

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Flexidynamic Holdings Berhad ("**Flexidynamic**" or the "**Company**") and its subsidiaries' (collectively referred to as the "**Group**") acknowledges the importance of the principles and practices as set out in Malaysian Code on Corporate Governance ("**MCCG**") in managing the Group's business towards its mission of sustainable growth.

The Board will continuously evaluate the Group's corporate governance practices and procedures, and where appropriate will adopt and implement the best practices in the MCCG to the best interest of the shareholders of the Company.

The Corporate Governance Overview Statement is made pursuant to Rule 15.25(1) of the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and the principles and practices as set out in MCCG.

This Corporate Governance Overview Statement should also be read in tandem with the Corporate Governance Report 2021 which is available on the Company's corporate website at <https://flexidynamic.com/>.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. THE BOARD OF DIRECTORS

1.1 Roles and Responsibilities of the Board of Directors (the "Board")

The Board recognises the key role it plays in charting the strategic direction of the Company and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:-

- provide leadership and oversee the overall conduct of our Group's businesses to ensure that our businesses are being properly managed;
- review and adopt strategic plans for our Group and to ensure that such strategic plans and the risk, performance and sustainability thereon are effectively integrated and appropriately balanced;
- review and adopt corporate governance best practices in relation to risk management, legal and compliance management and internal control systems to safeguard our Group's reputation, and our employees and assets and to ensure compliance with applicable laws and regulations;
- ensure that our Group has effective Board committees as required by the applicable laws, regulations, rules, directives and guidelines and as recommended by the MCCG;
- review the effectiveness and implementation of anti-bribery and anti-corruption policy and framework;
- monitor the relationship between our Group and our management, shareholders and stakeholders, and to develop and implement an investor relations programme or shareholders' communications policy for our Group; and
- appoint our Board committees, to delegate powers to such committees, to review the composition, performance and effectiveness of such committees, and to review the reports prepared by our Board committees and deliberate on the recommendations thereon.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely Audit and Risk Management Committee, Nomination Committee and Remuneration Committee to examine specific issues within their respective terms of reference as approved by the Board and to report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

Board Charter

The Board Charter has been formalised and adopted by the Board. The Board Charter aims to ensure that all Board members understand their duties and responsibilities as well as the laws, regulations and best practices governing their conduct.

The Board Charter is to be reviewed periodically and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. The Board Charter is accessible at the Company's website at <http://www.flexidynamic.com>.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

1. THE BOARD OF DIRECTORS (CONT'D)

1.1 Roles and Responsibilities of the Board of Directors (the "Board") (cont'd)

Employee Code of Conduct Policy

The Board has established an Employee Code of Conduct Policy for its directors and employees. The Employee Code of Conduct Policy setting out the standards of conduct expected from Directors and employees to advocate good corporate behaviour with the intention of achieving the following aims:-

- To outlines the Company's expectations regarding employees' behaviour towards their colleagues, supervisors and overall organisation.
- To promote freedom of expression and open communication while expecting all employees to follow the Company's code of conduct.

The Board recognises the importance of adhering to the Employee Code of Conduct Policy and has taken measure to put in place a process to ensure:

- Compliance with law;
- Respect in the workplace;
- Protection of the Group's Property;
- Professionalism;
- Not engaging in Corruption;
- Job duties and authority;
- Monitoring Absenteeism and tardiness;
- Conflict of interest;
- Collaboration among employees and management;
- Communication; and
- Benefits.

Ethics and Compliance Whistleblowing Policy and Procedurest

The Board has adopted the Ethics and Compliance Whistleblowing Policy and Procedures and is committed in conducting the business ethically, as well as complying with all applicable laws, which include compliance with the Malaysian Anti-Corruption Commission Act 2009, the Malaysian Anti-Corruption Commission (Amendment) Act 2018 and any of its amendments or re-enactments that may be made by the relevant authority from time to time. The Group is committed to conducting its business according to the highest ethical, moral and legal standards. In line with this commitment, and the Group's commitment to open communication, this Policy aims to provide an avenue for employees, third parties and other stakeholders, on an anonymous basis if appropriate, to raise concerns or report any known or potential misconduct, violation of Group policies or applicable laws and regulations, without retaliation or retribution.

Ethics and Compliance Whistleblowing Policy and Procedures is available on the Company's website at <http://www.flexidynamic.com>.

Anti-Bribery and Corruption Policy

The Group has adopted and implemented the Anti-Bribery and Corruption Policy and was adopted and the said Policy was designed in line with the government's commitment to tackling corruption, improving integrity and implementing good corporate governance pursuant to Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018.

The Group is committed to conduct its business and operations on the concept of transparency, integrity and accountability, in compliance with the applicable laws and regulation.

Anti-Bribery and Corruption Policy is available on the Company's website at <http://www.flexidynamic.com>.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

1. THE BOARD OF DIRECTORS (CONT'D)

1.1 Roles and Responsibilities of the Board of Directors (the "Board") (cont'd)

Sustainability

The Board ensures that the Company's strategies promote sustainability with attention given particularly to the economic, environmental and social ("EES") pillars of sustainability. The importance of sustainability as a key driver for long-term business growth and believes that business success should be measured in a holistic manner rather than just by financial profits, therefore Board is mindful of the need to develop the Group's business by practicing, preserving and promoting activities that contributes to the EES pillars. The Company strives to achieve a sustainable long-term balance between meeting its business goals and compliance to relevant environmental and related legislation as well as ensuring a safe and healthy working environment.

1.2 Board Balance and Composition

The Board currently consists of eight (8) members, comprising of the Managing Director, three (3) Executive Directors and four (4) Independent Non-Executive Directors. The Board has achieved the target of at least half of the board comprises independent directors in compliance with the MCCG and exceeding the minimum one-third (1/3) requirement as out in the AMLR. The Independent Non-Executive Directors do not participate in day-to-day management as well as the daily business of the Company. In staying clear of any potential conflict of interest situation, the Independent Directors remain in a position to fulfil their responsibility to provide a check and balance to the Board. They provide independent and objective views, advice and judgement that take into account the interests of the Group as well as shareholders and investors in the decision-making process of the Board.

The background of each Director is contained in the "Profile of Board of Directors" as set out in this Annual Report. The Directors, with their differing backgrounds and specialisations, collectively bring with them a wide range of experience and expertise in areas such as accounting and audit; corporate affairs; and marketing and operations.

All the Directors have given confirmations on an annual basis as to whether he/she has any family relationship with any director and/or major shareholder of the Company, any conflict of interest with the Company and any convictions for offences (other than traffic offences, if any) within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

Gender Diversity Policy

The Board acknowledges the recommendations of the MCCG on the establishment of a gender diversity policy.

There is no formality to implement a gender diversity policy or target. The Board advocates non-discrimination of any form, whether based on age, race, religion or gender, throughout the Group, which includes the selection of Board members. The Company believes in providing equal opportunity to candidates with merits.

However presently, there are three (3) female directors and five (5) male directors sitting on the Board that constitutes 38% female representation on the Board. The Board is of the view that the suitability of a candidate for the Board is dependent on the candidate's competency, skills, experience, expertise, time commitment, integrity and other qualities in meeting the needs of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

1. THE BOARD OF DIRECTORS (CONT'D)

1.3 Division of Roles and Responsibilities between the Chairperson and Managing Director

The Board appreciates the distinct roles and responsibilities of the Chairperson of the Board and the Managing Director to ensure a clear and proper balance of power and authority. The roles of the Chairperson and the Managing Director are separated and distinguished with no overlapping of authority.

The Chairperson is responsible for leadership of the Board in ensuring the effectiveness of all aspects of his role. Decisions of the Board are made collectively during Board meetings. In order to ensure that meetings are properly facilitated, and the Board is properly led, the Chairperson plays a crucial and pivotal leadership role in ensuring that the Board works effectively. Additionally, the Chairperson of the Board is usually the presiding Chairperson during General Meetings of the Company.

Chairperson of the Board endeavours to create an environment which promotes constructive deliberations leading to effective contributions by each Board member during Board meetings. Furthermore, the Chairperson must be able to manage personal conflicts and help to focus the Board on what really matters as oppose to simply ploughing through the agenda.

The position of Chairperson is currently led by Ms Phang Sze Fui, an Independent Non-Executive Director of the Company. She will chair every meeting of the Company.

The position of Managing Director is held by Mr. Tan Kong Leong. He is responsible for ensuring the adequacy and effectiveness of the Board's governance process and acts as facilitator at Board meetings to ensure all Directors participate and deliberate at all Board meetings and that no Board member dominates the discussion. As the Managing Director, supported by fellow Executive Directors, he implements the Group's strategies, policies and decisions adopted by the Board and oversees the operations and business development of the Group.

The roles and responsibilities of the Managing Director are prescribed in the Company's Board Charter which can be assessed at the corporate website at <http://www.flexidynamic.com>.

2. BOARD MEETING AND ACCESS TO INFORMATION

Supply of Information

Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific request, for decisions to be made on an informed basis and effective discharge of Board's responsibilities.

Good practices have been observed for timely dissemination of meeting agenda, including the relevant Board and Board Committee papers to all Directors prior to the Board and Board Committee meetings to facilitate informed Board decision and to deal with matters arising from such meetings. All Board members will be furnished with comprehensive board papers, to explain on pertinent issues and recommendations by Management. The issues are then deliberated and discussed in-depth by the Board prior to decision making.

In addition, the Board members are updated on the Company's activities and its operations on a regular basis. All Directors have access to all information of the Company on a timely basis to enable them to discharge their duties and responsibilities.

The Directors are provided with agenda of meetings and Board papers which contain operational report and financial information to be discussed, in sufficient time prior to every Board meeting to enable them to obtain further explanation, where necessary, in order to be properly informed before the meeting.

The Chairperson of the Audit and Risk Management Committee, highlights to the Board at each Board meeting of any salient matters noted by the Audit and Risk Management Committee that may require the Board's attention or direction.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

2. BOARD MEETING AND ACCESS TO INFORMATION (CONT'D)

Supply of Information (cont'd)

When necessary, the Directors may whether as a full Board or in their individual capacity, seek independent professional advice, including from internal and external auditors, at the Company's expense to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated, subject to approval by the Chairperson of the Board, and depending on the quantum of the fees involved.

Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board and Board Committees meetings, as set out in the table below:

Name	Designation	Board	Audit and Risk Management Committee	Nomination Committee	Remuneration Committee
Tan Kong Leong	Managing Director	6/6	-	1/1	1/1
Liew Heng Wei	Executive Director	6/6	-	-	-
Lion Suk Chin	Executive Director	6/6	3/3	1/1	1/1
Phang Sze Fui	Independent Non-Executive Chairperson	6/6	3/3	1/1	1/1
Noor Zaliza Yati Binti Yahya	Independent Non-Executive Director	6/6	3/3	1/1	1/1
Chong Kai Feng	Independent Non-Executive Director	6/6	3/3	1/1	1/1
Poh Chee Fong (Appointed on 1 December 2021)	Independent Non-Executive Director	-	-	-	-
Sin Kuo Wei (Appointed on 1 March 2022)	Deputy Managing Director	-	-	-	-

All Board members are required to notify the Chairperson on new directorships notwithstanding that the AMLR allow a Director to sit on the boards of 5 listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (cont'd)

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

2. BOARD MEETING AND ACCESS TO INFORMATION (CONT'D)

Company Secretaries

The Company Secretaries are qualified Chartered Secretaries, under the prescribed body as permitted by the Companies Act 2016. The Board members have direct access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Company Secretaries provide information and advice to the Board and its Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Company.

The Company Secretaries' roles are to:

- (a) Support the Board and Board Committees;
- (b) Update and advise the Board and its Committees in compliance with the Companies Act 2016, Company's Constitution, corporate governance and compliance with the AMLR of Bursa Securities and any other relevant authority;
- (c) Maintenance of statutory records;
- (d) As the Advisor to the Board to guide the Board on the compliance with AMLR; and
- (e) Ensure the quarterly financial results and all other relevant announcements are released to Bursa Securities on a timely basis.

The Company Secretaries play an essential role in the annual general and extraordinary general meetings in ensuring that due processes and proceedings are in place and properly managed. During the meeting, the Company Secretaries will assist the Chairperson and the Board in the conduct of the meetings and ensure the minutes are properly recorded.

The appointment and removal of Company Secretaries are matters reserved for the Board.

3. BOARD SELECTION AND ASSESSMENT

A Nomination Committee has been established, with specific terms of reference, by the Board, comprising exclusively Independent Non-Executive Directors as follows:

Chairperson

Poh Chee Fong Independent Non-Executive Director
(Appointed on 1 December 2021)

Phang Sze Fui Independent Non-Executive Chairperson
(Resigned on 1 December 2021)

Members

Noor Zaliza Yati Binti Yahya Independent Non-Executive Director
Chong Kai Feng Independent Non-Executive Director

The Nomination Committee is primarily responsible for recommending suitable appointments to the Board, taking into consideration the Board structure, size, composition and the required mix of expertise and experience which the Director should bring to the Board.

Appointments to the Board are based on merit, having regards to the contribution of the candidates to the Board as a whole. The Board believes that merit-based appointments will best enable the Group to serve its shareholders and stakeholders. The final decision on the appointment of a candidate recommended by the Nomination Committee rests with the Board. The Board is entitled to the services of the Company Secretary who would ensure that all appointments are properly made upon obtaining all necessary information from the candidates.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

3. BOARD SELECTION AND ASSESSMENT (CONT'D)

The Nomination Committee will also assess the effectiveness of the Board as a whole, the Board Committees and the contribution of each Director, including Independent Non-Executive Directors. The Nomination Committee is to evaluate the Board components based on its diversified mix of skills and experience.

All the Directors of the Company have attended the Mandatory Accreditation Programme as prescribed in the AMLR.

The Board is mindful of the importance for its members to undergo continuous training to keep abreast with changes in regulatory requirements and the impact of such regulatory requirements have on the Group.

During the financial year under review, the trainings attended by the Directors included briefings, seminars, workshops and conferences conducted by the relevant regulatory authorities and professional bodies. Details of the training programmes attended/ participated by the Directors are as follows:

Name of Directors	Seminars/Conferences/Training Programmes Attended	Date of Attendance
Tan Kong Leong	<ul style="list-style-type: none"> Mandatory Accreditation Program (MAP) 	18 January 2021 – 20 January 2021
Liew Heng Wei	<ul style="list-style-type: none"> Mandatory Accreditation Program (MAP) Safety and Health Assessment System in Construction 	18 January 2021 – 20 January 2021 26 October 2021
Lion Suk Chin	<ul style="list-style-type: none"> Mandatory Accreditation Program (MAP) Budget 2022 Employment Issue Webinar 	18 January 2021 – 20 January 2021 12 November 2021 7 July 2021
Phang Sze Fui	<ul style="list-style-type: none"> Implementing Amendments in the Malaysian Code on Corporate Governance Pre & Post Rules and Key Updates to Listing Requirements Budget 2022 Introduction to Integrated Reporting 	1 June 2021 24 June 2021 2 December 2021 7 December 2021
Noor Zaliza Yati Binti Yahya	<ul style="list-style-type: none"> Mandatory Accreditation Program (MAP) IPO Dialogue for Flexidynamic Holdings Berhad Securities Commission's Audit Oversight Board Conversation with Audit Committees Fraud Risk Management Workshop 2021 	18 January 2021 – 20 January 2021 29 March 2021 29 November 2021 8 December 2021

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

3. BOARD SELECTION AND ASSESSMENT (CONT'D)

During the financial year under review, the trainings attended by the Directors included briefings, seminars, workshops and conferences conducted by the relevant regulatory authorities and professional bodies. Details of the training programmes attended/ participated by the Directors are as follows: (cont'd)

Name of Directors	Seminars/Conferences/Training Programmes Attended	Date of Attendance
Chong Kai Feng	<ul style="list-style-type: none"> Mandatory Accreditation Program (MAP) MIT Innovation Leadership Bootcamp Implementing Amendments in the Malaysian code on Corporate governance 	18 January 2021 – 20 January 2021 12 February 2021 – 15 April 2021 1 June 2021
Poh Chee Fong (Appointed on 1 December 2021)	-	-
Sin Kuo Wei (Appointed on 1 March 2022)	-	-

In addition, the Directors' training also includes briefings by the Company Secretaries and the external auditors from time to time during the Board and ARMC meetings on the relevant updates pertaining to statutory and regulatory requirements.

Re-election of Directors

In accordance with the Company's Constitution, at least one-third (1/3) of the Board shall retire by rotation at each Annual General Meeting ("AGM") at least once in every three (3) years but shall be eligible for re-election. The Constitution further provides that a Director who is appointed during the year shall be subject to re-election at the next AGM to be held following his appointment. Directors who are due for retirement and subject to re-election at the AGM will be assessed by the Nomination Committee, whose recommendations will be submitted to the Board for consideration, thereafter to be tabled to shareholders for approval at the AGM.

During the financial year ended 31 December 2021, none of the Independent Non-Executive Directors has served on the Board for more than nine (9) years.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

4. BOARD REMUNERATION

A Remuneration Committee has been established by the Board, comprising exclusively of Independent Non-Executive Director as follows:

Chairperson

Chong Kai Feng (Appointed on 1 December 2021)	Independent Non-Executive Director
Phang Sze Fui (Resigned on 1 December 2021)	Independent Non-Executive Chairperson

Members

Noor Zaliza Yati Binti Yahya	Independent Non-Executive Director
Poh Chee Fong (Appointed on 1 December 2021)	Independent Non-Executive Director

The Remuneration Committee has been entrusted by the Board to determine that the levels of remuneration are sufficient to attract and retain Directors of quality required to manage the business of the Group. The Remuneration Committee is entrusted under its terms of reference to assist the Board, amongst others, to recommend to the Board the remuneration of the Executive Directors. In the case of Independent Non-Executive Directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by the Independent Non-Executive Directors concerned.

Details of Directors' remuneration for the financial year ended 31 December 2021 in the Group are as follows:

Name of Directors	Fees RM	Salaries and Other Emoluments RM	EPF RM	Benefit- in-kind RM	Total RM
Company Executive Directors:					
Tan Kong Leong	24,000	-	-	-	24,000
Liew Heng Wei	24,000	-	-	-	24,000
Lion Suk Chin	24,000	-	-	-	24,000
Sin Kuo Wei	-	-	-	-	-
Independent Directors:					
Phang Sze Fui	56,250	-	-	-	56,250
Noor Zaliza Yati Binti Yahya	30,000	-	-	-	30,000
Chong Kai Feng	24,000	-	-	-	24,000
Poh Chee Fong	2,000	-	-	-	2,000
Grand Total	184,250	-	-	-	184,250

CORPORATE GOVERNANCE OVERVIEW

STATEMENT (cont'd)

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

4. BOARD REMUNERATION (CONT'D)

Details of Directors' remuneration for the financial year ended 31 December 2021 in the Group are as follows (cont'd):

Name of Directors	Fees RM	Salaries and Other Emoluments RM	EPF RM	Benefit- in-kind RM	Total RM
Subsidiary Executive Directors:					
Tan Kong Leong	-	476,500	90,535	29,746	596,781
Liew Heng Wei	-	288,000	54,720	17,400	360,120
Lion Suk Chin	-	259,000	32,340	17,400	308,740
Grand Total	-	1,023,500	177,595	64,546	1,265,641

The aggregate remuneration of the top senior management staff of the Group during the financial year ended 31 December 2021 categorised into the various bands are as follows:

Key Senior Management	Remuneration band (In band of RM50,000)	
	Remuneration (RM)	Benefit-in-kind (RM)
Sin Kuo Wei	250,000 – 300,000	0-50,000
Chen Li Chin	100,000 – 150,000	-

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

5. AUDIT AND RISK MANAGEMENT COMMITTEE

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the quarterly announcement of the Group's results to Bursa Securities and the annual financial statements of the Group and Company. The Board is assisted by the Audit and Risk Management Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

The Audit and Risk Management Committee assists the Board to discharge its duties on financial reporting. The composition of the Audit and Risk Management Committee, including its roles and responsibilities, are set out in the Audit and Risk Management Committee Report of this Annual Report. One of the key responsibilities of the Audit and Risk Management Committee in its specific terms of reference is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial report announced to Bursa Securities and the annual statutory financial statements.

The Board is committed in upholding the integrity of the group financial reporting. The Audit and Risk Management Committee is responsible to assess, evaluate and recommend the External Auditors to ensure they are of the right calibre with professional ethics and integrity. The Audit and Risk Management Committee also reviews the types of non-audit services permitted to be provided by the External Auditors of the Company so as not to compromise their independence and objectivity.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

5. AUDIT AND RISK MANAGEMENT COMMITTEE (CONT'D)

In assessing the independence of the External Auditors, the Audit and Risk Management Committee will require written assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

Having satisfied itself with the external Auditors, Messrs Grant Thornton Malaysia PLT's performance, the Audit and Risk Management Committee will recommend their re-appointment to the Board, upon which the shareholders' approval will be sought at the forthcoming AGM.

6. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Audit Committee was merged together with the Risk Management Committee to form the Audit & Risk Management Committee.

The Board has authorised the Audit & Risk Management Committee to review the effectiveness of the internal audit function and to provide oversight on the establishment and implementation of the risk management framework in identifying and managing risks and internal processes which include but not limited to ensuring the adequacy of risk management policy.

As an effort to enhance the system of internal control, the Board, together with the assistance of external professional Internal Audit firm adopted on-going monitoring and review the existing risk management process in place within the various business operations, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the Audit & Risk Management Committee and the Board to strengthen and improve current management and operating style in pursuit of best practices.

As an ongoing process, significant business risks faced by the Group are identified and evaluated, and consideration is given to the potential impact of achieving the business objectives. This includes examining principal business risks in critical area, assessing the likelihood of material exposures and identifying the measures taken to mitigate, avoid or eliminate these risks. The Statement of Risk Management and Internal Control is set out in this Annual Report which provides an overview of the management of risks and state of Internal Control within the Group.

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

7. CONTINUOUS COMMUNICATION BETWEEN COMPANY AND STAKEHOLDERS

The Board recognises the importance of being transparent and accountable to the Company's investors and, as such, has various channels to maintain communication with them. The various channels of communications are through the quarterly announcements on financial results to Bursa Securities, relevant announcements and circulars when necessary, the Annual and Extraordinary General Meetings and through the Group's website where shareholders can access pertinent information concerning the Group.

8. SHAREHOLDERS PARTICIPATION AT GENERAL MEETINGS

The Company's AGM serves as a principal forum for shareholders dialogue, allows shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification. Shareholders are encouraged to communicate with the Board at the AGM and to vote on all resolutions.

The forthcoming AGM will be the third AGM of the Company.

A notice period of at least 28 days is given prior to the AGM in line with Practice 13.1 of the MCGG to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

8. SHAREHOLDERS PARTICIPATION AT GENERAL MEETINGS (CONT'D)

In line with the AMLR, all resolutions tabled at general meetings will be voted by way of poll. It also provides that an independent scrutineer shall be appointed to validate the votes cast. The outcome of the AGM will be announced to Bursa Securities on the same day the meeting is held.

The second AGM was conducted on a fully virtual basis on 29 June 2021. All the Directors together with the Senior Management team and External Auditors attended the second AGM to answer any queries from the shareholders.

COMPLIANCE STATEMENT

Saved as disclosed above, the Board is satisfied that throughout the financial year ended 31 December 2021, the Company has applied the principals and recommendations of the corporate governance set out in MCCG, where necessary and appropriate.

This Corporate Governance Overview Statement is made by a resolution of the Directors dated 18 April 2022.

AUDIT & RISK MANAGEMENT COMMITTEE REPORT

The principal objective of the Audit & Risk Management Committee ("**ARMC**") is to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of Flexidynamic Holdings Berhad and its subsidiaries ("**Group**").

COMPOSITION AND DESIGNATION OF ARMC MEMBERS

The ARMC is established by the Board on 9 June 2020. The ARMC comprises of all independent non-executive directors. The ARMC members are as below:-

Designation	Name of Directors	Directorship
Chairperson	Noor Zaliza Yati Binti Yahya	Independent Non-Executive Director
Member	Chong Kai Feng	Independent Non-Executive Director
Member	Poh Chee Fong (Appointed on 1 December 2021)	Independent Non-Executive Director

COMPOSITION COMPLIANCE

The ARMC Chairperson, Pn. Noor Zaliza Yati Binti Yahya, is a member of the Malaysian Institute of Accountants. The ARMC, therefore, meets the requirement of Rule 15.09 of the ACE Market Listing Requirements.

None of the members of the ARMC were former audit partners of the External Auditors appointed by the Group.

MEETINGS AND ATTENDANCE

During the financial year ended 31 December 2021, the ARMC held three (3) meetings. Details of the attendance of ARMC members are as follow:-

Designation	Name of Directors
Noor Zaliza Yati Binti Yahya	3/3
Chong Kai Feng	3/3
Phang Sze Fui (Resigned on 1 December 2021)	3/3
Poh Chee Fong (Appointed on 1 December 2021)	N/A

The Managing Director, the other Executive Directors, key management personnel, external auditors and outsourced internal auditors also attended the meetings when invited by the ARMC to provide information and present reports during the deliberation of matters pertaining to their respective areas.

TERMS OF REFERENCE

The Terms of Reference of the ARMC can be viewed at the Company's website at <https://flexidynamic.com/>.

AUDIT & RISK MANAGEMENT COMMITTEE REPORT (cont'd)

SUMMARY OF ACTIVITIES OF THE AUDIT & RISK MANAGEMENT COMMITTEE DURING THE FINANCIAL YEAR

During the financial year ended 31 December 2021, the ARMC carried out the following activities and discharged its duties as outlined in the Terms of Reference:-

(a) Financial Reporting

- (i) Reviewed the quarterly unaudited financial results of the Group for announcement to Bursa Securities before recommending them for the Board's approval. The review was to ensure that the unaudited quarterly financial results were prepared in accordance with the requirements of Malaysian Financial Reporting Standard ("MFRS") 134, International Accounting Standard 34: Interim Financial Reporting, and provisions of the Listing Requirement of Bursa Securities.
- (ii) Reviewed the audited financial statements of the Group and the Company for the financial year ended 31 December 2020 prior to their submission for consideration and approval by the Board. The review was to ensure that the audited financial statements were drawn up in accordance with the requirements of the Companies Act 2016 and the applicable MFRS and International Financial Reporting Standards.
- (iii) Reviewed the Annual Report for the financial year ended 31 December 2020 prepared by the management before submission to the Board for approval, and ensuring its timely announcements to the Bursa Securities.

(b) Annual Reporting

- (i) Reviewed the ARMC Report, Corporate Governance Overview Statement and Statement of Risk Management and Internal Control before recommending to the Board for approval, for inclusion in the Annual Report.

(c) Related Party Transactions

- (i) Reviewed the related party transactions entered into by the Group on quarterly basis to ensure such transactions are undertaken on arm's length basis and on normal commercial terms not more favourable to related party than those generally available to the public, and proper disclosures are made pursuant to the Listing Requirements, as and when necessary.

(d) External Audit

- (i) Reviewed and discussed with the external auditors on the results of the audit, audit report and areas of concern highlighted in the management letter, including management's responses to the concerns raised by the external auditors on the financial statements of the Group for the financial year ended 31 December 2020.
- (ii) Reviewed and discussed with the external auditors on their audit planning memorandum for the financial year ended 31 December 2021 covering of their scope of audit, methodology, timetable, areas of focus prior to the commencement of their annual audit and proposed audit fee.

(e) INTERNAL AUDIT

- (i) Reviewed and approved the internal audit plan for financial year of 2021 and 2022.
- (ii) Reviewed and approved the internal control charter drafted by the internal auditor.
- (iii) Reviewed and discussed with the internal auditor on the results of the audit reports which outlined the recommendations towards correcting areas of weaknesses and ensured that management action plans were established for the implementation of the internal auditors' recommendations.
- (iv) Reviewed and followed up on the actions taken by Management in addressing the issues and recommendations raised by internal auditors.

AUDIT & RISK MANAGEMENT COMMITTEE REPORT (cont'd)

INTERNAL AUDIT FUNCTION

The internal audit function is outsourced to Sterling Business Alignment Consulting Sdn. Bhd, an independent professional consulting firm, who assisted the ARMC and the Board in providing independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system. The independent professional consulting firm commence the internal audit function review in April 2022.

During the financial year under review, the Internal Auditors carried out the following activities:-

- (a) Presented the internal audit plan of the Group for financial year 2021 and 2022 to the ARMC.
- (b) Reviewed the Finance & Accounts functions of Flexidynamic Engineering Sdn Bhd.
- (c) Reviewed the Production and Inventory Management functions of Flexidynamic Engineering Sdn Bhd.
- (d) Presented the report on the internal control reviews highlighting the key audit findings together with the recommendations for improvement as well as management responses and action plans, to the ARMC for deliberation.
- (e) Performed follow-up reviews in assessing the progress of the agreed management's action plans and report to the ARMC.

The Internal Auditors reports directly to the ARMC on its activities based on the approved internal audit plans.

The fees incurred by the Group in relation to the outsourced internal audit function for the financial year ended 31 December 2021 were RM27,000.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("Board") of Flexidynamic Holdings Berhad ("Flexidynamic" or "the Company") is pleased to present the Statement on Risk Management and Internal Control ("Statement") which outlines the nature and scope of risk management and internal control system of Flexidynamic Holdings Berhad and its subsidiaries ("the Group") for the financial year ended 31 December 2021 ("FYE 2021"). This Statement has been prepared in compliance with Rule 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and Principle B of the Malaysian Code on Corporate Governance ("MCCG") with guidance from the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for maintaining a sound risk management framework and internal control system to safeguard shareholders' investments and the Group's assets, as well as reviewing its effectiveness, adequacy and integrity on a regular basis. In acknowledging that having a sound risk management and internal control system is imperative, the Board has established a governance structure that ensures effective oversight of risks and internal controls within the Group at all levels.

The Board focuses on effective risk oversight which is critical in setting the tone and culture towards effective risk management and internal control. The Board has established an ongoing process for identifying, evaluating, managing and monitoring the significant risks faced by the Group, and this process includes enhancing the system of risk management and internal controls as and when there are changes to the business environment or regulatory guidelines.

The system is designed to manage the Group's key areas of risk within an acceptable risk profile, rather than eliminate the risk of failure to achieve the business objectives. Accordingly, the system of risk management and internal controls of the Group can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

RISK MANAGEMENT FRAMEWORK

The Board regards the management of core risks as an integral and critical part of the day-to-day operations of the Group. The experience, knowledge and expertise to identify and manage such risks throughout the financial year under review enables the Group to make cautious, mindful and well-informed decisions through formulation and implementation of requisite action plans and monitoring regime which are imperative in ensuring the accomplishment of the Group's objectives.

The Board is assisted by the Audit and Risk Management Committee ("ARMC") to provide oversight, direction and counsel to the Group's risk management process by identifying and assessing risks, and making recommendations to monitor, evaluate, manage and mitigate such risks throughout the business operations particularly in respect of key risks which the Group faces on a regular basis. In addition, the Management Team is responsible for implementing the Group's policies and procedures on risk and internal control to identify, evaluate, measure, monitor and report risks as well as deficiencies and non-compliance with internal controls, and for taking appropriate and timely remedial actions as required.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

RISK MANAGEMENT FRAMEWORK (CONT'D)

The responsibilities of the ARMC in relation to risk management are as follows:-

1. To oversee and recommend the risk management policies and procedures of the Group;
2. To review and recommend changes as needed to ensure that the Group has in place at all times a risk management policy which address the strategies, operational, financial and compliance risk;
3. To implement and maintain a sound risk management framework which identifies, assesses, manages and monitors the Group's business risks;
4. To set reporting guidelines for Management to report to the committee on the effectiveness of the Group's management of its business risks;
5. To review the risk profile of the Group and to evaluate the measure taken to mitigate the business risks; and
6. To review the adequacy of Management's response to issues identified to risk registers, ensuring that the risks are managed within the Group's risk appetite.

The Board regards risk management as an integral part of the Group's business operations and has oversight over this critical area through the ARMC. This helps to reduce the uncertainties surrounding the Group's internal and external environment, thus allowing it to maximise opportunities and minimise adverse incidences that may arise.

INTERNAL AUDIT FUNCTION

The Board acknowledges the importance of internal audit function. The Group had engaged an independent professional consulting firm, Sterling Business Alignment Consulting Sdn Bhd as its Internal Control Consultant to provide independent assurance to the Board and ARMC in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

The Internal Auditor reports directly to the ARMC during the ARMC meeting. The Internal Auditor is free from any relationship with the Board and Management or any conflict of interest in the operations and activities of the Group, which could impair their objectivity and independence. The Board will continue to outsource its internal audit function to the independent consulting firm to provide independent evaluation of the system of internal control of the Group.

Internal audits are carried out based on the annual audit plan approved by the ARMC. The Internal Auditors use the Committee of Sponsoring Organisations of the Treadway Commission (COSO) internal Controls – Integrated Framework as a basis in evaluating the effectiveness of internal control systems of the Group. The components of the COSO framework encompasses Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring Activities.

The consulting firm presents to ARMC the internal audit reports on a quarterly basis. The assessment of the adequacy and effectiveness of internal control established in mitigating risks is carried out through interviews and discussion with the Management team, review of relevant established policies and procedures and authority limits, and observing and testing of the internal control on a sampling basis.

During the financial year ended 31 December 2021, the consulting firm undertook internal control audits covering 2 internal audit reviews and 1 follow up status review on the subsidiary, Flexidynamic Engineering Sdn Bhd:-

Reporting month	Audit period	Audit areas
August 2021	April – June 2021	Finance and Accounts
November 2021	July – September 2021	Production Inventory Management
February 2022	October – December 2021	Follow up status review

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

INTERNAL AUDIT FUNCTION (CONT'D)

The consulting firm has presented its audit findings and recommendations together with Management's responses and action plans to the ARMC. Subsequent review will be carried out to follow up on the status of implementation of Management's action plans and report to the ARMC accordingly.

OTHER KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL AUDITORS

The other key elements of the Group's internal control system include:

1. Well-defined organisational structure with clear lines of authority, limits of authority, accountability and responsibilities of the Managing Director, Executive Directors and Senior Management;
2. Clearly defined terms of reference, authorities and responsibilities of the various Board committees which include the ARMC, Remuneration Committee and Nomination Committee;
3. Clearly defined and formalised policies and procedures and guidelines are in place to support the Group in achieving its corporate objectives. These policies and procedures including Anti-Bribery and Anti-Corruption Policy provide a basis for ensuring compliance with applicable laws and regulations, and also internal controls with respect to the conduct of business;
4. Clearly documented internal procedures in respect of operational processes as set out in the ISO 9001:2015 for Quality Management System; and
5. The Management Committee meets regularly to discuss key operational and management issues. Under the purview of the Managing Director, the heads of the respective operational units of the Group are empowered with the responsibilities of managing their respective operations and business.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to Rule 15.23 of the Listing Requirements, the external auditors have reviewed this Statement for inclusion in the Annual Report for the financial year ended 31 December 2021. The external auditors have reported to the Board that, based on their review procedures performed and evidence obtained, nothing has come to their attention that causes them to believe that this Statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Guidelines, nor is the Statement factually inaccurate.

ASSURANCE TO THE BOARD MEMBERS

The Board is of the opinion that the Group's risk management and internal control systems are satisfactory and has no internal control failure nor any significant weaknesses that resulted in any loss to the Group during the financial year under review. The Board is also cognizant that the Group's risk management framework and system of internal control must be continuously reviewed and evolved to meet the changing and challenging business environment. The Group is committed to continuing to take all necessary measures to strengthen the risk management and internal control system to further enhance its effectiveness to ensure all identified risks are managed on a timely basis and are within tolerance limits.

The Board is satisfied that the Group's risk management framework and system of internal control are operating adequately and effectively in all material aspects for the financial year ended 31 December 2021.

The Managing Director and Financial Controller of the Group have given the Board the assurance that the Group's risk management and internal control system have been operating adequately and effectively in all critical aspects.

The Statement was approved by the Board on 18 April 2022.

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Board is responsible to ensure that the financial statements are properly drawn up in accordance with the provisions of the Companies Act 2016, Malaysia Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as at the end of the financial year and of the financial performance and cash flows of the Group for the financial year then ended.

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 31 December 2021, the Group has adopted suitable accounting policies and applied them consistently, prudently and reasonably. The Directors also consider that all applicable approved accounting standards have been followed in the preparation of the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Group keeps sufficient accounting records to disclose with reasonable accuracy, the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act 2016.

ADDITIONAL COMPLIANCE INFORMATION

1. AUDIT AND NON-AUDIT FEES

Details of statutory audit, audit-related and non-audit fees paid/payable in the financial year ended 31 December 2021 to the external auditors are set out below:-

Fees paid/payable to Messrs Grant Thornton Malaysia PLT (RM'000)

Description	Company	Subsidiary	Total
Audit fees	21	50	71
Non-audit Fees	4	-	4

2. MATERIAL CONTRACTS

There were no material contracts entered into by the Group which involves directors and major shareholders' interest during the financial year.

3. UTILISATION OF PROCEEDS

On 9 March 2021, the Company launched its Prospectus for IPO on the ACE Market of Bursa Malaysia Securities Berhad and the Company was listed on 30 March 2021. In conjunction with the listing, the Company undertook a public issue of 75,231,000 new ordinary shares at an issue price of RM0.20 per ordinary share. The Company raised gross proceeds of RM15.05 million from the listing.

The gross proceeds from the IPO amounting to RM15,046,200 shall be utilised in the following manner:

Detail of Utilisation of Proceeds	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance to be Utilised RM'000	Estimate Timeframe for Utilisation Upon Listing ⁽²⁾
(1) Repayment of bank borrowings drawn to fund the acquisition of new factories ⁽¹⁾	6,380	2,500	3,880	Within 18 months
(2) Renovation of new factories ⁽¹⁾	420	-	420	Within 18 months
(3) Acquisition of machinery and equipment ⁽¹⁾	1,630	-	1,630	Within 18 months
(4) Working capital	3,616	1,800	1,816	Within 24 months
(5) Estimated listing expenses	3,000	3,000	-	Within 1 month
Total	15,046	7,300	7,746	

Note:

- (1) On 23 August 2021, the Company had announced the extension of timeframe for the utilisation of IPO proceeds earmarked for the repayment of bank borrowings drawn to fund the acquisition of new factories, renovation of new factories and acquisition of machinery and equipment from within 12 months to within 18 months.
- (2) The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 9 March 2021 and the announcement on the extension of timeframe for the utilisation of IPO proceeds dated 23 August 2021.

ADDITIONAL COMPLIANCE INFORMATION (cont'd)

4. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

The breakdown of the aggregate value of the RRPT made during the financial year ended 31 December 2021 is as follows:

Transacting parties	Interested persons	Nature of transaction	Aggregate value of RRPT for 31 December 2021 (RM'000)
Phitchaya Arsangku and Flexidynamic Thailand	Tan Kong Leong, our Promoter, substantial shareholder and Managing Director, is the husband of Phitchaya Arsangku	Lease payment	23
ZYL Dynamic Sdn Bhd ("ZYL") and Flexidynamic Engineering	(i) Tan Kong Kee, the Director and shareholder of ZYL, is the brother of Tan Kong Leong (ii) Chin Nyuk Fong, the Director and shareholder of ZYL, is the sister-in-law of Tan Kong Leong	Rental expenses of premise	66
Mega Surplus Sdn Bhd ("Mega Surplus") and Flexidynamic Engineering	The Directors and shareholders of Mega Surplus, namely: (i) Tan Eng Cheong is the father of Tan Kong Leong; and (ii) Tan Kong Wee and Tan Kon How are the brothers of Tan Kong Leong, our Promoter	Purchase of sawn timber	264

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding services.

The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these principal activities of the Company and its subsidiaries during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Profit for the financial year	<u>3,506,020</u>	<u>2,953,107</u>
Attributable to:		
Owners of the Company	3,184,327	2,953,107
Non-controlling interest	<u>321,693</u>	<u>-</u>
	<u>3,506,020</u>	<u>2,953,107</u>

DIVIDENDS

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

The Director recommends a single tier final dividend of 1.0 sen per share in respect of the current financial year for shareholders' approval at the forthcoming Annual General Meeting. 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 retained earnings in the financial year ending 31 December 2022.

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT (cont'd)

DIRECTORS

The name of the Directors of the Company and of the subsidiary in office during the financial year and during the period commencing from the end of the financial year to the date of this report are:-

Company

Tan Kong Leong
Liew Heng Wei
Lion Suk Chin
Chong Kai Feng
Noor Zaliza Yati Binti Yahya
Phang Sze Fui
Poh Chee Fong (Appointed on 1 December 2021)
Sin Kuo Wei (Appointed on 1 March 2022)

Subsidiary

Flexidynamic Engineering Sdn. Bhd.
Tan Kong Leong
Liew Heng Wei
Lion Suk Chin
Sin Kuo Wei (Appointed on 1 March 2022)

DIRECTORS' REMUNERATION

During the financial year, the 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	Group RM
Salaries, bonuses and allowances	-	1,299,469	1,299,469
Fee	184,250	-	184,250
Defined contribution plan	-	177,595	177,595
Social security contribution	-	2,770	2,770
Share option granted under ESOS	140,775	-	140,775
	<u>325,025</u>	<u>1,479,834</u>	<u>1,804,859</u>

The estimated value of benefits-in-kind provided to Directors during the financial year for the Group amounted to RM64,546.

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

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests and deemed interests in the ordinary shares of the Company of those who were Directors as at year end are as follows:-

	Number of ordinary shares			At 31 December <u>2021</u>
	At 1 January <u>2021</u>	<u>Allotment</u>	<u>Sold</u>	
The Company				
Direct Interests:-				
Tan Kong Leong	117,892,900	-	-	117,892,900
Liew Heng Wei	53,208,300	-	-	53,208,300
Deemed Interests:-				
Tan Kong Leong (#)	6,259,800	-	-	6,259,800
Liew Heng Wei (#)	53,208,300	-	-	53,208,300

(#) Deemed interest by virtue of shares held by spouse.

Employees Share Option Scheme ("ESOS")

	Number of share option				
	At 1 January <u>2021</u>	<u>Granted</u>	<u>Exercised</u>	<u>Expired</u>	At 31 December <u>2021</u>
Interests in the Company:-					
Lion Suk Chin	-	2,500,000	-	-	2,500,000
Chong Kai Feng	-	100,000	-	-	100,000
Noor Zaliza Yati Binti					
Yahya	-	100,000	-	-	100,000
Phang Sze Fui	-	120,000	-	-	120,000

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

By virtue of the direct interest of Tan Kong Leong and Liew Heng Wei in the Company, they are also deemed to have interest in shares of all the subsidiaries to the extent that the Company has an interest under Section 8 of the Company Act 2016.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 75,231,000 new ordinary shares at an issue price of RM0.20 per ordinary share for a total of RM15,046,200 for the purpose of repayment of bank borrowings, renovation of new factories, acquisition of machinery and equipment, working capital and estimated listing expenses purposes.

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

There were no debentures issued during the financial year.

DIRECTORS' REPORT (cont'd)

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 issue of options pursuant to the ESOS.

At an extraordinary general meeting held on 29 October 2021, the Company's shareholders approved the establishment of an ESOS of up to 25% of the total number of issued share capital of the Company to eligible Directors and employees of the Group.

The salient features and other terms of the ESOS are disclosed in the Note 17 to the financial statements.

As at 31 December 2021, the options offered to take up unissued ordinary shares and the exercise prices are as follows:-

<u>Date of offer</u>	<u>Exercise price</u>	<u>At 1 January 2021</u>	<u>Number of options over ordinary shares</u>			<u>At 31 December 2021</u>
			<u>Granted</u>	<u>Exercised</u>	<u>Expired</u>	
13 December 2021	RM0.28	-	15,013,300	-	-	15,013,300

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the names of option holders, other than Directors, who have been granted for options during the financial year and details of their holdings as required by Section 5 of Schedule 5 (Part 1) of the Companies Act 2016. This information has been separately filed with the Companies Commission of Malaysia.

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

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The amount of indemnity coverage and insurance premium paid for Directors and Officers of the Company during the financial year are amounted to RM10,000,000 and RM18,500 respectively.

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

DIRECTORS' REPORT (cont'd)

OTHER STATUTORY INFORMATION (CONT'D)

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

- (a) which would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of the Group and of the Company; or
- (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 or 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 or 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 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 the operations of the Group and of the Company for the current financial year in which this report is made.

SIGNIFICANT EVENTS DURING FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 36 to the financial statements.

EVENT AFTER THE REPORTING PERIOD

The event after the reporting period is disclosed in Note 37 to the financial statements.

DIRECTORS’ REPORT (cont’d)

AUDITORS

The total amount of fees paid to or receivable by the Auditors, Grant Thornton Malaysia PLT, as remuneration for their services as Auditors of the Group and of the Company for the financial year ended 31 December 2021 are disclosed in Note 26 to the financial statements.

The Group and the Company have agreed to indemnify the Auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia. No payment has been made to indemnify Grant Thornton Malaysia PLT for the financial year ended 31 December 2021.

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.

.....)	
TAN KONG LEONG)	
Thailand)	
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.....)	
LIEW HENG WEI)	

DIRECTORS

Kuala Lumpur
18 April 2022

STATEMENT BY DIRECTORS AND STATUTORY DECLARATION

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 58 to 134 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of their financial performance and their cash flows for the financial year then ended.

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

.....
TAN KONG LEONG

Thailand
18 April 2022

.....
LIEW HENG WEI

Kuala Lumpur
18 April 2022

STATUTORY DECLARATION

I, Chen Li Chin, being the Officer primarily responsible for the financial management of Flexidynamic Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 58 to 134 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 Kuala Lumpur in)
the Federal Territory this day of)
18 April 2022)

Before me:

Muhammad Faiz Dharmendra Bin Abdullah
No. W737
Commissioner for Oaths

.....
CHEN LI CHIN
(MIA No: 43772)
CHARTERED ACCOUNTANT

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FLEXIDYNAMIC HOLDINGS BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Flexidynamic Holdings Berhad, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 58 to 134.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

INDEPENDENT AUDITORS' REPORT (cont'd)

TO THE MEMBERS OF FLEXIDYNAMIC HOLDINGS BERHAD

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters

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

Inventories valuation

The risk

The Group holds an amount of inventories that amounted to RM11,658,631 as disclosed in Note 9 to the financial statements which is subject to a risk that the inventories might become slow-moving or obsolete and rendering it is not saleable or can only be sold for selling prices that are less than the carrying value. There is inherent subjectivity and estimation involved in determining the accuracy of inventory obsolescence and in making an assessment of its adequacy due to risks of inventories not stated at the lower of cost or market value.

Our responses

Our audit procedure in relation to the valuation of inventories included compared the unit cost to the last purchase invoices for a sample of inventory items. We have obtained an understanding and reviewed the management's assessment of net realisable value ("NRV") of the inventories and on a sample basis, tested the subsequent selling price of inventories. We have examined the condition of selected inventories by attending physical inventories count at financial year end at selected locations.

Allowance for expected credit losses ("ECL")

The risk

The Group has a material amount of trade receivables amounting to RM18,073,206 as disclosed in Note 34.2(a)(i) to the financial statements whereby the amount is past due but not impaired. The key associate risk is recoverability of billed trade receivables as management judgement is required in assessing the adequacy of impairment losses by considering the expected recoverability of the outstanding trade receivables.

Our responses

Our audit procedure in relation to the allowance for ECL was obtained an understanding on how the Group identifies and assesses ECL for trade receivables. We have reviewed the key data sources and assumptions for data used in the determination of default rate and the current and forward-looking adjustment factors. We have considered the age of debts as well as the trend of collections to identify the collection risks. We have obtained debtors' confirmations and review collectability by way of obtaining evidence of receipts from the debtors subsequent to year end.

INDEPENDENT AUDITORS' REPORT (cont'd)

TO THE MEMBERS OF FLEXIDYNAMIC HOLDINGS BERHAD

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Revenue recognition

The risk

Revenue recognition has been identified as a risk primarily relating to the completeness and accuracy of the revenue recognition and the timing of revenue recognition for sales with deliveries occurring on or around year end and judgement is required to determine when controls have transferred under contractual arrangements with third parties.

Our responses

We have evaluated and tested the internal controls over the completeness, accuracy and timing of revenue recognised in the financial statements. We have also verified based on a sampling basis, the completeness of revenue captured by vouching to the customer's purchase orders, sales invoices, acknowledged delivery orders and bank and/or cash receipts. We understood and reviewed the appropriateness of revenue recognition policies.

There is no key audit matters to be communicated in respect of the 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 the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine if 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.

INDEPENDENT AUDITORS' REPORT (cont'd)

TO THE MEMBERS OF FLEXIDYNAMIC HOLDINGS BERHAD

Report on the Audit of the Financial Statements (cont'd)

Responsibilities of the Directors for the Financial Statements (cont'd)

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITORS' REPORT (cont'd)

TO THE MEMBERS OF FLEXIDYNAMIC HOLDINGS BERHAD

Report on the Audit of the Financial Statements (cont'd)

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

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

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

From the matters communicated with the Directors, we determined those matters that were of most significant 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.

INDEPENDENT AUDITORS' REPORT (cont'd)

TO THE MEMBERS OF FLEXIDYNAMIC HOLDINGS BERHAD

Report on the Audit of the Financial Statements (cont'd)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, are disclosed in Note 6 to the financial statements.

Other Matter

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

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

LIAN TIAN KWEE
(NO: 02943/05/2023 J)
CHARTERED ACCOUNTANT

Kuala Lumpur
18 April 2022

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

		← Group →		← Company →	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	4	17,397,703	16,399,522	-	-
Investments in equity instruments	5	-	-	-	-
Investment in a subsidiary	6	-	-	21,418,160	20,866,000
Deferred tax assets	7	7,829,439	2,163,996	-	-
Other receivables	8	52,438	181,230	-	-
Total non-current assets		<u>25,279,580</u>	<u>18,744,748</u>	<u>21,418,160</u>	<u>20,866,000</u>
CURRENT ASSETS					
Inventories	9	11,658,631	6,117,269	-	-
Trade receivables	10	33,572,027	13,793,119	-	-
Other receivables	8	12,063,502	4,747,227	5,622,836	-
Amount due from a subsidiary	11	-	-	4,056,075	-
Fixed deposits with a licensed financial institution	12	3,459,436	3,000,000	420,000	-
Cash and bank balances and short-term investments	13	<u>29,321,265</u>	<u>15,343,641</u>	<u>7,504,190</u>	<u>10,012</u>
Total current assets		<u>90,074,861</u>	<u>43,001,256</u>	<u>17,603,101</u>	<u>10,012</u>
TOTAL ASSETS		<u><u>115,354,441</u></u>	<u><u>61,746,004</u></u>	<u><u>39,021,261</u></u>	<u><u>20,876,012</u></u>
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company					
Share capital	14	35,353,657	20,866,020	35,353,657	20,866,020
Merger deficit	15	(20,431,412)	(20,431,412)	-	-
Capital reserve	16	631,154	631,154	-	-
Share-based payment reserve	17	692,935	-	692,935	-
Foreign exchange reserve		(19,092)	12,793	-	-
Retained earnings/(Accumulated losses)		<u>26,492,183</u>	<u>23,307,856</u>	<u>2,917,567</u>	<u>(35,540)</u>
		42,719,425	24,386,411	38,964,159	20,830,480
Non-controlling interest	6	<u>646,746</u>	<u>358,239</u>	-	-
TOTAL EQUITY		<u><u>43,366,171</u></u>	<u><u>24,744,650</u></u>	<u><u>38,964,159</u></u>	<u><u>20,830,480</u></u>

STATEMENTS OF FINANCIAL POSITION (cont'd)

AS AT 31 DECEMBER 2021

		← Group →		← Company →	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
LIABILITIES					
NON-CURRENT LIABILITIES					
Lease liabilities	18	975,955	1,081,016	-	-
Bank borrowings	19	7,040,407	9,218,136	-	-
Employees' benefits	20	6,945	6,762	-	-
Total non-current liabilities		<u>8,023,307</u>	<u>10,305,914</u>	<u>-</u>	<u>-</u>
CURRENT LIABILITIES					
Trade payables	21	23,129,758	12,770,773	-	-
Other payables and accruals	22	1,167,841	1,334,950	57,102	12,500
Contract liabilities	23	34,655,301	10,086,841	-	-
Amount due to a subsidiary	11	-	-	-	33,032
Lease liabilities	18	442,869	370,399	-	-
Bank borrowings	19	1,638,788	917,930	-	-
Tax payable		<u>2,930,406</u>	<u>1,214,547</u>	<u>-</u>	<u>-</u>
Total current liabilities		<u>63,964,963</u>	<u>26,695,440</u>	<u>57,102</u>	<u>45,532</u>
TOTAL LIABILITIES		<u>71,988,270</u>	<u>37,001,354</u>	<u>57,102</u>	<u>45,532</u>
TOTAL EQUITY AND LIABILITIES		<u>115,354,441</u>	<u>61,746,004</u>	<u>39,021,261</u>	<u>20,876,012</u>

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		← Group →		← Company →	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Revenue	24	105,777,605	56,886,397	5,800,000	-
Cost of sales		<u>(88,285,279)</u>	<u>(44,313,379)</u>	<u>-</u>	<u>-</u>
Gross profit		17,492,326	12,573,018	5,800,000	-
Other income		1,587,808	658,414	101,855	6,250
Reversal of expected credit losses on trade receivables		-	559,212	-	-
Selling and distribution expenses		(1,162,336)	(867,255)	-	-
Administrative expenses		(10,502,660)	(5,695,212)	(3,016,374)	(39,290)
Other operating expenses		<u>(1,747,517)</u>	<u>(969,429)</u>	<u>-</u>	<u>-</u>
Profit/(Loss) from operations		5,667,621	6,258,748	2,885,481	(33,040)
Finance costs	25	(120,556)	(73,286)	-	-
Finance income	25	<u>135,366</u>	<u>34,948</u>	<u>67,626</u>	<u>-</u>
Profit/(Loss) before tax	26	5,682,431	6,220,410	2,953,107	(33,040)
Tax expense	27	<u>(2,176,411)</u>	<u>(1,616,505)</u>	<u>-</u>	<u>-</u>
Profit/(Loss) for the financial year		<u>3,506,020</u>	<u>4,603,905</u>	<u>2,953,107</u>	<u>(33,040)</u>
Other comprehensive loss:-					
Item that will be reclassified subsequently to profit or loss					
Foreign currency translation		<u>(65,071)</u>	<u>(10,972)</u>	<u>-</u>	<u>-</u>
Other comprehensive loss for the financial year, net of tax		<u>(65,071)</u>	<u>(10,972)</u>	<u>-</u>	<u>-</u>
Total comprehensive income/(loss) for the financial year		<u>3,440,949</u>	<u>4,592,933</u>	<u>2,953,107</u>	<u>(33,040)</u>

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		← Group →		← Company →	
Note		2021 RM	2020 RM	2021 RM	2020 RM
Profit/(Loss) for the financial year attributable to:-					
Owners of the Company		3,184,327	4,528,129	2,953,107	(33,040)
Non-controlling interest		321,693	75,776	-	-
		<u>3,506,020</u>	<u>4,603,905</u>	<u>2,953,107</u>	<u>(33,040)</u>
Total comprehensive income/(loss) for the financial year attributable to:-					
Owners of the Company		3,152,442	4,522,753	2,953,107	(33,040)
Non-controlling interest		288,507	70,180	-	-
		<u>3,440,949</u>	<u>4,592,933</u>	<u>2,953,107</u>	<u>(33,040)</u>
Earnings per share					
- Basic (sen)	28	<u>1.20</u>	<u>34.53</u>		
- Diluted (sen)	28	<u>1.20</u>	<u>*</u>		

*There are no dilutive potential equity instruments that would give a diluted effect to the basic earnings per share.

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Attributable to the owners of the Company					
	Non - distributable			Distributable		
	Share capital RM	Capital reserve RM	Merger deficit RM	Share-based payment reserve RM	Foreign exchange reserve RM	Retained earnings RM
Group						
Balance at 1 January 2020	500,020	631,154	(65,412)	-	18,169	19,779,727
						20,863,658
						21,151,717
Transactions with owners:-						
Dividends paid (Note 29)	-	-	-	-	-	-
Acquisition of a subsidiary	(500,000)	-	(20,366,000)	-	-	-
Issuance of ordinary shares pursuant to acquisition of a subsidiary	20,866,000	-	-	-	-	-
Total transactions with owners	20,366,000	-	(20,366,000)	-	-	(1,000,000)
						-
						(1,000,000)
Profit for the financial year	-	-	-	-	-	4,528,129
Other comprehensive loss for the financial year	-	-	-	-	(5,376)	-
Total comprehensive (loss)/income for the financial year	-	-	-	-	(5,376)	4,528,129
						4,522,753
						70,180
						4,592,933
Balance at 31 December 2020	20,866,020	631,154	(20,431,412)	-	12,793	23,307,856
						24,386,411
						358,239
						24,744,650
Transactions with owners:-						
Issuance of ordinary shares	15,046,200	-	-	-	-	-
Share issuance expenses	(558,563)	-	-	-	-	-
Share-based payment relating to ESOS	-	-	-	692,935	-	-
Total transactions with owners	14,487,637	-	-	692,935	-	-
						15,180,572
						-
						15,180,572
Profit for the financial year	-	-	-	-	-	3,184,327
Other comprehensive loss for the financial year	-	-	-	-	(31,885)	-
Total comprehensive (loss)/income for the financial year	-	-	-	-	(31,885)	3,184,327
						3,152,442
						288,507
						3,440,949
Balance at 31 December 2021	35,353,657	631,154	(20,431,412)	692,935	(19,092)	26,492,183
						42,719,425
						646,746
						43,366,171

STATEMENTS OF CHANGES IN EQUITY (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Company	Share capital RM	Share-based payment reserve RM	Retained earnings RM	Total RM
Balance at 1 January 2020	20	-	(2,500)	(2,480)
<u>Transactions with owners:-</u>				
Issuance of ordinary shares pursuant to acquisition of a subsidiary	20,866,000	-	-	20,866,000
Total comprehensive loss for the financial year	-	-	(33,040)	(33,040)
Balance at 31 December 2020	20,866,020	-	(35,540)	20,830,480
<u>Transactions with owners:-</u>				
Issuance of ordinary shares	15,046,200	-	-	15,046,200
Share issuance expenses	(558,563)	-	-	(558,563)
Share-based payment relating to ESOS	-	692,935	-	692,935
Total transactions with owners	14,487,637	692,935	-	15,180,572
Total comprehensive income for the financial year	-	-	2,953,107	2,953,107
Balance at 31 December 2021	35,353,657	692,935	2,917,567	38,964,159

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Note	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
OPERATING ACTIVITIES				
Profit/(Loss) before tax	5,682,431	6,220,410	2,953,107	(33,040)
Adjustments for:-				
Reversal of expected credit losses on trade receivables	-	(559,212)	-	-
Depreciation of property, plant and equipment	960,456	763,110	-	-
Finance costs:-				
- Term loan interest	12,251	19,942	-	-
- Bankers' acceptance interest	42,177	24,211	-	-
- Finance lease	66,128	28,749	-	-
- Others	-	384	-	-
Finance income:-				
- Fixed deposits with a licensed financial institution	(39,436)	(15,836)	-	-
- Current account	(83,006)	(3,458)	(67,626)	-
- Short-term investments	-	(2,730)	-	-
- Others	(12,924)	(12,924)	-	-
Gain on disposal of property, plant and equipment	(155,000)	-	-	-
Unrealised gain on foreign exchange	(1,150,854)	(181,733)	-	-
Dividend income	(84,618)	-	(5,831,361)	-
Employees' benefits	659	6,762	-	-
Gain on disposal of investments in equity instruments	-	(304,728)	-	-
Property, plant and equipment written off	18,504	208	-	-
Share-based payment expenses	692,935	-	140,775	-
Operating profit/(loss) before working capital changes	5,949,703	5,983,155	(2,805,105)	(33,040)
Changes in working capital:-				
Inventories	(5,541,362)	(1,921,757)	-	-
Receivables	(27,127,935)	(4,807,990)	(22,836)	-
Payables	35,163,842	15,969,216	44,602	10,000
Cash generated from/(used in) operations	8,444,248	15,222,624	(2,783,339)	(23,040)
Tax paid	(6,131,985)	(2,459,870)	-	-
Tax refunded	-	42,399	-	-
Net cash flows from/(used in) operating activities	2,312,263	12,805,153	(2,783,339)	(23,040)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	A (723,175)	(520,821)	-	-
Dividend received	84,618	-	231,361	-
Interests received	122,442	22,024	67,626	-
Advances to a subsidiary	-	-	(4,056,075)	-
Proceeds from disposal of investments in equity instruments	-	3,127,506	-	-
Proceeds from disposal of property, plant and equipment	155,000	-	-	-
Net cash flows (used in)/from investing activities	(361,115)	2,628,709	(3,757,088)	-

STATEMENTS OF CASH FLOWS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Note	← Group →		← Company →	
	2021 RM	2020 RM	2021 RM	2020 RM
FINANCING ACTIVITIES				
Dividends paid	(300,000)	(700,000)	-	-
Interests paid	(302,567)	(216,396)	-	-
Proceed from issuance of share capital	15,046,200	-	15,046,200	-
Share issuance expenses	(558,563)	-	(558,563)	-
(Repayment to)/Advances from a subsidiary	-	-	(33,032)	33,032
Drawdown of bank borrowings	3,401,098	1,918,000	-	-
Repayment of bank borrowings	(5,541,369)	(2,041,025)	-	-
Repayment of lease liabilities	(443,795)	(175,072)	-	-
Net cash flows from/(used in) financing activities	11,301,004	(1,214,493)	14,454,605	33,032
CASH AND CASH BALANCES AND SHORT-TERM INVESTMENTS				
Net changes	13,252,152	14,219,369	7,914,178	9,992
Effect on foreign exchanges translation	1,184,908	194,484	-	-
At beginning of financial year	18,343,641	3,929,788	10,012	20
At end of financial year	B 32,780,701	18,343,641	7,924,190	10,012

NOTES TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	← Group →		← Company →	
	2021 RM	2020 RM	2021 RM	2020 RM
Total purchase	1,817,779	4,624,165	-	-
Purchase through finance lease	(411,204)	(913,744)	-	-
Purchase through term loan	(683,400)	(3,189,600)	-	-
	723,175	520,821	-	-

B. CASH AND CASH EQUIVALENTS

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

	← Group →		← Company →	
	2021 RM	2020 RM	2021 RM	2020 RM
Cash and bank balances	15,882,399	12,327,459	139,525	10,012
Income fund with a licensed financial institution	13,438,866	3,016,182	7,364,665	-
Fixed deposits with a licensed financial institution	3,459,436	3,000,000	420,000	-
	32,780,701	18,343,641	7,924,190	10,012

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Ace Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur. The principal place of business of the Company is located at A-3A-28, IOI Boulevard, Jalan Kenari 5, Bandar Puchong Jaya, 47170 Puchong, Selangor Darul Ehsan.

The Company is principally engaged in investment holding services.

The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 18 April 2022.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention, unless otherwise indicated in the summary of 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

2. BASIS OF PREPARATION (CONT'D)

2.2 Basis of measurement (cont'd)

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 market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1 - Quoted (unadjusted) market prices in active market 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.

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 Adoption of new standards/amendments/improvements to MFRS

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

2. BASIS OF PREPARATION (CONT'D)

2.4 Adoption of new standards/amendments/improvements to MFRS (cont'd)

At the beginning of the current financial year, the Group and the Company adopted new standards/amendments/improvements to MFRS which are mandatory for the financial periods beginning on or after 1 January 2021.

Initial application of the new standards/amendments/improvements to MFRS did not have material impact on the financial statements of the Group and of the Company.

2.5 Standards issued but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been early adopted by the Group and the Company.

Management anticipates that all relevant pronouncements will be adopted in the Group's and the Company's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in current financial period have not been disclosed as it is not expected to have material impact on the Group's and the Company's financial statements.

2.6 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.

2.6.1 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

Management estimates the useful lives of the property, plant and equipment to be within 5 to 50 years and reviews the useful lives of depreciable assets at end of each reporting period. At 31 December 2021 management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting the adjustment to the Group's assets.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

Useful lives of depreciable assets (cont'd)

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

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the assets 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 cash flows, management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's and the Company'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.

Inventories

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

The carrying amount of the Group's inventories at the end of the reporting date is disclosed in Note 9 to the financial statements.

Allowance for expected credit losses of trade receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

Allowance for expected credit losses of trade receivables (cont'd)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Group's trade receivables is disclosed in Note 34.2(a)(i) to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The carrying amount of the Group's deferred tax assets at the end of the reporting date is disclosed in Note 7 to the financial statements.

Employee share options

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 17 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.2 Significant management judgement

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

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:-

- Identifying performance obligations in the design, engineering, installation and commissioning services and bundled sale of products.

The Group provides design, engineering, installation and commissioning services that are either sold separately or bundled together with sale of products to customers. The services are a promise to transfer services in the future and are part of the negotiated exchange between the Group with the customers.

The Group determined that both the sale of products and services are capable of being distinct. The fact that the Group regularly sell both products and services on a stand-alone basis indicate that the customer can benefit from both product and services on their own. The Group also determined that the promises to transfer the product and to provide services are distinct within the context of the contract.

The product and services are not inputs to a combined item in the contract. The Group are not providing a significant integration service because the presence of the products and services together in this contract do not result in any additional or combined functionality and neither the product nor the services modify or customise the other.

In addition, the products and services are not highly interdependent or highly interrelated, because the Group would be able to transfer the products even if the customer declined services and would be able to provide services in relation to products sold by other distributors. Consequently, the Group allocated a portion of the transaction price to the products and the services based on relative stand-alone selling prices.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Consolidation

3.1.1 Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. Control exists when the Company 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 Company 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 a subsidiary is stated at cost less any impairment losses in the Company's financial position, unless the investment is held for sale or distribution.

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

3.1.2 Basis of consolidation

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

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

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 interest are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.2 Basis of consolidation (cont'd)

A business combination involving entities under common control is a business combination in which all the combining entities or business are ultimately controlled by same party or parties both before or after the business combination, and that control is not transitory. The acquisition of Flexidynamic Engineering Sdn. Bhd. And its subsidiary resulted in a business involving common control entities since the management of all the entities which took part in the acquisition were controlled by common Directors and under common shareholders before and immediately after the acquisition, and accordingly the accounting treatment is outside the scope of MFRS 3. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the consolidated financial statements. The merger method of accounting on a retrospective basis and restated its comparative as if the consolidation had taken place before the state of the earliest period presented in the financial statements.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholders at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit differences is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

3.1.3 Loss of control

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.4 Non-controlling interest

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

Losses applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interest even if that results in a deficit balance.

3.2 Property, plant and equipment

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

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

Depreciation is recognised on the straight-line method in order to write off the cost of each asset over its estimated useful life. Freehold land with an infinite life and building in progress are not depreciated. Other property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Computers	20%
Electrical and fittings	20%
Freehold building	2%
Furniture and fittings	10%
Machineries	10%
Motor vehicles	20%
Right-of-use assets – Motor vehicles	20%
Right-of-use assets – Office	20%
Mould	10%
Office equipment	20%
Renovations	10-20%
Signboards	10%

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Property, plant and equipment (cont'd)

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

3.3 Financial instruments

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

3.3.1 Financial assets

Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

3.3.1 Financial assets (cont'd)

Initial recognition and measurement (cont'd)

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

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

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with MFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's and the Company's financial assets at amortised cost includes trade receivables and most other receivables, fixed deposit with a licensed financial institution and cash and bank balances and short-term investments.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

3.3.1 Financial assets (cont'd)

Subsequent measurement (cont'd)

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group have not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

The Group's equity instruments at fair value through profit or loss includes short-term investments included under current assets.

Impairment

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

3.3.1 Financial assets (cont'd)

Impairment (cont'd)

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

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

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

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

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

3.3.1 Financial assets (cont'd)

Equity instruments

All equity investments are subsequent measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

3.3.2 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

Subsequent measurement

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

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

Financial liabilities at amortised cost

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

The Group's and the Company's financial liabilities include bank borrowings, amount due to a subsidiary, trade and most of other payables and accruals.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

3.3.2 Financial liabilities (cont'd)

Derecognition

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

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

3.3.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is 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.

3.4 Impairment of assets

3.4.1 Non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exist, 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 the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups 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 subsidiaries or other available fair value indicators.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Impairment of assets (cont'd)

3.4.1 Non-financial assets (cont'd)

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 of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

3.5 Inventories

Inventory comprises raw materials and finished goods which is stated at the lower of cost and net realisable value.

Cost of raw material determined on a first-in-first-out basis.

Cost of finished goods include design cost, raw material, direct labour and an appropriate proportion of production overheads (based in normal operating capacity).

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

3.6 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, income fund with a licensed financial institution, fixed deposits with a licensed financial institution which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Equity and distribution to owners

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transactions cost.

Retained earnings include all current year's profit and prior years' retained earnings.

Dividends are accounted for in shareholders' equity as an appropriation of retained earnings and recognised as a liability in the period in which they are declared.

3.8 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.

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.

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

3.9 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.

3.9.1 Group as a lessee

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Leases (cont'd)

3.9.2 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:

- Motor vehicles 5 years
- Office 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 Note 3.4.1 Impairment of non-financial assets.

3.9.3 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Leases (cont'd)

3.9.4 Short-term leases and leases of low-value assets

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

3.10 Revenue from contracts with customers

The Group is principally engaged in the business of design, engineering, installation and commissioning of glove chlorination systems, as well as design and installation of storage tanks and process tanks for glove manufacturing industry.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 2.6.2 to the financial statements.

3.10.1 Sale of goods

Revenue from sale of goods is recognised at a point in time once control of the asset is transferred to the customers generally on delivery of products and customers' acceptance.

3.10.2 Rendering of services

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised services to a customer, excluding amounts collected on behalf of third parties. Revenue is recognised when our Group satisfies a performance obligation by transferring a promised services. A performance obligation may be satisfied at a point in time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Revenue from contracts with customers (cont'd)

3.10.3 Contract balances

3.10.3.1 Contract assets

Contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performed by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

3.10.3.2 Trade receivables

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

3.10.3.3 Contract liabilities

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

3.10.4 Revenue from other sources

3.10.4.1 Interest income

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

3.10.4.2 Dividend income

Dividend income is recognised when the Group's right to receive payment is established, which is generally when shareholders approve the dividend.

3.11 Employees' benefits

3.11.1 Short-term employees' benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year, in which the associated services are rendered by the 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 are incurred.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Employees' benefits (cont'd)

3.11.2 Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into independent entities of 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 an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employee Provident Fund ("EPF").

3.11.3 Retirement benefit

The Group operate an unfunded defined benefit plan for all eligible Malaysian Directors and employees. The Group's net obligation in respect of defined benefit plan is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods; that benefit is discounted to determine its present value. Net interest expense is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. The calculation is performed once every three years by a qualified actuary using the projected credit method.

Remeasurement from defined benefit plan comprises of actuarial gains and losses. The Group recognise them immediately in other comprehensive income and all expenses related to defined benefit plan in employee benefits are charged to profit or loss. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The Group recognise gains or losses on the settlement of a defined benefit plan when settlement occurs. The gain or loss on settlement is the difference between the present value.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Share-based payment transactions

3.12.1 Equity-settled share-based payment transaction

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or income reflected in profit or loss represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share, as detailed in Note 28 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Tax expense

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

3.13.1 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 end of the reporting period, and any adjustment to tax payable in respect of previous years.

3.13.2 Deferred tax

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Tax expense (cont'd)

3.13.3 Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:-

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

The net amount of sales tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the statement of financial position.

3.14 Borrowing costs

All the borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

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

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

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

3.15 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 form 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Foreign currency transactions and balances (cont'd)

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).

3.16 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 February 2011 (the date when the Group and the Company first adopted MFRS) which are treated as assets and liabilities of the Group and 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, then the relevant proportionate share of the translation difference is allocated to the non-controlling interest. 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 and the Company dispose of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group and the Company dispose of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Contingencies

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

3.18 Related parties

A related party is a person or entity that is related to the Group and the Company. A related party transaction is a transfer of resources, services or obligations between the Group and the Company 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) one entity is an associate or joint venture of the other entity;
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the 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; or
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Segmental results

3.19.1 Operating segment

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.

3.19.2 Intersegment transfer

Segment revenues, expenses and result include transfers between segments. The prices charges on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity in negotiated term. These transfers are eliminated on combination.

3.20 Earnings per share

(i) Basic

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

(ii) Diluted

Diluted earnings per share is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue, adjusted for the dilutive effects of all potential ordinary shares to be issued. Diluted earnings per share is not applicable as the Group does not have potential dilutive equity instruments that would give a diluted effect to the basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

4. PROPERTY, PLANT AND EQUIPMENT

Group	Computers RM	Electrical and fittings RM	Freehold building RM	Freehold land RM	Furniture and fittings RM	Machineries RM	Motor vehicles RM	Right-of- use assets – Motor vehicles RM	Mould RM	Office equipment RM	Renovations RM	Signboards RM	Building in progress RM	Right- of-use assets – Office RM	Total RM
Cost															
At 1 January 2020	98,177	164,681	3,995,331	2,386,821	149,459	862,377	482,353	1,487,990	109,400	408,593	771,136	21,189	3,442,919	-	14,380,426
Additions	192,404	-	-	-	-	40,640	-	1,115,118	51,700	28,709	5,994	-	3,189,600	-	4,624,165
Borrowing costs capitalised at 3.27%	-	-	-	-	-	-	-	-	-	-	-	-	143,110	-	143,110
Written off	(452)	-	-	-	-	-	-	-	-	-	-	-	-	-	(452)
Exchange differences	-	-	-	-	-	-	-	(5,546)	-	(861)	(1,625)	-	-	-	(8,032)
At 31 December 2020	290,129	164,681	3,995,331	2,386,821	149,459	903,017	482,353	2,597,562	161,100	436,441	775,505	21,189	6,775,629	-	19,139,217
Additions	27,219	1,980	-	-	55,181	193,770	80,198	388,666	220,660	71,806	31,484	-	683,400	63,415	1,817,779
Borrowing costs capitalised at 3.27%	-	-	-	-	-	-	-	-	-	-	-	-	182,011	-	182,011
Disposals	-	-	-	-	-	-	(218,853)	(151,536)	-	-	-	-	-	-	(370,389)
Written off	(17,763)	(1,400)	-	-	(3,831)	(56,120)	-	-	-	(10,182)	-	-	-	-	(89,296)
Exchange differences	-	-	-	-	-	-	(4,239)	(20,394)	-	(4,554)	(5,871)	-	-	-	(35,058)
At 31 December 2021	299,585	165,261	3,995,331	2,386,821	200,809	1,040,667	339,459	2,814,298	381,760	493,511	801,118	21,189	7,641,040	63,415	20,644,264
Accumulated depreciation															
At 1 January 2020	56,518	57,781	246,378	-	23,011	209,475	445,306	645,225	23,510	146,244	120,920	4,114	-	-	1,978,482
Charge for the financial year	34,019	29,448	79,907	-	14,946	89,515	18,856	315,948	12,382	80,539	85,431	2,119	-	-	763,110
Written off	(244)	-	-	-	-	-	-	-	-	-	-	-	-	-	(244)
Exchange differences	-	-	-	-	-	-	-	(1,297)	-	(156)	(200)	-	-	-	(1,653)
At 31 December 2020	90,293	87,229	326,285	-	37,957	298,990	464,162	959,876	35,892	226,627	206,151	6,233	-	-	2,739,695
Charge for the financial year	51,654	29,645	79,907	-	17,452	91,321	13,976	458,709	24,256	84,909	86,974	2,119	-	19,534	960,456
Disposals	-	-	-	-	-	-	(218,853)	(151,536)	-	-	-	-	-	-	(370,389)
Written off	(15,462)	(1,400)	-	-	(2,332)	(42,397)	-	-	-	(9,201)	-	-	-	-	(70,792)
Exchange differences	-	-	-	-	-	-	(4,161)	(5,041)	-	(1,268)	(1,939)	-	-	-	(12,409)
At 31 December 2021	126,485	115,474	406,192	-	53,077	347,914	255,124	1,262,008	60,148	301,067	291,186	8,352	-	19,534	3,246,561
Net carrying amount															
At 31 December 2021	173,100	49,787	3,589,139	2,386,821	147,732	692,753	84,335	1,552,290	321,612	192,444	509,932	12,837	7,641,040	43,881	17,397,703
At 31 December 2020	199,836	77,452	3,669,046	2,386,821	111,502	604,027	18,191	1,637,686	125,208	209,814	569,354	14,956	6,775,629	-	16,399,522

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

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

Group

The motor vehicles of the Group with net carrying amount of RM1,552,290 (2020: RM1,637,686) were acquired under finance lease arrangements.

The office of the Group with net carrying amount of RM4 3,881 (2020:Nil) were acquired under lease arrangements.

The freehold land and building of the Group with net carrying amount RM2,386,821 (2020: RM2,386,821) and RM3,589,139 (2020: RM3,669,046) respectively have been pledged to bank as security for the banking facilities granted to the Group as disclosed in Note 19 to the financial statements.

5. INVESTMENTS IN EQUITY INSTRUMENTS

	Group	
	<u>2021</u>	<u>2020</u>
	RM	RM
At beginning of the financial year	-	2,822,778
Disposals	-	(2,822,778)
At end of the financial year	-	-

6. INVESTMENT IN A SUBSIDIARY

	Company	
	<u>2021</u>	<u>2020</u>
	RM	RM
Investment costs:-		
At cost:-		
Unquoted shares	20,866,000	20,866,000
Contributions to subsidiary:-		
ESOS granted to employees of subsidiary	552,160	-
	552,160	-
	21,418,160	20,866,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

6. INVESTMENT IN A SUBSIDIARY (CONT'D)

Details of the subsidiaries are as follows:-

Name of company	Principal place of business	Effective interest (%)		Principal activities
		2021	2020	
Flexidynamic Engineering Sdn. Bhd. ("FESB")	Malaysia	100	100	Business of design, engineering, installation and commissioning of glove chlorination systems, as well as design and installation of storage tanks and process tanks for glove manufacturing industry.
Subsidiary of FESB				
Flexidynamic Engineering Company Limited **	Thailand	49	49	Installation and maintenance of glove chlorination systems, storage tanks and process tanks for the glove manufacturing industry

* Subsidiary audited by a member firm of Grant Thornton Limited.

Although FESB owns less than half of the ownership interest and less than half of the voting power of Flexidynamic Engineering Company Limited, but the Directors have determined that FESB controls the entity. FESB has power to exercise control through a casting vote given to the Managing Director of FESB who is also the Chairman of the Board of Directors of the subsidiary.

Non-controlling interest in a subsidiary

The Group's subsidiary that has material non-controlling interest is as follows:-

	Flexidynamic Engineering Company Limited	
	2021	2020
	RM	RM
NCI percentage of ownership interest and voting interest (%)	51	51
Carrying amount of non-controlling interest (RM)	646,746	358,239
Profit allocated to non-controlling interest (RM)	321,693	75,776
Total comprehensive profit allocated to non-controlling interest (RM)	<u>288,507</u>	<u>70,180</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

6. INVESTMENT IN A SUBSIDIARY (CONT'D)

Non-controlling interest in a subsidiary (cont'd)

The summary of financial information before intra-group elimination for the Group's subsidiary that has material non-controlling interest is as below:-

	Flexidynamic Engineering Company Limited	
	<u>2021</u>	<u>2020</u>
	RM	RM
Financial position		
Non-current assets	460,928	321,732
Current assets	1,329,984	732,305
Non-current liabilities	(124,978)	(93,251)
Current liabilities	(397,805)	(258,356)
Net assets	<u>1,268,129</u>	<u>702,430</u>
Summary of financial performance		
Profit for the financial year	630,770	148,580
Other comprehensive loss	(65,071)	(10,972)
Net assets	<u>565,699</u>	<u>137,608</u>
Included in the total comprehensive income is:		
Revenue	<u>5,180,808</u>	<u>1,430,246</u>
Summary of cash flows		
Net cash inflow from operating activities	62,383	67,687
Net cash outflow from investing activities	(95,972)	(40,612)
Net cash outflow from financing activities	(119,516)	(41,799)
Net cash outflow	<u>(153,105)</u>	<u>(14,724)</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

7. DEFERRED TAX ASSETS

	Group	
	<u>2021</u>	<u>2020</u>
	RM	RM
At beginning of the financial year	(2,163,996)	(122,109)
Recognised in profit or loss (Note 27)	(5,637,726)	(2,041,321)
Under provision in prior financial year (Note 27)	(27,717)	(566)
At end of financial year	<u>(7,829,439)</u>	<u>(2,163,996)</u>

The components of recognised deferred tax assets as at the reporting date are made up of the temporary differences arising from:-

	Group	
	<u>2021</u>	<u>2020</u>
	RM	RM
Property, plant and equipment	211,628	213,231
Unrealised gain on foreign exchange	276,205	43,615
Deferred income	(8,317,272)	(2,420,842)
	<u>(7,829,439)</u>	<u>(2,163,996)</u>

8. OTHER RECEIVABLES

	Group		Company	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM	RM	RM	RM
Non-current:-				
Non-trade receivables	<u>52,438</u>	<u>181,230</u>	<u>-</u>	<u>-</u>
Current:-				
Non-trade receivables	210,027	175,727	5,300	-
Accrued income	-	4,859	-	-
Advance	305,033	-	-	-
Deposits	207,552	88,366	1,000	-
Prepayments	157,351	137,802	16,536	-
Dividend receivables	-	-	5,600,000	-
Deferred expenses ⁽¹⁾	11,183,390	4,340,140	-	-
GST/VAT receivable, net	<u>149</u>	<u>333</u>	<u>-</u>	<u>-</u>
	<u>12,063,502</u>	<u>4,747,227</u>	<u>5,622,836</u>	<u>-</u>
Total	<u>12,115,940</u>	<u>4,928,457</u>	<u>5,622,836</u>	<u>-</u>

⁽¹⁾ Deferred expenses refer to expenses related to down payment for future project cost. (2020: related to initial public offering and down payment for future project cost)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

9. INVENTORIES

	Group	
	<u>2021</u> RM	<u>2020</u> RM
At cost:-		
Raw materials	4,696,767	2,468,716
Finished goods	6,961,864	3,648,553
	<u>11,658,631</u>	<u>6,117,269</u>
Recognised in profit or loss:-		
Inventories recognised in cost of sales	<u>80,442,712</u>	<u>41,006,113</u>

10. TRADE RECEIVABLES

	Group	
	<u>2021</u> RM	<u>2020</u> RM
Trade receivables	<u>33,572,027</u>	<u>13,793,119</u>

The movement of expected credit losses during the financial year is as follows:-

	Group	
	<u>2021</u> RM	<u>2020</u> RM
At 1 January	-	559,212
Reversal of expected credit losses	-	(559,212)
At 31 December	<u>-</u>	<u>-</u>

Group

The normal credit term granted by the Group to the trade receivables are ranging from 30 to 90 days (2020: 30 to 90 days). Other credit terms are assessed and approved by the management on a case-by-case basis.

11. AMOUNT DUE FROM/(TO) A SUBSIDIARY

The amount due from/(to) a subsidiary is non-trade in nature, unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

12. FIXED DEPOSITS WITH A LICENSED FINANCIAL INSTITUTION

Group

The fixed deposits with a licensed financial institution of the Group at the end of the reporting period bore effective interest rates ranging from 1.70% to 1.85% (2020: 1.85% to 2.10%) per annum.

Company

The fixed deposits with a licensed financial institution of the Company at the end of the reporting period bore effective interest rates at 1.90% (2020: Nil) per annum.

13. CASH AND BANK BALANCES AND SHORT-TERM INVESTMENTS

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Income fund with a licensed financial institution (redeemable upon 1 day notice)	13,438,866	3,016,182	7,364,665	-
Cash and bank balances	15,882,399	12,327,459	139,525	10,012
	<u>29,321,265</u>	<u>15,343,641</u>	<u>7,504,190</u>	<u>10,012</u>

14. SHARE CAPITAL

	Group			
	Number of ordinary shares		Amount	
	2021 Unit	2020 Unit	2021 RM	2020 RM
Issued and fully paid with no par value:-				
At beginning of the financial year	208,660,200	500,200	20,866,020	500,020
Issuance of ordinary shares	75,231,000	-	15,046,200	-
Share issuance expenses	-	-	(558,563)	-
Acquisition of a subsidiary	-	(500,000)	-	(500,000)
Issuance of ordinary shares for acquisition of a subsidiary	-	208,660,000	-	20,866,000
At the end of financial year	<u>283,891,200</u>	<u>208,660,200</u>	<u>35,353,657</u>	<u>20,866,020</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

14. SHARE CAPITAL (CONT'D)

	Company			
	Number of ordinary shares		Amount	
	2021 Unit	2020 Unit	2021 RM	2020 RM
Issued and fully paid with no par value:-				
At beginning of the financial year	208,660,200	200	20,866,020	20
Issuance of ordinary shares	75,231,000	-	15,046,200	-
Share issuance expenses	-	-	(558,563)	-
Issuance of ordinary shares for acquisition of a subsidiary	-	208,660,000	-	20,866,000
At the end of financial year	<u>283,891,200</u>	<u>208,660,200</u>	<u>35,353,657</u>	<u>20,866,020</u>

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

15. MERGER DEFICIT

The merger deficit arises as and when the combination takes place, where the net asset value exceeds the cost of merger of the share capital of subsidiary acquired.

16. CAPITAL RESERVE

Capital reserve represents employees benefit through transfer of the subsidiaries' shares to its employees.

17. SHARE BASED PAYMENT RESERVE

The share-based payment reserve arose from the granting of options under the Employees Share Option Scheme ("ESOS") to eligible employees.

At an extraordinary general meeting held on 29 October 2021, the Company's shareholders approved the establishment of an ESOS of up to 25% of the total number of issued share capital of the Company to eligible Directors and employees of the Group.

The salient features of the ESOS are as follows:-

- (a) The maximum number of new shares of the Company, which may be allotted and issued pursuant to the ESOS shall not exceed in aggregate 25% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point in time during the duration of the ESOS.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

17. SHARE BASED PAYMENT RESERVE (CONT'D)

The salient features of the ESOS are as follows (cont'd):-

- (b) The maximum number of new Flexidynamic Shares that may be offered to an Eligible Person under the Proposed ESOS shall be determined at the sole and absolute discretion of the ESOS Committee after taking into consideration, amongst other relevant factors, the Eligible Person's performance, seniority, number of years in service and such other factors that the ESOS Committee may deem relevant in its discretion and shall be subject to the following:
 - (i) That the total number of new Flexidynamic Shares to be issued under the Proposed ESOS shall not exceed in aggregate 25% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point in time during the duration of the Proposed ESOS;
 - (ii) The allocation to any individual Eligible Person, who either individually or collectively, through persons connected with him/her, holds 20% or more of the total number of issued shares of Flexidynamic, must not exceed 10% of the total number of new Flexidynamic Shares to be issued under the Proposed ESOS;
 - (iii) The Directors and senior management of Flexidynamic Group (excluding dormant subsidiaries, if any) do not participate in the deliberation or discussion of their own allocation of ESOS Options as well as allocation to persons connected with them, if any; and
 - (iv) Not more than 70% of the total number of new Flexidynamic Shares to be issued under the ESOS shall be allocated, in aggregate, to the eligible directors and senior management of the Group (excluding dormant subsidiaries, if any) who are Eligible Persons ("Maximum Allocation"). The Maximum Allocation was determined after taking into consideration, the number of Eligible Persons falling within the grading of directors and senior management of the Group, as well as their position, seniority, length of service, performance and contribution to the Group, provided always that it is in accordance with any prevailing requirements issued by Bursa Securities and the Listing Requirements as amended from time to time.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

17. SHARE BASED PAYMENT RESERVE (CONT'D)

The salient features of the ESOS are as follows (cont'd):-

- (c) The ESOS will be made available for participation by eligible persons of the Group who meet the following criteria on the Date of Offer:-
 - (i) The Eligible Person shall have attained the age of 18 years on the Date of Offer;
 - (ii) The Eligible Person is employed on a full time basis (inclusive of employee with fixed term contract) and is on the payroll of any company within the Group (excluding dormant companies, if any) and his/her employment has been confirmed or such employee is serving in a specific designation under an employment contract for a fixed duration of not less than 1 year;
 - (iii) The Eligible Person is neither an undischarged bankrupt nor subject to any bankruptcy proceedings;
 - (iv) Such Eligible Person who is an director (including non-executive directors) has been appointed as a director of Flexidynamic or any company in the Group, which is not dormant; and
 - (v) The Eligible Person has fulfilled any other eligibility criteria and/or falls within such grade/category set by the Group (excluding dormant companies, if any) as may be determined by the ESOS Committee at its sole discretion from time to time.
- (d) The ESOS shall be in force for a period of 5 years and may be extended (as the case may be), at the sole and absolute discretion of the Board of Directors of the Company upon the recommendation by the ESOS Committee, provided always that the initial ESOS period stipulated above and such extension of the ESOS shall not in aggregate exceed a duration of 10 years from the effective date; and
- (e) An option price shall not be at a discount of more than 10% (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

17. SHARE BASED PAYMENT RESERVE (CONT'D)

A summary of the movement in the number ESOS and the weighted average exercise prices ("WAEP") is as follow:-

	<u>2021</u>		<u>2020</u>	
	Number of share option	Weighted average exercise price RM	Number of share option	Weighted average exercise price RM
Group				
At 1 January	-	-	-	-
Granted during the financial year	<u>15,013,300</u>	<u>4,203,724</u>	<u>-</u>	<u>-</u>
At 31 December	<u>15,013,300</u>	<u>4,203,724</u>	<u>-</u>	<u>-</u>
Options exercisable at 31 December	<u>15,013,300</u>		<u>-</u>	

The options outstanding at 31 December 2021 have an exercise price of RM0.28 (2020: RMNil) and a weighted average contractual live of 1 year (2020: Nil).

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a Black-Scholes Model, with the following inputs:-

	Group	
	<u>2021</u> RM	<u>2020</u> RM
Fair value at grant date		
- Key Senior Management		
Year 1	0.0880	-
Year 2	0.1122	-
Year 3	0.1272	-
Year 4	0.1372	-
Year 5	0.1439	-
- Non-Senior Management		
Year 1	0.0382	-
Year 2	0.0906	-
Year 3	0.1137	-
Year 4	0.1282	-
Year 5	0.1379	-
Weighted average share price	0.31	-
Share price at grant date	0.33	-
Weighted average volatility	68.38%	-
Expected weighted average option life	1 year	-
Expected dividends	3.79%	-
Risk-free interest rate	3.13%	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

17. SHARE BASED PAYMENT RESERVE (CONT'D)

The value of employee services received for issue of share options is summarised as below:-

	Group		Company	
	<u>2021</u> RM	<u>2020</u> RM	<u>2021</u> RM	<u>2020</u> RM
At 1 January	-	-	-	-
Addition	692,935	-	692,935	-
At 31 December	692,935	-	692,935	-

	Group		Company	
	<u>2021</u> RM	<u>2020</u> RM	<u>2021</u> RM	<u>2020</u> RM
Total expenses recognised as share based payment in profit and loss	692,935	-	140,775	-

18. LEASE LIABILITIES

	Group	
	<u>2021</u> RM	<u>2020</u> RM
Current liabilities		
- less than 1 year	442,869	370,399
Non-current liabilities		
- more than 1 year but less than 2 years	403,855	403,275
- more than 2 years but less than 5 years	572,100	677,741
	975,955	1,081,016
	1,418,824	1,451,415

Set out below is the movements of the lease liabilities during the financial year:-

	Group	
	<u>2021</u> RM	<u>2020</u> RM
At 1 January	1,451,415	712,743
Additions	411,204	913,744
Accretion of interest	66,128	28,749
Payment of principal and interest	(509,923)	(203,821)
At 31 December	1,418,824	1,451,415

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

18. LEASE LIABILITIES (CONT'D)

The following are the amounts relating to lease liabilities recognised in profit or loss:-

	Group	
	<u>2021</u>	<u>2020</u>
	RM	RM
Interest expense on lease liabilities	<u>66,128</u>	<u>28,749</u>

Group

The effective interest rates of the lease liabilities are ranging from 2.98% to 6.38% (2020: 2.98% to 6.38%) per annum.

19. BANK BORROWINGS

	Group	
	<u>2021</u>	<u>2020</u>
	RM	RM
Non-current liabilities		
Secured:-		
- Term loan		
- later than 1 year but not later than 2 years	280,810	258,226
- later than 2 years but not later than 5 years	899,314	827,257
- later than 5 years	5,860,283	8,132,653
	<u>7,040,407</u>	<u>9,218,136</u>
Current liabilities		
Secured:-		
- Term loan	271,788	249,930
- Bankers' acceptances	1,367,000	668,000
	<u>1,638,788</u>	<u>917,930</u>
	<u>8,679,195</u>	<u>10,136,066</u>

The term loan of the Group is secured by a legal charge over the Group's freehold land and building and corporate guarantee by the Company.

The bankers' acceptances of the Group is corporate guarantee by the Company.

Group

The effective interest rates of the term loan and bankers' acceptances are 3.27% (2020: 3.27%) and 2.59% to 2.67% (2020: 2.59% to 3.63%) per annum respectively.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

20. EMPLOYEES' BENEFITS

Movements in the present value of the defined benefit obligations for the years end 31 December 2021 and 2020 are as follows:-

	Group	
	<u>2021</u>	<u>2020</u>
	RM	RM
Beginning balance as at 1 January	6,762	-
Recognised in profit or loss	659	6,762
Exchange difference	(476)	-
	<u>6,945</u>	<u>6,762</u>
Balance as at 31 December	<u>6,945</u>	<u>6,762</u>

Significant assumptions based on actuarial techniques as at financial year end as follows:-

	Group	
	<u>2021</u>	<u>2020</u>
	RM	RM
Discount rate	2.90% p.a	1.50% p.a
Salary growth rate	10.32% p.a	14.00% p.a
Normal retirement age	60 years	60 years
Mortality rate	<u>Thai Mortality Table 2017</u>	<u>Thai Mortality Table 2017</u>

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:-

	Group			
	<u>2021</u>		<u>2020</u>	
	Defined benefit obligation		Defined benefit obligation	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	RM	RM	RM	RM
Discount rate (0.5% movement)	(879)	1,012	(914)	1,062
Future salary growth (0.5% movement)	32	(31)	30	(30)
Turnover rate (0.5% movement)	<u>(933)</u>	<u>1,072</u>	<u>(983)</u>	<u>1,075</u>

21. TRADE PAYABLES

Group and Company

The normal credit terms granted by the trade payables ranging from 30 to 120 days (2020: 30 to 120 days).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

22. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM	RM	RM	RM
Non-trade payables	68,753	111,329	12,402	-
Accruals	994,538	848,306	44,700	12,500
Dividend payables	-	300,000	-	-
Withholding tax	4,637	384	-	-
Sales tax	99,913	74,931	-	-
	<u>1,167,841</u>	<u>1,334,950</u>	<u>57,102</u>	<u>12,500</u>

23. CONTRACT LIABILITIES

	Group	
	<u>2021</u>	<u>2020</u>
	RM	RM
Customer deposits	<u>34,655,301</u>	<u>10,086,841</u>

23.1 Point transactions

	Group	
	<u>2021</u>	<u>2020</u>
	RM	RM
At 1 January	10,086,841	692,284
Deferred during the financial year	50,239,833	20,528,714
Recognised as revenue during the financial year	<u>(25,671,373)</u>	<u>(11,134,157)</u>
	<u>34,655,301</u>	<u>10,086,841</u>
Analysed as:-		
- Current	<u>34,655,301</u>	<u>10,086,841</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

24. REVENUE

24.1 Disaggregated revenue information

	Group	
	<u>2021</u> RM	<u>2020</u> RM
Glove chlorination system	69,939,409	34,692,594
Repair, refurbishment and maintenance	1,395,530	1,920,965
Trading of replacement parts	4,229,456	3,335,755
Storage and process tanks	16,903,456	11,579,403
Other products and services	13,309,754	5,357,680
	<u>105,777,605</u>	<u>56,886,397</u>

Timing of revenue recognition

Goods and services transferred at a point in time	<u>105,777,605</u>	<u>56,886,397</u>
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	Company	
	<u>2021</u> RM	<u>2020</u> RM
Dividend income	<u>5,800,000</u>	<u>-</u>
	<u>5,800,000</u>	<u>-</u>

Timing of revenue recognition

Goods and services transferred at a point in time	<u>5,800,000</u>	<u>-</u>
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24.2 Contract balances

	Group	
	<u>2021</u> RM	<u>2020</u> RM
Contract liabilities (Note 23)	<u>34,655,301</u>	<u>10,086,841</u>

Contract liabilities include down payment made by the customers for the initiation of the projects. The contract liabilities was mainly due to the customer deposits received which is disclosed in Note 23 to the financial statements.

25. FINANCE COSTS AND FINANCE INCOME

	Group	
	<u>2021</u> RM	<u>2020</u> RM
Finance costs		
-Term loan interest	12,251	19,942
-Bankers' acceptance interest	42,177	24,211
-Finance lease	66,128	28,749
-Others	-	384
	<u>120,556</u>	<u>73,286</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

25. FINANCE COSTS AND FINANCE INCOME (CONT'D)

	Group		Company	
	<u>2021</u> RM	<u>2020</u> RM	<u>2021</u> RM	<u>2020</u> RM
Finance income				
-Fixed deposit with a licensed financial institution	39,436	15,836	-	-
-Current account	83,006	3,458	67,626	-
-Short-term investments	-	2,730	-	-
-Others	12,924	12,924	-	-
	<u>135,366</u>	<u>34,948</u>	<u>67,626</u>	<u>-</u>

26. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax has been determined after charging/(crediting), amongst other items, the following:-

	Group		Company	
	<u>2021</u> RM	<u>2020</u> RM	<u>2021</u> RM	<u>2020</u> RM
Auditors' remuneration				
-Statutory audit	71,000	62,000	21,000	20,000
-Other services	45,198	68,000	-	-
Other services				
-Current year	-	66,947	-	-
-Over provision in prior year	(13,860)	-	-	-
Expenses relating to lease of low-value assets				
-Hire of cranes	750,417	272,746	-	-
-Hire of forklifts	174,430	109,635	-	-
-Hire of lorries	-	7,700	-	-
Realised loss on foreign exchange	857,829	258,990	-	-
Rental of premises	<u>204,800</u>	<u>226,333</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

27. TAX EXPENSE

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Current tax:-				
- Current financial year	7,834,312	3,513,416	-	-
- Under provision in prior financial year	7,542	144,976	-	-
	<u>7,841,854</u>	<u>3,658,392</u>	<u>-</u>	<u>-</u>
Deferred tax (Note 7):-				
- Current financial year	(5,637,726)	(2,041,321)	-	-
- Under provision in prior financial year	(27,717)	(566)	-	-
	<u>(5,665,443)</u>	<u>(2,041,887)</u>	<u>-</u>	<u>-</u>
	<u>2,176,411</u>	<u>1,616,505</u>	<u>-</u>	<u>-</u>

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Profit/(Loss) before tax	<u>5,682,431</u>	<u>6,220,410</u>	<u>2,953,107</u>	<u>(33,040)</u>
Tax at statutory income tax rate of 24%; 2020: 24%	1,363,783	1,492,898	708,746	(7,930)
Tax effect in respect of:-				
Income not subject to tax	(104,040)	(113,727)	(1,401,232)	-
Tax at different rate	(32,238)	-	-	-
Non-allowable expenses	969,081	134,924	692,486	7,930
Tax saving on 1 st RM600,000 (2020: RM500,000)	-	(42,000)	-	-
Under provision of taxation in prior financial year	7,542	144,976	-	-
Under provision of deferred taxation in prior financial year	(27,717)	(566)	-	-
Tax expense	<u>2,176,411</u>	<u>1,616,505</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

28. EARNINGS PER SHARE

Basic earnings per share

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

	Group	
	<u>2021</u>	<u>2020</u>
Profit for the financial year attributable to owners of the Company (RM)	<u>3,184,327</u>	<u>4,528,129</u>
Weighted average number of ordinary shares in issue (unit)	<u>265,753,315</u>	<u>13,112,713</u>
Basic earnings per share (sen)	<u>1.20</u>	<u>34.53</u>

Diluted earnings per share

For the purpose of calculating diluted earnings per share, the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, i.e., share options granted to employees.

	Group	
	<u>2021</u>	<u>2020</u>
Profit for the financial year attributable to owners of the Company (RM)	<u>3,184,327</u>	<u>-</u>
Weighted average number of ordinary shares in issue (unit)	<u>265,753,315</u>	<u>-</u>
Effect of dilutive potential ordinary share - ESOS (unit)	<u>272,621</u>	<u>-</u>
Weighted average number of ordinary shares for diluted earnings per share (unit)	<u>266,025,936</u>	<u>-</u>
Diluted earnings per share (sen)	<u>1.20</u>	<u>-</u>

There are no diluted earnings per share as at 31 December 2020 because the Company does not have any convertible financial instruments.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

29. DIVIDENDS

During the financial year, the following dividends have been paid/payable by the Group are as follows:-

	Group	
	<u>2021</u> RM	<u>2020</u> RM
<u>Dividends of a subsidiary</u>		
In respect of financial year ended 31 December 2020:-		
First interim single tier dividend of RM1.40 per ordinary share	-	700,000
Second interim single tier dividend of RM0.60 per ordinary share	-	300,000
	<u>-</u>	<u>1,000,000</u>

30. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	<u>2021</u> RM	<u>2020</u> RM	<u>2021</u> RM	<u>2020</u> RM
Salaries, bonuses and allowances	6,537,639	4,160,000	-	-
Fee	184,250	-	184,250	-
Defined contribution plan	528,504	435,235	-	-
Social security contribution	64,667	48,292	-	-
Employee insurance system	3,546	3,013	-	-
Share option granted under ESOS	692,935	-	140,775	-
Other benefits	361,251	203,870	-	-
	<u>8,372,792</u>	<u>4,850,410</u>	<u>325,025</u>	<u>-</u>

Included in employee benefits expense is the Directors' remuneration as below:-

	Group		Company	
	<u>2021</u> RM	<u>2020</u> RM	<u>2021</u> RM	<u>2020</u> RM
<u>Executive Director</u>				
Salaries, bonuses and allowances	1,299,469	1,091,451	-	-
Fee	72,000	-	72,000	-
Defined contribution plan	177,595	156,220	-	-
Social security contribution	2,770	2,770	-	-
Share option granted under ESOS	124,801	-	124,801	-
Other benefits	-	14,069	-	-
	<u>1,676,635</u>	<u>1,264,510</u>	<u>196,801</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

30. EMPLOYEE BENEFITS EXPENSE (CONT'D)

Included in employee benefits expense is the Directors' remuneration as below (cont'd):-

	Group		Company	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM	RM	RM	RM
<u>Non Executive Director</u>				
Fee	112,250	-	112,250	-
Share option granted under ESOS	15,974	-	15,974	-
	<u>128,224</u>	<u>-</u>	<u>128,224</u>	<u>-</u>

The estimated value of benefits-in-kind of the Group provided to Directors during the financial year amounted to RM64,546 (2020: RM42,829).

31. CAPITAL COMMITMENT

	Group	
	<u>2021</u>	<u>2020</u>
	RM	RM
Authorised and contracted for:-		
Property, plant and equipment	<u>585,986</u>	<u>911,200</u>

32. RELATED PARTY DISCLOSURES

The Group has related party relationship with its subsidiaries, related parties and persons connected to the Director.

- (a) Related party transactions have been entered into the normal course of business under normal trade terms. The related party transactions during the financial year are as follows:-

	Group	
	<u>2021</u>	<u>2020</u>
	RM	RM
Rental charged by Director's spouse	-	24,118
Vehicle rental charged by Director's spouse	-	12,059
Lease payment charged by Director's spouse	23,245	-
Sales of motor vehicle to Director	70,000	-
Rental charged by a related party ⁽¹⁾	66,000	66,000
Purchases from a related party ⁽²⁾	<u>263,643</u>	<u>135,817</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

32. RELATED PARTY DISCLOSURES (CONT'D)

(a) Related party transactions have been entered into the normal course of business under normal trade terms. The related party transactions during the financial year are as follows (cont'd): -

(1) Related party refers to an entity in which Director's brother and sister-in-law have interest.

(2) Related party refers to an entity in which Director's father and brothers have interest.

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

The remuneration of key management personnel is same as the Directors' remuneration as disclosed in Note 30 to the financial statements. The Group have no other members of key management personnel apart from the Board of Directors.

33. SEGMENTAL REPORTING - GROUP

For management purposes, the Group is organised into business units based on its nature of business and has only one reportable segment, as follow:-

Engineering	- Design, engineering, installation and commissioning of glove chlorination systems, as well as design and for the installation of storage tanks and process tanks for the glove manufacturing industry
Trading and services	- Installation and maintenance of glove chlorination systems, storage tanks and process tanks for the glove manufacturing industry
Other	- Investment holding

The Managing Director monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

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

Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation. Transfer prices between business segments are established on terms and conditions that are mutually agreed upon.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

33. SEGMENTAL REPORTING – GROUP (CONT'D)

Business segments

	Note	Engineering RM	Trading and services RM	Other RM	Elimination RM	Combined RM
2021						
Revenue:-						
External customers		105,777,605	-	-	-	105,777,605
Inter-segment		-	5,180,808	5,800,000	(10,980,808)	-
Results:-						
Finance income		67,369	371	67,626	-	135,366
Finance costs		(110,767)	(9,789)	-	-	(120,556)
Dividend income		53,257	-	31,361	-	84,618
Depreciation of property, plant and equipment		(831,115)	(129,341)	-	-	(960,456)
Tax expense		(2,001,241)	(175,170)	-	-	(2,176,411)
Other non-cash expenses	(i)	1,839,510	-	140,775	-	1,980,285
Segment profit/(loss)		5,722,143	630,770	2,953,107	(5,800,000)	3,506,020
Assets:-						
Additions to non-current asset - property, plant and equipment		1,526,593	291,186	-	-	1,817,779
Segment assets	(ii)	99,214,030	1,790,912	39,021,261	(32,501,201)	107,525,002
Liabilities:-						
Segment liabilities	(iii)	66,685,116	171,659	57,102	(7,954,032)	58,959,845
2020						
Revenue:-						
External customers		56,778,510	107,887	-	-	56,886,397
Inter-segment		-	1,322,359	-	(1,322,359)	-
Results:-						
Finance income		34,422	526	-	-	34,948
Finance costs		(69,171)	(4,115)	-	-	(73,286)
Depreciation of property, plant and equipment		(675,883)	(87,227)	-	-	(763,110)
Tax expense		(1,591,845)	(24,660)	-	-	(1,616,505)
Other non-cash expenses	(i)	1,045,465	-	-	-	1,045,465
Segment profit/(loss)		4,541,609	148,580	(33,040)	(53,244)	4,603,905

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

33. SEGMENTAL REPORTING – GROUP (CONT'D)

Business segments (cont'd)

	Note	Engineering RM	Trading and services RM	Other RM	Elimination RM	Combined RM
2020 (cont'd)						
Assets:-						
Additions to non-current asset - property, plant and equipment		4,530,336	93,829	-	-	4,624,165
Segment assets	(ii)	59,167,589	1,054,037	20,876,012	(21,515,630)	59,582,008
Liabilities:-						
Segment liabilities	(iii)	24,121,810	351,607	45,532	(319,623)	24,199,326

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the combined financial information:-

- (i) Other material non-cash income/(expenses) consist of the following items:-

	2021 RM	2020 RM
Gain on disposal of property, plant and equipment	155,000	-
Unrealised gain on foreign exchange	1,150,854	181,733
Gain on disposal of investments in equity instruments	-	304,728
Property, plant and equipment written off	(18,504)	(208)
Reversal of impairment of financial asset	-	559,212
Share based payment expenses	692,935	-
	<u>1,980,285</u>	<u>1,045,465</u>

- (ii) The following items are added to segment assets to arrive at total assets reported in the statements of financial position:-

	2021 RM	2020 RM
Segment assets	107,525,002	59,582,008
Deferred tax assets	<u>7,829,439</u>	<u>2,163,996</u>
Total assets	<u>115,354,441</u>	<u>61,746,004</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

33. SEGMENTAL REPORTING – GROUP (CONT'D)

Business segments (cont'd)

(iii) The following items are added to segment liabilities reported in the statements of financial position: -

	<u>2021</u> RM	<u>2020</u> RM
Segment liabilities	58,959,845	24,199,326
Lease liabilities	1,418,824	1,451,415
Borrowings	8,679,195	10,136,066
Tax payable	<u>2,930,406</u>	<u>1,214,547</u>
Total liabilities	<u>71,988,270</u>	<u>37,001,354</u>

Geographical segments

The Group operates in Malaysia, Vietnam, Sri Lanka, Thailand and Indonesia. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

The following table provides an analysis of the Group's revenue by geographical segment: -

	<u>2021</u> RM	<u>2020</u> RM
Revenue from external customers		
Malaysia	64,223,913	42,744,360
Thailand	26,055,632	4,366,030
Vietnam	15,070,324	9,464,288
Indonesia	-	23,536
Sri Lanka	<u>427,736</u>	<u>288,183</u>
	<u>105,777,605</u>	<u>56,886,397</u>

Major customers

The following are major customers with revenue equal or more than 10 percent of the Group's revenue.

	<u>2021</u> RM	<u>2020</u> RM
Customer A	14,703,242	16,153,578
Customer B	14,563,731	9,410,237
Customer C	13,906,428	-
Customer D	13,224,384	9,079,222
Customer E	<u>11,290,410</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

34. FINANCIAL INSTRUMENTS

34.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows: -

- Fair value through profit or loss classified as held for trading ("FVTPL"); and
- Financial assets and financial liabilities measured at amortised cost ("AC")

Group	Carrying amount RM	FVTPL RM	AC RM
2021			
Financial assets			
Trade receivables	33,572,027	-	33,572,027
Other receivables	775,050	-	775,050
Fixed deposit with a licensed financial institution	3,459,436	-	3,459,436
Cash and bank balances and short-term investments	29,321,265	13,438,866	15,882,399
	<u>67,127,778</u>	<u>13,438,866</u>	<u>53,688,912</u>
Financial liabilities			
Trade payables	23,129,758	-	23,129,758
Other payables and accruals	1,063,291	-	1,063,291
Bank borrowings	8,679,195	-	8,679,195
	<u>32,872,244</u>	<u>-</u>	<u>32,872,244</u>
2020			
Financial assets			
Trade receivables	13,793,119	-	13,793,119
Other receivables	450,182	-	450,182
Fixed deposit with a licensed financial institution	3,000,000	-	3,000,000
Cash and bank balances and short-term investments	15,343,641	3,016,182	12,327,459
	<u>32,586,942</u>	<u>3,016,182</u>	<u>29,570,760</u>
Financial liabilities			
Trade payables	12,770,773	-	12,770,773
Other payables and accruals	1,259,635	-	1,259,635
Bank borrowings	10,136,066	-	10,136,066
	<u>24,166,474</u>	<u>-</u>	<u>24,166,474</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments categorised as follows (cont'd): -

Company	Carrying amount RM	FVTPL RM	AC RM
2021			
Financial assets			
Other receivables	5,606,300	-	5,606,300
Amount from a subsidiary	4,056,075	-	4,056,075
Fixed deposit with a licensed financial institution	420,000	-	420,000
Cash and bank balances and short-term investments	7,504,190	7,364,665	139,525
	<u>17,586,565</u>	<u>7,364,665</u>	<u>10,221,900</u>
Financial liability			
Other payables and accruals	<u>57,102</u>	<u>-</u>	<u>57,102</u>
2020			
Financial asset			
Cash and bank balances and short-term investments	<u>10,012</u>	<u>-</u>	<u>10,012</u>
Financial liabilities			
Other payables and accruals	12,500	-	12,500
Amount due to a subsidiary	<u>33,032</u>	<u>-</u>	<u>33,032</u>
	<u>45,532</u>	<u>-</u>	<u>45,532</u>

34.2 Financial risk management objectives and policies

Financial risks

The Group and the Company are mainly exposed to financial risks arising from their operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the Group's and the Company's business whilst managing its credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk. The Group and the Company operate within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

34. FINANCIAL INSTRUMENTS (CONT'D)

34.2 Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activities are set out as follows:-

(a) 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. It is the Group's and the Company's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group and the Company do not expect to incur material credit losses of its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the Group and the Company of counterparties whose aggregate credit exposure is significant in relation of the Group's and the Company's total credit exposure. The Group's and the Company's transactions are entered into with diverse creditworthy counterparties, thereby, mitigate any significant concentration of credit risk.

It is the Group's and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedure. The Group and the Company do not offer credit terms without the approval of the management.

Following are the areas where the Group and the Company are exposed to credit risk:-

(i) Receivables

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 and country in which customers operate.

The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's and the Company's standard payment and delivery terms and conditions are offered. The Group's and the Company's review includes external rating, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Sale limits are established for each customer and reviewed quarterly.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

34. FINANCIAL INSTRUMENTS (CONT'D)

34.2 Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(a) Credit risk (cont'd)

Following are the areas where the Group and the Company are exposed to credit risk (cont'd):-

(i) Receivables (cont'd)

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale or retail, their geographic location, industry, trading history with the Group and existence of previous financial difficulties.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Generally, the gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery despite the fact that they are still subject to enforcement activities. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as disclosed in Note 34.2(a) to the financial statements. The Group and the Company do not hold collateral as security. The Group and the Company evaluate the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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34. FINANCIAL INSTRUMENTS (CONT'D)

34.2 Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(a) Credit risk (cont'd)

Following are the areas where the Group and the Company are exposed to credit risk (cont'd):-

(i) Receivables (cont'd)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:-

Group

	Trade receivables					Total
	Current	<30 days	30-60 days	61-90 days	>90 days	
	RM	RM	RM	RM	RM	RM
2021						
Expected credit loss rate	-	-	-	-	-	-
Estimated total gross carrying amount	15,498,821	6,208,138	5,514,502	3,154,376	3,196,190	33,572,027
Expected credit loss (collective)	-	-	-	-	-	-
Expected credit loss (individual)	-	-	-	-	-	-
2020						
Expected credit loss rate	-	-	-	-	-	-
Estimated total gross carrying amount	9,466,339	1,870,104	548,132	1,201,322	707,222	13,793,119
Expected credit loss (collective)	-	-	-	-	-	-
Expected credit loss (individual)	-	-	-	-	-	-

(ii) Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

34. FINANCIAL INSTRUMENTS (CONT'D)

34.2 Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as and when they fall due as a result of shortage of funds.

In managing its exposures to liquidity risk, the Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as and when they fall due.

The Group and the Company aim at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

The liquidity risks are principally from its trade, other payables and accruals, lease liabilities and bank borrowings.

34. **FINANCIAL INSTRUMENTS (CONT'D)**34.2 **Financial risk management objectives and policies (cont'd)****Financial risks (cont'd)**

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(b) **Liquidity risk (cont'd)**

The summary of the maturity profile based on the contractual undiscounted repayment obligation are set out as follows:-

Group	Carrying amount RM	Contractual cash flow RM	On demand/ less than 1 year RM	Non-current		
				1 to 2 years RM	2 to 5 years RM	More than 5 years RM
2021						
Non-derivative financial liabilities						
Trade payables	23,129,758	23,129,758	23,129,758	-	-	-
Other payables and accruals	1,063,291	1,063,291	1,063,291	-	-	-
Lease liabilities	1,418,824	1,535,349	498,560	439,366	597,423	-
Bank borrowings	8,679,195	9,370,278	1,751,468	384,468	1,153,404	6,080,938
Total undiscounted financial liabilities	34,291,068	35,098,676	26,443,077	823,834	1,750,827	6,080,938
2020						
Non-derivative financial liabilities						
Trade payables	12,770,773	12,770,773	12,770,773	-	-	-
Other payables and accruals	1,259,635	1,259,635	1,259,635	-	-	-
Lease liabilities	1,451,415	1,592,026	429,423	445,646	716,957	-
Bank borrowings	10,136,066	10,356,202	374,613	374,613	1,123,839	8,483,137
Total undiscounted financial liabilities	25,617,889	25,978,636	14,834,444	820,259	1,840,796	8,483,137

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

34. FINANCIAL INSTRUMENTS (CONT'D)

34.2 Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(b) Liquidity risk (cont'd)

The summary of the maturity profile based on the contractual undiscounted repayment obligation are set out as follows (cont'd):-

Company	Carrying amount RM	Contractual cash flow RM	On demand/ less than 1 year RM	Non-current		
				1 to 2 years RM	2 to 5 years RM	More than 5 years RM
2021						
Non-derivative financial liabilities						
Other payables and accruals	57,102	57,102	57,102	-	-	-
2020						
Non-derivative financial liabilities						
Other payables and accruals	12,500	12,500	12,500	-	-	-
Amount due to a subsidiary	33,032	33,032	33,032	-	-	-
Total undiscounted financial liabilities	45,532	45,532	45,532	-	-	-

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

34. FINANCIAL INSTRUMENTS (CONT'D)

34.2 Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(c) 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.

To mitigate the Group's exposure to foreign currency risk, the Group is exposed to foreign currency risk on 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") and Thai Baht ("THB").

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Group's profit for the financial year to a reasonably possible change in the USD and THB exchange rates against the functional currency of the Group, with all other variables held constant.

Group	USD RM	THB RM
2021		
Trade receivables	16,314,165	-
Other receivables	-	19,837
Cash and bank balances	12,566,461	155,409
Other payables	-	(92,825)
Net exposure	<u>28,880,626</u>	<u>82,421</u>
2020		
Trade receivables	2,172,495	54,887
Other receivables	-	33,159
Cash and bank balances	756,443	331,878
Other payables	-	(163,604)
Net exposure	<u>2,928,938</u>	<u>256,320</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

34. FINANCIAL INSTRUMENTS (CONT'D)

34.2 Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(c) Foreign currency risk (cont'd)

Foreign currency sensitivity analysis (cont'd)

	Profit for the financial year/ Equity RM
Group	
2021	
USD/RM	
- Strengthened 0.31%	89,530
- Weakened 0.31%	(89,530)
THB/RM	
- Strengthened 0.60%	495
- Weakened 0.60%	(495)
2020	
USD/RM	
- Strengthened 0.15%	4,393
- Weakened 0.15%	(4,393)
THB/RM	
- Strengthened 0.15%	384
- Weakened 0.15%	(384)

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 exposure to currency risk.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

34. FINANCIAL INSTRUMENTS (CONT'D)

34.2 Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's instruments will fluctuate because of changes in market interest rates.

Fixed rate borrowing is exposed to a risk of change in its fair value due to changes in interest rates. Variable rate borrowing is exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

The Group's interest rate management objective is to manage the interest expense consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group targets a mix of fixed and floating debt based on assessment of its existing exposure and desired interest rate profile.

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

	Group	
	2021	2020
	RM	RM
Fixed rate instruments		
Lease liabilities	1,418,824	1,451,415
Bankers' acceptances	<u>1,367,000</u>	<u>668,000</u>
Floating rate instrument		
Term loan	<u>7,312,195</u>	<u>9,468,066</u>

Interest rate sensitivity analysis

At 31 December 2021, the Group is 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 following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 100 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 rate 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

34. FINANCIAL INSTRUMENTS (CONT'D)

34.2 Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(d) Interest rate risk (cont'd)

Interest rate sensitivity analysis (cont'd)

Group	<div> <div>←</div> <div>Profit for the financial year</div> <div>→</div> </div> <div> <div>Increase/(Decrease)</div> <div>Equity</div> </div>			
	+100bp RM	-100bp RM	+100bp RM	-100bp RM
2021	(73,122)	73,122	(73,122)	73,122
2020	(94,681)	94,681	(94,681)	94,681

34.3 Reconciliation of liabilities arising from financing activities

	Note	1 January RM	Cash flows RM	Others RM	31 December RM
Group					
2021					
Lease liabilities	18	1,451,415	(443,795)	411,204 ^{^^}	1,418,824
Bank borrowings	19	10,136,066	(2,140,271) ^{^^^}	683,400 ^{**}	8,679,195
Total liabilities from financing activities		11,587,481	(2,584,066)	1,094,604	10,098,019
2020					
Lease liabilities	18	712,743	(175,072)	913,744 ^{^^}	1,451,415
Bank borrowings	19	7,069,491	(123,025) ^{^^^}	3,189,600 ^{**}	10,136,066
Total liabilities from financing activities		7,782,234	(298,097) ^{^^^}	4,103,344	11,587,481

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

34. FINANCIAL INSTRUMENTS (CONT'D)

34.3 Reconciliation of liabilities arising from financing activities (cont'd)

	<u>Note</u>	<u>1 January</u> RM	<u>Cash flows</u> RM	<u>31 December</u> RM
Company				
2021				
Repayment to a subsidiary	11	33,032	(33,032)	-
2020				
Amount due to a subsidiary	11	-	33,032	33,032

** Being bank borrowings used to acquire building under construction.

^^ Being additional of lease liabilities for purchase of motor vehicles during the financial year.

^^^ Being amount net off between drawdown of bank borrowings and repayment of bank borrowings of the Group amounted to RM3,401,098 and RM5,541,369 (2020: RM1,918,000 and RM2,041,025) respectively.

34.4 Fair value of financial instruments

The carrying amounts of short-term receivables and payable, cash and cash equivalents and short-term borrowings, except for term loan and finance lease liabilities, approximate their fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

34. FINANCIAL INSTRUMENTS (CONT'D)

34.4 Fair value of financial instruments (cont'd)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their values and carrying amounts shown in the statement of financial position.

Group	Fair value of financial instruments carried at fair value Level 1 RM	Fair value of financial instruments carried at fair value Level 2 RM	Fair value of financial instruments not carried at fair value Level 3 RM	Carrying amount RM
2021				
Financial assets				
Cash and bank balances and short-term investments	-	13,438,866	-	13,438,866
Other receivables	-	-	192,747	192,747
Financial liabilities				
Term loan	-	-	7,312,195	7,312,195
Lease liabilities	-	-	1,418,824	1,418,824
2020				
Financial assets				
Cash and bank balances and short-term investments	-	3,016,182	-	3,016,182
Other receivables	-	-	356,957	356,957
Financial liabilities				
Term loan	-	-	9,468,066	9,468,066
Lease liabilities	-	-	1,451,415	1,451,415
Company				
2021				
Financial assets				
Cash and bank balances and short-term investments	-	7,364,665	-	7,364,665

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2020: no transfer in either direction).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

34. FINANCIAL INSTRUMENTS (CONT'D)

34.4 Fair value of financial instruments (cont'd)

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Level 3 fair value

The carrying amount of floating rate term loan approximate its fair value as its effective interest rate changes according to movements in the market interest rates.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

<u>Type</u>	<u>Description of valuation technique and inputs used</u>
Other receivables and finance lease liabilities	Discounted cash flows using a rate based on the current market rate of borrowing at the reporting date.

The estimated fair value would decrease if the interest rates were higher.

35. CAPITAL MANAGEMENT

Total capital managed at the Group level is the shareholders' funds as shown in the statements of financial position.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit and financially prudent capital rations in order to support its current business as well as future expansion so as to maximise the shareholders' value.

The Group manages its capital structure and make adjustment to it, in light of changes in economic condition. To maintain and adjust capital structure, the Group adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

There were no changes in the Group's approach to capital management during the financial year ended 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

36. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) **Covid-19 Pandemic**

The World Health Organisation declared the 2019 Novel Coronavirus infection ("COVID-19") a pandemic on 11 March 2020. The Government of Malaysia imposed the Movement Control Order ("MCO") on 18 March 2020 and has subsequently entered into various phases of the MCO.

Consequently, the Covid-19 outbreak had resulted in travel restriction, lockdown, social distancing and other precautionary measures imposed in various countries. The emergence of the Covid-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Company operates as well as may cause impact to the Group's and the Company's revenue, earnings, cash flows and financial condition.

Arising from the Covid-19 pandemic, the Group and the Company have implemented several measures to weather through this current challenging time. The following measures had been taken, with further additional efforts to be taken:

Impact from Covid-19 Pandemic

The Group and the Company's business operations have been negatively affected due to the MCO and Covid-19 pandemic as the Group's and the Company's operation in trading and manufacturing segments were temporarily halted. The Group and the Company further anticipates a weaker demand for related service in short term.

Despite headwinds from uncertain economic environment, the management will be prudent and cautious in drawing up the Group's and the Company's business plans for the financial year ending 31 December 2022. Nevertheless, the management shall closely monitor the Group's and the Company's operations and take the necessary steps to navigate its post-pandemic recovery to improve the performance of its operations.

- (b) On 12 November 2020, Bursa Malaysia Securities Berhad has approved the admission of the Company to the Official List and the listing of and quotation for its entire enlarged issued share capital of the Company on the Ace Market of Bursa Malaysia Securities Berhad. The ordinary shares of the Company were listed on the Ace Market of Bursa Malaysia Securities Berhad on 30 March 2021.
- (c) On 23 August 2021, the Company had announced that the Board has resolved to extend the timeframe for the utilisation of the proceeds raised from its IPO exercise in conjunction with the listing of the Company on the ACE Market of Bursa Malaysia Securities Berhad on 30 March 2021. The Board has resolved to extend the timeframe for the utilisation of IPO proceeds earmarked for the repayment of bank borrowings drawn to fund the acquisition of new factories, renovation of new factories and acquisition of machinery and equipment from within 12 months to within 18 months.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2021

36. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

- (d) On 14 September 2021, the Company announced proposed establishment of an ESOS of up to 25% of the total number of issued shares of Flexidynamic at any point in time during the duration of the Proposed ESOS.

The Proposed ESOS was approved by the shareholders of the Company at an Extraordinary General Meeting held on 29 October 2021.

On 1 November 2021, the Company announced that the final copy of the By-Laws of the ESOS has been submitted to Bursa Securities and the effective date of the ESOS has been fixed.

The Company announced that the ESOS was implemented on 13 December 2021. A total of 15,013,300 ESOS options have been granted with the option exercise price of RM0.28 per share.

37. EVENT AFTER THE REPORTING PERIOD

On 28 February 2022, the Company increased its issued and paid-up ordinary share capital from RM35,353,657 to RM35,496,993, by way of issuance of 511,915 ordinary shares for cash pursuant to the exercise of options under the Employees Share Option Scheme at exercise prices RM0.28 per ordinary share. The new ordinary shares issued ranked pari passu in all respects with the existing ordinary shares of the Company.

LIST OF PROPERTY

No.	Title Details/ Postal Address	Description/ Existing use	Land area (sq. ft.)	Tenure	Approximate age of building (years)	Net Carrying amount as at 31 December 2021 (RM'000)	Date acquired
1	Individual title held under GRN 124476, Lot 226, Seksyen 2, Pekan Bukit Changgang, Daerah Kuala Langat, Negeri Selangor 7, Jalan 1/1, Kawasan Perusahaan Olak Lempit, 42700 Banting, Selangor Darul Ehsan	Industrial land with single-storey detached factory annexed with 3-storey office block	45,746	Freehold	8	5,976	1 June 2016

ANALYSIS OF SHAREHOLDINGS

AS AT 28 MARCH 2022

Total number of issued shares : 284,403,115

Class of shares : Ordinary shares

Voting rights : 1 vote per ordinary share

SHAREHOLDINGS DISTRIBUTION

Size of Holdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares Held	% of Issued Capital
Less than 100	0	0.00	0	0.00
100 to 1,000	265	19.70	134,400	0.05
1,001 to 10,000	620	46.10	3,550,400	1.25
10,001 to 100,000	344	25.58	13,062,300	4.59
100,001 to less than 5% of issued shares	114	8.48	96,554,815	33.95
5% and above of issued shares	2	0.15	171,101,200	60.16
Total	1,345	100.00	284,403,115	100.00

SUBSTANTIAL SHAREHOLDERS

as per Register of Substantial Shareholders as at 28 March 2022

	Direct	No. of Shares Held %	Indirect	%
Tan Kong Leong	117,892,900	41.45	6,259,800*	2.20
Liew Heng Wei	53,208,300	18.71	130,000*	0.05
Phitchaya Arsangku	6,259,800	2.20	117,892,900*	41.45
Lion Suk Chin	130,000	0.05	53,208,300*	18.71

Notes:

* Deemed interest pursuant to Section 8 of the Companies Act 2016 ("Act"), by virtue of his/her spouse's shareholding.

DIRECTORS' INTEREST

as per Register of Directors' Shareholdings as at 28 March 2022

	Direct	No. of Shares Held %	Indirect	%
Phang Sze Fui	-	-	-	-
Tan Kong Leong	117,892,900	41.45	6,259,800*	2.20
Liew Heng Wei	53,208,300	18.71	130,000*	0.05
Lion Suk Chin	130,000	0.05	53,208,300*	18.71
Noor Zaliza Yati Binti Yahya	-	-	-	-
Chong Kai Feng	-	-	-	-
Poh Chee Fong	-	-	-	-
Sin Kuo Wei	8,346,400	2.93	-	-

Notes:

* Deemed interest pursuant to Section 8 of the Act, by virtue of his/her spouse's shareholding.

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 28 MARCH 2022

TOP 30 SHAREHOLDERS/ DEPOSITORS

No.	Name of Shareholder	No. of Shares Held	% of Issued Capital
1.	Tan Kong Leong	117,892,900	41.45
2.	Liew Heng Wei	53,208,300	18.71
3.	Sin Kuo Wei	8,346,400	2.93
4.	Loh Wei Keat	7,446,400	2.62
5.	Phitchaya Arsangku	6,259,800	2.20
6.	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged securities Account for Wong Hoong Ton</i>	3,781,600	1.33
7.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)</i>	3,702,000	1.30
8.	Lim Khin Choong	3,473,000	1.22
9.	Yee Voon Hon	3,420,000	1.20
10.	Tan Lui Ken	3,275,700	1.15
11.	Chong Chee Keong	3,130,000	1.10
12.	Yee Choon Kiat	3,114,500	1.09
13.	Lim Hong Jun	2,000,000	0.70
14.	Wong Huey Kee	2,000,000	0.70
15.	Ting Kai Ming	1,739,100	0.61
16.	Pua Siew Peng	1,500,000	0.53
17.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Rakuten Trade Sdn Bhd for Loh Wei Keat</i>	1,422,400	0.50
18.	Pang Ko Yoek	1,402,000	0.49
19.	Wong Fook Loong	1,386,600	0.48
20.	Lee Chuen Seh	1,120,000	0.39
21.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Kon Yeon Guen (E-BPJ)</i>	1,029,000	0.36
22.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Rakuten Trade Sdn Bhd for Lim Khin Choong</i>	1,010,000	0.36
23.	Chan Yoke Chun	1,000,000	0.35
24.	Lee Chee Sian	1,000,000	0.35
25.	Ooi Chee Chung	1,000,000	0.35
26.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Rakuten Trade Sdn Bhd for Wong Fook Loong</i>	991,000	0.35
27.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Rakuten Trade Sdn Bhd for Chong Chee Keong</i>	986,000	0.34
28.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Er Foo Siang (E-TAI)</i>	911,900	0.32
29.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Chong Chee Keong (E-BPJ)</i>	875,000	0.31
30.	Loo Ah Kow	860,000	0.30

NOTICE OF THIRD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Third ("3rd") Annual General Meeting ("AGM") of the Company will be conducted on a fully virtual basis through live streaming and online meeting platform of TIH Online provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its website at <https://tiah.online> or <https://tiah.com.my> (Domain Registration No. with MYNIC – D1A282781) on Tuesday, 24 May 2022 at 10.00 a.m. for the purpose of transacting the following businesses: -

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 together with the Directors' and Auditors' Reports thereon.
2. To approve a final single tier dividend of 1 sen per ordinary share for the financial year ended 31 December 2021. **(Resolution 1)**
3. To approve the payment of Directors' fees and allowances up to RM280,000.00 for the period from this 3rd AGM until the next AGM of the Company. **(Resolution 2)**
4. To re-elect the following Directors retiring in accordance with the Company's Constitution and being eligible, offer themselves for re-election: -

(i) Tan Kong Leong	(Article 92)	(Resolution 3)
(ii) Chong Kai Feng	(Article 92)	(Resolution 4)
(iii) Poh Chee Fong	(Article 98)	(Resolution 5)
(iv) Sin Kuo Wei	(Article 98)	(Resolution 6)
5. To re-appoint Messrs Grant Thornton Malaysia PLT as Auditors of the Company to hold office until the conclusion of the next AGM and to authorise the Board of Directors to fix their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS

To consider, and if thought fit, to pass the following as ordinary resolutions: -

6. **AUTHORITY TO ISSUE SHARES** **(Resolution 8)**
 "THAT pursuant to Section 75 and 76 of the Companies Act 2016, and subject to the approvals from the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 20% of the total number of issued shares of the Company at the time of submission to the authority AND THAT the Directors be and are also hereby empowered to obtain the approval from the Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue in force until the conclusion of the next AGM of the Company."
7. **PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED NEW SHAREHOLDERS' MANDATE")** **(Resolution 9)**
 "THAT approval be and is hereby given for the Company and/or its subsidiaries ("the Group") to enter into all arrangements and/or transactions involving the interests of the Directors, major shareholders and/or persons connected with the Directors and/or major shareholders of the Group ("Related Parties"), to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.5 of the Circular to Shareholders dated 25 April 2022 provided that such recurrent related party transactions are carried out in the ordinary course of business; necessary for the day-to-day operations of the Group; on normal commercial terms which are consistent with the Group's normal business practices and policies; on terms not more favourable to the Related Parties than those generally available to the public; and not to the detriment of the minority shareholders of the Company;
 AND THAT such approval shall continue to be in force until:

NOTICE OF THIRD ANNUAL GENERAL MEETING (cont'd)

- a) The conclusion of the next AGM of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("**Act**") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- c) revoked or varied by resolution passed by the shareholders in general meeting, whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution."

- 8. To transact any other business which may properly be transacted at an AGM for which due notice shall have been given.

NOTICE OF DIVIDEND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT, subject to the approval of the shareholders at the 3rd AGM, a final single tier dividend of 1 sen per ordinary share for the financial year ended 31 December 2021 will be paid on 17 June 2022 to depositors whose names appear in the Record of Depositors on 31 May 2022.

A Depositor shall qualify for entitlement to the Dividend only in respect of: -

- a) Shares transferred to the Depositor's securities account before 4.30 p.m. 31 May 2022 in respect of transfers.
- b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

LIM SECK WAH (MAICSA NO. 0799845) (SSM PC NO: 202008000054)
TANG CHI HOE (KEVIN) (MAICSA NO. 7045754) (SSM PC NO: 202008002054)

Company Secretaries
 Kuala Lumpur
 Dated: 25 April 2022

NOTICE OF THIRD ANNUAL GENERAL MEETING (cont'd)

Notes :-

1. An online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Companies Act 2016 if the online meeting platform in Malaysia and all meeting participants including Chairperson of the meeting, board members, senior management and shareholders are to participate in the meeting online.
Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "participate") remotely at the 3rd Annual General Meeting via the Remote Participation and Voting ("RPV") facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIH Online website at <https://tiih.online>.
For further information, kindly refer to the Administrative Guide for the 3rd AGM.
2. For the purpose of determining a member who shall be entitled to attend, speak and vote at the 3rd AGM, the Company shall be requesting the Record of Depositors as at 18 May 2022. Only a depositor whose name appears on the Record of Depositors as at 18 May 2022 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.
3. A proxy may but need not be a member of the Company. A member may appoint up to 2 proxies to attend and vote at the same meeting. Where a member appoints 2 proxies, the appointment of 2 proxies shall be invalid unless the proportion of the shareholding to be represented by each proxy is specified.
4. Where a member is an authorised nominee as defined under the Central Depositories Act 1991, it may appoint at least 1 proxy but not more than 2 proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his attorney duly authorised in writing, and in the case of a corporation, shall be executed under its Common Seal or under the hand of an officer or attorney of the corporation duly authorised.
7. The Form of Proxy shall be deposited at 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 or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or by electronic lodgement via TIH Online website at <https://tiih.online> not less than 48 hours before the time set for holding the meeting or any adjournment thereof. For further information on the electronic submission of Form of Proxy, kindly refer to the Administrative Guide for the 3rd AGM.
8. By submitting the duly executed Form of Proxy, a member and his/her proxy consent to the Company (and/or its agents/ service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for this meeting and any adjournment thereof.
9. A member who has appointed a proxy or attorney or authorised representative to participate at the 3rd AGM must request his/her proxy/attorney/authorised representative to register himself/herself via TIH Online website at <https://tiih.online>.

Explanatory Notes to Special Business

Ordinary Resolution 8 – Authority to issue shares

Bursa Malaysia Securities Berhad ("Bursa Securities") has via their letter dated 16 April 2020 granted several additional temporary relief measures to listed corporations, amongst others, an increase in general mandate limit for new issues of securities to not more than 20% of the total number of issued shares of the Company (excluding treasury shares) ("**20% General Mandate**"). Pursuant to the 20% General Mandate, Bursa Securities has also mandated that the 20% General Mandate may be utilised by a listed corporation to issue new securities until 31 December 2021 and thereafter, the 10% general mandate will be reinstated.

Bursa Securities has via their letter dated 23 December 2021 granted an extension of implementation of the 20% General Mandate to 31 December 2022. Having considered the current economic climate arising from the global COVID-19 pandemic and future financial needs of the Group, the Board would like to procure approval for the 20% General Mandate from its shareholders at the forthcoming 3rd AGM.

The 20% General Mandate will provide flexibility to the Company for any possible fundraising activities, including but not limited to further placing of shares, for the purpose of funding future investment projects, working capital, repayment of bank borrowings and/or acquisitions, if necessary.

The previous mandate granted by the shareholders had not been utilised and hence no proceed was raised therefrom.

Ordinary Resolution 9 – Proposed New Shareholders' Mandate

The explanatory note on Ordinary Resolution 9 is set out in the Circular to Shareholders dated 25 April 2022.

ADMINISTRATIVE GUIDE

FOR THE THIRD ANNUAL GENERAL MEETING

Date : Tuesday, 24 May 2022
Time : 10.00 a.m.
Online Meeting Platform : TIIH Online website at <https://tiih.online>

MODE OF MEETING

In line with the Government's directive and the revised Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia ("SC") on 16 July 2021, the 3rd AGM of the Company will be conducted fully virtual through live streaming and online voting via Remote Participation and Voting ("RPV") facilities via TIIH Online website at <https://tiih.online>. An online meeting platform used to conduct the meeting can be recognised as the meeting venue as required under Section 327(2) of the Companies Act 2016, provided that the online platform located in Malaysia. Pursuant to the SC's Guidance, all meeting participants including the Chairperson of the meeting, board members, senior management and shareholders are to participate in the meeting online.

REMOTE PARTICIPATION AND VOTING FACILITIES

Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "participate") remotely at the 3rd AGM using RPV facilities from Tricor.

A shareholder who has appointed a proxy(ies) or attorney(s) or authorised representative(s) to attend, participate, speak and vote at this 3rd AGM via RPV must request his/her proxy(ies) or attorney(s) or authorised representative(s) to register himself/herself for RPV at TIIH Online website at <https://tiih.online>.

PROCEDURES TO RPV FACILITIES

Please read and follow the procedures below to participate at the 3rd AGM using the RPV facilities:

Before the 3rd AGM Day

Procedure	Action
(a) Register as a user with TIIH Online	<ul style="list-style-type: none"> Using your computer, access the website at https://tiih.online. Register as a user under the "e-Services", select the "Sign Up" button and followed by "Create Account by Individual Holder". Refer to the tutorial guide posted on the homepage for assistance. Registration as a user will be approved within one (1) working day and you will be notified via e-mail. If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.

ADMINISTRATIVE GUIDE (cont'd)

FOR THE THIRD ANNUAL GENERAL MEETING

PROCEDURES TO REMOTE PARTICIPATION AND VOTING VIA RPV FACILITIES (CONT'D)

Before the 3rd AGM Day (cont'd)

Procedure	Action
(b) Submit your registration for RPV	<ul style="list-style-type: none"> Registration is open from Monday, 25 April 2022 until the day of 3rd AGM on Tuesday, 24 May 2022. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the 3rd AGM to ascertain their eligibility to participate at the 3rd AGM using the RPV. Login with your user ID (i.e. email address) and password and select the corporate event: "(REGISTRATION) FLEXIDYNAMIC HOLDINGS BERHAD 3RD AGM". Read and agree to the Terms & Conditions and confirm the Declaration. Select "Register for Remote Participation and Voting" Review your registration and proceed to register System will send an e-mail to notify that your registration for remote participation is received and will be verified. After verification of your registration against the General Meeting Record of Depositors as at 18 May 2022, the system will send you an e-mail on 22 May 2022 to approve or reject your registration for remote participation. <p><i>(Note: Please allow sufficient time for the approval of new user of TIH Online as well as registration for the RPV).</i></p>

On the 3rd AGM Day

Procedure	Action
(c) Login to TIH Online	<ul style="list-style-type: none"> Login with your user ID and password for remote participation at the 3rd AGM at any time from 9.00 a.m. i.e. 1 hour before the commencement of the 3rd AGM on Tuesday, 25 May 2022 at 10.00 a.m.
(d) Participate through Live Streaming	<ul style="list-style-type: none"> Select the corporate event: "(LIVE STREAM MEETING) FLEXIDYNAMIC HOLDINGS BERHAD 3RD AGM" to engage in the proceedings of the 3rd AGM remotely. If you have any question for the Chairperson/Board, you may use the query box to transmit your question. The Chairperson/Board will endeavor to respond to questions submitted by remote participants during the 3rd AGM. If there is time constraint, the responses will be e-mailed to you or posted at the Company's website at the earliest possible, after the meeting.

ADMINISTRATIVE GUIDE (cont'd)

FOR THE THIRD ANNUAL GENERAL MEETING

PROCEDURES TO REMOTE PARTICIPATION AND VOTING VIA RPV FACILITIES (CONT'D)

On the 3 rd AGM Day (cont'd)	
(e) Online Remote Voting	<ul style="list-style-type: none"> Voting session commences from 10.00 a.m. on Tuesday, 25 May 2022 until a time when the Chairperson announces the end of the session. Select the corporate event: "(REMOTE VOTING) FLEXIDYNAMIC HOLDINGS BERHAD 3RD AGM" or if you are on the live stream meeting page, you can select "GO TO REMOTE VOTING PAGE" button below the Query Box. Read and agree to the Terms & Conditions and confirm the Declaration. Select the CDS account that represents your shareholdings. Indicate your votes for the resolutions that are tabled for voting. Confirm and submit your votes.
(f) End of remote participation	<ul style="list-style-type: none"> Upon the announcement by the Chairperson on the closure of the 3rd AGM, the Live Streaming will end.

Note to users of the RPV facilities:

- Should your registration for the RPV facilities be approved, we will make available to you the rights to join the live stream meeting and to vote remotely. Your login to TIH Online on the day of meeting will indicate your presence at the virtual meeting.
- The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
- In the event you encounter any issues with logging-in, connection to the live stream meeting or online voting, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 or e-mail to tiih.online@my.tricorglobal.com for assistance.

Entitlement to Participate and Appointment of Proxy

- Only members whose names appear on the Record of Depositors as at 18 May 2022 shall be eligible to attend, speak and vote at the 3rd AGM or appoint a proxy(ies) and/or the Chairperson of the meeting to attend and vote on his/her behalf.
 - If a member is unable to participate in 3rd AGM, he/she may appoint the Chairperson of the meeting as his/her proxy and indicate the voting instruction in the Form of Proxy.
 - If you wish to participate in the 3rd AGM yourself, please do not submit any Proxy Form for the 3rd AGM. You will not be allowed to participate in the 3rd AGM together with a proxy appointed by you.
 - Accordingly, Proxy Forms and/or documents relating to the appointment of proxy/corporate representative/attorney for the 3rd AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than **Sunday, 22 May 2022 at 10.00 a.m.**
- (i) In Hard copy:
By hand or post to the office of the Share Registrar, 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 its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur
- (ii) By Electronic form:
All shareholders can have the option to submit Proxy Form electronically via TIH Online and the steps to submit are summarised below:

ADMINISTRATIVE GUIDE (cont'd)

FOR THE THIRD ANNUAL GENERAL MEETING

PROCEDURES FOR ELECTRONIC SUBMISSION OF PROXY FORM

Procedure	Action
i. Steps for Individual Shareholders	
Register as a User with TIIH Online	<ul style="list-style-type: none"> Using your computer, please access the website at https://tiih.online. Register as a user under the "e-Services". Please refer to the tutorial guide posted on the homepage for assistance. If you are already a user with TIIH Online, you are not required to register again.
Proceed with submission of Proxy Form	<ul style="list-style-type: none"> After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password. Select the corporate event: "FLEXIDYNAMIC HOLDINGS BERHAD 3RD AGM - Submission of Proxy Form". Read and agree to the Terms and Conditions and confirm the Declaration. Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf. Appoint your proxy/proxies and insert the required details of your proxy/proxies or appoint the Chairman as your proxy. Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes. Review and confirm your proxy(s) appointment. Print the form of proxy for your record.
ii. Steps for corporate or institutional shareholders	
Register as a User with TIIH Online	<ul style="list-style-type: none"> Access TIIH Online at https://tiih.online. Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects "Create Account by Representative of Corporate Holder". Complete the registration form and upload the required documents. Registration will be verified, and you will be notified by email within one (1) to two (2) working days. Proceed to activate your account with the temporary password given in the email and re-set your own password. <p>Note: The representative of a corporate 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 our Share Registrar if you need clarifications on the user registration.</p>
Proceed with submission of Proxy Form	<ul style="list-style-type: none"> Login to TIIH Online at https://tiih.online. Select the corporate event: "FLEXIDYNAMIC HOLDINGS BERHAD 3RD AGM - SUBMISSION OF PROXY FORM" Agree to the Terms & Conditions and Declaration. Proceed to download the file format for "Submission of Proxy Form" in accordance with the Guidance Note set therein. Prepare the file for the appointment of proxies by inserting the required data. Login to TIIH Online, select corporate event: "FLEXIDYNAMIC HOLDINGS BERHAD 3RD AGM - SUBMISSION OF PROXY FORM". Proceed to upload the duly completed proxy appointment file. Select "Submit" to complete your submission. Print the confirmation report of your submission for your record.

ADMINISTRATIVE GUIDE (cont'd)

FOR THE THIRD ANNUAL GENERAL MEETING

POLL VOTING

The voting at the 3rd AGM will be conducted by poll in accordance with Rule 8.31A(1) of ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company has appointed Tricor Investor & Issuing House Services Sdn Bhd as Poll Administrator to conduct the poll voting electronically.

Shareholders or proxy(es) or corporate representative(s) or attorney(s) can proceed to vote on the resolutions at any time from **10.00 a.m.** on **Tuesday, 24 May 2022** but before the end of the voting session which will be announced by the Chairperson of the meeting. Please refer to the Procedures for Remote Participation and Voting via RPV Facilities provided above for guidance on how to vote remotely via TIIH Online.

Upon completion of the voting session for the 3rd AGM, the Scrutineers will verify the poll results followed by the Chairperson's declaration whether the resolutions are duly passed.

PRE-MEETING SUBMISSION OF QUESTION TO THE BOARD OF DIRECTORS

Shareholders may submit questions for the Board in advance of the 3rd AGM via Tricor's TIIH Online website at <https://tiah.online> by selecting "e-Services" to login, pose questions and submit electronically no later than **Sunday, 22 May 2022** at **10.00 a.m.** The Board will endeavor to answer the questions received at the 3rd AGM.

NO RECORDING OR PHOTOGRAPHY

Strictly no recording or photography of the 3rd AGM proceedings is allowed.

NO DOOR GIFT / VOUCHER

There will be no distribution of door gift or voucher for the 3rd AGM.
We thank you for your continuous support to the Company.

ENQUIRY

If you have any enquiry prior to the meeting, you may contact the Share Registrar at:

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, Malaysia	Telephone Number	
	General Line	603-2783 9299
	Ms Nur Qaisara Naaila	603-2783 9272 Nur.Qaisara.Naaila@my.tricorglobal.com
	Pn Nor Faeayzah	603-2783 9274 Nor.Faeayzah@my.tricorglobal.com
	Fax Number	603-2783 9222
	Email	is.enquiry@my.tricorglobal.com

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FLEXIDYNAMIC HOLDINGS BERHAD
201901010656 (1319984-V)
Incorporated in Malaysia

FORM OF PROXY

Number of Shares Held

*I/We _____
of _____
with email: _____ and mobile phone no. _____
being a member / members of **Flexidynamic Holdings Berhad**, hereby appoint(s):-

Full Name (in Block) [Proxy 1]	NRIC/Passport No.	Proportion of shareholding	
		No of shares	%
Address:			
Email Address:			
Mobile Phone No.:			

and (if more than one (1) proxy)

Full Name (in Block) [Proxy 2]	NRIC/Passport No.	Proportion of shareholding	
		No of shares	%
Address:			
Email Address:			
Mobile Phone No.:			

or failing him/her, THE CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us on *my/our behalf at the Third ("3rd") Annual General Meeting ("AGM") of the Company to be conducted on a fully virtual basis through live streaming and online remote meeting platform of TIIH Online provided by Tricor Investor & Issuing House Services Sdn Bhd via its website at <https://tiah.online> or <https://tiah.com.my> (Domain Registration No. with MYNIC – D1A282781) on Tuesday, 24 May 2022 at 10.00 a.m. and at any adjournment thereof (as the case may be) and to vote as indicated below:

RESOLUTIONS		FOR	AGAINST
Ordinary Resolution 1	Approval of a final single tier dividend of 1 sen per ordinary share for the financial year ended 31 December 2021		
Ordinary Resolution 2	Approval of Director's fees and allowances up to RM280,000.00 from this 3 rd AGM until the next AGM		
Ordinary Resolution 3	Re-election of Tan Kong Leong as Director		
Ordinary Resolution 4	Re-election of Chong Kai Feng as Director		
Ordinary Resolution 5	Re-election of Poh Chee Fong as Director		
Ordinary Resolution 6	Re-election of Sin Kuo Wei as Director		
Ordinary Resolution 7	Re-appointment of Messrs Grant Thornton Malaysia PLT as Auditors of the Company		
Ordinary Resolution 8	Authority to Issue Shares		
Ordinary Resolution 9	Proposed New Shareholders' Mandate		

Please indicate with an "X" in the above columns how you wish your vote to be casted. In the absence of specific direction, your proxy(ies) may vote or abstain at his/her discretion.

* Delete if not applicable

Dated this _____ day of _____ 2022

Signature/Common Seal of member

Fold this flap for sealing

NOTES:

1. An online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Companies Act 2016 if the online meeting platform in Malaysia and all meeting participants including Chairperson of the meeting, board members, senior management and shareholders are to participate in the meeting online.

Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "participate") remotely at the 3rd Annual General Meeting via the Remote Participation and Voting ("RPV") facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIH Online website at <https://tiah.online>. For further information, kindly refer to the Administrative Guide for the 3rd AGM.
2. For the purpose of determining a member who shall be entitled to attend, speak and vote at the 3rd AGM, the Company shall be requesting the Record of Depositors as at 18 May 2022. Only a depositor whose name appears on the Record of Depositors as at 18 May 2022 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.
3. A proxy may but need not be a member of the Company. A member may appoint up to 2 proxies to attend and vote at the same meeting. Where a member appoints 2 proxies, the appointment of 2 proxies shall be invalid unless the proportion of the shareholding to be represented by each proxy is specified.
4. Where a member is an authorised nominee as defined under the Central Depositories Act 1991, it may appoint at least 1 proxy but not more than 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.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his attorney duly authorised in writing, and in the case of a corporation, shall be executed under its Common Seal or under the hand of an officer or attorney of the corporation duly authorised.
7. The Form of Proxy shall be deposited at 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 or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or by electronic lodgement via TIH Online website at <https://tiah.online> not less than 48 hours before the time set for holding the meeting or any adjournment thereof. For further information on the electronic submission of Form of Proxy, kindly refer to the Administrative Guide for the 3rd AGM.
8. By submitting the duly executed Form of Proxy, a member and his/her proxy consent to the Company (and/or its agents/ service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for this meeting and any adjournment thereof.
9. A member who has appointed a proxy or attorney or authorised representative to participate at the 3rd AGM must request his/her proxy/attorney/authorised representative to register himself/herself via TIH Online website at <https://tiah.online>.

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Affix
Stamp

The Share Registrar
FLEXIDYNAMIC HOLDINGS BERHAD
Registration No. 201901010656 (1319984-V)
c/o 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,
Malaysia.

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www.flexidynamic.com



FLEXIDYNAMIC HOLDINGS BERHAD
201901010656 (1319984-V)

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47170 Puchong,
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