36. RELATED PARTY DISCLOSURES (CONT'D)

(a) The transactions of the Group and the Company with the related parties were as follows (cont'd):-

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Transactions with an associate company:- | | | | |
| - sales | 131,305,174 | 96,653,374 | – | – |
| - purchases | 402,464 | 158,826 | – | – |
| - rental received | 60,000 | 60,000 | – | – |

(b) The outstanding balances arising from related party transactions as at the reporting date are disclosed in Notes 7 and 8 to the Financial Statements.

(c) The remuneration of key management personnel is same with the Directors' remunerations as disclosed in Notes 29 and 34 to the Financial Statements. Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly and entity that provides key management personnel services to the Company. The Company has no other members of key management personnel apart from the Board of Directors.

## 37. CAPITAL COMMITMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Authorised and contracted for:- | | | | |
| - Crane, machinery, equipment, furniture and fittings | 1,734,176 | 197,775 | – | – |
| - Acquisition of a subsidiary company | – | 12,950,000 | – | – |
| - Motor vehicles | 138,815 | – | 138,815 | – |
| | 1,872,991 | 13,147,775 | 138,815 | – |

## 38. RENTAL COMMITMENTS

The future non-cancellable rental expense commitments are as follows:-

| | Group | |
|---|---|---|
| | 2023 RM | 2022 RM |
| Within the next twelve months | 69,971 | 136,320 |
| After the next twelve months | 75,666 | 92,055 |
| | 145,637 | 228,375 |

The Group leases warehouse, hostel and office equipment under operating lease for the current financial year. The leases run for a period of 12 to 60 months. Lease payments are negotiated on each renewal.

From 1 March 2019, the Group has recognised right-of-use assets (included in property, plant and equipment for these leases, except for short-term and low-value leases), as disclosed in Note 4 to Financial Statements.

## 39. OPERATING LEASE ARRANGEMENTS

The Group has entered into operating lease agreements on its assets. These leases have remaining lease terms of 12 to 32 months (2022: 8 to 36 months).

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables are as follows:-

| | **Group** | |
|---|---|---|
| | **2023** | **2022** |
| | **RM** | **RM** |
| Within the next twelve months | 500,400 | 448,200 |
| After the next twelve months | 561,000 | 975,000 |
| | 1,061,400 | 1,423,200 |

## 40. OPERATING SEGMENTS - GROUP

(a) Business segments

The Group is organised on three major operating segments. These operating segments are monitored separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit in the consolidated financial statements. The following summary describes the operations in each of the Group's reportable segments:-

| **Operating segments** | **Business activities** |
|---|---|
| Trading | Trading, supply and stocking of high pressure seamless and specialised steel pipes, fittings, flanges, valves and other related products. |
| Manufacturing | Manufacturing and supply of butt-welded carbon steel fittings, high frequency induction long bends, stainless steel and alloy pipes, fittings and related products, as well as milling, machining and welding of tube and pipe fitting in special metals, and also hot dip galvanising, treatment and coating of metals, engineering fabrication works and manufacturing and trading of industrial consumable products and also metal precision machining, engineering and turnkey solutions. |
| Investment holding | Investment holding, property investment and management service. |

Transfer prices between operating segments are on negotiated basis.

## 40. OPERATING SEGMENTS – GROUP (CONT'D)

(a) Business segments (cont'd)

The Group has aggregated certain operating segments to form a reportable segment due to the similar nature and operational characteristics of the services.

| | Trading | | Manufacturing | | Investment holding | | Consolidation adjustments | | Notes | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM | 2023 RM | 2022 RM | 2023 RM | 2022 RM | | 2023 RM | 2022 RM |
| **Revenue** | | | | | | | | | | | |
| External revenue | 512,291,099 | 411,496,198 | 525,547,556 | 339,982,573 | – | – | – | – | | 1,037,838,655 | 751,478,771 |
| Inter-segment revenue | 31,701,582 | 22,925,207 | 87,618,612 | 63,524,900 | 57,254,427 | 26,338,630 | (176,574,621) | (112,788,737) | A | – | – |
| Total revenue | 543,992,681 | 434,421,405 | 613,166,168 | 403,507,473 | 57,254,427 | 26,338,630 | (176,574,621) | (112,788,737) | | 1,037,838,655 | 751,478,771 |
| **Results** | | | | | | | | | | | |
| Segment profit/(loss) | 51,392,850 | 47,048,327 | 115,942,693 | 59,007,575 | (4,747,463) | (3,986,515) | – | – | B | 162,588,080 | 102,069,387 |
| Interest income | 1,496,636 | 1,408,248 | 792,761 | 345,449 | 431,988 | 214,229 | (451,477) | (395,376) | | 2,269,908 | 1,572,550 |
| Finance costs | (3,851,317) | (2,390,066) | (5,892,284) | (4,113,067) | (569,973) | (615,373) | 451,477 | 395,376 | | (9,862,097) | (6,723,130) |
| Depreciation and amortisation | (4,135,006) | (4,027,629) | (12,873,407) | (14,004,867) | – | – | (1,208,931) | (1,208,930) | | (18,217,344) | (19,241,426) |
| Share of results of associate company | 612,748 | (176,350) | – | – | – | – | – | – | | 612,748 | (176,350) |
| Income tax expense | (12,731,750) | (11,458,018) | (26,058,227) | (12,620,628) | (1,277,758) | (1,003,789) | 92,142 | 92,996 | | (39,975,593) | (24,989,439) |
| Other non-cash income/(expenses) | 3,833,338 | (301,353) | (148,675) | (525,375) | (869,358) | (103,896) | (3,538,580) | (39,462) | C | (723,275) | (970,086) |

## 40. OPERATING SEGMENTS – GROUP (CONT'D)

(a) Business segments (cont'd)

| 2023 | Trading RM | Manufacturing RM | Investment holding RM | Consolidation adjustments RM | Notes | Consolidated RM |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Segment assets | 560,176,081 | 574,593,818 | 341,713,344 | (338,033,796) | D | 1,138,449,447 |
| Investment in an associate company | 3,197,846 | – | – | – | | 3,197,846 |
| Additions to non-current assets other than financial instruments and deferred tax assets | 6,644,769 | 12,794,304 | 233,998 | 2,342,882 | E | 22,015,953 |
| **Liabilities** | | | | | | |
| Segment liabilities | 67,375,066 | 41,703,795 | 22,991,906 | (74,620,764) | F | 57,450,003 |
| **2022** | | | | | | |
| **Assets** | | | | | | |
| Segment assets | 587,967,136 | 548,025,839 | 333,309,414 | (302,798,874) | D | 1,166,503,515 |
| Investment in an associate company | 2,585,098 | – | – | – | | 2,585,098 |
| Additions to non-current assets other than financial instruments and deferred tax assets | 1,351,330 | 12,436,001 | 5,500,000 | (25,000) | E | 19,262,331 |
| **Liabilities** | | | | | | |
| Segment liabilities | 156,420,237 | 20,895,997 | 19,315,274 | (38,441,269) | F | 158,190,239 |

## 40. OPERATING SEGMENTS – GROUP (CONT'D)

(a) Business segments (cont'd)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:-

A. Inter-segment revenues are eliminated on consolidation.

B. The following items are added to/(deducted from) segment profit to arrive at "profit before tax" presented in the consolidated profit or loss:-

| | 2023<br>RM | 2022<br>RM |
|---|---|---|
| Segment profit | 162,588,080 | 102,069,387 |
| Interest income | 2,269,908 | 1,572,550 |
| Finance costs | (9,862,097) | (6,723,130) |
| Share of results of associate company | 612,748 | (176,350) |
| Profit before tax | 155,608,639 | 96,742,457 |

C. Other non-cash income/(expense) consist of the following items as presented in the respective notes to the financial statements:-

| | 2023<br>RM | 2022<br>RM |
|---|---|---|
| Allowance for impairment of receivables | (3,637,259) | (2,203,069) |
| Allowance for impairment of receivables no longer required | 1,362,380 | 2,256,467 |
| Property, plant and equipment written off | (326,186) | (10,276) |
| Inventories written down | (473,417) | (933,464) |
| Reversal of inventories written down | 2,002,783 | 651,374 |
| Gain on disposal of property, plant and equipment | 328,041 | 72,612 |
| Unrealised gain/(loss) on foreign exchange | 755,964 | (80,834) |
| Employees Share Option Scheme expenses | (585,245) | (761,896) |
| Fair value gain on other investment | 16,497 | 39,000 |
| Fair value loss on investment properties | (283,998) | – |
| Waiver of debts | 117,165 | – |
| | (723,275) | (970,086) |

## 40. OPERATING SEGMENTS – GROUP (CONT'D)

(a) Business segments (cont'd)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (cont'd):-

D. The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:-

| | 2023 RM | 2022 RM |
|---|---|---|
| Segment assets | 1,138,449,447 | 1,166,503,515 |
| Investment in an associate company | 3,197,846 | 2,585,098 |
| Other investment | 2,022,698 | 438,000 |
| Deferred tax assets | – | 3,200 |
| Tax recoverable | 10,445 | 536,011 |
| Goodwill on acquisition | 2,342,882 | – |
| Total assets | 1,146,023,318 | 1,170,065,824 |

E. Additions to non-current assets other than financial instruments and deferred tax assets consist of:-

| | 2023 RM | 2022 RM |
|---|---|---|
| Property, plant and equipment | 17,055,607 | 9,162,845 |
| Capital work-in-progress | 815,265 | 4,161,486 |
| Investment properties | 233,998 | 5,500,000 |
| Other investment | 1,568,201 | 438,000 |
| Goodwill | 2,342,882 | – |
| | 22,015,953 | 19,262,331 |

F. The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:-

| | 2023 RM | 2022 RM |
|---|---|---|
| Segment liabilities | 57,450,003 | 158,190,239 |
| Lease liabilities | 13,360,877 | 11,558,305 |
| Borrowings | 219,576,273 | 219,983,838 |
| Tax payable | 8,389,844 | 2,214,848 |
| Deferred tax liabilities | 26,053,558 | 23,949,044 |
| Total liabilities | 324,830,555 | 415,896,274 |

## 40. OPERATING SEGMENTS – GROUP (CONT'D)

(b) Geographical information

The Group's revenue and non-current assets information based on geographical location are as follows:-

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | 2023<br>RM | 2022<br>RM | 2023<br>RM | 2022<br>RM |
| Malaysia * | 1,014,003,655 | 726,636,482 | 349,848,199 | 335,244,078 |
| Republic of Singapore | 7,076,002 | 8,312,874 | 1,592,109 | 1,585,809 |
| United Kingdom | 16,758,998 | 16,529,415 | 11,755,565 | 12,731,382 |
| | 1,037,838,655 | 751,478,771 | 363,195,873 | 349,561,269 |

* Company's home country

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:-

| | 2023<br>RM | 2022<br>RM |
|---|---|---|
| Property, plant and equipment | 343,862,447 | 321,197,797 |
| Capital work-in-progress | 20,000 | 13,537,174 |
| Investment in an associate company | 3,197,846 | 2,585,098 |
| Deferred tax assets | – | 3,200 |
| Other investment | 2,022,698 | 438,000 |
| Investment properties | 11,750,000 | 11,800,000 |
| Goodwill | 2,342,882 | – |
| | 363,195,873 | 349,561,269 |

(c) Major customers

The Group does not have any revenue from a single external customer which represents 10% or more of the Group's revenue.

## 41. FINANCIAL INSTRUMENTS

**Categories of Financial Instruments**

The table below provides an analysis of financial instruments categorised as follows:-

- Amortised cost (AC);
- Fair value through other comprehensive income (FVTOCI); and
- Fair value through profit or loss (FVTPL)

## 41. FINANCIAL INSTRUMENTS (CONT'D)

**Group**

| | Carrying amount RM | AC RM | FVTOCI RM | FVTPL RM |
|---|---|---|---|---|
| 2023 | | | | |
| **Financial assets** | | | | |
| Other investment | 2,022,698 | – | – | 2,022,698 |
| Trade receivables | 147,707,199 | 147,707,199 | – | – |
| Other receivables | 28,129,222 | 1,433,955 | – | – |
| Amount due from an associate company | 19,314,123 | 19,314,123 | – | – |
| Fixed deposits with licensed banks | 2,733,826 | 2,733,826 | – | – |
| Cash and bank balances | 177,291,370 | 177,291,370 | – | – |
| | 377,198,438 | 348,480,473 | – | 2,022,698 |
| **Financial liabilities** | | | | |
| Derivatives financial instruments | 12,390 | – | 12,390 | – |
| Trade payables | 23,560,307 | 23,560,307 | – | – |
| Other payables | 21,509,818 | 17,504,390 | – | – |
| Borrowings | 219,576,273 | 219,576,273 | – | – |
| | 264,658,788 | 260,640,970 | 12,390 | – |
| 2022 | | | | |
| **Financial assets** | | | | |
| Other investment | 438,000 | – | – | 438,000 |
| Trade receivables | 206,638,758 | 206,638,758 | – | – |
| Other receivables | 22,427,851 | 1,681,009 | – | – |
| Amount due from an associate company | 8,790,172 | 8,790,172 | – | – |
| Fixed deposits with licensed banks | 2,692,726 | 2,692,726 | – | – |
| Cash and bank balances | 178,586,601 | 178,586,601 | – | – |
| | 419,574,108 | 398,389,266 | – | 438,000 |
| **Financial liabilities** | | | | |
| Derivatives financial instruments | 3,940 | – | 3,940 | – |
| Trade payables | 123,837,528 | 123,837,528 | – | – |
| Other payables | 26,152,243 | 14,962,521 | – | – |
| Borrowings | 219,983,838 | 219,983,838 | – | – |
| | 369,977,549 | 358,783,887 | 3,940 | – |

## 41. FINANCIAL INSTRUMENTS (CONT'D)

**Categories of Financial Instruments (cont'd)**

**Company**

| | Carrying amount RM | AC RM | FVTOCI RM | FVTPL RM |
|---|---|---|---|---|
| 2023 | | | | |
| **Financial assets** | | | | |
| Other receivables | 23,578 | 1,000 | – | – |
| Amount due from subsidiary companies | 6,071,861 | 6,071,861 | – | – |
| Cash and bank balances | 11,612,894 | 11,612,894 | – | – |
| | 17,708,333 | 17,685,755 | – | – |
| **Financial liability** | | | | |
| Other payables | 344,786 | 344,786 | – | – |
| | 344,786 | 344,786 | – | – |
| 2022 | | | | |
| **Financial assets** | | | | |
| Other receivables | 71,849 | 50,000 | – | – |
| Amount due from subsidiary companies | 34,235 | 34,235 | – | – |
| Cash and bank balances | 34,874,555 | 34,874,555 | – | – |
| | 34,980,639 | 34,958,790 | – | – |
| **Financial liabilities** | | | | |
| Other payables | 243,382 | 243,382 | – | – |
| | 243,382 | 243,382 | – | – |

**Net gains and losses arising from financial instruments**

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Financial assets measured at AC | 1,940,142 | 2,897,857 | 379,563 | 201,093 |
| Financial liabilities measured at AC | (6,252,748) | (4,890,557) | – | (2,161) |
| | (4,312,606) | (1,992,700) | 379,563 | 198,932 |

## 41. FINANCIAL INSTRUMENTS (CONT'D)

**Net gains and losses arising from financial instruments (cont'd)**

Included in gains/(losses) on financial instruments categorised as amortised cost are:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Total interest income for financial assets | 2,269,908 | 1,572,550 | 394,771 | 201,093 |
| Total interest expenses for financial liability | (8,381,230) | (4,654,929) | – | (2,161) |

**Risk management objectives and policies**

The Group is exposed to various risks in relation to financial instruments. The main types of risks are foreign currency risk, interest rate risk, credit risk and liquidity risk.

Financial risk management policy is established to ensure that adequate resources are available for the development of the Group's businesses whilst managing its foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group operates within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

(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 mostly on its sales and purchases that are denominated in a currency other than the functional currency of the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Singapore Dollar ("SGD"), Great Britain Pound Sterling ("GBP") and EURO.

The Group uses forward exchange contracts to hedge its foreign currency risk and forward exchange contracts have maturities of less than one year from the reporting date. Where necessary, the forward exchange contracts are rolled over at maturity.

Based on carrying amounts as at the reporting date, foreign currency denominated financial assets and financial liabilities which expose the Group and the Company to currency risk are disclosed below:-

| | USD RM | SGD RM | GBP RM | EURO RM |
|---|---|---|---|---|
| **Group** | | | | |
| 2023 | | | | |
| **Financial assets** | | | | |
| Trade receivables | 53,694,768 | 1,444,713 | 3,891,950 | 260,623 |
| Other receivables | – | 4,460 | 1,280,267 | 31,687 |
| Amount due from an associate company | 13,185,815 | – | – | – |
| Cash and bank balances | 54,148,895 | 6,294,158 | 6,218,216 | 115,248 |
| | 121,029,478 | 7,743,331 | 11,390,433 | 407,558 |

## 41. FINANCIAL INSTRUMENTS (CONT'D)

**Risk management objectives and policies (cont'd)**

(a) Foreign currency risk (cont'd)

Based on carrying amounts as at the reporting date, foreign currency denominated financial assets and financial liabilities which expose the Group and the Company to currency risk are disclosed below (cont'd):-

| | USD RM | SGD RM | GBP RM | EURO RM |
|---|---|---|---|---|
| **Group (cont'd)** | | | | |
| **Financial liabilities** | | | | |
| Borrowings | (24,601,517) | – | – | – |
| Trade payables | (8,099,197) | (1,714,900) | (147,716) | (304,900) |
| Other payables | (652,576) | (97,267) | (423,297) | – |
| | (33,353,290) | (1,812,167) | (571,013) | (304,900) |
| Net exposure | 87,676,188 | 5,931,164 | 10,819,420 | 102,658 |
| 2022 | | | | |
| **Financial assets** | | | | |
| Trade receivables | 134,345,533 | 2,180,444 | 2,090,486 | 632,742 |
| Other receivables | 302,195 | 4,359 | 709,751 | 31,687 |
| Amount due from an associate company | 6,062,264 | – | – | – |
| Cash and bank balances | 27,744,235 | 4,867,435 | 5,382,244 | 456,564 |
| | 168,454,227 | 7,052,238 | 8,182,481 | 1,120,993 |
| **Financial liabilities** | | | | |
| Borrowings | (28,415,664) | – | – | – |
| Trade payables | (103,000,196) | (1,788,793) | (1,848,350) | (1,011,821) |
| Other payables | (1,403,173) | (141,123) | (311,041) | – |
| | (132,819,033) | (1,929,916) | (2,159,391) | (1,011,821) |
| Net exposure | 35,635,194 | 5,122,322 | 6,023,090 | 109,172 |
| **Company** | | | | |
| 2023 | | | | |
| **Financial asset** | | | | |
| Cash and bank balances | – | – | 263,206 | – |
| Net exposure | – | – | 263,206 | – |
| 2022 | | | | |
| **Financial asset** | | | | |
| Cash and bank balances | – | – | 188,907 | – |
| Net exposure | – | – | 188,907 | – |

**41. FINANCIAL INSTRUMENTS (CONT'D)**

**Risk management objectives and policies (cont'd)**

(a) Foreign currency risk (cont'd)

*Foreign currency sensitivity analysis*

The following table illustrates the sensitivity of profit in regards to the Group's and the Company's financial assets and financial liabilities and the RM/USD exchange rate, RM/SGD exchange rate, RM/GBP exchange rate and RM/EURO exchange rate with 'all other things are being equal'.

It assumes a +/- 5% (2022: 3%) change of the RM/USD, RM/SGD, RM/GBP and RM/EURO exchange rates respectively. The percentage has been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's and the Company's foreign currency denominated financial instruments held at each reporting date.

If the RM had strengthened against the USD, SGD, GBP and EURO by 5% (2022: 3%) respectively, this would have the following impact:-

| | | Decrease on profit for the financial year | | | |
|---|---|---|---|---|---|
| **Group** | **USD RM** | **SGD RM** | **GBP RM** | **EURO RM** | **Total RM** |
| 2023 | (4,383,809) | (296,558) | (540,971) | (5,133) | (5,226,471) |
| 2022 | (1,069,056) | (153,670) | (180,693) | (3,275) | (1,406,694) |
| **Company** | **USD RM** | **SGD RM** | **GBP RM** | **EURO RM** | **Total RM** |
| 2023 | – | – | (13,160) | – | (13,160) |
| 2022 | – | – | (5,667) | – | (5,667) |

If the RM had weakened against the USD, SGD, GBP and EURO by 5% (2022: 3%) respectively, then the impact to profit for the financial year would be the opposite effect.

Exposures to foreign exchange rates vary during the financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's and the Company's exposures to foreign currency risk.

## 41. FINANCIAL INSTRUMENTS (CONT'D)

**Risk management objectives and policies (cont'd)**

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's fixed rate 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 the risk of change in cash flows due to changes in interest rates. Investment in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

The Group's and the Company's interest rate management objective is to manage interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation.

*Interest rate sensitivity*

The Group and the Company are exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates. The exposure to interest rates for the Group's short term placement is considered immaterial.

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

| 2023 | Group RM | Company RM |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial asset | | |
| Fixed deposits with licensed banks | 2,733,826 | – |
| Financial liabilities | | |
| Accepted bills-i | (16,735,545) | – |
| Bankers' acceptance | (143,968,622) | – |
| Onshore foreign currency loans | (24,601,517) | – |
| Net financial liabilities | (182,571,858) | – |
| **Floating rate instruments** | | |
| Financial liabilities | | |
| Term loans | (2,307,188) | – |
| Term loans-i | (31,963,401) | – |
| Net financial liabilities | (34,270,589) | – |

## 41. FINANCIAL INSTRUMENTS (CONT'D)

**Risk management objectives and policies (cont'd)**

(b) Interest rate risk (cont'd)

*Interest rate sensitivity (cont'd)*

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period is as follows (cont'd):-

| 2022 | Group RM | Company RM |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial asset | | |
| Fixed deposits with licensed banks | 2,692,726 | – |
| | | |
| Financial liabilities | | |
| Accepted bills-i | (10,581,782) | – |
| Bankers' acceptance | (132,154,788) | – |
| Onshore foreign currency loans | (27,319,862) | – |
| Clean import loans | (1,095,802) | – |
| Net financial liabilities | (168,459,508) | – |
| | | |
| **Floating rate instruments** | | |
| Financial liabilities | | |
| Term loans | (3,692,187) | – |
| Term loans-i | (45,139,417) | – |
| Net financial liabilities | (48,831,604) | – |

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 25 (2022: 25) basis points ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rates for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

| | (Decrease)/Increase on profit for the financial year | |
|---|---|---|
| **Group** | **+ 25 bp RM** | **- 25 bp RM** |
| 2023 | (85,676) | 85,676 |
| 2022 | (122,079) | 122,079 |

## 41. FINANCIAL INSTRUMENTS (CONT'D)

**Risk management objectives and policies (cont'd)**

(c) Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group's and the Company's exposure to credit risk is monitored on an ongoing basis. The credit risk is controlled by monitoring procedures. An internal credit review is conducted if the credit risk is material. The Group and the Company do not require collateral in respect of financial assets.

The Group's and the Company's maximum exposure to credit risk is limited to the carrying amount of financial assets summarised at the reporting date, as summarised below:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| **Classes of financial assets:-** | | | | |
| Cash and cash equivalents | 180,025,196 | 181,279,327 | 11,612,894 | 34,874,555 |
| Trade receivables | 147,707,199 | 206,638,758 | – | – |
| Other receivables | 1,433,955 | 1,681,009 | 1,000 | 50,000 |
| Amount due from an associate company | 19,314,123 | 8,790,172 | – | – |
| Amount due from subsidiary companies | – | – | 6,071,861 | 34,235 |
| Carrying amount | 348,480,473 | 398,389,266 | 17,685,755 | 34,958,790 |

The Group and the Company continuously monitor defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into their credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

**Receivables**

Receivables are monitored on an ongoing basis to mitigate risk of bad debts. The Group's and the Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry in which customers operate.

The Group and the Company 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 deposit with banks and financial institution with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

## 41. FINANCIAL INSTRUMENTS (CONT'D)

**Risk management objectives and policies (cont'd)**

(c) Credit risk (cont'd)

**Receivables (cont'd)**

The ageing analysis of trade receivables of the Group is as follows:-

| | | Allowance for impairment loss | | | |
|---|---|---|---|---|---|
| | Gross RM | Expected credit loss (individually impaired) RM | Expected credit loss (collectively impaired) RM | Total RM | Net RM |
| **2023** | | | | | |
| Within terms | 84,595,465 | – | – | – | 84,595,465 |
| Past due 1 to 30 days | 35,231,478 | 524,464 | – | 524,464 | 34,707,014 |
| Past due 31 to 60 days | 13,463,863 | 752,953 | – | 752,953 | 12,710,910 |
| Past due 61 to 90 days | 9,840,866 | – | – | – | 9,840,866 |
| Past due 91 to 120 days | 4,051,203 | 827,186 | – | 827,186 | 3,224,017 |
| Past due more than 120 days | 6,468,032 | 3,839,105 | – | 3,839,105 | 2,628,927 |
| | 153,650,907 | 5,943,708 | – | 5,943,708 | 147,707,199 |
| **2022** | | | | | |
| Within terms | 63,662,865 | – | – | – | 63,662,865 |
| Past due 1 to 30 days | 53,441,249 | – | – | – | 53,441,249 |
| Past due 31 to 60 days | 67,342,801 | – | – | – | 67,342,801 |
| Past due 61 to 90 days | 15,684,417 | – | – | – | 15,684,417 |
| Past due 91 to 120 days | 3,406,199 | – | – | – | 3,406,199 |
| Past due more than 120 days | 6,770,056 | 3,668,829 | – | 3,668,829 | 3,101,227 |
| | 210,307,587 | 3,668,829 | – | 3,668,829 | 206,638,758 |

The Group and the Company perform impairment analysis at each reporting date by monitoring the recoverability of trade receivables based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and economic environment. The Group and the Company does not hold collateral or other credit enhancement as security.

## 41. FINANCIAL INSTRUMENTS (CONT'D)

**Risk management objectives and policies (cont'd)**

(c) Credit risk (cont'd)

*Concentration of credit risk*

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's and the Company's total credit exposure. The Group's and the Company's portfolio of financial instrument is broadly diversified along geographical lines and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:-

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **RM** | **%** | **RM** | **%** |
| Top 3 customers | 31,552,967 | 21 | 113,078,390 | 54 |

The net carrying amount of receivables is considered a reasonable approximate of its fair value.

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, the management has taken reasonable steps to ensure that receivables are stated at their realisable values. A significant portion of the receivables are regular customers that have been transacting with the Group and the Company. The Group and the Company use ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk, and are monitored individually.

**Other receivables**

In respect of other receivables, the Group and the Company are not exposed to any significant credit risk exposure to any single counterparty or a group of counterparties having similar characteristics. Based on historical information about customer default rates, the management considers the credit quality of other receivables that are not past due or impaired to be good.

**Cash and bank balances**

The credit risk for cash and bank balances including fixed deposits with licensed banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

## 41. FINANCIAL INSTRUMENTS (CONT'D)

**Risk management objectives and policies (cont'd)**

(c) Credit risk (cont'd)

**Intercompany loans and advances**

The maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

The Group and the Company provides unsecured loans and advances to subsidiary company and monitors the results of the subsidiary company regularly.

As at end of the reporting period, there was no indication that the loans and advances to the subsidiary company are not recoverable.

**Financial guarantee**

The maximum exposure to credit risk is amounted to RM692,760,786 (2022: RM662,234,186), represented by the outstanding credit facilities of the subsidiary companies as at the end of financial year.

The Company provides unsecured financial guarantees to financial institutions, finance lease creditors and third parties in respect of credit facilities granted to certain subsidiary companies. The Company monitors on an ongoing basis the result of the subsidiary companies and repayments made by the subsidiary companies. As at the end of the reporting year, there was no indication that any of the subsidiary companies would default on repayment.

The financial guarantees of the Company have not been recognised since the fair value on initial recognition was not material.

(d) Liquidity risk

Liquidity risk is the risk arising from the Group and the Company not being able to meet their obligations due to shortage of funds.

In managing their exposures to liquidity risk, the Group and the Company maintain a level of cash and cash equivalents and bank credit facilities deemed adequate by the management to ensure that they will have sufficient liquidity to meet their liabilities as and when they fall due.

41. **FINANCIAL INSTRUMENTS (CONT'D)**

**Risk management objectives and policies (cont'd)**

(d) Liquidity risk (cont'd)

The following table shows the areas where the Group and the Company are exposed to liquidity risk:-

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | Current | ← Non-current | → | Current | ← Non-current | → |
| | Less than 1 year RM | Between 1 to 5 years RM | More than 5 years RM | Less than 1 year RM | Between 1 to 5 years RM | More than 5 years RM |
| **2023** | | | | | | |
| Non-derivative financial liabilities/ lease liabilities | | | | | | |
| Term loans | 1,576,508 | 855,700 | – | – | – | – |
| Term loans-i | 12,509,729 | 18,296,427 | 3,985,470 | – | – | – |
| Bankers' acceptance and accepted bills-i | 160,704,167 | – | – | – | – | – |
| Onshore foreign currency loans | 24,601,517 | – | – | – | – | – |
| Lease liabilities | 2,825,136 | 6,813,374 | 6,774,712 | – | – | – |
| Trade payables | 23,560,307 | – | – | – | – | – |
| Other payables | 17,504,390 | – | – | 344,786 | – | – |
| Total undiscounted financial liabilities | 243,281,754 | 25,965,501 | 10,760,182 | 344,786 | – | – |
| Financial guarantees* | – | – | – | 692,760,786 | – | – |

## 41. FINANCIAL INSTRUMENTS (CONT'D)

**Risk management objectives and policies (cont'd)**

(d) Liquidity risk (cont'd)

The following table shows the areas where the Group and the Company are exposed to liquidity risk (cont'd):-

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | Current | ← Non-current | → | Current | ← Non-current | → |
| | Less than 1 year RM | Between 1 to 5 years RM | More than 5 years RM | Less than 1 year RM | Between 1 to 5 years RM | More than 5 years RM |
| **2022** | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Term loans | 2,546,867 | 1,332,014 | – | – | – | – |
| Term loans-i | 15,599,271 | 28,913,494 | 5,115,283 | – | – | – |
| Bankers' acceptance and accepted bills-i | 142,736,570 | – | – | – | – | – |
| Clean import loans | 1,095,802 | – | – | – | – | – |
| Onshore foreign currency loans | 27,319,862 | – | – | – | – | – |
| Lease liabilities | 2,826,003 | 5,784,580 | 6,522,239 | – | – | – |
| Trade payables | 123,837,528 | – | – | – | – | – |
| Other payables | 14,962,521 | – | – | 243,382 | – | – |
| Total undiscounted financial liabilities | 330,924,424 | 36,030,088 | 11,637,522 | 243,382 | – | – |
| Financial guarantees* | – | – | – | 662,234,186 | – | – |

* This exposure is included in liquidity risk for illustration only. No financial guarantee was called upon by the holders as at the end of the reporting period.

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

## 42. CAPITAL MANAGEMENT OBJECTIVE

The primary capital management objective of the Group is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to sustain future development of the business. There is no change to the objectives in financial years ended 2023 and 2022.

The Group manages its capital by regularly monitoring its current and expected liquidity requirement and modify the combination of equity and borrowings from time to time to meet the needs. Shareholders' equity and gearing ratio of the Group and of the Company are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2023<br>RM | 2022<br>RM | 2023<br>RM | 2022<br>RM |
| Total equity | 821,192,763 | 754,169,550 | 284,744,519 | 278,630,736 |
| Borrowings | 219,576,273 | 219,983,838 | – | – |
| Lease liabilities | 13,360,877 | 11,558,305 | – | – |
| | 232,937,150 | 231,542,143 | – | – |
| Debt-to-equity ratio | 0.28 | 0.31 | 0.00 | 0.00 |

The Group has complied with Practice Note No. 17 (Revision on 3 August 2009, 22 September 2011 and 25 March 2015) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad which requires the Group to maintain a consolidated shareholders' equity of not less than 25% of the issued and paid-up capital of the Company and such shareholders' equity is not less than RM40 million.

## 43. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and financial liabilities of the Group and of the Company as at the reporting date are approximately at their fair values due to their short term nature or they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

**Fair value hierarchy**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

| | Quoted in active markets for identical instruments Level 1 RM | Significant other observable inputs Level 2 RM | Significant unobservable inputs Level 3 RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| **2023** | | | | |
| **Financial liability** | | | | |
| Derivatives | | | | |
| - Forward currency contract | – | (12,390) | – | (12,390) |
| | – | (12,390) | – | (12,390) |
| **2022** | | | | |
| **Financial liability** | | | | |
| Derivatives | | | | |
| - Forward currency contract | – | (3,940) | – | (3,940) |
| | – | (3,940) | – | (3,940) |

# LIST OF TOP 10 PROPERTIES
AS AT 28 FEBRUARY 2023

| No. | Tittle deed | Address | (Land area) Gross build-up area Sq.ft. | Tenure | Description/ Existing use | Net Book Value @ 28.2.2023 RM'000 | Approximate age of building years | Date of last revaluation |
|---|---|---|---|---|---|---|---|---|
| 1 | HS(D) 484896, PTD 204334, Mukim Plentong, District of Johor Bahru, Johor Darul Takzim | PTD 204334, Jalan Platinum Utama, Pasir Gudang Industrial Estate, Zone 12B, 81700 Pasir Gudang, Johor Darul Takzim | (899,754) 521,171 | Leasehold expiring on 18.08.2070 | 4 blocks single storey factory buildings with 1 unit 3-storey office and 1 unit 5-storey corporate office and ancillary buildings | 76,848 | 10-13 | 28.02.2020 |
| 2 | Geran 95058, 95059 and 95060. Lot No. 23190, 23191 and 23192 Mukim Kapar, District of Klang, Selangor Darul Ehsan | Lot 13257, 13258 and 13259, Jalan Haji Abdul Manan, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan | (544,353) 331,485 | Freehold | 6 units of single storey detached factories (Identified for reference as Factory A, B, C, D, E and F) | 50,242 | Factory A,B,C - 33<br>Factory D - 31<br>Factory E - 16<br>Factory F - 11 | 28.02.2020 |
| 3 | HS(D) 564272, PTD222449, Mukim Plentong, District of Johor Bahru, Johor Darul Takzim | PTD 222449, Jalan Platinum 3, Pasir Gudang Industrial Estate, Zone 12B, 81700 Pasir Gudang, Johor Darul Takzim | (317,966) 191,276 | Leasehold expiring on 27.03.2076 | A single storey warehouse with 1 unit of double storey office | 28,353 | 4 | 28.02.2020 |
| 4 | HS(D) 501116, PTD 209335, Mukim Plentong, District of Johor Bahru, Johor Darul Takzim | PLO 641, Jalan Platinum 1, Pasir Gudang Industrial Estate, Zone 12B, 81700 Pasir Gudang, Johor Darul Takzim | (253,920) 107,666 | Leasehold expiring on 16.01.2072 | 2 units of single storey detached warehouse with 1 unit double storey office | 22,167 | 11 | 28.02.2020 |
| 5 | HS(D)563306, PTD5020, Mukim Sungai Tiram, District of Johor Bahru, Johor Darul Takzim | PLO 7, Jalan Rumbia 4, Kawasan Perindustrian Tanjung Langsat, 81700 Pasir Gudang, Johor Darul Takzim | (189,768) 91,182 | Leasehold expiring on 05.04.2075 | A single storey detached factory and 1 unit 3-storey office building | 18,910 | 6 | 28.02.2020 |
| 6 | HS(M) 29537, Lot PT 34277, Mukim and District of Klang, HS(D) 114965, Lot PT 17296, Pekan Baru Hicom, District of Petaling, Selangor Darul Ehsan | No. 3, Jalan Trompet 33/8, Seksyen 33, 40400 Shah Alam, Selangor Darul Ehsan | (123,549) 32,445 | Leasehold expiring on 11.12.2096 & 28.11.2096 | A single storey detached warehouse with 2-storey office building annexed | 15,056 | 25 | 28.02.2020 |
| 7 | HS(D)581462, PTD 5219, Mukim Sungai Tiram, District of Johor Bahru, Johor Darul Takzim | PLO 208, Jalan Rumbia 5, Kawasan Perindustrian Tanjung Langsat, 81700 Pasir Gudang, Johor Darul Takzim | (87,120) 51,107 | Leasehold expiring on 29.05.2078 | 1 unit of single storey factory | 10,825 | 1 | 28.02.2020 |
| 8 | HS(M) 135, PTD14174 & PTD14175 (Lot 1433), Mukim Pantai Timor, District of Pengerang, Johor Darul Takzim | PTD14174, Kampung Bukit Gelugur, 81600 Pengerang, Johor Darul Takzim | (128,404) 51,183 | Freehold | A single storey warehouse and an office block | 8,878 | 5 | 28.02.2020 |
| 9 | GRN 392654, Lot No 177305, Mukim of Plentong, District of Johor Bahru, Johor Darul Takzim | PTD 190772, Jalan Desa Tropika 2/2, Taman Industrian Tropika, 81800 Ulu Tiram, Johor Darul Takzim | (46,069) 42,333 | Freehold | 1 unit of single storey detached factory with four (4) storey office building | 8,321 | 9 | 08.04.2021 |
| 10 | HS(D) 125023, PTD 71061, Mukim Plentong, District of Johor Bahru, Johor Darul Takzim | PLO 234, Jalan Tembaga Satu, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor Darul Takzim | (87,123) 43,782 | Leasehold expiring on 30.09.2045 | A single storey detached warehouse with 3-storey office buildings annexed | 5,700 | 24 | 28.02.2020 |

# NOTICE OF SEVENTEENTH (17TH) ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Seventeenth (17th) Annual General Meeting of Pantech Group Holdings Berhad ("Pantech" or the "Company") will be held on Wednesday, 26 July 2023 at 11.00 a.m., or any adjournment thereof at Key 1 & Key 2, Level 7, St Giles Southkey Johor Bahru, Mid Valley Southkey, 1, Persiaran Southkey 1, Kota Southkey, 80150 Johor Bahru, Johor for the following purposes:

**AGENDA**

**AS ORDINARY BUSINESS**

1. To receive the Audited Financial Statements for the financial year ended 28 February 2023 together with the Directors' and Auditors' Reports thereon. **(Please refer to Explanatory Notes)**

2. To approve the payment of Directors' fees and benefits up to the amount of RM400,000 for the financial year ending 29 February 2024. **Resolution 1**

3. To approve the payment of the Final Single Tier Dividend of 1.50 sen per ordinary share for the financial year ended 28 February 2023. **Resolution 2**

4. To re-elect the following Directors retiring pursuant to the Article 26.1 of Company's Constitution and being eligible, offered themselves for re-election:

   4.1 Dato' Goh Teoh Kean **Resolution 3**
   4.2 Mr. Tan Ang Ang **Resolution 4**
   4.3 Mr. Lim Yoong Xao **Resolution 5**

5. To re-appoint Grant Thornton Malaysia PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

**AS SPECIAL BUSINESS**

To consider, and if thought fit, to pass the following Ordinary Resolutions:

6. **AUTHORITY TO ISSUE SHARES BY THE COMPANY PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** **Resolution 7**

   "THAT subject always to the Companies Act 2016 ("the Act"), and approvals from any other governmental/regulatory authorities, the Directors of the Company be and are hereby empowered, pursuant to Sections 75 and 76 of the Act, to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors of the Company may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company at the time of submission to the authority AND THAT the Directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad ("Bursa Securities") AND FURTHER THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.

   AND THAT pursuant to Section 85 of the Act read together with Article 17.4 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares ranking equally to the existing issued shares arising from any issuance of new shares pursuant to Sections 75 and 76 of the Act.

   AND THAT the new shares to be issued shall, upon allotment and issuance, rank equally in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that which may be declared, made or paid before the date of allotment of such new shares."

7. **PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY** **Resolution 8**

"THAT subject to compliance with all applicable rules, regulations and orders made pursuant to the Companies Act 2016 ("the Act"), provisions in the Company's Constitution, the Listing Requirements of Bursa Securities and any other relevant authorities, the Company be and is hereby authorised to purchase such number of ordinary shares of the Company ("Proposed Renewal of Share Buy-Back") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company PROVIDED THAT:

(1) the aggregate number of shares purchased or held does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase;

(2) the maximum fund to be allocated by the Company for the purpose of purchasing such number of ordinary shares shall not exceed the retained profit account of the Company. As at the latest financial year ended 28 February 2023, the audited retained profit account of the Company stood at RM28,801,605;

(3) the authority conferred by this resolution will commence immediately upon passing of this resolution and will continue to be in force until:

   (a) at the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting in which the authorisation is obtained, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions; or

   (b) the expiration of the period within which the next AGM of the Company is required by law to be held; or

   (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting.

whichever occurs first;

AND THAT upon completion of the purchase(s) of the ordinary shares of the Company, the Directors of the Company be and are hereby authorised to deal with the ordinary shares so purchased in the following manner:

(a) to cancel the ordinary shares so purchased; or
(b) to retain the ordinary shares so purchased as treasury shares for distribution as dividend to shareholders and/or resell on Bursa Securities or subsequently cancelled; or
(c) to retain part of the ordinary shares so purchased as treasury shares and cancel the remainder; or
(d) in any other manner prescribed by the Act, rules, regulations and orders made to the Act, the Listing Requirements of Bursa Securities and any other relevant authorities for the time being in force.

AND THAT the Board of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement, finalise or to effect the aforesaid share buy-back with full powers to assent to any conditions, modifications, variations, and/or amendments as may be required or imposed by the relevant authorities and to do all such acts and things (including executing all documents) as the Board may deem fit and expedient in the best interest of the Company."

8. To transact any other business for which due notice shall have been given.

**NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT**

Subject to the approval of the shareholders, a Final Single Tier Dividend of 1.50 sen per ordinary share for the financial year ended 28 February 2023 will be paid on 15 September 2023 to Depositors registered in the Record of Depositors at the closed of business at 5.00 p.m. on 30 August 2023.

A Depositor shall qualify for entitlement only in respect of:

(a) Shares transferred into the Depositor's Securities Account before 4.30 p.m. on 30 August 2023, in respect of ordinary shares; and

(b) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

By order of the Board,
**SIEW SUET WEI (MAICSA 7011254)**
SSM Practicing Certificate No. 202008001690
**LIANG SIEW CHING (MAICSA 7000168)**
SSM Practicing Certificate No. 202008000879
Company Secretaries

Kuala Lumpur
Dated : 28 June 2023

Notes:

1. For the purpose of determining a member who shall be entitled to attend, speak and vote at the AGM, the Company shall be requesting the Record of Depositors as at 18 July 2023. Only a depositor whose name appears on the Record of Depositors as at 18 July 2023 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.
2. A member entitled to attend and vote at this AGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, speak and vote in his place. A proxy may but need not be a member of the Company.
3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than 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.
4. Where a member is an exempt authorised nominee, it may appoint multiple proxies for each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under the Corporation's Common Seal or under the hand of an officer or attorney so authorized.
6. The Proxy Form must be deposited at the Share Registrar's office, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, or alternatively, Tricor Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or may also submit the proxy form electronically via **TIIH Online** website at https://tiih.online not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.
7. The lodging of the Proxy Form will not preclude you from attending, participating and voting remotely in person at the 17th AGM should you subsequently wish to do so, but if you do, your proxy(ies) shall be precluded from attending the 17th AGM. Please refer to the Administrative Guide for details of the submission of the Proxy Form.

**EXPLANATORY NOTES**

8. **Audited Financial Statements for the financial year ended 28 February 2023**

This Agenda item is meant for discussion only as under the provisions of Section 340(1)(a) of the Companies Act 2016, the audited financial statements do not require the approval of the shareholders. As such, this matter will not be put forward for voting.

9. **Ordinary Resolution No. 1: Payment of Directors' Fees & Benefits**

Pursuant to Section 230(1) of the Companies Act 2016, the shareholders' approval is sought for the proposed payment of Directors' Fees for financial year ending 29 February 2024 and Benefits to the Non-Executive Directors ("NEDs"). The calculation of the benefits which include meeting allowance is based on the estimated number of scheduled and/or special Board and Board Committees' meetings and on the assumption that the number of NEDs in office until the next AGM remains the same.

10. **Ordinary Resolution No. 3, 4 and 5: Re-election of Directors**

Article 26.1 of the Company's Constitution provides that an election of Directors shall take place each year at the annual general meeting of the Company where one third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one third (1/3) shall retire from office and be eligible for re-election. PROVIDED ALWAYS THAT all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.

The Board through its Nominating Committee had assessed each of the retiring Directors, and considered the following factors in determining their eligibility for re-election:

(a) the required mix of skills and experience;
(b) the character, knowledge, expertise, professionalism, integrity and time availability;
(c) the ability to discharge such responsibilities and functions as expected as Director; and
(d) attendance at Board and Committee Meetings

The profiles of the Directors standing for re-election are set out in the Directors' Profile of the Annual Report 2023.

11 **Ordinary Resolution No. 6: Re-appointment of Auditors**

The Board and Audit Committee had at their respective meetings on 27 April 2023 recommended the re-appointment of Grant Thornton Malaysia PLT for the financial year ending 29 February 2024. Grant Thornton Malaysia PLT have met the criteria prescribed under the Paragraph 15.21 of the MMLR and indicated their willingness to continue their services for the next financial year.

12. **Ordinary Resolution No. 7: Authority under Sections 75 And 76 of the Companies Act 2016 for the Directors to allot and issue shares**

The Company had during its 16th AGM held on 28 July 2022 obtained from its shareholders, a general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 to issue and allot shares in the Company up to an amount not exceeding 10% of the issued share capital of the Company and this mandate had not been exercised by the Company.

The proposed Ordinary Resolution 7 is a renewal mandate of the general mandate for the issuance of shares by the Company under Sections 75 and 76 of the Companies Act 2016. The mandate, if passed, will give the Directors of the Company, the authority to issue and allot shares in the Company up to an amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as the Directors would consider to be in the best interest of 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.

**EXPLANATORY NOTES (CONT'D)**

12. **Ordinary Resolution No. 7: Authority under Sections 75 And 76 of the Companies Act 2016 for the Directors to allot and issue shares (cont'd)**

    By voting in favour, the shareholders of the Company will waive their statutory pre-emptive right and thus will allow the Directors to issue new shares to any person under the General Mandate without having to offer the new shares to be issued equally to all existing shareholders of the Company prior to issuance.

    This mandate would provide the Company the flexibility to raise fund including but not limited to placing of shares to finance future projects, working capital and/or acquisitions without having to convene a general meeting.

13. **Ordinary Resolution No. 8: Proposed Renewal of Share Buy-Back Authority**

    This resolution will empower the Directors of the Company to purchase the Company's shares up to ten per centum (10%) of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the total retained profits of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

    Further information on the Proposed Renewal of Share Buy-Back Authority is set out in the Share Buy-Back Statement dated 28 June 2023 which has been despatched together with the Company's Annual Report 2023.

**STATEMENT ACCOMPANYING NOTICE OF 17TH ANNUAL GENERAL MEETING**
(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. **Details of individual who are standing for election as Directors (excluding Directors for re-election)**

    No individual is seeking election as Director at the 17th AGM of the Company.

2. **General mandate for issue of securities in accordance with Paragraph 6.03 of the Listing Requirements of Bursa Securities**

    The Company will seek shareholders' approval on the general meeting for issue of securities in accordance with Paragraph 6.03(3) of the MMLR of Bursa Securities. Please refer to the Proposed Ordinary Resolution 7 as stated in the Notice of the 17th AGM of the Company for details.

# ADMINISTRATIVE GUIDE FOR THE SEVENTEENTH ANNUAL GENERAL MEETING ("17TH AGM")

| | | |
|---|---|---|
| Day and Date | : | Wednesday, 26 July 2023 |
| Time | : | 11.00 a.m. |
| Venue | : | Key 1 & Key 2, Level 7, St Giles Southkey Johor Bahru, Mid Valley Southkey, 1, Persiaran Southkey 1, Kota Southkey, 80150 Johor Bahru, Johor |

Dear Shareholders of Pantech Group Holdings Berhad ("Pantech" or the "Company")

**PRECAUTIONARY MEASURES**

The health and safety of the attendees at the 17th AGM of Pantech is our main priority. Hence, the following precautionary measures will be taken for the conduct of the AGM:

1. If you are unwell with fever, cough, sore throat, flu, shortness of breath or any symptoms of the COVID-19, you are strongly advised to refrain from attending the AGM in person and to appoint a proxy or the Chairman of the meeting as your proxy to attend and vote on your behalf at the 17th AGM.

2. Any attendees, particularly the high-risk individuals such as the elderly and pregnant women are strongly encouraged to wear a face mask and practice proper self-sanitisation as well as maintain social distancing throughout the meeting.

3. You are advised to check the Company's website at https://www.pantech-group.com/ and Bursa's website at https://www.bursamalaysia.com/ from time to time for any changes to the administration of the AGM that may be necessitated by changes to the directives, safety and precautionary requirements and guidelines prescribed by the Government of Malaysia, the Ministry of Health, the Malaysian National Security Council, Securities Commission Malaysia and/or other relevant authorities.

**REGISTRATION ON THE DAY OF 17TH AGM**

1. Registration will commence at 9.30 a.m. and the registration counter will be closed when the meeting commences.

2. Please present your original National Registration Identity Card (NRIC) or Passport to the registration staff for verification. A photocopy of your NRIC or passport will not be accepted. Please ensure that the original NRIC or passport is returned to you thereafter.

3. Registration must be done in person. No person is allowed to register on behalf of another even with the original NRIC or passport of that other person.

4. You will be given an identification wristband with a personalised passcode upon registration and only be allowed to enter the meeting hall if you are wearing the identification wristband. Please retain the identification wristband for voting. There will be no replacement in the event you lose or misplace the identification wristband.

# Administrative Guide for the Seventeenth Annual General Meeting ("17th AGM") (cont'd)

**APPOINTMENT OF PROXY OR ATTORNEY OR CORPORATE REPRESENTATIVE**

If a shareholder is not able to attend the 17th AGM on 26 July 2023, he/she can appoint a proxy or the Chairman of the meeting as his/her proxy and indicate the voting instructions in the Proxy Form.

Shareholders who appoint proxy(ies) to participate at the 17th AGM must ensure that the duly executed proxy forms are deposited in a hard copy form or by electronic means to Tricor not later than **Monday, 24 July 2023 at 11.00 a.m.**

The appointment of a proxy may be made in hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM and adjourned AGM at which the person named in the appointment proposed to vote:

(i) In hard copy form

| Shareholder | Documents Required |
|---|---|
| Individual | • Completed hard copy proxy form |
| Any authority pursuant to which such appointment is made by a power of attorney | • Completed hard copy proxy form; and<br>• A copy of the power of attorney provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed. |
| Corporate Member | • Original certificate of appointment which are executed in the following manner:<br>(i) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.<br>(ii) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:-<br>(a) at least two (2) authorised officers, of whom one shall be a director; or<br>(b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated. |

All documents mentioned above must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not later than **Monday, 24 July 2023 at 11.00 a.m.**

(ii) By electronic form

The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at https://tiih.online not later than **Monday, 24 July 2023 at 11.00 a.m.** and the procedures to submit your proxy form electronically are summarised below:

# Administrative Guide for the Seventeenth Annual General Meeting ("17th AGM") (cont'd)

**PROCEDURES FOR ELECTRONIC SUBMISSION OF PROXY FORM**

The procedures to submit your proxy form electronically via Tricor's **TIIH Online** website are summarised below:-

<table>
<tr><th colspan="2">Procedure</th><th>Action</th></tr>
<tr><td colspan="3">i. Steps for Individual Shareholders</td></tr>
<tr><td>(a)</td><td>Register as a User with TIIH Online</td><td>• Using your computer, please access the website at https://tiih.online. Register as a user under the "e-Services" by selecting "Create Account by Individual Holder". Please do refer to the tutorial guide posted on the homepage for assistance.<br>• If you are already a user with TIIH Online, you are not required to register again.</td></tr>
<tr><td>(b)</td><td>Proceed with submission of Proxy Form</td><td>• After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password.<br>• Select the corporate event: "PANTECH 17TH AGM - SUBMISSION OF PROXY FORM".<br>• Read and agree to the Terms & Conditions and confirm the Declaration.<br>• Insert your CDS account number and indicate the number of shares for your proxy(ies) to vote on your behalf.<br>• Appoint your proxy(ies) and insert the required details of your proxy(ies) or appoint Chairman as your proxy.<br>• Indicate your voting instructions – FOR or AGAINST, otherwise your proxy(ies) will decide your vote.<br>• Review and confirm your proxy(ies) appointment.<br>• Print proxy form for your record.</td></tr>
<tr><td colspan="3">ii. Steps for Corporation or Institutional Shareholders</td></tr>
<tr><td>(a)</td><td>Register as a User with TIIH Online</td><td>• Access TIIH Online at https://tiih.online.<br>• Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects "Create Account by Representative of Corporate Holder".<br>• Complete the registration form and upload the required documents.<br>• Registration will be verified, and you will be notified by email within one (1) to two (2) working days.<br>• Proceed to activate your account with the temporary password given in the email and re-set your own password.<br><br>Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact the persons stated under "ENQUIRY" section below if you need clarifications on the user registration.</td></tr>
<tr><td>(b)</td><td>Proceed with submission of Proxy Form</td><td>• Login to TIIH Online at https://tiih.online.<br>• Select the corporate event: "PANTECH 17TH AGM - SUBMISSION OF PROXY FORM".<br>• Read and agree to the Terms & Conditions and confirm the Declaration.<br>• Proceed to download the file format for "SUBMISSION OF PROXY FORM" in accordance with the Guidance Note set therein.<br>• Prepare the file for the appointment of proxy(ies) by inserting the required data.<br>• Submit the proxy appointment file.<br>• Login to TIIH Online, select corporate event: "PANTECH 17TH AGM - SUBMISSION OF PROXY FORM".<br>• Proceed to upload the duly completed proxy appointment file.<br>• Select "Submit" to complete your submission.<br>• Print the confirmation report of your submission for your record.</td></tr>
</table>

Please note that only a depositor whose name appears on the Record of Depositor as at **18 July 2023** shall be entitled to attend or appoint proxies to attend and/or vote on his/her behalf at the 17th AGM.

# Administrative Guide for the Seventeenth Annual General Meeting ("17th AGM") (cont'd)

**REFRESHMENTS**

Light refreshments will be provided.

**NO RECORDING OR PHOTOGRAPHY**

Strictly no recording or photography of proceedings of the 17th AGM is allowed.

**ENQUIRY**

If you have any enquiry prior to the meeting, you may contact the Share Registrar at:

| **Tricor Investor & Issuing House Services Sdn Bhd**<br>*Registration No. 197101000970 (11324-H)*<br>Unit 32-01, Level 32, Tower A<br>Vertical Business Suite, Avenue 3,<br>Bangsar South No. 8, Jalan Kerinchi,<br>59200 Kuala Lumpur, Malaysia | | ***Telephone Number*** |
|---|---|---|
| | *General Line* | *603-2783 9299* |
| | *Fax Number* | *603-2783 9222* |
| | *Email* | *is.enquiry@my.tricorglobal.com* |

# ANALYSIS OF SHAREHOLDINGS
AS AT 31 MAY 2023

| | | |
|---|---|---|
| Number of Shares Issued* | : | 826,526,229 |
| Voting Rights | : | One Vote Per Ordinary Share |
| No. of Shareholders | : | 10,087 |

**DISTRIBUTION OF SHAREHOLDINGS AS AT 31 MAY 2023**

| Category | No. of Shareholders | % of Shareholders | No. of Shares* | % of Shares* |
|---|---|---|---|---|
| Less than 100 | 2,197 | 21.78 | 83,176 | 0.01 |
| 100 – 1,000 | 899 | 8.91 | 358,052 | 0.04 |
| 1,001 – 10,000 | 3,409 | 33.80 | 17,120,005 | 2.07 |
| 10,001 – 100,000 | 3,050 | 30.24 | 88,620,245 | 10.72 |
| 100,001 – less than 5% of issued shares | 529 | 5.24 | 533,970,452 | 64.61 |
| 5% and above of issued shares | 3 | 0.03 | 186,374,299 | 22.55 |
| **Total** | **10,087** | **100.00** | **826,526,229** | **100.00** |

**LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 31 MAY 2023**

| | | Direct | | Indirect | | |
|---|---|---|---|---|---|---|
| No. | Names | No. of Shares | %* | No. of Shares | %* | |
| 1. | CTL Capital Holding Sdn Bhd | 142,349,429 | 17.22 | – | – | |
| 2. | GL Management Agency Sdn Bhd | 102,266,209 | 12.37 | – | – | |
| 3. | Dato' Chew Ting Leng | 10,793,491 | 1.31 | 143,569,944 | 17.37 | (a) |
| 4. | Datin Shum Kah Lin | – | – | 154,363,435 | 18.68 | (b) |
| 5. | Dato' Goh Teoh Kean | 8,256,321 | 1.00 | 102,266,209 | 12.37 | (c) |
| 6. | Datin Lee Sock Kee | – | – | 110,522,530 | 13.37 | (d) |

**Note:**
* Excluding a total of 18,686,293 shares bought-back by the Company and retained as treasury shares

# Analysis of Shareholdings (cont'd)

## DIRECTORS' INTERESTS IN SHARES AS AT 31 MAY 2023

| | | Direct | | Indirect | | |
|---|---|---|---|---|---|---|
| No. | Names | No. of Shares | %* | No. of Shares | %* | |
| 1. | Dato' Chew Ting Leng | 10,793,491 | 1.31 | 143,569,944 | 17.37 | (a) |
| 2. | Dato' Goh Teoh Kean | 8,256,321 | 1.00 | 102,266,209 | 12.37 | (c) |
| 3. | Tan Ang Ang | 13,040,697 | 1.58 | 2,724,465 | 0.33 | (e) |
| 4. | To Tai Wai | 16,293,126 | 1.97 | – | – | – |
| 5. | Ng Lee Lee | 10,159,176 | 1.23 | – | – | – |
| 6. | Sakinah Binti Salleh | 301,809 | 0.04 | – | – | – |
| 7. | Lim Yoong Xao | – | – | 2,040 | 0.00 | (f) |
| 8. | Nooraini Binti Mohd Yasin | 39,500 | 0.005 | – | – | – |
| 9. | Dato' Sri Yap Tian Leong | – | – | – | – | – |

**Notes:**

(a) Deemed interested by virtue of his and his spouse Datin Shum Kah Lin's interest in CTL Capital Holding Sdn Bhd pursuant to Section 8 of the Companies Act, 2016 ("Act") and by virtue of his daughter Ms Chew Zhiyin's direct shareholding in the Company pursuant to Section 59(11) of the Act.

(b) Deemed interested by virtue of her and her spouse Dato' Chew Ting Leng's interest in CTL Capital Holding Sdn Bhd pursuant to Section 8 of the Act, and by virtue of her spouse Dato' Chew Ting Leng's and daughter, Ms Chew Zhiyin's direct shareholdings in the Company pursuant to Section 59(11) of the Act.

(c) Deemed interested by virtue of his and his spouse Datin Lee Sock Kee's interests in GL Management Agency Sdn Bhd pursuant to Section 8 of the Act.

(d) Deemed interested by virtue of her and her spouse Dato' Goh Teoh Kean's interests in GL Management Agency Sdn Bhd pursuant to Section 8 of the Act, and by virtue of her spouse Dato' Goh Teoh Kean's direct shareholding in the Company pursuant to Section 59(11) of the Act.

(e) Deemed interested by virtue of his spouse Madam Yong Yui Kiew's and son, Mr Jairus Tan Vern Hsien's direct shareholdings in the Company pursuant to Section 59(11) of the Act.

(f) Deemed interested by virtue of his spouse Madam Wong Hui Chin's direct shareholding in the Company pursuant to Section 59(11) of the Act.

* Excluding a total of 18,686,293 shares bought-back by the Company and retained as treasury shares

# Analysis of Shareholdings (cont'd)

## 30 LARGEST SHAREHOLDERS AS AT 31 MAY 2023

| No. | Shareholders | Shareholdings | %* |
|---|---|---|---|
| 1. | CTL CAPITAL HOLDING SDN BHD | 78,510,557 | 9.50 |
| 2. | GL MANAGEMENT AGENCY SDN BHD | 54,454,411 | 6.59 |
| 3. | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR<br>GL MANAGEMENT AGENCY SDN BHD | 47,811,798 | 5.78 |
| 4. | CTL CAPITAL HOLDING SDN BHD | 36,712,509 | 4.44 |
| 5. | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EMPLOYEES PROVIDENT FUND BOARD | 24,086,600 | 2.91 |
| 6. | DB (MALAYSIA) NOMINEE (ASING) SDN BHD<br>DEUTSCHE BANK AG SINGAPORE FOR YEOMAN 3-RIGHTS VALUE ASIA FUND (PTSL) | 23,125,000 | 2.80 |
| 7. | LEE LIANG MONG | 22,559,974 | 2.73 |
| 8. | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR CTL CAPITAL HOLDING SDN BHD (8089199) | 21,528,830 | 2.60 |
| 9. | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>NATIONAL TRUST FUND (IFM KAF) (446190) | 14,496,900 | 1.75 |
| 10. | CITIGROUP NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 19) | 12,961,200 | 1.57 |
| 11. | DATO' CHEW TING LENG | 10,793,491 | 1.31 |
| 12. | DATO' GOH TEOH KEAN | 8,256,321 | 1.00 |
| 13. | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EMPLOYEES PROVIDENT FUND BOARD (RHB INV) | 8,000,000 | 0.97 |
| 14. | TO TAI WAI | 7,765,892 | 0.94 |
| 15. | UNIVERSAL TRUSTEE (MALAYSIA) BERHAD<br>KAF CORE INCOME FUND | 7,655,600 | 0.93 |
| 16. | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR TAN CHIN HOOI | 7,625,000 | 0.92 |
| 17. | KONG CHIONG LEE | 7,283,002 | 0.88 |
| 18. | UNIVERSAL TRUSTEE (MALAYSIA) BERHAD<br>KAF TACTICAL FUND | 7,000,000 | 0.85 |
| 19. | UOBM NOMINEES (TEMPATAN) SDN BHD<br>UOB ISLAMIC ASSET MANAGEMENT SDN BHD FOR LEMBAGA TABUNG HAJI | 6,750,000 | 0.82 |
| 20. | HSBC NOMINEES (TEMPATAN) SDN BHD<br>HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT PROGRESS FUND (4082) | 6,745,000 | 0.82 |
| 21. | AMANAH RAYA BERHAD<br>KUMPULAN WANG BERSAMA SYARIAH | 6,503,500 | 0.79 |
| 22. | CIMB GROUP NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR DBS BANK LTD (SFS) | 6,500,080 | 0.79 |
| 23. | HSBC NOMINEES (TEMPATAN) SDN BHD<br>HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT AL-FAUZAN (5170) | 6,361,200 | 0.77 |
| 24. | NEOH CHOO EE & COMPANY, SDN. BERHAD | 6,000,000 | 0.73 |
| 25. | TAN ANG ANG | 5,850,592 | 0.71 |
| 26. | CTL CAPITAL HOLDING SDN BHD | 5,597,533 | 0.68 |
| 27. | NG LEE LEE | 5,593,539 | 0.68 |
| 28. | PUBLIC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR CHONG KHONG SHOONG (E-IMO/JSI) | 5,300,000 | 0.64 |
| 29. | NG LEE LEE | 4,565,637 | 0.55 |
| 30. | TO TAI WAI | 4,544,402 | 0.55 |
| | **TOTAL :** | **470,938,568** | **57.00** |

* Excluding a total of 18,686,293 shares bought-back by the Company and retained as treasury shares

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**PANTECH GROUP HOLDINGS BERHAD**

200601013856 (733607-W)

| No. of ordinary shares held | |
|---|---|
| CDS Account No. | |

## PROXY FORM

(Before completing this form please refer to the notes below)

I/We ..................................................................................................................... I/C No./Co. No./ ...........................................................................
(Full name in Capital Letters)

of ...........................................................................................................................................................................................................................
(Full address)

being a member/members of **PANTECH GROUP HOLDINGS BERHAD**, hereby appoint the following person(s):-

| Name of proxy | NRIC No. | No. of shares or % of shares to be represented by each proxy |
|---|---|---|
| 1. | | |
| 2. | | |

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Seventeenth (17th) Annual General Meeting ("AGM") of the Company to be held on Wednesday, 26 July 2023 at 11.00 a.m. at Key 1 & Key 2, Level 7, St Giles Southkey Johor Bahru, Mid Valley Southkey, 1, Persiaran Southkey 1, Kota Southkey, 80150 Johor Bahru, Johor. My/our proxy/proxies is to vote as indicated below:-

| | | PROXY 1 | | PROXY 2 | |
|---|---|---|---|---|---|
| | | FOR | AGAINST | FOR | AGAINST |
| **ORDINARY RESOLUTION** | | | | | |
| 1. | To approve the payment of Directors' fees and benefits up to the amount of RM400,000 for the financial year ending 29 February 2024. | | | | |
| 2. | To approve the payment of the Final Single Tier Dividend of 1.50 sen per ordinary share for the financial year ended 28 February 2023. | | | | |
| 3. | To re-elect Dato' Goh Teoh Kean who retires pursuant to Article 26.1. | | | | |
| 4. | To re-elect Mr. Tan Ang Ang who retires pursuant to Article 26.1. | | | | |
| 5. | To re-elect Mr. Lim Yoong Xao who retires pursuant to Article 26.1. | | | | |
| 6. | To re-appoint Grant Thornton Malaysia PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. | | | | |
| | **SPECIAL BUSINESS** | | | | |
| 7. | Authority to issue shares by the Company pursuant to Sections 75 and 76 of the Companies Act, 2016. | | | | |
| 8. | Proposed Renewal of Share Buy-Back Authority. | | | | |

Please indicate with a "√" or "X" in the space provided how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

.......................................................................................
Signature of Shareholder(s)/Common Seal

Signed this ...................... day of ..................................... 2023

Notes:

1. For the purpose of determining a member who shall be entitled to attend, speak and vote at the AGM, the Company shall be requesting the Record of Depositors as at 18 July 2023. Only a depositor whose name appears on the Record of Depositors as at 18 July 2023 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.
2. A member entitled to attend and vote at this AGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, speak and vote in his place. A proxy may but need not be a member of the Company.
3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than 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.
4. Where a member is an exempt authorised nominee, it may appoint multiple proxies for each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under the Corporation's Common Seal or under the hand of an officer or attorney so authorized
6. The Proxy Form must be deposited at the Share Registrar's office, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, or alternatively, Tricor Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or may also submit the proxy form electronically via **TIIH Online** website at https://tiih.online not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.
7. The lodging of the Proxy Form will not preclude you from attending, participating and voting remotely in person at the 17th AGM should you subsequently wish to do so, but if you do, your proxy(ies) shall be precluded from attending the 17th AGM. Please refer to the Administrative Guide for details of the submission of the Proxy Form.

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*Then fold here*

**"17TH ANNUAL GENERAL MEETING"**

AFFIX
STAMP

**THE SHARE REGISTRAR of**
**PANTECH GROUP HOLDINGS BERHAD**
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur

*1st fold here*

## PANTECH CORPORATION SDN. BHD.
198801008964 (176321-P)

### Johor Bahru Head Office

PTD 204334
Jalan Platinum Utama
Kawasan Perindustrian Pasir Gudang
Zon 12B
81700 Pasir Gudang
Johor Darul Takzim, Malaysia
Tel: +607 259 7979 I Fax: + 607 256 7588/7589
Email: info@pantechcorp.com

### Shah Alam Office & Warehouse

No. 3, Jalan Trompet 33/8
Seksyen 33, 40400 Shah Alam
Selangor Darul Ehsan, Malaysia
Tel: +603 5192 7995 I Fax: +603 5192 7992
Email: infosa@pantechcorp.com

### Port Klang Free Zone Warehouse

Persiaran Port Klang FZ 7, Jalan FZ 6-P1
Port Klang Free Zone / KS 12
42920 Pulau Indah
Selangor Darul Ehsan, Malaysia
Tel: +603 3101 3767 I Fax: +603 3101 4767
Email: info@pantechcorp.com

### Pengerang Warehouse

Lot LO129, Kampung Bukit Gelugur
81600 Pengerang
Johor Darul Takzim, Malaysia
Tel: +6019 751 0988
Email: info@pantechcorp.com

## PANTECH (KUANTAN) SDN. BHD.
199001000048 (191606-U)

### Kuantan Office & Warehouse

Lot 38 & 39, Jalan Gebeng 1/8,
Kawasan Industri Gebeng,
26080 Kuantan,
Pahang Darul Makmur, Malaysia.
Tel: +609 580 7556/ 7554 I Fax: +609 580 7553
Email: infokuantan@pantechcorp.com

## PANAFLO CONTROLS PTE. LTD.
(200413822 D)

### Singapore Office

No. 7, Soon Lee Street
#04-42 ISpace
Singapore 627608
Tel: +65 6562 3048 I Fax: +65 6562 3148
Email: info@panaflocontrols.com.sg

## PANTECH STEEL INDUSTRIES SDN. BHD.
200001007126 (509731-A)

### Manufacturer

Lot 13258 & 13259
Jalan Haji Abdul Manan
Off Jalan Meru
42200 Kapar
Selangor Darul Ehsan, Malaysia
Tel: +603 3393 1633 I Fax: +603 3392 8966
Email: info@pantechsteel.com

## PANTECH STAINLESS & ALLOY INDUSTRIES SDN. BHD.
200601013677 (733428-W)

### Manufacturer

PTD 204334
Jalan Platinum Utama
Kawasan Perindustrian Pasir Gudang
Zon 12B
81700 Pasir Gudang
Johor Darul Takzim, Malaysia
Tel: +607 251 8888 I Fax: +607 251 9999
Email: info@pantechssalloy.com

## NAUTIC STEELS LIMITED, UNITED KINGDOM
(02302004)

### Manufacturer

Nautic House, Claymore,
Tame Valley Industrial Estate,
Tamworth, Staffordshire,
England, B77 5DQ
Tel: +44 (0)1827 281111 I Fax: +44 (0)1827 281444
Email: sales@nautic.co.uk

## PANTECH GALVANISING SDN. BHD.
201501036779 (1162100-W)

### Hot-dip Galvanising Plant

PLO 7, Jalan Rumbia 4
Kawasan Perindustrian Tanjung Langsat
81700 Pasir Gudang
Johor Darul Takzim, Malaysia
Tel: +607 257 5800 I Fax: +607 257 5888
Email: info@pantechgalv.com

## UNITY PRECISION ENGINEERING SDN. BHD.
200301035879 (638300-M)

### Manufacturer

No.1, Jalan Desa Tropika 2/2
Taman Perindustrian Tropika
81800 Ulu Tiram
Johor Darul Takzim, Malaysia
Tel: +607 863 0000 I Fax: +607 863 3335

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