



FLEXIDYNAMIC HOLDINGS BERHAD

Registration No. 201901010656 (1319984-V)

(Incorporated in Malaysia under the Companies Act 2016)

SHARPENING **OUR FOCUS**

Annual Report **2022**

WHAT'S INSIDE

About Us & Our Values	2
Corporate Information	3
Corporate Structure	4
Financial Highlights	5
Profile of Directors	6
Profile of Key Senior Management	10
Chairperson's Statement	11
Management Discussion and Analysis	13
Sustainability Statement	16
Corporate Governance Overview Statement	40
Audit & Risk Management Committee Report	50
Statement on Risk Management and Internal Control	53
Statement of Directors' Responsibility	56
Additional Compliance Information	57
Financial Statements	59
List of Properties	137
Analysis of Shareholdings	138
Notice of Fourth Annual General Meeting	140
Administrative Guide	143
Form of Proxy	



ABOUT US

Flexidynamic Group is a solutions provider for the rubber glove manufacturing industry with market presence in Thailand, Vietnam, United States of America, Indonesia, and Sri Lanka, supported by our offices in Malaysia and Thailand, along with our manufacturing facility in Banting, Malaysia.

Incorporated in 2012, Flexidynamic Engineering Sdn Bhd started with humble beginnings, with a focus on providing chlorination system to glove manufacturers for the production of powderfree gloves. Over the years, we expanded our products in tandem with the enormous growth of the rubber glove manufacturing industry around the globe. In 2018, after the acquisition of Flexidynamic Engineering Co. Ltd. in Thailand, the incorporated subsidiary supported our overseas operations mainly in the Southeast Asia region.

With our wide range of products, continuous innovation, and strong support base, Flexidynamic Group looks to grow to new heights, both within and beyond the glove manufacturing industry.

OUR VALUES

ENERGY EFFICIENCY

Innovative designs and engineering performance optimisation are used to reduce operation power consumption, thereby reducing energy costs and environmental pressure



CUSTOMER SATISFACTION

- Provide the highest quality solution with high-efficiency systems to cater for the customer's exact requirements and needs.
- Provide the best customer service experience by improving customer satisfaction and service response time



VALUE FOR MONEY

Provide the best cost-effective solution to fit every budget range without compromising quality



CORPORATE INFORMATION

BOARD OF DIRECTORS

PHANG SZE FUI

*Independent Non-Executive
Chairperson*

TAN KONG LEONG

Managing Director

SIN KUO WEI

*Deputy Managing
Director*

LIEW HENG WEI

Executive Director

LION SUK CHIN

Executive Director

NOOR ZALIZA YATI BINTI YAHYA

*Independent Non-Executive
Director*

Ir. CHONG KAI FENG

*Independent Non-Executive
Director*

POH CHEE FONG

*Independent Non-Executive
Director*

AUDIT AND RISK MANAGEMENT COMMITTEE

Noor Zaliza Yati Binti Yahya (Chairperson)
Ir. Chong Kai Feng (Member)
Poh Chee Fong (Member)

REMUNERATION COMMITTEE

Ir. Chong Kai Feng (Chairman)
Noor Zaliza Yati Binti Yahya (Member)
Poh Chee Fong (Member)

NOMINATION COMMITTEE

Poh Chee Fong (Chairman)
Ir. Chong Kai Feng (Member)
Noor Zaliza Yati Binti Yahya (Member)

REGISTERED OFFICE

Level 15-2
Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel No. : 03-2692 4271
Fax No. : 03-2732 5388

HEAD OFFICE

A-3A-28, IOI Boulevard, Jalan Kenari 5
Bandar Puchong Jaya, 47170 Puchong
Selangor
Tel No. : 03-8079 1878
Fax No. : 03-8079 1898

COMPANY SECRETARIES

Lim Seck Wah
(MAICSA No. 0799845)
(SSM PC No: 202008000054)
Tang Chi Hoe (Kevin)
(MAICSA No. 7045754)
(SSM PC No: 202008002054)

AUDITORS

Grant Thornton Malaysia PLT
(201906003682 & AF 0737)
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel No. : 03-2692 4022
Fax No. : 03-2732 1010

SHARE REGISTRAR

Tricor Investor &
Issuing House Services Sdn Bhd
(Registration No. 197101000970 (11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel No. : 03-2783 9299
Fax No. : 03-2783 9222

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities
Berhad



CORPORATE STRUCTURE



FLEXIDYNAMIC HOLDINGS BERHAD
Registration No. 201901010656 (1319984-V)
(Incorporated in Malaysia under the Companies Act 2016)

100%

**Flexidynamic
Engineering
Sdn Bhd**
Registration No.
201201038428 (1022906-K)

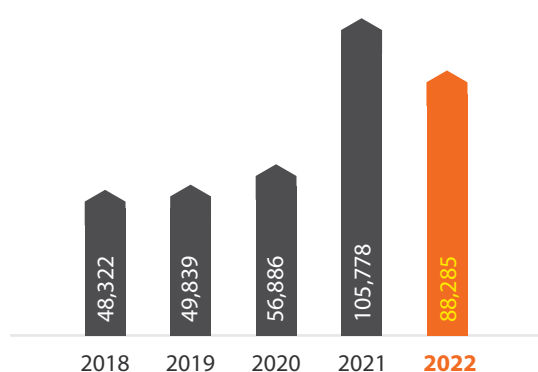
49%

**Flexidynamic
Engineering
Company Limited**
Registration No.
0135558013141

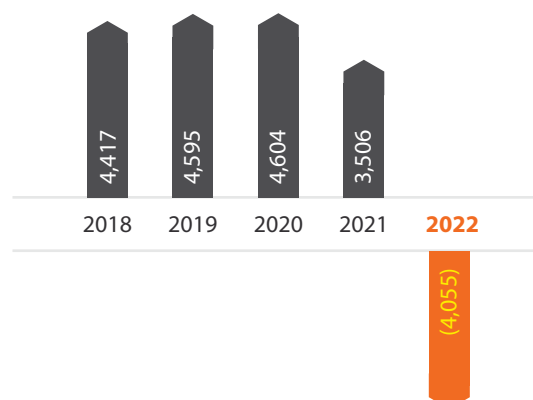
FINANCIAL HIGHLIGHTS

	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022
Revenue (RM'000)	48,322	49,839	56,886	105,778	88,285
Gross Profit (RM'000)	11,991	13,956	12,573	17,493	13,540
Gross Profit Margin	24.81%	28.00%	22.10%	16.54%	15.34%
Profit/(Loss) After Tax (RM'000)	4,417	4,595	4,604	3,506	(4,055)
Profit/(Loss) After Tax Margin	9.14%	9.22%	8.09%	3.31%	(4.59%)
Total Asset (RM'000)	37,534	36,857	61,746	115,354	81,282
Total Equity (RM'000)	17,759	21,481	24,745	43,366	37,180

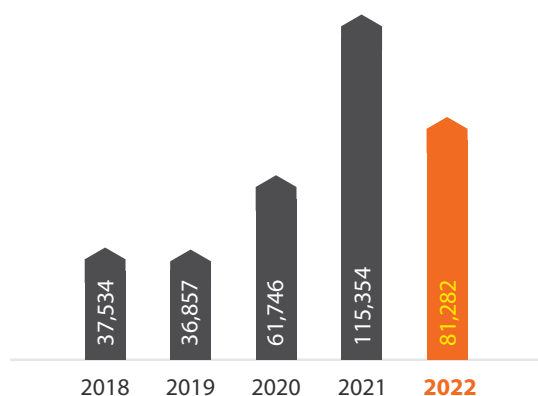
REVENUE
(RM'000)



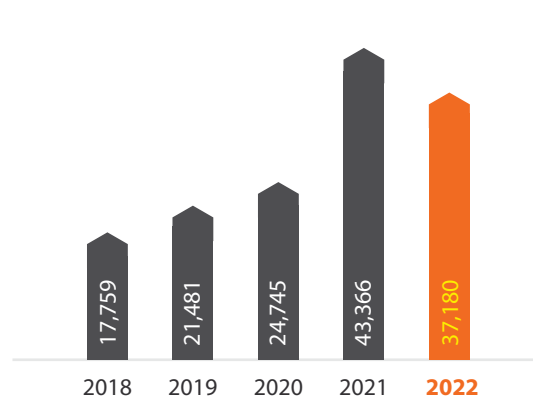
PROFIT AFTER TAX
(RM'000)



TOTAL ASSET
(RM'000)



TOTAL EQUITY
(RM'000)



PROFILE OF DIRECTORS

PHANG SZE FUI

Female | 51 years old | Malaysian

Phang Sze Fui, a Malaysian, female, aged 51, is our Independent Non-Executive Chairperson. She was appointed to our Board on 25 January 2021.

She obtained her Diploma in Commerce (Financial Accounting) from Tunku Abdul Rahman College in May 1997. She has been a member of The Association of Chartered Certified Accountants since November 2000, a fellow member of The Association of Chartered Certified Accountants since November 2005 and a member of the Malaysian Institute of Accountants since July 2009. Further, since September 2019, she has been an Audit Committee Member of the Institute of Internal Auditors Malaysia. In addition, she has been a member of the Institute of Corporate Directors Malaysia since November 2021.

She began her career as Accounts Executive in Seawood Trading Company in November 1992. She subsequently started working with the company on a part-time basis from 1993 when she enrolled for her tertiary studies with Tunku Abdul Rahman College. She left in January 1995 to focus her studies. During her tenure with the company, she was involved in the handling of accounting records and related administrative matters.

Upon obtaining her diploma, she returned to work in July 1997 when she joined Monteiro & Heng (now known as Baker Tilly Monteiro Heng) as Graduate Assistant, where she was primarily involved in various statutory audit assignments. She was subsequently promoted to Senior Audit Manager, Associate Director of Transaction Reporting Division and Executive Director of Transaction Reporting Division in 2005, 2008 and 2011 respectively. During her tenure, she undertook various responsibilities including leading the audit team to conduct audit and special assignments, liaising with stakeholders, conducting training, ensuring compliance with auditing and accounting standards as well as regulatory requirements and expanding the growth of the Transaction Reporting Division. She left the firm in October 2015 and took a career break.

In May 2016, she joined Dolphin Applications Sdn Bhd (a subsidiary of Dolphin International Berhad, a company listed on Main Market of Bursa Securities) as Corporate Affairs Director responsible for supervising corporate exercises, handling special projects, overseeing investor relations and public relations matters, improving internal control systems and reporting structure, overseeing compliance matters and liaising with stakeholders.

She left Dolphin Applications Sdn Bhd in July 2017 to pursue her own business venture, Avia Alliance Sdn Bhd which specialises in the provision of business and accounting consultancy, a business that she is presently involved. In December 2019, she established Dynamic Aqua Evolution Sdn Bhd which specialises in aquaponic farming, a business that she is presently involved. In June 2020, she established 1Advisory Sdn Bhd which specialises in the provision of business consultancy, a business that she is presently involved.

She currently sits on the Board of Directors of Kim Teck Cheong Consolidated Berhad, SDS Group Berhad and ORGABIO Holdings Berhad as Independent Non-Executive Director of the companies.

She does not have any family relationship with any director/or major shareholder of Flexidynamic Holdings Berhad.

TAN KONG LEONG

Male | 49 years old | Malaysian

Tan Kong Leong, a Malaysian, male, aged 49, is our Managing Director. He was appointed to our Board on 9 June 2020. He is responsible for determining the strategic direction and growth of our Group, as well as overseeing the overall business development of our Group.

In 1989, upon completing his Form 2 in Sekolah Menengah Jenis Kebangsaan Seg Hwa, Segamat, Johor, he worked as an apprentice in automotive workshops and metal workshops and was involved in various general contracting works in Penang. In 1992, he moved to Kuala Lumpur and became a freelance technician involved in providing installation, repair and maintenance services for air conditioners.

In December 1996, he set up T&L Air-Cond Engineering under a partnership with a business partner who subsequently left the business in 1999. Through T&L Air-Cond Engineering, he was involved in providing air conditioner installation, repair and maintenance services for residential and commercial buildings as a subcontractor.

In 2000, T&L Air-Cond Engineering ventured into the glove chlorination business as a subcontractor. In 2005, when ZYL Dynamic Sdn Bhd was established by his brother, Tan Kong Kee, T&L Air-Cond Engineering became a subcontractor to ZYL Dynamic Sdn Bhd, a company involved in the design and engineering of glove chlorination systems. As a subcontractor, T&L Air-Cond Engineering provided fabrication and installation services for glove chlorination systems, storage tanks and process tanks.

With over 12 years of experience in the manufacturing of glove chlorination systems as a subcontractor under T&L Air-Cond Engineering since 2000, he set out to establish Flexidynamic Engineering in November 2012 and has been the Managing Director of Flexidynamic Engineering since then. He also ceased to conduct business under T&L Air-Cond Engineering since then. In June 2020, he was appointed as the Managing Director of Flexidynamic Holdings Berhad.

He does not hold any directorship in other public listed company. He attended all Board meetings held during the financial year ended 31 December 2022.

PROFILE OF DIRECTORS

(CONT'D)

SIN KUO WEI

Male | 32 years old | Malaysian

Sin Kuo Wei, a Malaysian, male, aged 32, is our Deputy Managing Director and Executive Director. He was appointed to the Board on 1 March 2022. He is also the Chairman of the ESOS Committee.

He graduated with a Bachelor of Engineering (Honours) from University of Melbourne, Australia in 2013. He also obtained a Master of Business Administration from Monash University, Malaysia in 2018. He is a Graduate Engineer registered under the Board of Engineers Malaysia since 2020.

He started his career in March 2014 when he joined our Group as Project Engineer. He assisted in the planning and execution of projects including design, development, manufacturing and assembly of our Group's products and systems; as well as liaising with our customers, suppliers, subcontractors and government agencies to ensure smooth and timely delivery of projects. He developed a project management methodology that enables systematic communications and streamlining of interactions between various departments and/or job functions including manufacturing, inventory management and systems installation to increase efficiency of workflows.

In January 2016, he was promoted to Senior R&D Engineer where he took on additional responsibilities to include R&D activities to enhance and improve the efficiencies and functionalities of our existing products and systems. While he was Senior R&D Engineer, he successfully developed an enhanced and upgraded version of process tanks and storage tanks, which led to his promotion to Manager of our R&D in January 2017. As Manager of our R&D department, he led a team of engineers and worked closely with our engineering and production departments to constantly enhance and improve our products and systems in order to meet our customers' requirements and expectations.

In January 2018, he was promoted to Senior Manager of R&D where he led our R&D efforts, involving in monitoring the progress of our R&D projects, and provided advice and guidance to engineers in the enhancement of our existing products and systems as well as the development of new products and systems. Subsequently in July 2018, he was promoted to General Manager. In March 2022, he was promoted and appointed as the Director of Flexidynamic Engineering.

In March 2022, he was appointed as the Deputy Managing Director and Executive Director of Flexidynamic Holdings Berhad.

He does not have any family relationship with any director/or major shareholder of Flexidynamic Holdings Berhad.

LIEW HENG WEI

Male | 44 years old | Malaysian

Liew Heng Wei, a Malaysian, male, aged 44, is our Executive Director. He was appointed to our Board on 9 June 2020. He is responsible for overseeing the overall operational processes of our Group, including, amongst others, overseeing the manufacturing of our products and systems, supervising subcontractors' works, managing foreign workers as well as identifying and sourcing suitable suppliers.

In 1997, he completed his secondary education and obtained a Sijil Pelajaran Malaysia at Sekolah Menengah Jenis Kebangsaan Seg Hwa, Segamat, Johor. Upon completion of his secondary education, he joined Polydynamic Project Sdn Bhd in December 1997 as Technician, where he was involved in the fabrication and welding of steel pipes, as well as manufacturing of plastic components.

In January 2000, he was promoted to Supervisor where he supervised the workflow of the technician team and provided guidance to junior technicians. In December 2004, he left Polydynamic Project Sdn Bhd and joined ZYL Dynamic Sdn Bhd in January 2005 as a Supervisor, where he was involved in the layout design and drawing of glove chlorination systems, supervising production workflow and coordinating the installation of glove chlorination systems at customers' sites. He was also responsible for the implementation and enforcement of quality assurance procedures. He left ZYL Dynamic Sdn Bhd in October 2012.

In November 2012, he co-founded Flexidynamic Engineering with Tan Kong Leong and he was appointed as Director, where he oversaw the operational activities including the designing of glove chlorination systems and products, preparing quotations and tender documents, liaising with customers and consultants, planning production schedules, monitoring production progress, as well as testing and commissioning of systems to ensure smooth and timely delivery of projects. In June 2020, he was appointed as Executive Director of Flexidynamic Holdings Berhad.

He is the spouse of Lion Suk Chin. He does not hold any directorship in other public listed company. He attended all Board Meetings held during the financial year ended 31 December 2022.

PROFILE OF DIRECTORS (CONT'D)

LION SUK CHIN

Female | 42 years old | Malaysian

Lion Suk Chin, a Malaysia, female, aged 42, is our Executive Director. She was appointed to our Board on 9 June 2020. She is responsible for implementing, monitoring and managing our Group's operational processes including administrative functions, human resources management as well as compliance with rules and regulations and industry best practices. She is also a member of the ESOS Committee.

She graduated with a Diploma in Business Studies (Accounting) from Tunku Abdul Rahman College (now known as Tunku Abdul Rahman University College) in 2002. Upon graduation, she joined Lai Yeow Kwang & Co in May 2002 as Audit Junior, where she assisted in audit works for clients in various industries such as manufacturing, construction, property development, trading and consultancy. In March 2005, she left Lai Yeow Kwang & Co and joined Guan & Associates in April 2005 as Audit Semi Senior where she was responsible for audit works, monitoring audit processes to ensure completion within timeframe, reviewing customers' internal control systems, as well as introducing and implementing audit planning memorandums to improve the quality and efficiency of audit processes.

In November 2007, she left Guan & Associates and joined Tomei Gold & Jewellery Manufacturing Sdn Bhd as Accounts Executive, where she was responsible for performing daily accounting and finance tasks covering accounts receivables, general ledger, and cash and bank balance management. In April 2009, she was promoted to Senior Accounts Executive, where her responsibilities covered the accounting and finance functions of Tomei Consolidated Berhad, a company listed on the Main Market of Bursa Securities and its subsidiaries. She was further promoted to Assistant Accountant in 2010, where she undertook additional responsibilities including preparing annual reports, financial statements and quarterly announcements to Bursa Securities, as well as analysing the group's financial information and assisting the preparation of financial forecast and budgets. In 2011, she was transferred to another subsidiary under Tomei Consolidated Berhad, namely Tomei Gold & Jewellery Holdings (M) Sdn Bhd, where she assumed the same designation and responsibilities.

In August 2013, she left Tomei Gold & Jewellery Holdings (M) Sdn Bhd and joined our Group as Assistant Accountant, where she was responsible for the daily finance and accounting functions including, preparing and maintaining financial and management reports, managing cash flow and inventories, handling tax matters as well as legal matters in relation to the finance division of our Group. She was also in charge of administrative and human resource matters of our Group. In January 2014, she was promoted to Finance Manager, where she led and supervised the finance team in performing the daily financial operations and the preparation of statutory reporting of our Group. In addition, she also headed and managed the administrative and human resource functions of our Group. In April 2019, she was promoted and appointed as the Director of Flexidynamic Engineering.

In June 2020, she was appointed as Executive Director of Flexidynamic Holdings Berhad.

She is the spouse of Liew Heng Wei. She does not hold any directorship in other public listed company. She attended all Board meetings held during the financial year ended 31 December 2022.

NOOR ZALIZA YATI BINTI YAHYA

Female | 45 years old | Malaysian

Noor Zaliza Yati Binti Yahya, a Malaysian, female, aged 45, is our Independent Non-Executive Director. She was appointed to our Board on 9 June 2020, and is also the chairperson of our Audit and Risk Management Committee and member of our Remuneration Committee and Nomination Committee.

She graduated with a Bachelor of Accountancy (Honours First Class) from Universiti Putra Malaysia and is a member of the Malaysian Institute of Certified Public Accountants (MICPA) and the Malaysian Institute of Accountants (MIA).

Noor Zaliza Yati is a Chartered Accountant with more than 23 years of professional experience with established organisations in various industries. She began her career in 1999 at KPMG as a financial auditor, later Arthur Andersen & Co in 2000 and Ernst & Young in 2002.

She has since held various roles in finance, statutory reporting, treasury, corporate services and taxation with a variety of companies involved in upstream oil and gas, financial services and marine construction.

In 2010, she joined Petroliaam Nasional Berhad, and was seconded to Petronas Carigali Sdn Bhd, initially as Cost Accountant. Her last secondment designation with Petronas Carigali Sdn Bhd was Head, Asset and Cost Allocation Management, with responsibility for overall Assets Reporting and Assets Management.

From 2016 to 2017, she served as Chief Financial Officer of Sapura Kencana GE Oil & Gas Services Sdn Bhd, with responsibility for overall finance functions including statutory and management reporting, internal controls, treasury and corporate taxation.

In March 2017, she left Sapurakencana GE Oil & Gas Services Sdn Bhd. Since then, she has been promoting life insurance and takaful services under Prudential Assurance (Malaysia) Berhad and unit trust fund investments under Public Mutual Berhad. In 2019, she incorporated Zanoor Synergy services, a sole proprietorship to undertake life insurance, takaful and unit trust investment business activities. She also provides trainings, consultation and advisory services within the area of accounting, investment and taxation on a freelance basis, a practice that she is presently involved in.

In January 2020, she joined Firmus Consulting Sdn Bhd as Security Consultant where she provides advisory services, including reviewing and providing recommendations to clients on issues relating to information technology security policies and practices. In July 2020, she left Firmus Consulting Sdn Bhd to focus on Zanoor Synergy Services.

She currently sits on Board of Directors of Microlink Solutions Berhad as Independent Non-Executive Director of the company.

She attended all Board meetings held during the financial year ended 31 December 2022.

PROFILE OF DIRECTORS (CONT'D)

IR. CHONG KAI FENG

Male | 34 years old | Malaysian

Chong Kai Feng, a Malaysian, male, aged 34, is our Independent Non-Executive Director. He was appointed to our Board on 9 June 2020, and is also a Chairman of our Remuneration Committee, a member of our Audit and Risk Management Committee, Nomination Committee, and ESOS Committee.

In 2013, he graduated with a Bachelor's Degree in Mechanical Engineering from Multimedia University. Subsequently, he obtained a Master of Business Administration from Monash University in 2018. He is a Professional Engineer registered under the Board of Engineers Malaysia and a member of the Institution of Engineers Malaysia, both since 2019. He is also a member of Malaysia Perak Chinese Chamber of Commerce and Industry since 2015. Upon the completion of his Bachelor's Degree in 2012, he started his career with Terminal Urus Sdn Bhd (a subsidiary of Perak Transit Berhad) in October 2012 as Operations Manager, where he was involved in the day-to-day operations and management of bus terminal activities.

In February 2013, he left Terminal Urus Sdn Bhd and joined his family business, Success Engineering Solutions (M) Sdn Bhd as Project Engineer, where he was involved in project tenders, commercial negotiations and management of construction projects involving steel structures, steel storage tanks and bulk handling facilities. In January 2016, he was promoted to Project Director, where he is involved in strategic management, and project resources and risk management. Mr. Chong left Success Engineering Solutions Sdn Bhd in June 2021.

In July 2017, he set up Kai Advisory, a sole proprietorship process engineering consultancy firm as a founder, a position he presently assumes, where he is responsible for general business development.

In December 2018, he cofounded Winny Ker & Collaborations PLT, a limited liability partnership providing design and build solution for residential and/or commercial projects. He acts as Adviser who provides guidance pertaining operational management. He does not hold any directorship in other public listed company. He attended all Board meetings held during the financial year ended 31 December 2022.

POH CHEE FONG

Male | 51 years old | Malaysian

Poh Chee Fong, a Malaysian male, aged 51, is our Independent Non-Executive Director. He was appointed to our Board on 1 December 2021, and is also the Chairman of our Nomination Committee, a member of our Remuneration Committee and Audit and Risk Management Committee.

He graduated with a Bachelor of Arts (Accounting & Finance) from University of Strathclyde, the United Kingdom in 1994. In 2018, he obtained a Master of Business Administration from Monash University. Currently, he is a fellow member of the Association of Chartered Certified Accountants as well as a member of the Malaysian Institute of Accountants.

In September 1994, he began his career as an Audit Staff at Arthur Andersen & Co and subsequently became an Executive of the Corporate Advisory Department at Malaysian International Merchant Bankers Berhad. In July 1999, he joined OSK Securities Berhad where he was holding various positions, namely, Vice President of Institutional Sales, Vice President of Fixed Income and Head of Priority Broking. In February 2006, he left OSK Securities Berhad for Credit Suisse Singapore as a Relationship Manager of the Private Banking Division. In November 2009, he left Credit Suisse Singapore and joined Green Packet Berhad as the Head of Corporate Communication & Investor Relations (IR), where he was responsible for the strategic planning and implementation of IR activities and corporate communication of the company. In October 2011, he left Green Packet Berhad for Sime Darby Berhad as a Head of Investor Relations, where he was in charge of the strategic planning of the company's IR activities, executing IR engagement programs with its stakeholders with increasing emphasis on sustainability and sustainability reporting. In July 2020, he left Sime Darby Plantation Berhad and joined Esente Advisory Sdn Bhd as an Executive Director. He was responsible for strategic communication advisory which specializes in Investor Relations, Public Relations and corporate advisory services for public listed companies on Bursa Malaysia. He left Esente Advisory Sdn Bhd and joined Lotte Chemical Titan Berhad in April 2022, as a Director of IR and Communications, a position he holds until today.

He does not have any family relationship with any director/or major shareholder of Flexidynamic Holdings Berhad.

Other Information

- All the Directors are Malaysian.
- The Group has entered into recurrent related party transactions with parties in which the directors of the Company, namely Tan Kong Leong has direct and/or Indirect interests as disclosed in Note 32 of the Financial Statements section of this Annual Report.
- Save for the above mentioned disclosure, none of the other directors have any conflict of interest with the Company.
- None of the Directors has been convicted of any 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 year.
- Tan Kong Leong and Liew Heng Wei are major shareholders of the Company.

PROFILE OF KEY SENIOR MANAGEMENT

CHEN LI CHIN

Female | 41 years old | Malaysian

Chen Li Chin, a Malaysian female, aged 41, is our Financial Controller. She joined our Group on 14 June 2021. She is responsible for overseeing our Group's overall financial matters including accounting, taxation, corporate finance and treasury functions. She is also a member of the ESOS Committee.

She is a chartered accountant and a member of Malaysian Institute of Accountants since 2018. She is also a member of The Association of Chartered Certified Accountants ("**ACCA**") since 2017 and fellow member of ACCA since 2022.

She started her career as an Audit Junior at S.M.Tuang & Co in September 2004, where she was primarily involved in various statutory audit assignments and also involved in Taxation. In December 2010, she left S.M.Tuang & Co and joined SJ Grant Thornton as Audit Supervisor. She was subsequently promoted to Audit Assistant Manager, Audit Manager and Audit Senior Manager in 2011, 2012 and 2014 respectively where her role was extended to leading and monitoring a team of audit associates in various audit assignments.

In August 2017, she was promoted to the Principal at Grant Thornton Malaysia, where she acted as the second reviewer, with a strong focus on statutory audit of listed companies in the Main Market and ACE Market of Bursa Malaysia. During this time, she is also responsible for due diligence review, corporate exercises, IPOs, and merger and acquisitions.

In July 2019, she left Grant Thornton Malaysia for the role of Financial Controller at IRS Software Solution (M) Sdn Bhd, where she developed organization financial strategies and recommended strategic directions.

In June 2021, she left IRS Software Solution (M) Sdn Bhd and joined our Group as the Financial Controller, a position she holds until today.

She does not have any directorship in other public listed company.

Other Information

- All the key senior management personnel are Malaysian.
- Save for the above mentioned disclosure, none of the key senior management personnel have any conflict of interest with the Company.
- None of the key senior management personnel has been convicted of any 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 year.

CHAIRPERSON'S STATEMENT

Dear Value Shareholders,

On behalf of the Board of Directors ("Board"), I am hereby to present the third annual report and audited financial statements of Flexidynamic Holdings Berhad ("Flexidynamic" or the "Company") and its subsidiaries ("Group") for the financial year ended 31 December 2022 ("FY2022").

The global glove facing a slowdown amid oversupply woes arising from excessive capacity expansion during the Covid-19 pandemic. Flexidynamic has challenging and delivered a softer performance for FY2022 as compared with last year. At this most challenging times, we remain cautiously optimistic and strive to rise above the glove manufacturing scene's challenges as we ride on the wave of the impending surge in demand for rubber gloves in the coming years, especially in emerging markets with low glove consumption base.

YEAR IN REVIEW

The Group recorded total revenue of RM88.28 million, derived mainly from the design, engineering, installation, and commissioning of glove chlorination systems. The significant decrease of 16.54% in revenue for the financial year under review compared to RM105.78 million documented for the preceding financial year ended 31 December 2021 ("FY2021") was mainly attributed to slowdown in expansion by our customers.

In FY2022, Flexidynamic profit margin has been affected due to fluctuation of cost of raw material resulting by global supply chain through the year. Aside from murky market condition, our Group reported loss during the financial year affected due to provided allowance for expected credit losses on trade receivables and unrealised loss on foreign exchange resulted from the strengthening of RM against USD at the end of 2022.

CHAIRPERSON'S STATEMENT (CONT'D)

MOVING AHEAD

The global glove industries outlook remain uncertainty due to oversupply situation arising from new and expansion capacity during the Covid-19 pandemic. As such, capacity rationalisation resulting in the slowdown in expansion by the glove manufacturers is expected to negatively impact the Group.

Despite the current negative sentiment, global glove consumption is expected to increase in the long term in tandem with increased awareness and glove usage as glove continue to be an essential item in the medical sector and extended to another sector.

Nevertheless, as the business landscape remains challenging in the near term, the Group will focus on better cost rationalisation, operational efficiencies and cash management to mitigate the impact of the negative business environment.

DIVIDEND

During the current financial year, Flexidynamic paid out dividend to its shareholders of 1 sen per share amounting to RM2.48 million.

APPRECIATION

On behalf of the Board of Directors, I would like to thank our esteemed customers, business partners and shareholders for your unwavering support, invaluable trust and confidence in Flexidynamic throughout the years.

I would also like to take this opportunity to express my heartfelt gratitude to my fellow Board members and members of our staff for their commitment, toughness and continuous contribution through yet another challenging year.

PHANG SZE FUI

Independent Non-Executive Chairperson



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Flexidynamic Holdings Berhad ("**Flexidynamic**" or the "**Company**") and its subsidiaries ("**Group**") is principally involved 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 the glove manufacturing industry.

The Group's business segment includes glove chlorination system, storage and process tanks, other product and services, trading and trading of replacement parts and repair, refurbishment and maintenance.

FRP lining services for trenches, pits and floors for better chemical resistance, and design and install scrubber system to treat and draw acidic fumes from former cleaning areas are provide by the Group under other products and services segment.

In addition, the Group is involved in the trading of raw materials and replacement parts for glove chlorination systems and also undertakes repair, refurbishment and maintenance works for glove chlorination systems for its customers as and when required.

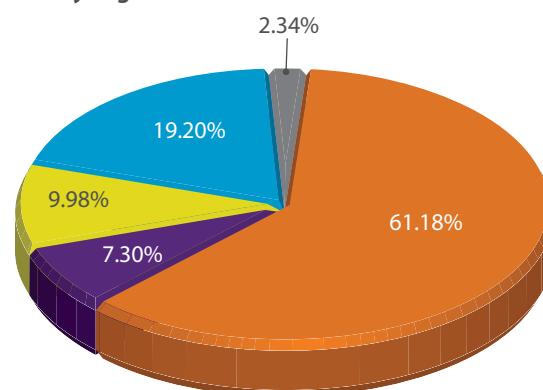
Revenue of the Group is generated from both local and overseas sales and the currencies used for billing are namely the Malaysian Ringgit (RM) and United States Dollar (USD).

FINANCIAL PERFORMANCE

As the overall glove sector in Malaysia is experiencing escalating market competition caused by continued oversupply situation, the slowdown in expansion by the glove manufacturers was negatively impact the Group, as project-driven revenue remains the Group's top revenue contributor.

Against this backdrop and a highly challenging, the Group recorded a total revenue of RM88.28 million, a decrease of 16.54% for the financial year ended 31 December 2022 ("**FY2022**") under review as compared to RM105.78 million documented for the preceding financial year ended 31 December 2021 ("**FY2021**").

Revenue by Segment

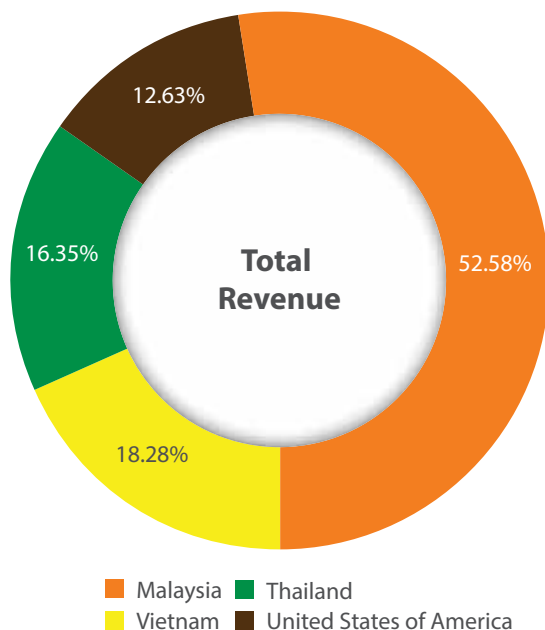


- Glove chlorination system
- Other product and services
- Repair, refurbishment and maintenance
- Storage and process tanks
- Trading and trading of replacement part

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Revenue by Geographical Locations

The Group's services customers in Malaysia and overseas which located at Vietnam, Thailand, United States of America, Sri Lanka and Indonesia.



For FY2022, the Group recorded RM88.28 million in total revenue, of which RM46.42 million, equivalent to 52.58% was contributed by local sales. Meanwhile, the balance of RM41.86 million in revenue was contributed by overseas sales, of which RM16.14 million (18.28%) was contributed by Vietnam, RM14.43 million (16.35%) was contributed by Thailand, RM11.15 million (12.63%) was contributed by United States of America, RM0.12 million (0.13%) was contributed by Sri Lanka, and RM0.03 million (0.03%) was contributed by Indonesia respectively.

Gross Profit and Gross Profit Margin

The Group's gross profit recorded at RM13.54 million for FY2022 as compared to RM17.49 million for FY2021, the Group notes that its profit margin was affected, resulting in a decline of 1.20% to 15.34% for the financial year under review, as compared to 16.54% documented in the preceding financial year. This is predominantly due to fluctuation of cost of raw material cause by global supply chain issue.

Profit Before Tax and Profit After Tax

Against the uncertainty conditions impacting the sector, the Group recorded Loss Before Tax ("**LBT**") of RM1.30 million, a decline of 122.89% as compared to Profit Before Tax ("**PBT**") of RM5.68 million for FY2021. The decrease from PBT to LBT was mainly due to increase in raw material and the Group's provided an allowance of expected credit losses on trade receivables of RM4.08 million and unrealised loss on foreign exchange of RM1.44 million resulted from the strengthening of RM against USD at the end of 2022.

Correspondingly, the Group concluded FY2022 with Loss After Tax ("**LAT**") of RM4.05 million as compared to Profit After Tax ("**PAT**") of RM3.51 million registered for FY2021. Decreased in LAT mainly due to the reversal of deferred tax assets arising from the recognition of contract liabilities.

Liquidity and Capital Resources

The Group reports a tiny financial position for FY2022 with cash and cash equivalents of RM11.48 million as compared to RM32.78 million recorded for FY2021. The Group's cash flow decreased as a result of the Group's experienced higher expenditure in operating activities and investing activities, which includes the purchase of property, machinery and equipment. The increased of financing activities of the Group via repayments of bank borrowings and dividend paid during the FY2022. The Group's gearing ratio is at 0.31x.

DIVIDEND

The Group paid a final single tier dividend of 1.0 sen per ordinary share, totalling RM2.48 million in respect of the FY2022 paid on 17 June 2022.

EXPECTED OR PERCEIVED RISKS

1. Highly dependent on the glove industry for our success and growth

Our Group's performance is largely dependent on the glove industry as we primarily serve glove manufacturers and glove-dipping line manufacturers. As such, a decline in the global and domestic demand for gloves by end-users may lead to a slowdown in the glove industry, which will eventually have negatively impact on our financial performance.

Our Group is constantly looking for the opportunity to diversify our expertise and/or product to other industries.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

2. The Group are subject to volatility in prices of our raw materials

Raw materials pricing such as plastic resins and mild steel are subject to fluctuations as a result of global demand and supply conditions.

The Group will continue to monitor closely the price movement of the raw materials and attempt to mitigate any negative impact on Group's profitability. We persist to minimise the impact on the Group's operations and financial performance by purchasing the raw materials upon receipt of confirmed orders from our customers.

3. We are subject to higher credit risk or bad debts

The Group generally grant the customer credit periods between 30 to 90 days. In the event that the payment is not received within the credit period, the Group may provide allowance for expected credit losses on trade receivables or write off trade receivables as bad debt, which will adversely affect the Group's financial performance.

The Group is determined to improve our collection rate by closely following up with customers with overdue outstanding payments.

FORWARD LOOKING

The global glove oversupply situation affecting our customer base is expected to continue due to the excessive capacity expansion by the glove manufacturers during the Covid-19 pandemic. As such, capacity rationalisation resulting in the slowdown in expansion by the glove manufacturers is expected to negatively impact the Group, as project-driven revenue remains the Group's top revenue contributor.

Notwithstanding the current negative sentiment, global glove consumption is expected to increase in the long term in tandem with increased awareness and glove usage, especially in emerging markets with low glove consumption base.

Nevertheless, as the business landscape remains challenging in the near term, the Group will focus on better cost management and operational efficiencies to mitigate the impact of the negative business environment.

SUSTAINABILITY STATEMENT

ABOUT THIS STATEMENT

GRI 2-1 | 2-6

Flexidynamic Holdings Berhad ("**Flexidynamic**" or the "**Group**") is pleased to present our Sustainability Statement for the fiscal year ended 31 December 2022. In this Statement, we disclose the Group's continuous efforts in improving our environmental, social and governance ("**ESG**") practices to embed sustainability throughout our operations as the leading manufacturer of glove chlorination systems in Malaysia.

This year, the Group established a two-tiered governance structure, with the Board of Directors leading and overseeing the Group Sustainability Committee ("**SC**"). We also conducted our first materiality assessment and tabulated the Materiality Matrix which highlights our top five material sustainability matters important to business operations and stakeholders alike.

Climate risk management is an essential part of any sustainability strategy. As such, we are pleased to report a reduction in our Scope 1 and Scope 2 emissions as well as a decrease in electricity and water consumption across our operations in FY2022. These reductions are a direct result of our efforts to mitigate climate risks and reduce our carbon footprint across our value chain.

Pursuant to Bursa Malaysia's latest requirements for ACE Market listed companies, Transition Plan Disclosures in relation to TCFD recommendations will be implemented by 2026. As such, we are currently transitioning towards adopting the TCFD framework to ensure that we are able to meet this requirement.

We have developed our ESG Framework which outlines our commitment to sustainable development through the 3 pillars of Sustainability Governance, Environmental Sustainability and Social Sustainability. The framework also incorporates our vision and values which guide us in all our decision-making, strategies and policies. In mapping our initiatives to the United Nations Sustainable Development Goals ("**UN SDGs**"), our pillars are aligned with SDG 11 (Sustainable Cities and Communities), SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action) and SDG 16 (Peace, Justice and Strong Institutions).

SUSTAINABILITY STATEMENT

(CONT'D)

Reporting Scope and Boundary

GRI 2-1 | 2-2 | 2-3 | 2-6

Our Sustainability Statement discloses the Group's performance for the reporting period from 1 January 2022 to 31 December 2022 ("FY2022"). The ESG disclosures encompass data from our Flexidynamic Engineering Sdn. Bhd. Headquarters ("HQ") in Puchong Selangor as well as the following operations:

- i. Operations and Manufacturing Plant, located in Banting, Selangor
- ii. Operations Office and Storage Facility, located in Ipoh, Perak
- iii. Sales and Support Office, located in Pathumthani Province, Thailand.

Reporting Framework

Flexidynamic's Sustainability Statement has been prepared with reference to the Bursa Malaysia Securities Berhad ACE Market Listing Requirements ("AMLR") and the Sustainability Reporting Guide (3rd edition) issued by Bursa Malaysia Securities Berhad. Our disclosures are also guided by the Global Reporting Initiative ("GRI") Standards and the principles of the UN SDGs.

Feedback

GRI 2-3

We welcome feedback from you, our stakeholders. If you have any questions or concerns regarding the matters disclosed in this Statement, please contact us at fde@flexidynamic.com and +603-8079 1878.

Membership

GRI 2-28

Flexidynamic's membership in the Malaysian Rubber Glove Manufacturers Association ("MARGMA") allows us to stay informed on industry trends and participate in important discussions about issues affecting our industry.

Awards and Recognition

- Sin Chew Business Excellence Awards 2017
- SME & Entrepreneurship Business Award (Premier Edition 2017/2018)
- Golden Eagle Award 2015

Assurance Statement

GRI 2-5

All data contained in our FY2022 Sustainability Statement has been internally sourced, verified and validated by the respective business divisions and information owners. Going forward, Flexidynamic remains diligent in continuously improving its data collection and analysis process to enhance data accuracy and quality, as well as bolster disclosures.

SUSTAINABILITY STATEMENT

(CONT'D)

SUSTAINABILITY HIGHLIGHTS

Sustainability Governance

Developed our first
ESG Framework

Adopted
4 UN SDGs

SDG 11: Sustainable Communities
SDG 12: Responsible Consumption & Production
SDG 13: Climate Action
SDG 16: Peace, Justice and Strong Institutions

Established a
Sustainability Policy and a
Governance Structure

Developed our first
Materiality Matrix

Reassessed our
Stakeholder Table

Environmental Sustainability

Scope 1 Emission
Reduction

11%

Equivalent to
30 tCO₂e abated



Electric Consumption
Reduction

17.6%

Equivalent to
20,876 kWh

Water Consumption
Reduction

8.6%

Equivalent to
202 m³



Scope 2 Emission
Reduction

17.6%

Equivalent to
12.3 tCO₂e abated

Social Sustainability

Donated a total of

RM27,301

to organisations
supporting the
welfare of
vulnerable children

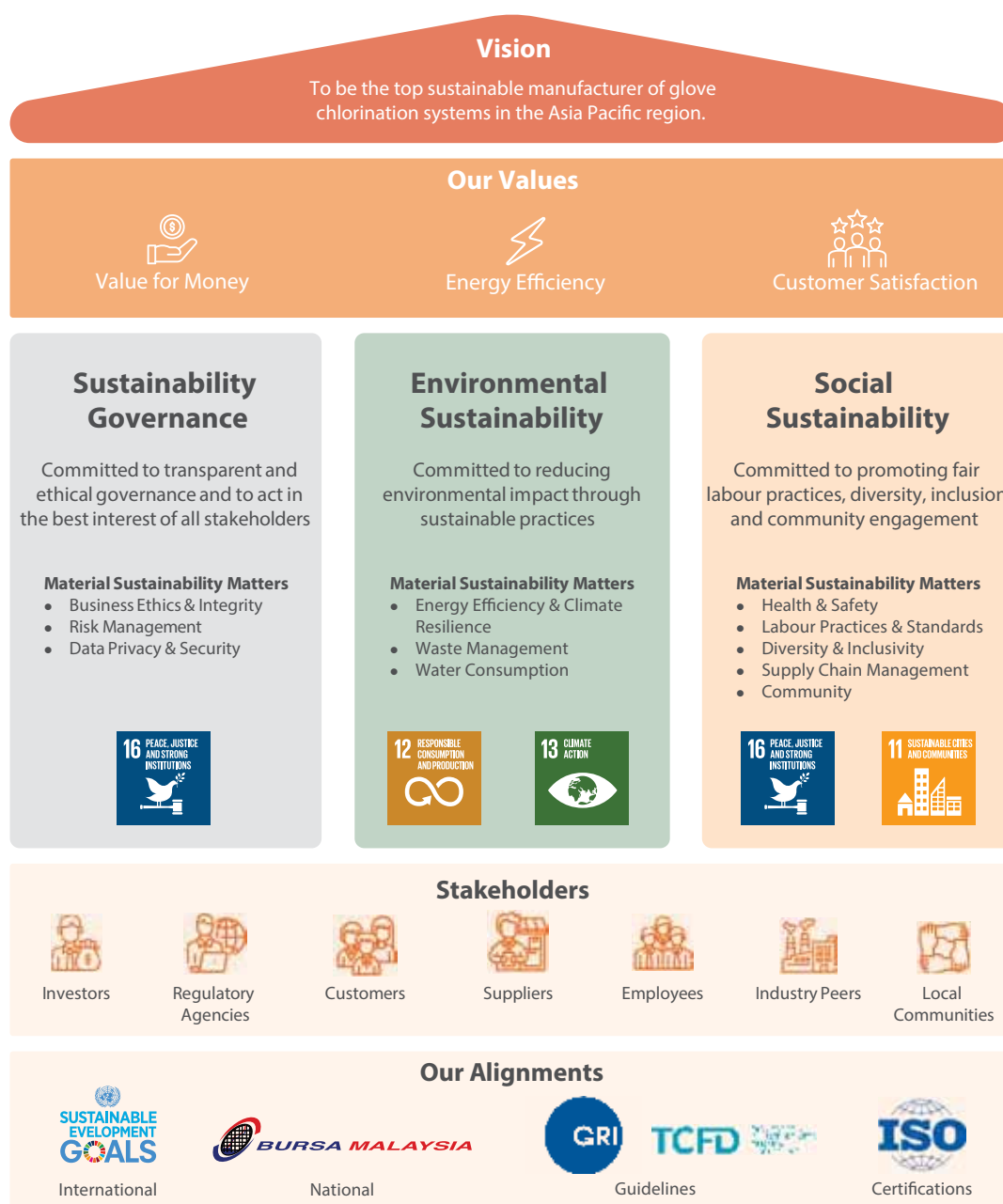


SUSTAINABILITY STATEMENT (CONT'D)

SUSTAINABILITY APPROACH

ESG Framework GRI 2-22

Flexidynamic has taken the first step in becoming a sustainable business by developing our inaugural ESG framework. The framework empowers us to strategise, improvise and optimise our sustainability practices with the aim of fulfilling our commitment to sustainable development. Driven by our core values and vision, the framework focuses on three pillars: Sustainability Governance, Environmental Sustainability and Social Sustainability. We have aligned our pillars with four UN SDGs, doing our part in contributing to the UN 2030 Agenda for Sustainable Development.



SUSTAINABILITY STATEMENT (CONT'D)

The Group's Contribution to the UN SDGs

The UN SDGs are a global call to action for sustainable development which resonate with the Group's vision, and we have aligned our ESG contributions with four (4) of the goals where we feel we can make the most meaningful impact. Through adopting these goals, we strive to make a difference in our workplace, community and nation as a whole.



SDG 11: Sustainable Cities and Communities

- Donated a total of RM27,301 to organisations supporting the welfare of vulnerable children
- Provided employees access to adequate, safe and affordable housing

SDG 12: Responsible Consumption and Production

- Achieved a 8.6% reduction in water consumption
- Achieved a 17.6% reduction in electricity consumption

SDG 13: Climate Action

- Achieved an 11% reduction in Scope 1 Emissions
- Achieved a 17.6% reduction in Scope 2 Emissions

SDG 16: Peace, Justice and Strong Institutions

- Conducted training on the Group's Anti-Bribery and Corruption Policy, Ethics and Compliance Whistle Blowing Policy and Board Charter to all employees

SUSTAINABILITY STATEMENT

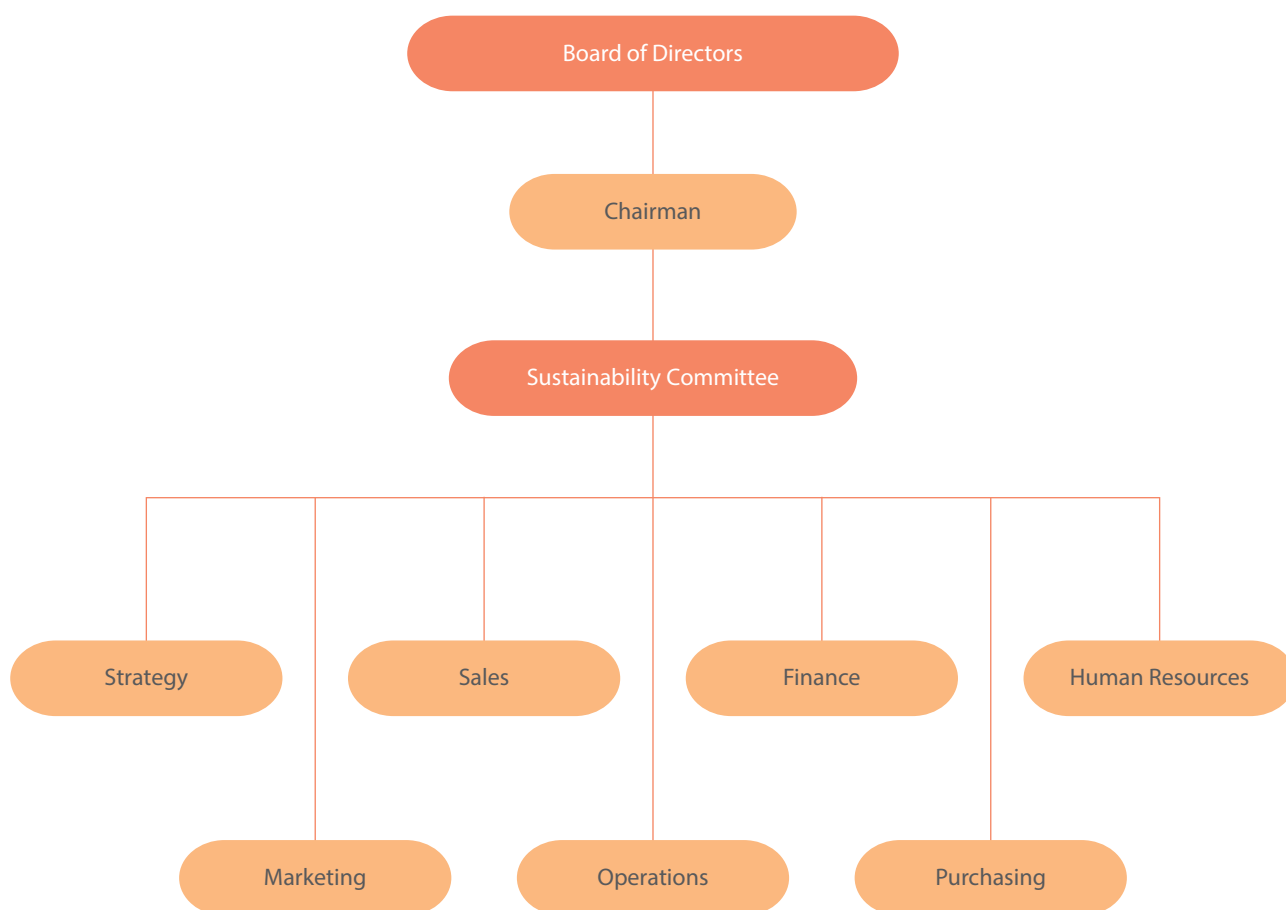
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Sustainability Governance Structure

GRI 2-9 | 2-10 | 2-11 | 2-12 | 2-13 | 2-14 | 2-15 | 2-18

Flexidynamic's new two-tiered governance structure consists of The Board of Directors at the apex followed by the Group Sustainability Committee ("SC") comprising of representatives from the Strategy, Marketing, Sales, Operations, Finance, Purchasing and Human Resources departments.

Board members are selected in accordance with the Group's policies on independence (Board Charter and Directors' Fit and Proper Policy), with at least 2 members or 1/3 of the Board being independent members. The Board provides leadership and oversight of the SC while ensuring ESG matters are integrated across our operations with a focus on managing risks and maximising opportunities.



Assisting the Board, the SC oversees the management and implementation of the Group's sustainability strategies, policies and targets into our day-to-day operations. The SC tracks the progress of the Group's programmes and initiatives and directly reports via the Chairman to the Board.

SUSTAINABILITY STATEMENT (CONT'D)

SUSTAINABILITY POLICY GRI 2-23 | 2-24

The Group's new Sustainability Policy supports the Sustainability Statement and has been reviewed and approved by the Board for implementation in our operations. The Policy acts as an overarching guide outlining our long-term sustainability commitments while highlighting our alignment towards a sustainable future incorporating the 3Ps (People, Planet and Profit), also known as the triple bottom line. The Policy also serves to integrate our sustainability principles into our strategies, policies and procedures.



FLEXIDYNAMIC HOLDINGS BERHAD SUSTAINABILITY POLICY

Sustainability Governance

Flexidynamic is committed to sustaining excellence in its everyday operations, creating confidence in the Group's governance systems and social license to operate. The Group is committed to upholding the highest levels of integrity, ethical behaviour and good corporate governance procedures.

Environmental Sustainability

Flexidynamic recognises the importance of operating in an environmentally responsible manner and is committed to reducing our environmental footprint through efficient energy management and sustainable water and material use. The Group is committed to incorporating appropriate monitoring systems to evaluate and aid in the long-term improvement of our environmental performance.

Social Sustainability

We are committed to respecting the universal rights of all humans by upholding international principles and standards encapsulated in the Universal Declaration of Human Rights, the International Labour Organisation ("ILO") Declaration on Fundamental Principles and Rights at Work, and other applicable human rights laws and standards. Operating as a responsible corporate citizen, we aim to enhance the well-being of our employees by implementing health and safety best practices across our operations and embracing diversity and inclusivity.






SUSTAINABILITY STATEMENT

(CONT'D)

STAKEHOLDER ENGAGEMENT



GRI 2-29 | 3-3

We highly value the input of our stakeholders in meeting our strategic objectives. Their perspectives and opinions are vital to our decision-making process, with far-reaching effects on both the financial and non-financial aspects of our value chain. Through proactive engagement, we cultivate strong relationships with our stakeholders to gain valuable insights on material matters that are most relevant to them. With this knowledge, we are able to align our priorities and sustainability efforts to deliver long-term value to all stakeholders.

Stakeholders	Areas of Concern	Methods of Engagement	Frequency of Engagement	Our Responses
Investors 	<ul style="list-style-type: none"> Financial performance Sustainable financial returns Business strategy Sustainable dividend policy Corporate governance 	Annual Report Annual General Meeting Financial Statements Company Website	Annually Annually Quarterly Ad hoc	<ul style="list-style-type: none"> Annual auditing Quarterly reporting
Regulatory Agencies 	<ul style="list-style-type: none"> Compliance with corporate governance Compliance with all local laws and regulations Compliance with labour, environmental and health regulations 	Annual Report Seminar or information sessions held by authorities	Annually Ad hoc	<ul style="list-style-type: none"> Compliance with latest laws and regulations Engagement with regulatory bodies and government
Customers 	<ul style="list-style-type: none"> Resolving complaints efficiently Pricing and product quality Timely service and product delivery Relationship building Health & safety 	Regular feedback and meetings Participation in industry networking events Active engagement building	Ad hoc Ad hoc Ad hoc	<ul style="list-style-type: none"> Timely response towards customers' concern Competitive pricing Customer engagement
Suppliers 	<ul style="list-style-type: none"> Transparent procurement practices Regular/on-time payment schedule Transparent pricing Timely delivery 	Contracts Vendor registration Payments	Ad hoc Ad hoc	<ul style="list-style-type: none"> Constant and regular engagement Quality assessment
Employees 	<ul style="list-style-type: none"> Training and development Occupational health & safety Competitive remuneration and rewards Labour and human rights Work-life balance Corporate direction and growth plans Job security 	Training and development Safety training and awareness Appraisals Whistle-blowing policy	Ongoing Ongoing Annually Ad Hoc	<ul style="list-style-type: none"> On-job training and development Work performance evaluation Improved safety Provision of quality accommodation in accordance with Minimum Standard of Housing, Accommodations and Amenities

SUSTAINABILITY STATEMENT

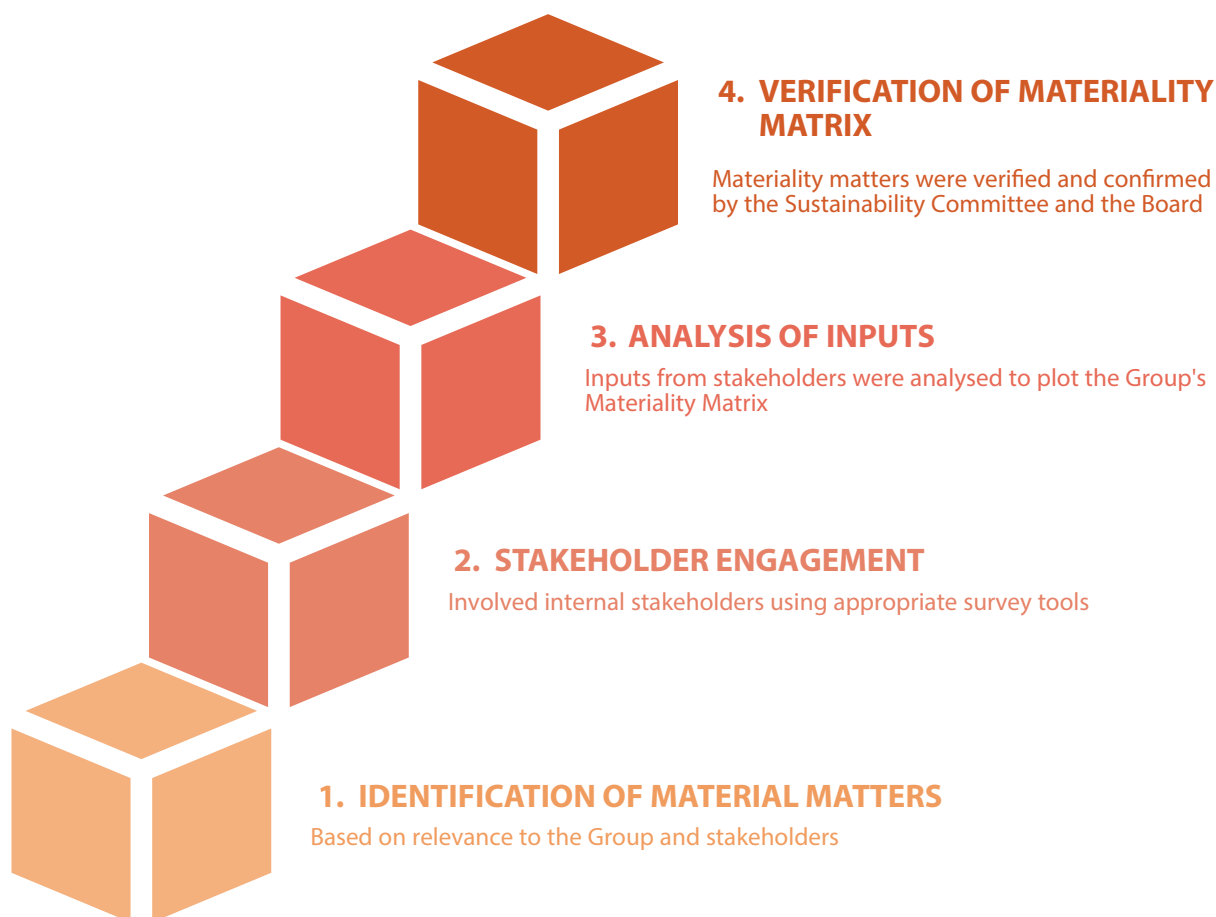
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Stakeholders	Areas of Concern	Methods of Engagement	Frequency of Engagement	Our Responses
Industry Peers 	<ul style="list-style-type: none"> Industry best practices 	Participating in networking events	Ad hoc	<ul style="list-style-type: none"> Constant and regular engagement
Local Communities 	<ul style="list-style-type: none"> Building good relationships Local environmental and social impact of operations Community involvement 	Corporate social responsibility	Ad hoc	<ul style="list-style-type: none"> Donations Festive events

MATERIALITY ASSESSMENT

GRI 3-1

In FY2022, we embarked on our first materiality assessment to uphold the significance of our sustainability efforts based on their potential impact on the Group as well as relative importance to stakeholders. The selection of our material sustainability matters was guided by stakeholder expectations, our core business activities and Bursa Malaysia's Sustainability Reporting Guide (3rd edition). The assessment process involved four steps leading to the development of the Group's first Materiality Matrix.

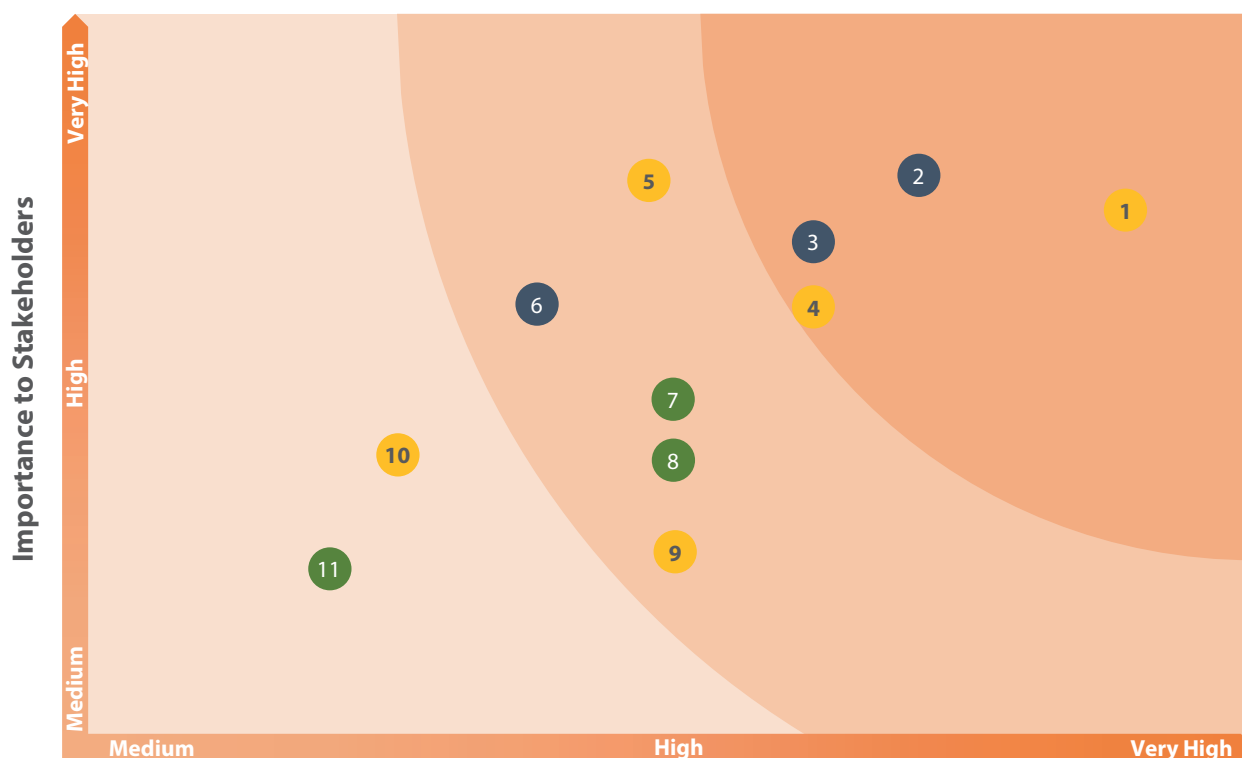


SUSTAINABILITY STATEMENT

(CONT'D)

Materiality Matrix

GRI 3-1 | 3-2



Importance to the Group

Sustainability Governance	Environmental Sustainability	Social Sustainability
2 Business Ethics & Integrity 3 Risk Management 6 Data Privacy & Security	7 Energy Efficiency & Climate Resilience 8 Waste Management 11 Water Consumption	1 Health & Safety 4 Labour Practices & Standards 5 Diversity & Inclusivity 9 Supply Chain Management 10 Community

The Materiality Matrix was created upon the tabulation of survey responses from our stakeholders and was subsequently reviewed and approved by the SC and the Board. Our top five material sustainability matters impacting both business operations and stakeholders were Health and Safety, Business Ethics and Integrity, Risk Management, Labour Practices and Standard, and Diversity and Inclusivity. Health and Safety was our most important material matter due to the nature of our business involving the manufacturing, installation and maintenance of glove chlorination tanks, storage and process tanks, scrubber systems and Fiberglass Reinforced Plastic ("FRP") lining.






SUSTAINABILITY STATEMENT

(CONT'D)

Mapping of Our Material Matters

GRI 3-2 | 3-3

The table below depicts the relationships between our three pillars, our material matters, respective GRI Indicators, our stakeholders and relevant SDGs.

Pillars	UN SDGs	Material Matter	GRI Indicator	Stakeholder Group
Sustainability Governance		Business Ethics and Integrity Risk Management Data Privacy and Security	2: General Disclosures 3: Material Topics 205: Anti-Corruption 418: Customer Privacy	Investors Regulatory Agencies Employees Customer Suppliers Industry Peers
Environmental Sustainability	 	Energy Efficiency and Climate Resilience Waste Management Water Consumption	2: General Disclosures 3: Material Topics 302: Energy 303: Water and Effluents 305: Emissions 306: Waste	Investors Regulatory Agencies Customers Local Communities
Social Sustainability	 	Health and Safety Labour Practices and Standards Diversity and Inclusivity Supply Chain Management Community	2: General Disclosures 3: Material Topics 204: Procurement Practices 401: Employment 403: Occupational Health and Safety 404: Training and Education 413: Local Communities	Investors Regulatory Agencies Employees Local Communities Suppliers

SUSTAINABILITY GOVERNANCE

At Flexidynamic, we believe that responsible business conduct involves practices such as transparency and regulatory compliance. As such, we are conscious of our responsibilities as a Group to be compliant with relevant policies and regulations while holding our employees to the highest ethical standards.

Business Ethics and Integrity

GRI 2-16 | 2-17 | 2-19 | 2-20 | 2-23 | 2-24 | 2-25 | 2-26 | 3-3 | 205-1 | 205-2 | 205-3

Our commitment to ethics and integrity has been ingrained in our operations from the start. We regularly review the Board Charter to ensure its relevance in promoting professional behaviour within the Board.

Policy	Function
Anti-Bribery and Corruption Policy	Establishes a framework to prevent and detect bribery and corruption within the Group.
Ethics and Compliance Whistle Blowing Policy	Provides a mechanism for employees and stakeholders to report concerns and unethical behaviour within an organisation without repercussions.

SUSTAINABILITY STATEMENT

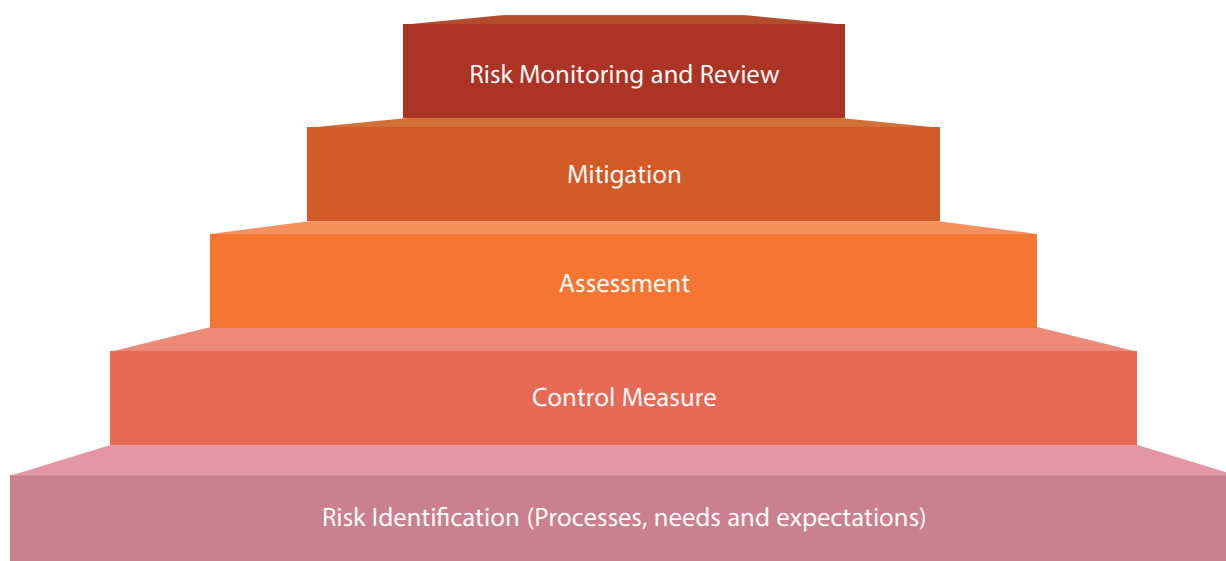
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Our Anti-Bribery and Corruption Policy as well as Ethics and Compliance Whistle Blowing Policy are effectively communicated and implemented across the Group. The policy is available for download on our corporate website. For FY2022, we have recorded zero cases of corruption or bribery and zero reports were made through our Whistle Blowing System.

Risk Management

GRI 3-3

The Group complies with the ISO 9001:2015 Quality Management System, which was implemented throughout our operations starting with a 5-step risk and opportunity analysis conducted by our Quality Assurance and Quality Control ("QAQC") team.



The establishment of our risk management procedure has enabled us to identify and mitigate potential risks and opportunities, allowing us to allocate resources towards enhancing the quality of our products. It is through this procedure that we ensure our products are safe, reliable, and meet the evolving needs and expectations of our customers.

Data Privacy and Security

GRI 3-3 | 418-1

Customer privacy and data protection are very important to us. We are proud to report that we have had no breaches in customer privacy or losses of customer data, reflecting our commitment to maintaining the confidentiality and security of our customers' information.

To further bolster our security measures, we implemented a system access program based on our employee's job scope and position level. Such a system ensures only authorised personnel have access to sensitive information, and limits the risk of unauthorised disclosure or misuse. We also have strict protocols and measures in place to monitor and audit the system access, ensuring that activities are tracked and reviewed on a regular basis.

SUSTAINABILITY STATEMENT

(CONT'D)

ENVIRONMENTAL SUSTAINABILITY

Our Ambition Towards Net Zero 2050

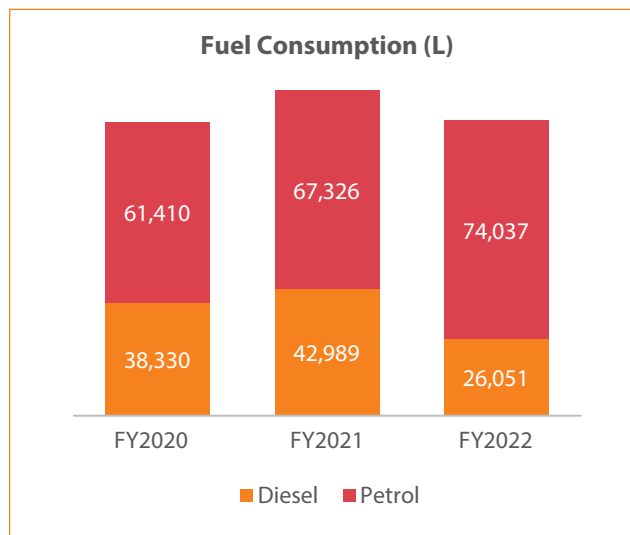
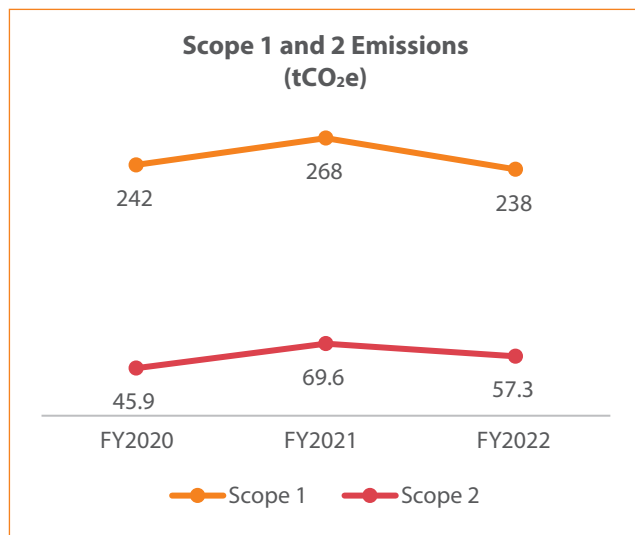
According to the UN, global carbon dioxide ("CO₂") emissions need to be reduced by 45% by 2030 to reach net zero by 2050. With climate change as a rising concern, there is an unwavering commitment for us to do our part in addressing critical environmental issues. As a part of our transition towards TCFD, we have taken the first step of estimating our Scope 1 and 2 greenhouse gas ("GHG") emissions to identify areas where decarbonisation is required to reduce our carbon footprint. Our commitment to sustainability is evident through our efforts to reduce GHG emissions, conserve resources, and practice responsible water and waste management.

Energy Efficiency and Climate Resilience

GRI 3-3 | 302-1 | 302-2 | 302-3 | 302-4 | 305-1 | 305-2 | 305-5

The Group's energy-efficient practices have enabled us to reduce our overall energy consumption, resulting in significant cost savings and a lower carbon footprint that benefits our bottom line and contributes to the broader goal of climate resiliency.

We reported our Scope 1 and Scope 2 GHG emissions for the past three years, enabling us to record our progress and make improvements in our overall achievements. Scope 1 refers to emissions produced from direct carbon-based fuel (petrol and diesel) combustion over the course of our daily operations whilst Scope 2 refers to emissions generated by grid electricity consumption.

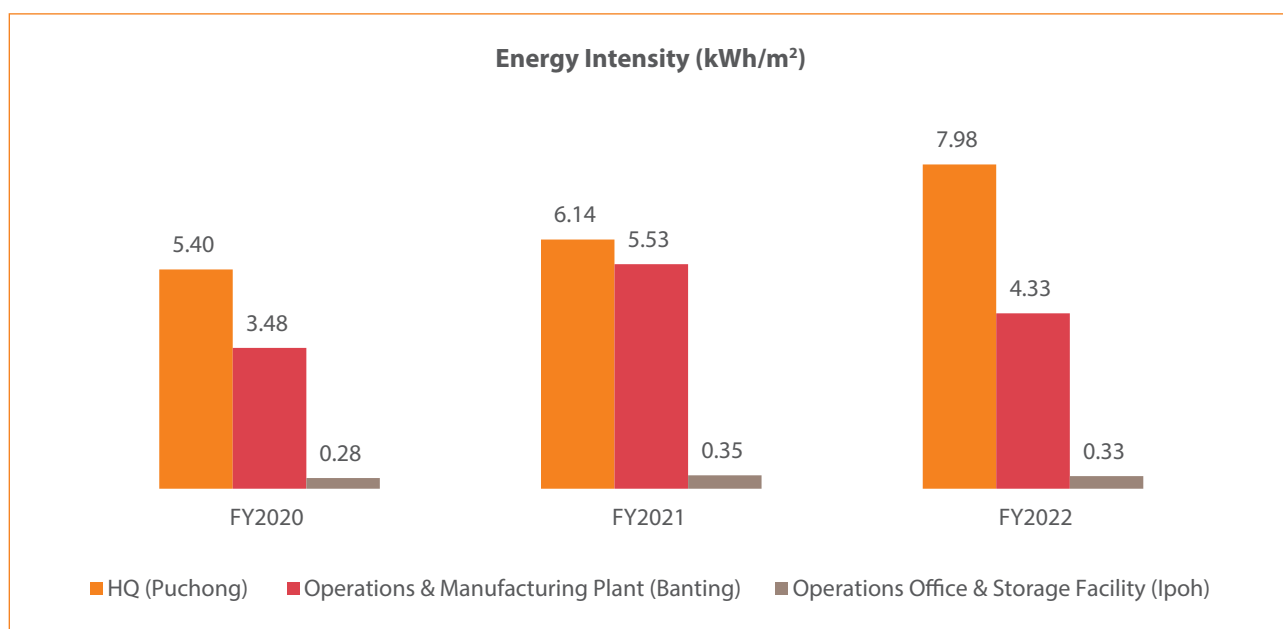
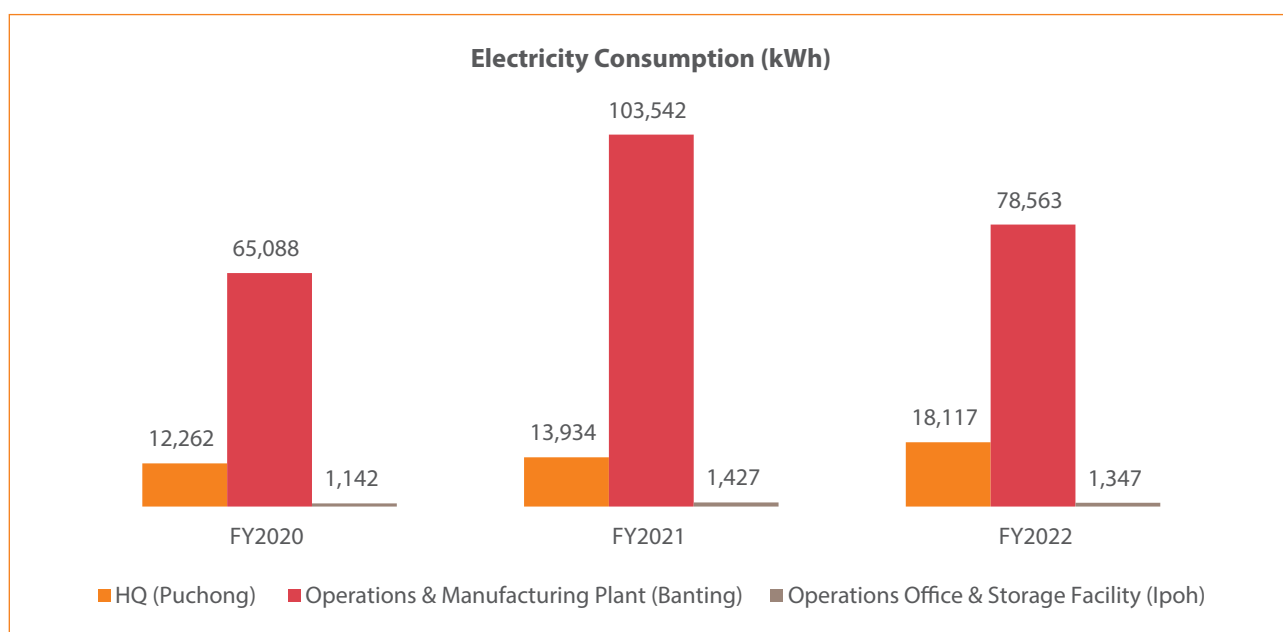


Although there was an increase in Scope 1 and Scope 2 emissions from FY2020 to FY2021, we are pleased to report a decrease in our GHG emissions in FY2022 compared to the previous year. We achieved an 11% reduction in Scope 1 emissions and a 17.6% reduction in Scope 2 emissions during this reporting period. This reduction reflects our commitment to combat climate change, and we will continuously scale up our GHG reduction efforts in the coming years.

SUSTAINABILITY STATEMENT

(CONT'D)

In FY2022, we achieved a salient 17.6% reduction in electricity usage, with total consumption falling from 118,903 kWh in FY2021 to 98,027 kWh in FY2022 as a result of our efforts in curtailing usage of electricity by switching off lights and air conditioners when not in use.



In August 2022, we expanded the floorspace of our Operations and Manufacturing Plant while ensuring that our energy consumption remained low. As such, we managed to reduce our plant's energy intensity by 21.7%.

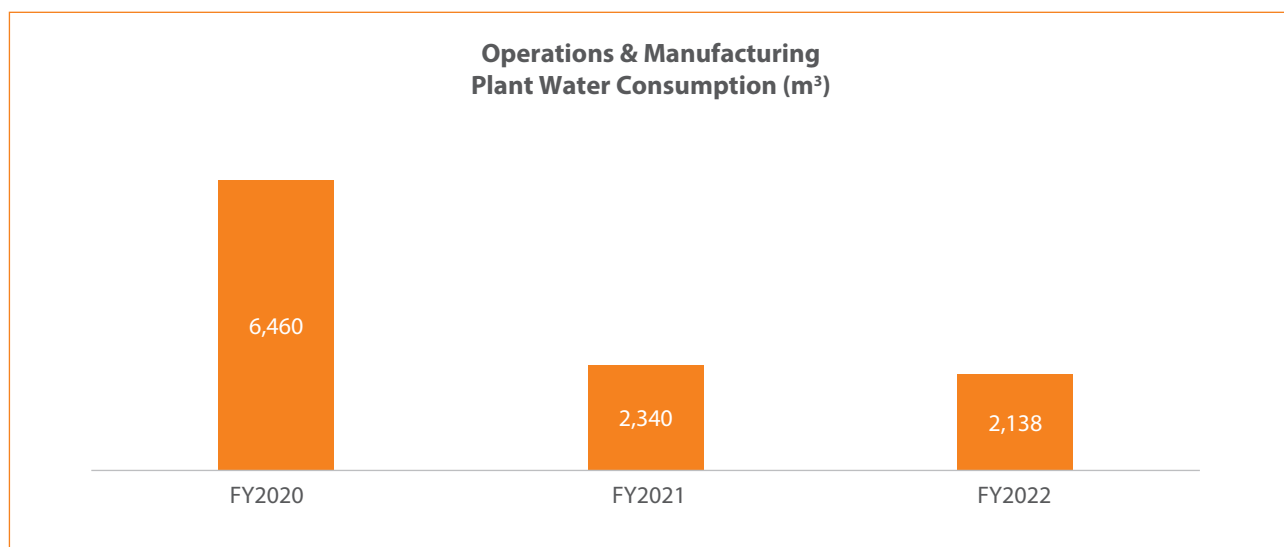
SUSTAINABILITY STATEMENT

(CONT'D)

Water Consumption

GRI 3-3 | 303-1 | 303-5

We recorded a steady reduction in water consumption year-on-year for our Operating and Manufacturing Plant. In FY2022, the Operations and Manufacturing Plant consumed 2,138 m³ of water at an 8.6% reduction from the previous year, mainly due to our water conservation practices during operations and our fortnightly water leakage inspection.



Waste Management

GRI 2-27 | 3-3 | 306-1 | 306-2 | 306-3 | 306-4 | 306-5

To comply fully with the Environmental Quality Act 1974, we enlisted a Department of Environment (“DOE”) licenced collector to systematically dispose of our waste in accordance with the Act. As part of our commitment to reducing our environmental impact, Flexidynamic will begin tracking our waste generation to monitor our waste management practices, identify areas for improvement and work towards minimising our environmental footprint while complying with relevant laws and regulations.

SUSTAINABILITY STATEMENT

(CONT'D)

SOCIAL SUSTAINABILITY

The Group places social sustainability at the heart of our operations. Our efforts in safeguarding the well-being of our people are in line with UN Global Compact's 10 principles which include human rights, fair labour and non-discrimination. We strive to go the extra mile to put people first, both in our business as well as the community at large. As people are the driving force of our organisation, we aim to provide a healthy work-life balance while promoting diversity. We also realise the importance of reaching out to the people around us through community outreach programmes which will empower and enrich their lives.

Health and Safety

GRI 3-3 | 403-1 | 403-2 | 403-3 | 403-4 | 403-5 | 403-6 | 403-7 | 403-8 | 403-9 | 403-10

Occupational Health and Safety is our most important sustainability issue due to our involvement in the manufacturing, installation and maintenance of equipment. We prioritise our employees' safety by providing training on health and safety standards to prevent accidents and injuries from occurring.



Employee Health and Safety Training

- ✓ Hazard Identification, Risk Assessment and Risk Control (HIRARC) Training
- ✓ Basic Occupational First Aid, CPR & AED Training Course
- ✓ Control Valve Training Workshop
- ✓ Standard Operating Procedure
- ✓ Authorised Entrant & Standby Person for Confined Space
- ✓ Lifting Supervisor
- ✓ Basic Rigging & Slings & Signalman
- ✓ Safe Handling of Forklift Truck Training

Number of Employees trained on Health & Safety Standards:

18



Total Hours Worked	Number of recorded injuries	Lost-time Injury Frequency Rate ("LTIFR")	Fatalities
2,496	0	0	0

Our commitment to providing health and safety training for our employees has yielded positive results. In FY2022, 18 employees received a total of 469.5 hours of training on health and safety programmes. As such, we are pleased to report a zero-accident rate throughout our operations.

Labour Practices and Standards

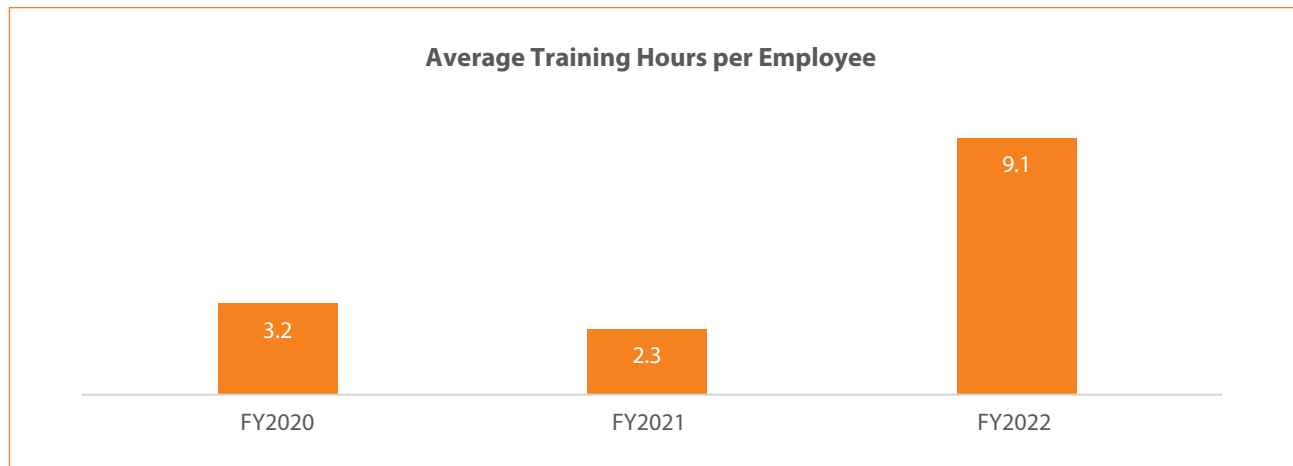
GRI 2-8 | 3-3 | 401-1 | 401-2 | 401-3 | 404-1 | 404-2 | 404-3 | 406-1 | 408-1 | 409-1

We make it a priority to uphold high labour standards by strictly adhering to relevant labour laws, and ensure that our employees have reasonable working hours, adequate training and are provided with parental leave when required. The Group also practices non-discrimination, providing equal opportunities and fair treatment to all employees regardless of gender, race, religion or age. In FY2022, there were zero reported cases of discrimination, forced and child labour. By maintaining high labour standards, we aim to create a positive work environment where our employees can thrive and contribute to the success of the company.

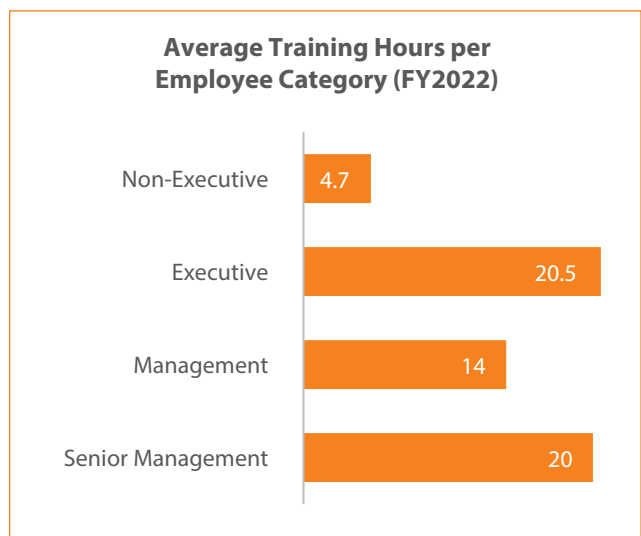
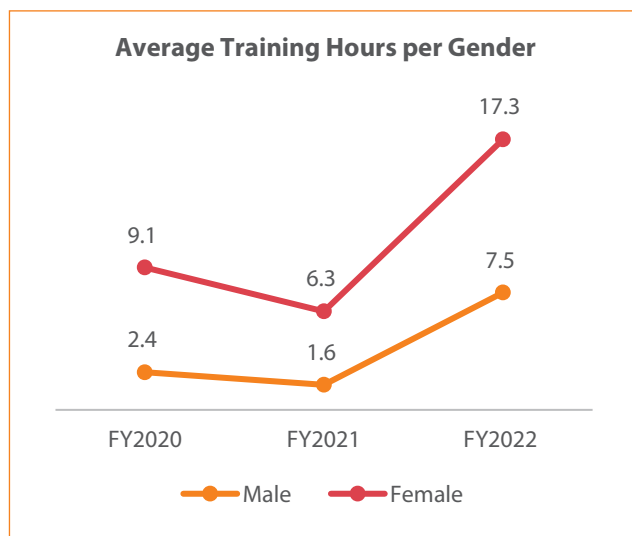
SUSTAINABILITY STATEMENT

(CONT'D)

Employee Training



Employee training and development is essential for us to attract and retain talented individuals. It serves as a means to fill competency gaps and promotes efficiency within the workforce. FY2022 saw a total of 682 hours of training delivered to our team, with an average of 9.1 hours per employee.



SUSTAINABILITY STATEMENT

(CONT'D)

Our training programmes are designed to advance knowledge and skill sets while also instilling motivation. Through these programmes, we provided equal opportunity for progress to all our employees, helping them achieve excellence in job performance. In terms of training hours provided, we recorded an average of 17.3 hours per female employee and 7.5 hours per male employee. As for employee category, we recorded an average of 20.5 hours for executives and 20 hours for senior management. Through our programmes, we strive to equip our top management with the necessary skills so can effectively lead, make informed decisions, and adapt to changes in the business environment.

Training Programmes:

✓ Basic Financial Statement Training	✓ TCFD 101 – Getting Started with climate-related financial reporting
✓ Environment, Social Governance Training	✓ Mandatory Accreditation Programme
✓ Materiality Assessment Training	✓ Cash Flow Management for Account Executives
✓ Strategy Procurement & Inventory Management System	✓ Tax Audit & Investigation
✓ Useful Excel Formulas & Functions	✓ Online training for Microsoft Excel (Intermediate)
✓ Facility Management Course	✓ Employment Law of Malaysia
✓ Effective Warehouse Operation & Inventory Management	✓ Monthly Tax Deduction (MTD) Calculation
✓ Budget Conference 2023	✓ Payroll & MTD Audit
✓ Employment Payroll Management & Tax Liability	✓ HVAC Ducting & Piping Design
✓ Transfer Pricing	

We conduct performance reviews to ensure that our employees are aware of their performance level, and for FY2022, 87% of our employees received an appraisal.

Employee Benefits

Employee Benefits



Personal
Accident and
Group
Insurance



Disability and
Invalidity
Coverage



Retirement
Provision
(KWSP)



Parental Leave



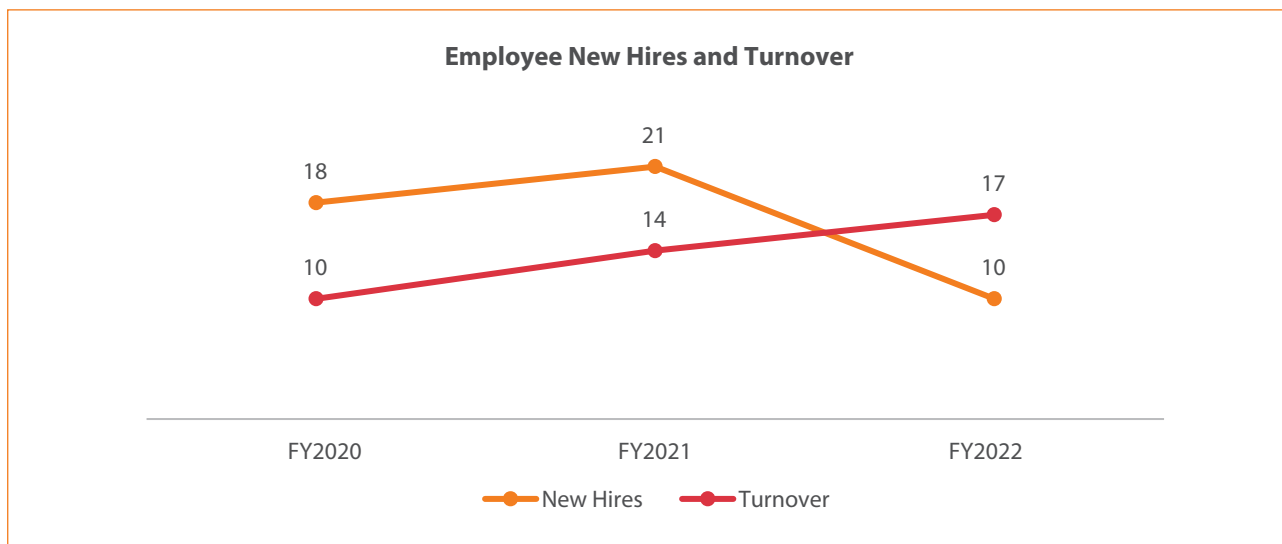
Annual Leave

In line with our steadfast dedication to the health and well-being of our employees, we have made it a top priority to ensure that they receive essential benefits, which include personal accident insurance, group health insurance, disability and invalidity coverage (SOCISO), retirement provision (KWSP), annual leave and parental leave. We recorded a single instance of taken parental leave this year.

SUSTAINABILITY STATEMENT

(CONT'D)

Employee New Hires and Turnover

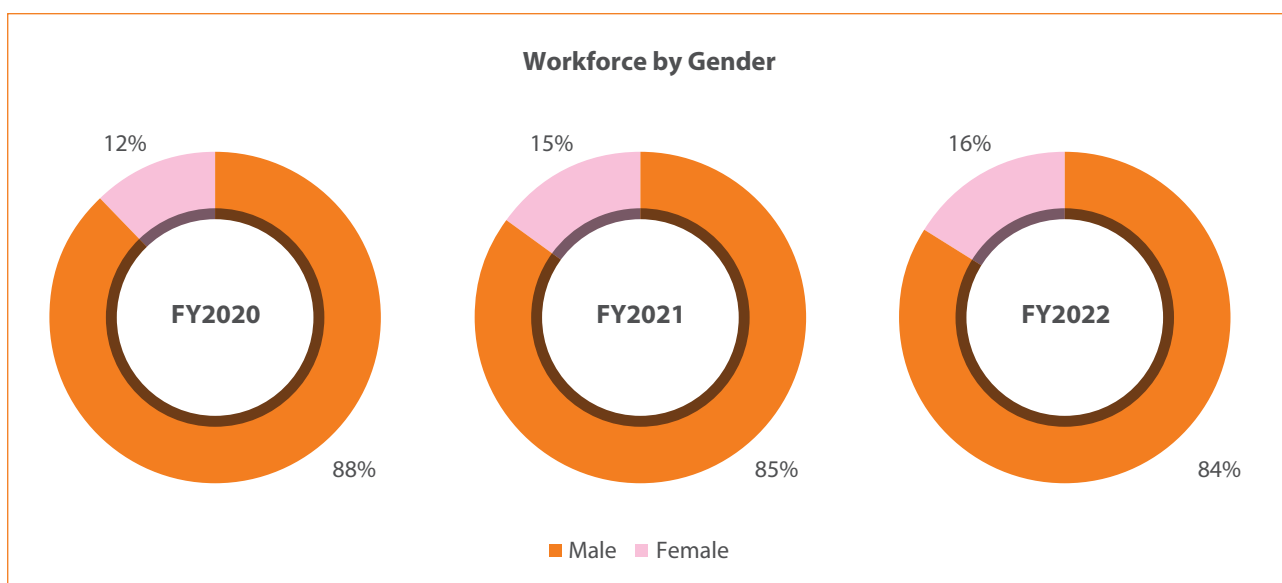


While we continue to prioritise our commitment to sustainability, project activity decreased, resulting in a higher rate of employee turnover relative to new hires. Additionally, we did not offer new employment contracts to a number of our foreign workers. We are committed to meeting the MIDA 80:20 local-foreign worker regulation by 2024, and we will continue to review our hiring policies to make sure they support our sustainability objectives.

Diversity and Inclusivity

GRI 2-7 | 3-3 | 405-1 | 405-2

Flexidynamic strives to promote an inclusive work culture with a diverse background as this brings a wealth of valuable insight, resulting in a more innovative and productive team. We have zero tolerance for discrimination based on age, gender, ethnicity, religion, sexual orientation, nationality or disability, and practise a merit-based approach in our employment and promotion processes.



SUSTAINABILITY STATEMENT

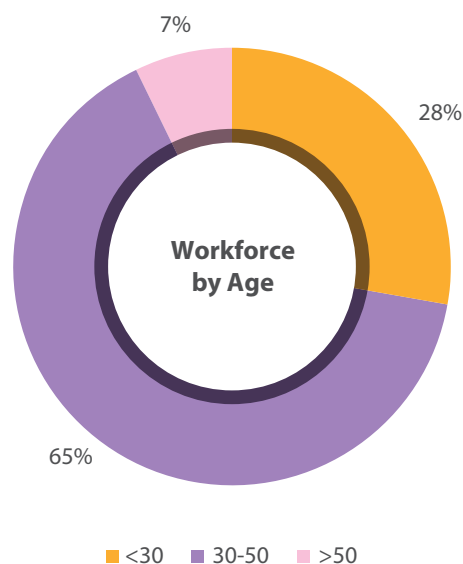
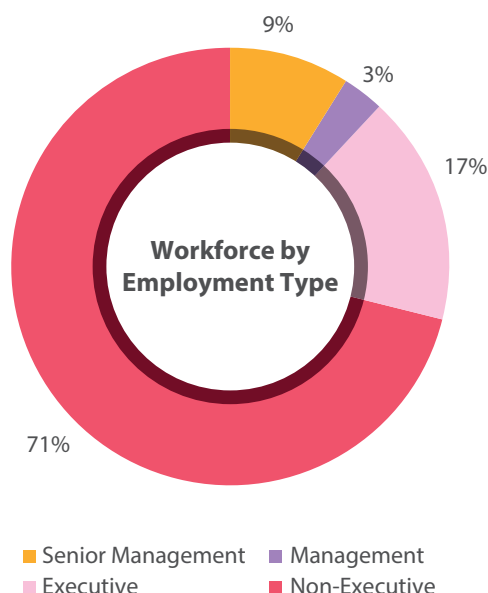
(CONT'D)

This year, the workforce comprised a total of 63 male employees (84%) and 12 female employees (16%). Women also currently hold 29% of senior management positions. We strive for gender pay equity and base our employee salaries solely on performance and experience.

Ratio of Basic Salary of Men to Women by Employee Category

Employment Level	Male	Female
Senior Management	1.18	1
Management	1	N/A
Executive	1.07	1
Non- Executive	1.12	1

* There is only 2 employee in the Management category



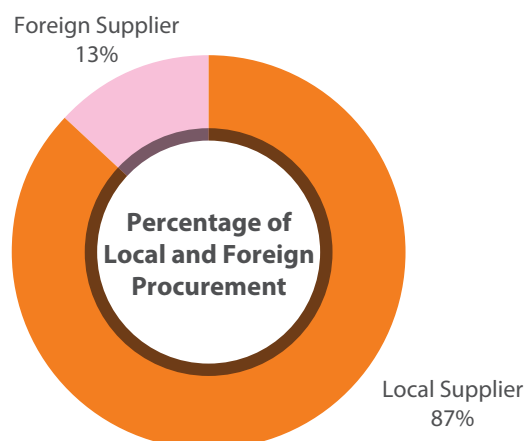
Our workforce composition is consistent with the manufacturing industry where the majority (65%) falls within the age range of 30 to 50 years. Those under 30 years old make up 28%, whereas those over 50 years old form the smallest proportion (7%). As for employment type, non-executives constitute the largest portion of our workforce (71%), followed by executives (17%), senior management (9%), and management (3%).

Supply Chain Management

GRI 3-3 | 204-1

Our Group's commitment to supporting the local economy goes hand-in-hand with our efforts to decarbonise our supply chain. By primarily sourcing our materials from local suppliers, we not only reduce transportation emissions but also ensure better oversight of delivery quality and labour conditions.

In FY2022, we allocated 87% of our spending towards 75 local suppliers, demonstrating our commitment to supporting businesses within our community. The remaining 13% of our spending was distributed among 9 foreign suppliers.



SUSTAINABILITY STATEMENT (CONT'D)

Community

GRI 3-3 | 413-1 | 413-2

Our dedication to the local community goes beyond mere obligation; we are deeply invested in the well-being of our neighbours and recognise that their happiness is integral to our own. We are committed to taking an active role in the betterment of the community, and we continually seek out new ways to support local development and improve the lives of those around us. Our passion for building a brighter future for our community drives us to work tirelessly towards the empowerment of people who need it.

Persatuan Penjagaan Kanak-Kanak Terencat Akal Negeri Selangor



On 7 January 2022, the Group donated RM17,301 worth of food items, toiletries, mobility aid and cash to support children with disabilities at the Persatuan Penjagaan Kanak-Kanak Terencat Akal. The donation reflects our efforts in caring for the well-being of people around us and contributing to a worthy cause. Through donations such as these, we aim to give back to the community in which we live and make a meaningful, positive impact.

SUSTAINABILITY STATEMENT (CONT'D)

Hope Mission Welfare Society



On 17 January 2022 the Group contributed RM10,000 to the Hope Mission Welfare Society in our effort to support orphans as well as children who come from broken families. The Hope Mission Welfare Society is a non-profit organisation which began in 2008 and since then, has positively impacted more than 450 children. We strive to uplift these marginalised children and give them hope towards a better and brighter tomorrow.

CLOSING STATEMENT

As we continue to live in the 'new normal', the Group's commitment to sustainability remains consistent. Thus, we strive to achieve our goal of sustainable development across our operations, impacting the community in which we operate. With our new ESG Framework and Sustainability Policy in place as well as our contributions to the UN SDGs we move towards a more sustainable future, making our mark in the industry through our ESG endeavours.

SUSTAINABILITY STATEMENT

(CONT'D)

GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	LOCATION (PAGE NO.)
GRI 2: General Disclosures 2021	2-1 Organisational details	16
	2-2 Entities included in the organisation's sustainability reporting	17
	2-3 Reporting period, frequency and contact point	17
	2-4 Restatements of information	N/A
	2-5 External assurance	17
	2-6 Activities, value chain and other business relationships	16
	2-7 Employees	34-35
	2-8 Workers who are not employees	31
	2-9 Governance structure and composition	21
	2-10 Nomination and selection of the highest governance body	21
	2-11 Chair of the highest governance body	21
	2-12 Role of the highest governance body in overseeing the management of impacts	21
	2-13 Delegation of responsibility for managing impacts	21
	2-14 Role of the highest governance body in sustainability reporting	21
	2-15 Conflicts of interest	21
	2-16 Communication of critical concerns	26
	2-17 Collective knowledge of the highest governance body	26
	2-18 Evaluation of the performance of the highest governance body	21
	2-19 Remuneration policies	26
	2-20 Process to determine remuneration	26
	2-22 Statement on sustainable development strategy	19
	2-23 Policy commitments	22, 26
	2-24 Embedding policy commitments	22, 26
	2-25 Processes to remediate negative impacts	26
	2-26 Mechanisms for seeking advice and raising concerns	26
	2-27 Compliance with laws and regulations	30
	2-28 Membership associations	17
	2-29 Approach to stakeholder engagement	23-24
GRI 3: Material Topics 2021	3-1 Process to determine material topics	24, 25
	3-2 List of material topics	25, 26
	3-3 Management of material topics	Throughout
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	35
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	26
	205-2 Communication and training about anti-corruption policies and procedures	26
	205-3 Confirmed incidents of corruption and actions taken	26
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	28-29
	302-2 Energy consumption outside of the organisation	28-29
	302-3 Energy intensity	28-29
	302-4 Reduction of energy consumption	28-29

SUSTAINABILITY STATEMENT

(CONT'D)

GRI STANDARD	DISCLOSURE	LOCATION (PAGE NO.)
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	30
	303-5 Water consumption	30
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	28-29
	305-2 Energy indirect (Scope 2) GHG emissions	28-29
	305-5 Reduction of GHG emissions	28-29
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	30
	306-2 Management of significant waste-related impacts	30
	306-3 Waste generated	30
	306-4 Waste diverted from disposal	30
	306-5 Waste directed to disposal	30
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	31-33
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	31-33
	401-3 Parental leave	31-33
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	31
	403-2 Hazard identification, risk assessment, and incident investigation	31
	403-3 Occupational health services	31
	403-4 Worker participation, consultation, and communication on occupational health and safety	31
	403-5 Worker training on occupational health and safety	31
	403-6 Promotion of worker health	31
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	31
	403-8 Workers covered by an occupational health and safety management system	31
	403-9 Work-related injuries	31
	403-10 Work-related ill health	31
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	31-33
	404-2 Programmes for upgrading employee skills and transition assistance programmes	31-33
	404-3 Percentage of employees receiving regular performance and career development reviews	31-33
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	34-35
	405-2 Ratio of basic salary and remuneration of women to men	34-35
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	31
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	31
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	31
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programmes	36-37
	413-2 Operations with significant actual and potential negative impacts on local communities	36-37
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	27

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 2022 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 Procedures

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 environmental, social and Governance ("ESG") 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 ESG 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.

The Sustainability Policy is available on the Company's website at <http://www.flexidynamic.com>.

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.

Directors' Fit and Proper Policy

Following the amendments to the AMLR of Bursa Securities, the Board has adopted a Directors' Fit and Proper Policy to ensure that Directors possess the character, integrity, relevant range of skills, knowledge, experience, competence and time commitment to carry out their roles and responsibilities effectively in the best interest of the Group.

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 her 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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

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

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
Mr. Tan Kong Leong	Managing Director	5/5
Mr. Sin Kuo Wei	Deputy Managing Director	4/4
Mr. Liew Heng Wei	Executive Director	5/5
Ms. Lion Suk Chin	Executive Director	5/5
Ms. Phang Sze Fui	Independent Non-Executive Chairperson	5/5
Pn. Noor Zaliza Yati Binti Yahya	Independent Non-Executive Director	5/5
Ir. Chong Kai Feng	Independent Non-Executive Director	5/5
Mr. Poh Chee Fong	Independent Non-Executive Director	5/5

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.

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:

- Support the Board and Board Committees;
- 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;
- Maintenance of statutory records;
- As the Advisor to the Board to guide the Board on the compliance with AMLR; and
- 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

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 and attendance record are as follows:

Name of Directors	Directorship	Attendance
<u>Chairman</u>		
Mr. Poh Chee Fong	Independent Non-Executive Director	1/1
<u>Members</u>		
Pn. Noor Zaliza Yati Binti Yahya	Independent Non-Executive Director	1/1
Ir. Chong Kai Feng	Independent Non-Executive Director	1/1

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.

The Nomination Committee reviews annually the effectiveness of the Board as a whole, the Board Committees and the contribution of each Director, including Independent Non-Executive Directors. The evaluation involves completing questionnaires regarding the processes of the Board and Committee members, their performances and where improvements could be considered. These assessments were summarised and discussed at the Nomination Committee meeting which gave recommendation to the Board at the Board Meeting.

The Board has assessed the independence of its Independent Non-Executive Directors on an annual basis based on the criteria set out in the AMLR.

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
Mr. Tan Kong Leong	• Transfer Pricing	28 December 2022
Mr. Sin Kuo Wei	• Mandatory Accreditation Program (MAP)	6 April 2022 – 8 April 2022
Mr. Liew Heng Wei	• Basic Occupational First Aid, CPR & AED Training	12 & 13 May 2022
	• Effective Warehouse Operation and Inventory Management	18 July 2022 – 21 July 2022
	• Kursus Pengurusan Fasilitas	27 October 2022
	• Standard of Procedure (SOP)	10 November 2022
Ms. Lion Suk Chin	• TCFD 101: Getting started with climate-related financial reporting	2 March 2022
	• Environment, Social and Governance (ESG)	19 & 20 October 2022
	• Budget Conference 2023	30 December 2022

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
Ms. Phang Sze Fui	• TCFD 101: Getting started with climate-related financial reporting	2 March 2022
	• Tax Budget Seminar	4 March 2022
	• TCFD 102: Building experience in climate-related financial reporting	9 March 2022
	• Bursa Malaysia Immersive Experience Session: The Board "Agender"	30 November 2022
Pn. Noor Zaliza Yati Binti Yahya	• Accountants and Their Role to Reduce Carbon Emissions	28 June 2022
	• Registered Financial Planner Module 1 - Fundamentals of Financial Planning	31 October 2022
	• The Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees	17 November 2022
	• Bursa Malaysia Immersive Experience Session: The Board "Agender"	30 November 2022
Ir. Chong Kai Feng	• TCFD 101: Getting started with climate-related financial reporting	2 March 2022
	• Transitioning to Net Zero through Energy Efficiency	19 August 2022
	• The Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees	17 November 2022
	• Bursa Malaysia Immersive Experience Session: The Board "Agender"	30 November 2022
Mr. Poh Chee Fong	• Mandatory Accreditation Program (MAP)	15 February 2022 – 17 February 2022
	• Managing Strategy	20 February 2022
	• Unpeel Your Competitive Onion	20 February 2022
	• WSQ Leadership in the Implementation of Business Continuity Programme	20 May 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 2022, 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 and attendance record are as follows:

Name of Directors	Directorship	Attendance
<u>Chairman</u>		
Ir. Chong Kai Feng	Independent Non-Executive Director	1/1
<u>Members</u>		
Pn. Noor Zaliza Yati Binti Yahya	Independent Non-Executive Director	1/1
Mr. Poh Chee Fong	Independent Non-Executive Director	1/1

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 2022 in the Group are as follows:

Name of Directors	Fees RM	Salaries and Other Emoluments RM	EPF RM	Benefit- in-kind RM	Total RM
<u>Company</u>					
Executive Directors:					
Mr. Tan Kong Leong	24,000	-	-	-	24,000
Mr. Liew Heng Wei	24,000	-	-	-	24,000
Ms. Lion Suk Chin	24,000	-	-	-	24,000
Mr. Sin Kuo Wei	20,000	-	-	-	20,000
Independent Directors:					
Ms. Phang Sze Fui	60,000	500	-	-	60,500
Pn. Noor Zaliza Yati Binti Yahya	30,000	500	-	-	30,500
Ir. Chong Kai Feng	24,000	500	-	-	24,500
Mr. Poh Chee Fong	24,000	500	-	-	24,500
Grand Total	230,000	2,000	-	-	232,000

Name of Directors	Fees RM	Salaries and Other Emoluments RM	EPF RM	Benefit- in-kind RM	Total RM
<u>Subsidiary</u>					
Executive Directors:					
Mr. Tan Kong Leong	-	448,800	85,278	34,100	568,178
Mr. Liew Heng Wei	-	319,000	60,610	17,400	397,010
Ms. Lion Suk Chin	-	287,100	54,549	17,400	359,049
Mr. Sin Kuo Wei (Appointed on 1 March 2022)	-	221,354	40,714	12,229	274,297
Grand Total	-	1,276,254	241,151	81,129	1,598,534

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

4. BOARD REMUNERATION (CONT'D)

The aggregate remuneration of the key senior management of the Group during the financial year ended 31 December 2022 categorised into the various bands are as follows:

Key Senior Management	Remuneration band (In band of RM50,000)	
	Remuneration (RM)	Benefit-in-kind (RM)
Ms. Chen Li Chin	200,000 - 250,000	-

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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

6. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D)

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 fourth AGM of the Company.

A notice period of at least 28 days was given prior to the third 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.

In line with the AMLR, all resolutions tabled at general meetings was voted by way of poll. An independent scrutineer was appointed to validate the votes cast. The outcome of the third AGM was announced to Bursa Securities on the same day the meeting was held.

The third AGM was conducted on a fully virtual basis on 24 May 2022. All the Directors together with the Senior Management team and External Auditors attended the third 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 2022, the Company has applied the principals and recommendations of the corporate governance set out in MCGG, where necessary and appropriate.

This Corporate Governance Overview Statement is made by a resolution of the Directors dated 19 April 2023.

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 the accounting and reporting practices of Flexidynamic Holdings Berhad and its subsidiaries ("**Group**").

COMPOSITION AND DESIGNATION OF ARMC MEMBERS

The ARMC comprises of all independent non-executive directors. The ARMC members are as below:-

Designation	Name of Directors	Directorship
Chairperson	Pn. Noor Zaliza Yati Binti Yahya	Independent Non-Executive Director
Member	Ir. Chong Kai Feng	Independent Non-Executive Director
Member	Mr. Poh Chee Fong	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 that ended 31 December 2022, the ARMC held five (5) meetings. Details of the attendance of ARMC members are as follows:-

Name of Committee Members	Attendance
Pn. Noor Zaliza Yati Binti Yahya	5/5
Ir. Chong Kai Feng	5/5
Mr. Poh Chee Fong	5/5

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 2022, 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 an 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 2021 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 2021 prepared by the management before submission to the Board for approval, and ensuring its timely announcements to the Bursa Securities.

(b) ANNUAL REPORT

- (i) Reviewed the ARMC Report 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 an arm's length basis and on normal commercial terms not more favourable to the 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 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 2021.
- (ii) Reviewed and discussed with the external auditors on their audit planning memorandum for the financial year ended 31 December 2022 covering the scope of the audit, methodology, timetable, areas of focus prior to the commencement of their annual audit and proposed audit fee.
- (iii) Assessed the performance and independence of the external auditors.

(e) INTERNAL AUDIT

- (i) Reviewed and discussed with the internal auditor the results of the audit reports which outlined the recommendations for rectifying and improving areas of weaknesses and ensured that management action plans were established for the implementation of the internal auditors' recommendations.
- (ii) 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, assisted the ARMC and the Board in providing an independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control system.

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

- (a) Reviewed the Safety and Health functions of Flexidynamic Engineering Sdn Bhd.
- (b) Reviewed the Sales and Marketing functions of Flexidynamic Engineering Sdn Bhd.
- (c) 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.
- (d) Performed follow-up reviews in assessing the progress of the agreed management's action plans and reported to the ARMC.

The Internal Auditors will report 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 2022 were RM37,000.

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 2022 ("**FYE 2022**"). 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 enable 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.

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 addresses 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL AUDIT FUNCTION

The Board acknowledges the importance of internal audit function. The Group's internal audit function is performed by an independent professional consulting firm, Sterling Business Alignment Consulting Sdn Bhd ("**Internal Auditors**"). Internal Auditors provide independent assurance to the Board and ARMC and perform an independent assessment of 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 an 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 encompass Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring Activities.

The consulting firm presents to the 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 2022, the consulting firm undertook internal control audits covering 2 internal audit reviews and 2 follow up status reviews on the subsidiary, Flexidynamic Engineering Sdn Bhd:-

Reporting month	Audit period	Audit areas
May 2022	January 2021 – March 2022	Safety and Health
August 2022	April 2022 – June 2022	Follow up status review
November 2022	July 2021 – September 2022	Sales and Marketing
February 2023	October 2022 – December 2022	Follow up status review

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

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 2022. 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 have 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 cognisant 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 2022.

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 19 April 2023.

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 2022, 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 2022 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	23	52	75
Non-audit fees	7	-	7

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 was utilised in the following manner:

Detail of Utilisation of Proceeds	Proposed Utilisation RM'000	Variation of Utilisation RM'000	Actual Utilisation RM'000	Unutilised Proceeds 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	-	6,380	-	Within 18 months
(2) Renovation of new factories ⁽¹⁾	420	-	420	-	Within 18 months
(3) Acquisition of machinery and equipment ⁽¹⁾	1,630	⁽³⁾ (1,000)	630	-	Within 18 months
(4) Working capital	3,616	⁽³⁾ 1,000	4,616	-	Within 24 months
(5) Estimated listing expenses	3,000	-	3,000	-	Within 1 month
	15,046	-	15,046	-	

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

3. UTILISATION OF PROCEEDS (cont'd)

Notes:

- (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.
- (3) In the Prospectus dated 9 March 2021, the Company allocated RM1.63 million from gross proceeds for the acquisition of machinery and equipment in the following manner:

Details	No. of units	RM'000
(i) Discontinuous filament winding machine and mould	1	650
(ii) Pultrusion machine and moulds	1	350
(iii) Material handling equipment		
- Crane, winches and related accessories	1	130
- Lorry crane	1	400
- Forklift	1	100
		1,630

During the financial year, the Company had utilised RM0.38 million to acquire the discontinuous filament winding machine and mould while RM0.25 million was utilised for the purchase of crane, winches and forklift. In consideration of the slowdown in orders, the Board has deferred the purchase of the pultrusion machine and moulds as well as lorry crane and reallocated the RM1.0 million to supplement the Group's working capital requirements where the proceeds was used for the purchase of raw materials such as plastic resins, FRP materials, PVC pipes and fittings and mild steel. The acquisition of the pultrusion machine, mould and lorry crane shall be carried out at a later date depending on future market conditions.

4. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

The breakdown of the aggregate value of the RRPT made during the financial year ended 31 December 2022 is as follows:

Transacting parties	Interested persons	Nature of transaction	Aggregate value of RRPT for 31 December 2022 (RM'000)
Phitchaya Arsangku and Flexidynamic Thailand	(i) Tan Kong Leong, our Promoter, substantial shareholder and Managing Director, is the husband of Phitchaya Arsangku	Lease payment	24
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	135



FINANCIAL STATEMENTS

60	Directors' Report
65	Statement By Directors
65	Statutory Declaration
66	Independent Auditors' Report
70	Statements of Financial Position
72	Statements of Profit or Loss and Other Comprehensive Income
74	Statements of Changes In Equity
76	Statements of Cash Flows
79	Notes To The Financial Statements

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The 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
Loss for the financial year	(4,054,952)	(275,567)
Attributable to:		
Owners of the Company	(3,910,475)	(275,567)
Non-controlling interest	(144,477)	-
	(4,054,952)	(275,567)

DIVIDENDS

Dividend paid since the end of the previous financial year are as follows:

	RM
Final single tier dividend of 1.0 sen per ordinary share, totalling RM2,488,031 in respect of the financial year ended 31 December 2022 paid on 17 June 2022	2,488,031

RESERVES AND PROVISIONS

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

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
Sin Kuo Wei

DIRECTORS' REPORT

(CONT'D)

DIRECTORS (CONT'D)

Subsidiary

Flexidynamic Engineering Sdn. Bhd.

Tan Kong Leong

Liew Heng Wei

Lion Suk Chin

Sin Kuo Wei

DIRECTORS' REMUNERATION

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

	Incurring by the Company RM	Incurring by the subsidiaries RM	Group RM
Salaries, bonuses and allowances	2,000	1,539,289	1,541,289
Fee	230,000	-	230,000
Defined contribution plan	-	241,151	241,151
Social security contribution	-	3,853	3,853
Share option granted under ESOS	91,143	-	91,143
	323,143	1,784,293	2,107,436

The estimated value of benefits-in-kind provided to Directors during the financial year for the Group amounted to RM81,129.

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' 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 1 January 2022	Allotment Sold	At 31 December 2022
The Company			
Direct Interests:-			
Tan Kong Leong	117,892,900	-	117,892,900
Liew Heng Wei	53,208,300	-	53,208,300
Lion Suk Chin	-	130,000	130,000
Sin Kuo Wei	8,346,400	-	8,346,400

DIRECTORS' REPORT

(CONT'D)

DIRECTORS' INTERESTS IN SHARES (CONT'D)

	Number of ordinary shares			
	At 1 January 2022	Allotment	Sold	At 31 December 2022
The Company (cont'd)				
Deemed Interests:-				
Tan Kong Leong ^(**)	6,259,800	2,878,000	-	9,137,800
Liew Heng Wei ^(#)	-	130,000	-	130,000
Lion Suk Chin ^(#)	53,208,300	-	-	53,208,300

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

^(*) Deemed interest by virtue of the shareholdings in TECS Properties Sdn. Bhd.

Employees Share Option Scheme ("ESOS")

	Number of share option				
	At 1 January 2022	Granted	Exercised	Expired	At 31 December 2022
Interests in the Company:-					
Lion Suk Chin	2,500,000	-	130,000	-	2,370,000
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 in the Company, he is 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 788,725 new ordinary shares for cash arising from exercise of employees' share options at a weighted average exercise price of RM0.28 per ordinary share.

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 2022, the options offered to take up unissued ordinary shares and the exercise prices are as follows:-

Date of offer	Exercise price	Number of options over ordinary shares				At 31 December 2022
		At 1 January 2022	Granted	Exercised	Expired	
13 December 2022	RM0.28	15,013,300	-	788,725	-	14,224,575

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:-

- 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 adequate provision had been made for doubtful debts; and
- 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.

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

- which would render it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- 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
- not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

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.

AUDITORS

The total amount of fees paid to or receivable by the Auditors, Grant Thornton Malaysia PLT, as remuneration for their services as Auditors of the Group and of the Company for the financial year ended 31 December 2022 amounted RM123,943 and RM23,000 respectively. Further details are disclosed in Note 26 to the financial statements.

The Company has agreed to indemnify the Auditors, Grant Thornton Malaysia PLT 31 December 2022 to the extent permissible under the requirements of the Companies Act 2016 in Malaysia. However, no payment has been made arising from this indemnity for the financial year.

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
DIRECTORS

Kuala Lumpur

19 April 2023

LIEW HENG WEI
DIRECTORS

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 70 to 136 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and of their financial performance and 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

LIEW HENG WEI

Kuala Lumpur

19 April 2023

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 70 to 136 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)
19 April 2023)

Before me:

CHEN LI CHIN
(MIA No: 43772)
CHARTERED ACCOUNTANT

Ramathilagam A/P T Ramasamy
No. W671

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

to the members of Flexidynamic Holdings Berhad
(Incorporated in Malaysia)

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 2022 of the Group and of the Company and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 70 to 136.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current 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 RM6,383,643 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 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, therefore there are risks of inventories not stated at the lower of cost or market value.

Our responses

Our audit procedures in relation to the valuation of inventories included comparing 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 the financial year end at selected locations.

INDEPENDENT AUDITORS' REPORT

to the members of Flexidynamic Holdings Berhad
(Incorporated in Malaysia)
(CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (cont'd)

Allowance for expected credit losses ("ECL")

The risk

The Group has a material amount of trade receivables amounting to RM16,443,949 as disclosed in Note 34.2(a)(i) to the financial statements whereby the amount is past due but not impaired. The key associated 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 procedures in relation to the allowance for ECL included obtaining 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.

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.

INDEPENDENT AUDITORS' REPORT

to the members of Flexidynamic Holdings Berhad
(Incorporated in Malaysia)
(CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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.

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.
- 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.

INDEPENDENT AUDITORS' REPORT

to the members of Flexidynamic Holdings Berhad
(Incorporated in Malaysia)
(CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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

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.

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)

Kuala Lumpur

19 April 2023

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

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2022

		Group		Company	
	Note	2022	2021	2022	2021
		RM	RM	RM	RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	4	14,691,326	17,397,703	-	-
Investments properties	5	9,139,682	-	-	-
Investment in a subsidiary	6	-	-	21,796,786	21,418,160
Deferred tax assets	7	5,068,079	7,829,439	-	-
Other receivables	8	-	52,438	-	-
Total non-current assets		28,899,087	25,279,580	21,796,786	21,418,160
CURRENT ASSETS					
Inventories	9	6,383,643	11,658,631	-	-
Trade receivables	10	20,727,003	33,572,027	-	-
Other receivables	8	11,681,600	12,063,502	49,336	5,622,836
Amount due from a subsidiary	11	-	-	11,668,238	4,056,075
Tax recoverable		2,110,336	-	-	-
Fixed deposits with a licensed financial institution	12	2,490,187	3,459,436	427,936	420,000
Cash and bank balances and short-term investments	13	8,990,037	29,321,265	2,795,312	7,504,190
Total current assets		52,382,806	90,074,861	14,940,822	17,603,101
TOTAL ASSETS		81,281,893	115,354,441	36,737,608	39,021,261
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company					
Share capital	14	35,623,055	35,353,657	35,623,055	35,353,657
Merger deficit	15	(20,431,412)	(20,431,412)	-	-
Capital reserve	16	631,154	631,154	-	-
Share-based payment reserve	17	1,114,149	692,935	1,114,149	692,935
Foreign exchange reserve		(8,431)	(19,092)	-	-
Retained earnings/(Accumulated losses)		19,737,677	26,492,183	(202,031)	2,917,567
		36,666,192	42,719,425	36,535,173	38,964,159
Non-controlling interest	6	513,365	646,746	-	-
TOTAL EQUITY		37,179,557	43,366,171	36,535,173	38,964,159

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2022
(CONT'D)

		Group		Company	
	Note	2022	2021	2022	2021
		RM	RM	RM	RM
LIABILITIES					
NON-CURRENT LIABILITIES					
Lease liabilities	18	1,006,667	975,955	-	-
Bank borrowings	19	7,038,369	7,040,407	-	-
Employees' benefits	20	7,385	6,945	-	-
Total non-current liabilities		8,052,421	8,023,307	-	-
CURRENT LIABILITIES					
Trade payables	21	10,626,831	23,129,758	-	-
Other payables and accruals	22	1,479,522	1,167,841	196,158	57,102
Contract liabilities	23	20,495,670	34,655,301	-	-
Lease liabilities	18	518,017	442,869	-	-
Bank borrowings	19	2,923,598	1,638,788	-	-
Tax payable		6,277	2,930,406	6,277	-
Total current liabilities		36,049,915	63,964,963	202,435	57,102
TOTAL LIABILITIES		44,102,336	71,988,270	202,435	57,102
TOTAL EQUITY AND LIABILITIES		81,281,893	115,354,441	36,737,608	39,021,261

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2022

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
Revenue	24	88,285,051	105,777,605	-	5,800,000
Cost of sales		(74,744,773)	(88,285,279)	-	-
Gross profit		13,540,278	17,492,326	-	5,800,000
Other income		1,861,779	1,587,808	432,500	101,855
Allowance of expected credit losses on trade receivables		(4,083,462)	-	-	-
Selling and distribution expenses		(1,522,298)	(1,162,336)	-	-
Administrative expenses		(8,340,571)	(10,502,660)	(686,494)	(3,016,374)
Other operating expenses		(2,660,163)	(1,747,517)	-	-
(Loss)/Profit from operations		(1,204,437)	5,667,621	(253,994)	2,885,481
Finance costs	25	(228,027)	(120,556)	-	-
Finance income	25	130,363	135,366	11,114	67,626
(Loss)/Profit before tax	26	(1,302,101)	5,682,431	(242,880)	2,953,107
Tax expense	27	(2,752,851)	(2,176,411)	(32,687)	-
(Loss)/Profit for the financial year		(4,054,952)	3,506,020	(275,567)	2,953,107
Other comprehensive income/(loss):-					
Item that will be reclassified subsequently to profit or loss					
Foreign currency translation		21,757	(65,071)	-	-
Other comprehensive income/(loss) for the financial year, net of tax		21,757	(65,071)	-	-
Total comprehensive (loss)/income for the financial year		(4,033,195)	3,440,949	(275,567)	2,953,107

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2022
(CONT'D)

		Group		Company	
	Note	2022	2021	2022	2021
		RM	RM	RM	RM
(Loss)/Profit for the financial year attributable to:-					
Owners of the Company		(3,910,475)	3,184,327	(275,567)	2,953,107
Non-controlling interest		(144,477)	321,693	-	-
		(4,054,952)	3,506,020	(275,567)	2,953,107
Total comprehensive (loss)/income for the financial year attributable to:-					
Owners of the Company		(3,899,814)	3,152,442	(275,567)	2,953,107
Non-controlling interest		(133,381)	288,507	-	-
		(4,033,195)	3,440,949	(275,567)	2,953,107
(Loss)/Earnings per share					
- Basic (sen)	28	(1.37)	1.20		
- Diluted (sen)	28	(1.36)	1.20		

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2022
(CONT'D)

	Share capital RM	Share-based payment reserve RM	Retained earnings RM	Total RM
Company				
Balance at 1 January 2021	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
<u>Transactions with owners:-</u>				
Dividend paid (Note 29)	-	-	(2,844,031)	(2,844,031)
Issuance of ordinary shares pursuant to ESOS	220,843	-	-	220,843
Transfer from share-based payment reserve upon exercise	48,555	(48,555)	-	-
Share-based payment relating to ESOS	-	469,769	-	469,769
Total transactions with owners	269,398	421,214	(2,844,031)	(2,153,419)
Total comprehensive loss for the financial year	-	-	(275,567)	(275,567)
Balance at 31 December 2022	35,623,055	1,114,149	(202,031)	36,535,173

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2022

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
OPERATING ACTIVITIES				
(Loss)/Profit before tax	(1,302,101)	5,682,431	(242,880)	2,953,107
Adjustments for:-				
Allowance of expected credit losses on trade receivables	4,083,462	-	-	-
Depreciation of property, plant and equipment	1,266,057	960,456	-	-
Depreciation of investment properties	46,110	-	-	-
Finance costs:-				
- Term loan interest	86,642	12,251	-	-
- Bankers' acceptance interest	71,338	42,177	-	-
- Finance lease	70,047	66,128	-	-
Finance income:-				
- Fixed deposits with a licensed financial institution	(67,594)	(39,436)	(7,936)	-
- Current account	(59,530)	(83,006)	(3,178)	(67,626)
- Others	(3,239)	(12,924)	-	-
Gain on disposal of property, plant and equipment	(93,306)	(155,000)	-	-
Unrealised loss/(gain) on foreign exchange	1,440,530	(1,150,854)	-	-
Dividend income	(47,354)	(84,618)	(12,691)	(5,831,361)
Employees' benefits	973	659	-	-
Property, plant and equipment written off	1,814	18,504	-	-
Share-based payment expenses	469,769	692,935	91,143	140,775
Operating profit/(loss) before working capital changes	5,963,618	5,949,703	(175,542)	(2,805,105)
Changes in working capital:-				
Inventories	5,274,988	(5,541,362)	-	-
Receivables	9,200,445	(27,127,935)	139,056	(22,836)
Payables	(26,374,445)	35,163,842	(26,500)	44,602
Cash (used in)/generated from operations	(5,935,394)	8,444,248	(62,986)	(2,783,339)
Tax paid	(5,025,034)	(6,131,985)	(26,410)	-
Net cash flows (used in)/from operating activities	(10,960,428)	2,312,263	(89,396)	(2,783,339)

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2022
(CONT'D)

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	A	(1,927,718)	(723,175)	-	-
Purchase of investment properties	B	(767,084)	-	-	-
Dividend received		47,354	84,618	5,612,691	231,361
Interests received		127,124	122,442	11,114	67,626
Advances to a subsidiary		-	-	(7,612,163)	(4,056,075)
Proceeds from disposal of property, plant and equipment		103,000	155,000	-	-
Net cash flows used in investing activities		(2,417,324)	(361,115)	(1,988,358)	(3,757,088)
FINANCING ACTIVITIES					
Dividends paid		(2,844,031)	(300,000)	(2,844,031)	-
Interests paid		(238,601)	(302,567)	-	-
Employee benefit paid		(672)	-	-	-
Proceed from issuance of share capital		220,843	15,046,200	220,843	15,046,200
Share issuance expenses		-	(558,563)	-	(558,563)
Repayment to a subsidiary		-	-	-	(33,032)
Drawdown of bank borrowings		4,912,000	3,401,098	-	-
Repayment of bank borrowings		(8,057,028)	(5,541,369)	-	-
Repayment of lease liabilities		(510,640)	(443,795)	-	-
Net cash flows (used in)/from financing activities		(6,518,129)	11,301,004	(2,623,188)	14,454,605
CASH AND CASH EQUIVALENTS					
Net changes		(19,895,881)	13,252,152	(4,700,942)	7,914,178
Effect on foreign exchanges translation		(1,404,596)	1,184,908	-	-
At beginning of financial year		32,780,701	18,343,641	7,924,190	10,012
At end of financial year	C	11,480,224	32,780,701	3,223,248	7,924,190

NOTES TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Total purchase	2,658,218	1,817,779	-	-
Purchase through finance lease	(616,500)	(411,204)	-	-
Purchase through term loan	(114,000)	(683,400)	-	-
	1,927,718	723,175	-	-

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2022
(CONT'D)

NOTES TO THE STATEMENTS OF CASH FLOWS (CONT'D)**B. INVESTMENT PROPERTIES**

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Total purchase	5,080,884	-	-	-
Purchase through term loan	(4,313,800)	-	-	-
	767,084	-	-	-

C. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Cash and bank balances	5,779,259	15,882,399	706,823	139,525
Income fund with a licensed financial institution	3,210,778	13,438,866	2,088,489	7,364,665
Fixed deposits with a licensed financial institution	2,490,187	3,459,436	427,936	420,000
	11,480,224	32,780,701	3,223,248	7,924,190

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

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 19 April 2023.

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.

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 is 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

2. BASIS OF PREPARATION (CONT'D)

2.2 Basis of measurement (cont'd)

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 value 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.

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

Initial application 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

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 and investment properties to be within 5 to 50 years and 50 years respectively and reviews the useful lives of depreciable assets at end of each reporting period. At 31 December 2022 management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting the adjustment to the Group's assets.

The carrying amount of the Group's property, plant and equipment and investment properties at the end of the reporting date is disclosed in Note 4 and Note 5 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

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.

Classification between investment properties and owner-occupied properties

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

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

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

Leases – Estimating the incremental borrowing rate

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022
(CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

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.

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

31 December 2022

(CONT'D)

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%
Mould	10%
Office equipment	20%
Renovations	10-20%
Signboards	10%
Right-of-use assets - Office	20%

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Investment properties

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

Investment properties which are owned are measured initially at cost. Cost includes expenditures that are directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

Investment property are depreciated based on the estimated useful lives of the freehold buildings are 2%. 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 investment property.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from the disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

3.4 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.

3.4.1 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

31 December 2022
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

3.4.1 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

3.4.1 Financial assets (cont'd)

Subsequent measurement (cont'd)

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

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).

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

3.4.1 Financial assets (cont'd)

Impairment (cont'd)

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.

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.

3.4.2 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, trade and most of other payables and accruals.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

3.4.2 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.

3.4.3 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.

3.5 Impairment of assets

3.5.1 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 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.

3.7 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.

3.8 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 loss 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.

3.9 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.

3.10 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Leases (cont'd)

3.10.1 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.

3.10.2 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 3.5.1 Impairment of non-financial assets.

3.10.3 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.

3.10.4 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 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.

3.11.1 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.

3.11.2 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.

3.11.3 Contract balances

3.11.3.1 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.

3.11.3.2 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).

3.11.3.3 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. Contract liabilities under customer deposits refundable are offsetting with receivables balances.

3.11.4 Revenue from other sources

3.11.4.1 Interest income

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Revenue from contracts with customers (cont'd)

3.11.4 Revenue from other sources (cont'd)

3.11.4.2 Dividend income

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

3.11.4.3 Rental income

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

3.12 Employees' benefits

3.12.1 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.

3.12.2 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").

3.12.3 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 recognises 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 recognises 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

31 December 2022

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Share-based payment transactions

3.13.1 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.

3.14 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.

3.14.1 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.

3.14.2 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Tax expense (cont'd)

3.14.2 Deferred tax (cont'd)

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

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

3.14.3 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.

3.15 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.

3.16 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

31 December 2022

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 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).

3.17 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.

3.18 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the 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.

3.19 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Related parties (cont'd)

- (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.

3.20 Segmental results

3.20.1 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.

3.20.2 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.

3.21 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.

31 December 2022
(CONT'D)

Group		Computers		Electrical and fittings		Freehold building		Freehold land		Furniture and fittings		Machineries		Motor vehicles		Right-of-use assets – Motor vehicles		Mould equipment		Office Renovations		Signboards		Building in progress		Right-of-use assets – Office		Total
		RM		RM		RM		RM		RM		RM		RM		RM		RM		RM		RM		RM		RM		
Cost	At 1 January 2021	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	-	191,392,17												
	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	206,442,64												
Cost	Additions	21,222	47,879	-	226,665	323,959	309,782	704,527	245,230	78,270	135,091	5,313	560,280	-	2,658,218													
	Borrowing costs capitalised at 4.27%	-	-	-	-	-	-	-	-	-	-	-	4,637	-	4,637													
	Reclassification	-	-	2,465,008	1,641,978	-	-	271,559	(271,559)	-	-	-	-	(4,106,986)	-	-												
	Transfer to investment properties	-	-	-	-	-	-	-	-	-	-	-	-	(4,098,971)	-	(4,098,971)												
	Disposals	-	-	-	-	-	-	(57,971)	(135,432)	-	(1,535)	-	-	-	-	(194,938)												
	Written off	(8,463)	-	-	(640)	-	-	-	-	-	-	-	-	-	-	(9,103)												
	Exchange differences	-	-	-	-	-	-	2,073	8,093	-	2,217	1,566	-	-	1,280	15,229												
At 31 December 2022	312,344	213,140	6,460,339	4,028,799	426,834	1,364,626	864,902	3,119,927	626,990	572,463	937,775	26,502	-	64,695	19,019,336													

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

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

Group	Computers	Electrical and fittings		Freehold building	Freehold land	Furniture and fittings		Machineries	Motor vehicles		Right-of-use assets – Motor vehicles		Mould	Office equipment		Renovations	Signboards		Building in progress	Right-of-use assets – Office		Total
		RM	RM			RM	RM		RM	RM	RM	RM		RM	RM		RM	RM		RM	RM	
Accumulated depreciation																						
At 1 January 2021		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	
Charge for the financial year		55,081	31,267	115,247	-	29,845	117,102	76,184	572,223	57,648	93,682	95,799	2,318	-	-	-	-	-	-	19,661	1,266,057	
Reclassification		-	-	-	-	-	-	271,559	(271,559)	-	-	-	-	-	-	-	-	-	-	-	-	
Disposals		-	-	-	-	-	-	(57,971)	(125,923)	-	(1,350)	-	-	-	-	-	-	-	-	-	(185,244)	
Written off		(7,018)	-	-	-	(271)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,289)	
Exchange differences		-	-	-	-	-	-	1,272	3,941	-	1,009	1,042	-	-	-	-	-	-	-	661	7,925	
At 31 December 2022		174,548	146,741	521,439	-	82,651	465,016	546,168	1,440,690	117,796	394,408	388,027	10,670	-	-	-	-	-	-	39,856	4,328,010	
Net carrying amount																						
At 31 December 2022		137,796	66,399	5,938,900	4,028,799	344,183	899,610	318,734	1,679,237	509,194	178,055	549,748	15,832	-	-	-	-	-	-	24,839	14,691,326	
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						

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022
(CONT'D)

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

Group

The motor vehicles of the Group with net carrying amount of RM1,679,237 (2021: RM1,552,290) were acquired under finance lease arrangements.

The office of the Group with net carrying amount of RM24,839 (2021: RM43,881) were acquired under lease arrangements.

The freehold land and building of the Group with net carrying amount RM4,028,799 (2021: RM2,386,821) and RM5,938,900 (2021: RM3,589,139) 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. INVESTMENT PROPERTIES

	Group	
	2022	2021
	RM	RM
Cost		
At beginning of the financial year	-	-
Addition	5,080,884	-
Borrowing costs capitalised at 4.07% per annum	5,937	-
Transfer from property, plant and equipment	4,098,971	-
At end of the financial year	9,185,792	-
Less: Accumulated depreciation		
At beginning of the financial year	-	-
Charge for the financial year	46,110	-
At end of the financial year	46,110	-
Net carrying amount	9,139,682	-
	2022	2021
	RM	RM
<u>Pledged to bank as security for the banking facilities granted to the Group (Note 19)</u>		
Included in the above are:		
Freehold land	4,236,164	-
Freehold buildings	4,903,518	-
	9,139,682	-
Fair value of investment properties	10,737,277	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

5. INVESTMENT PROPERTIES (CONT'D)

Investment properties under leases

Investment properties comprise a number of freehold land and buildings that are leased to third parties. Each of the leases contains a cancellable period for 1 year. Subsequent renewals are negotiated with the lessee on renewal period of 1 year.

During the financial year, a property has been transferred from property, plant and equipment to investment properties, since the building will not be utilising immediately due to negative market conditions in the short-term by the Group and would be leased to a third party.

Income and expenses recognised in profit and loss

	Group	
	2022	2021
	RM	RM
Rental income	46,452	-
Direct operating expenses:		
Income generating investment properties	4,434	-
Non-income generating investment properties	35,596	-

6. INVESTMENT IN A SUBSIDIARY

	Company	
	2022	2021
	RM	RM
Investment costs:-		
At cost:-		
Unquoted shares	21,418,160	20,866,000
Contributions to subsidiary:-		
ESOS granted to employees of subsidiary	378,626	552,160
	378,626	552,160
	21,796,786	21,418,160

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

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
		2022	2021	
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.
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* 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	
	2022	2021
	RM	RM
NCI percentage of ownership interest and voting interest (%)	51	51
Carrying amount of non-controlling interest (RM)	513,365	646,746
(Loss)/Profit allocated to non-controlling interest (RM)	(144,477)	321,693
Total comprehensive (loss)/income allocated to non-controlling interest (RM)	(133,381)	288,507

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

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	
	2022	2021
	RM	RM
Financial position		
Non-current assets	322,004	460,928
Current assets	936,005	1,329,984
Non-current liabilities	(51,250)	(124,978)
Current liabilities	(200,161)	(397,805)
Net assets	1,006,598	1,268,129
Summary of financial performance		
(Loss)/Profit for the financial year	(283,288)	630,770
Other comprehensive income/(loss)	21,757	(65,071)
Total comprehensive (loss)/income	(261,531)	565,699
Included in the total comprehensive income is:		
Revenue	5,465,590	5,180,808
Summary of cash flows		
Net cash inflow from operating activities	459,150	62,383
Net cash outflow used in investing activities	(324)	(95,972)
Net cash outflow used in financing activities	(92,503)	(119,516)
Net cash inflow/(outflow)	366,323	(153,105)

7. DEFERRED TAX ASSETS

	Group	
	2022	2021
	RM	RM
At beginning of the financial year	7,829,439	2,163,996
Recognised in profit or loss (Note 27)	(3,022,339)	5,637,726
Under provision in prior financial year (Note 27)	260,979	27,717
At end of financial year	5,068,079	7,829,439

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

7. DEFERRED TAX ASSETS (CONT'D)

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

	Group	
	2022	2021
	RM	RM
Property, plant and equipment	(378,594)	(211,628)
Unrealised loss/(gain) on foreign exchange	8,685	(276,205)
Deferred income	4,457,957	8,317,272
Impairment loss of finance assets	980,031	-
	5,068,079	7,829,439

8. OTHER RECEIVABLES

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Non-current:-				
Non-trade receivables	-	52,438	-	-
Current:-				
Non-trade receivables	60,954	210,027	-	5,300
Advance	3,870	305,033	-	-
Deposits	206,255	207,552	1,000	1,000
Prepayments	278,923	157,351	48,336	16,536
Dividend receivables	-	-	-	5,600,000
Deferred expenses ⁽¹⁾	11,126,734	11,183,390	-	-
Accrued income	3,103	-	-	-
GST/VAT receivable, net	1,761	149	-	-
	11,681,600	12,063,502	49,336	5,622,836
Total	11,681,600	12,115,940	49,336	5,622,836

(1) Deferred expenses refer to expenses related to down payment for future project cost.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

9. INVENTORIES

	Group	
	2022	2021
	RM	RM
At cost:-		
Raw materials	4,972,131	4,696,767
Finished goods	1,411,512	6,961,864
	6,383,643	11,658,631
Recognised in profit or loss:-		
Inventories recognised in cost of sales	66,814,572	80,442,712

10. TRADE RECEIVABLES

	Group	
	2022	2021
	RM	RM
Trade receivables	24,810,465	33,572,027
Less:		
Allowance for expected credit losses	(4,083,462)	-
	20,727,003	33,572,027

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

	Group	
	2022	2021
	RM	RM
At 1 January	-	-
Allowance for expected credit losses	4,083,462	-
At 31 December	4,083,462	-

Group

The normal credit term granted by the Group to the trade receivables are ranging from 30 to 90 days (2021: 30 to 90 days). Other credit terms are assessed and approved by the management on a case-by-case basis.

11. AMOUNT DUE FROM A SUBSIDIARY

The amount due from a subsidiary is non-trade in nature, unsecured, bear interest at 3.12% p.a. and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022
(CONT'D)

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 2.65% (2021: 1.70% to 1.85%) 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 2.65% (2021: 1.90%) per annum.

13. CASH AND BANK BALANCES AND SHORT-TERM INVESTMENTS

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Income fund with a licensed financial institution (redeemable upon 1 day notice)	3,210,778	13,438,866	2,088,489	7,364,665
Cash and bank balances	5,779,259	15,882,399	706,823	139,525
	8,990,037	29,321,265	2,795,312	7,504,190

14. SHARE CAPITAL

	Group			
	Number of ordinary shares		Amount	
	2022	2021	2022	2021
	Unit	Unit	RM	RM
Issued and fully paid with no par value:-				
At beginning of the financial year	283,891,200	208,660,200	35,353,657	20,866,020
Issuance of ordinary shares	-	75,231,000	-	15,046,200
Share issuance expenses	-	-	-	(558,563)
Issuance of ordinary shares pursuant to ESOS	788,725	-	220,843	-
Transfer from share-based payment reserve upon exercise	-	-	48,555	-
At the end of financial year	284,679,925	283,891,200	35,623,055	35,353,657

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

14. SHARE CAPITAL (CONT'D)

	Company			
	Number of ordinary shares		Amount	
	2022 Unit	2021 Unit	2022 RM	2021 RM
Issued and fully paid with no par value:-				
At beginning of the financial year	283,891,200	208,660,200	35,353,657	20,866,020
Issuance of ordinary shares	-	75,231,000	-	15,046,200
Share issuance expenses	-	-	-	(558,563)
Issuance of ordinary shares pursuant to ESOS	788,725	-	220,843	-
Transfer from share-based payment reserve upon exercise	-	-	48,555	-
At the end of financial year	284,679,925	283,891,200	35,623,055	35,353,657

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 2022, 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

31 December 2022

(CONT'D)

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.
- (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

31 December 2022

(CONT'D)

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:-

	2022		2021	
	Number of share option	Weighted average exercise price RM	Number of share option	Weighted average exercise price RM
Group				
At 1 January	15,013,300	4,203,724	-	-
Granted during the financial year	-	-	15,013,300	4,203,724
Share option exercise	(788,725)	(220,843)	-	-
At 31 December	14,224,575	3,982,881	15,013,300	4,203,724
Options exercisable at 31 December	14,224,575		15,013,300	

The options outstanding at 31 December 2022 have an exercise price of RM0.28 (2021: RM0.28) and a weighted average contractual live of 1 year (2021: 1 year).

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	
	2022 RM	2021 RM
Fair value at grant date		
- Key Senior Management		
Year 1	0.0880	0.0880
Year 2	0.1122	0.1122
Year 3	0.1272	0.1272
Year 4	0.1372	0.1372
Year 5	0.1439	0.1439
- Non-Senior Management		
Year 1	0.0382	0.0382
Year 2	0.0906	0.0906
Year 3	0.1137	0.1137
Year 4	0.1282	0.1282
Year 5	0.1379	0.1379
Weighted average share price	0.35	0.31
Share price at grant date	0.33	0.33
Weighted average volatility	68.38%	68.38%
Expected weighted average option life	1 year	1 year
Expected dividends	3.79%	3.79%
Risk-free interest rate	3.13%	3.13%

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022
(CONT'D)

17. SHARE BASED PAYMENT RESERVE (CONT'D)

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

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
At 1 January	692,935	-	692,935	-
Addition	469,769	692,935	469,769	692,935
Share option exercise	(48,555)	-	(48,555)	-
At 31 December	1,114,149	692,935	1,114,149	692,935

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Total expenses recognised as share based payment in profit and loss	469,769	692,935	91,143	140,775

18. LEASE LIABILITIES

	Group	
	2022	2021
	RM	RM
Current liabilities		
- less than 1 year	518,017	442,869
Non-current liabilities		
- more than 1 year but less than 2 years	449,868	403,855
- more than 2 years but less than 5 years	556,799	572,100
	1,006,667	975,955
	1,524,684	1,418,824

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

	Group	
	2022	2021
	RM	RM
At 1 January	1,418,824	1,451,415
Additions	616,500	411,204
Accretion of interest	70,047	66,128
Payment of principal and interest	(580,687)	(509,923)
At 31 December	1,524,684	1,418,824

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

18. LEASE LIABILITIES (CONT'D)

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

	Group	
	2022	2021
	RM	RM
Interest expense on lease liabilities	70,047	66,128

Group

The effective interest rates of the lease liabilities are ranging from 2.98% to 6.38% (2021: 2.98% to 6.38%) per annum.

19. BANK BORROWINGS

	Group	
	2022	2021
	RM	RM
Non-current liabilities		
Secured:-		
- Term loan		
- later than 1 year but not later than 2 years	432,448	280,810
- later than 2 years but not later than 5 years	1,412,859	899,314
- later than 5 years	5,193,062	5,860,283
	7,038,369	7,040,407
Current liabilities		
Secured:-		
- Term loan	544,598	271,788
- Bankers' acceptances	2,379,000	1,367,000
	2,923,598	1,638,788
	9,961,967	8,679,195

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 4.07% to 4.27% (2021: 3.27%) and 3.64% to 4.11% (2021: 2.59% to 2.67%) per annum respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

20. EMPLOYEES' BENEFITS

Movements in the present value of the defined benefit obligations for the years ended 31 December 2022 and 2021 are as follows:-

	Group	
	2022	2021
	RM	RM
At 1 January	6,945	6,762
Recognised in profit or loss	973	659
Employee benefit paid	(672)	-
Exchange difference	139	(476)
At 31 December	7,385	6,945

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

	Group	
	2022	2021
	RM	RM
Discount rate	3.75% p.a	2.90% p.a
Salary growth rate	3.90% p.a	10.32% p.a
Normal retirement age	60 years	60 years
Mortality rate	Thai Mortality Table 2017	Thai Mortality Table 2017

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			
	2022		2021	
	Defined benefit obligation		Defined benefit obligation	
	Increase	Decrease	Increase	Decrease
	RM	RM	RM	RM
Discount rate (0.5% movement)	(895)	1,024	(879)	1,012
Future salary growth (0.5% movement)	1,060	(931)	32	(31)
Turnover rate (0.5% movement)	(958)	1,095	(933)	1,072

21. TRADE PAYABLES

Group

The normal credit terms granted by the trade payables ranging from 30 to 120 days (2021: 30 to 120 days).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

22. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Non-trade payables	188,118	68,753	141,858	12,402
Accruals	1,202,869	994,538	54,300	44,700
Deposit received	71,000	-	-	-
Withholding tax	2,785	4,637	-	-
Sales tax	14,750	99,913	-	-
	1,479,522	1,167,841	196,158	57,102

23. CONTRACT LIABILITIES

	Group	
	2022	2021
	RM	RM
Customer deposits	18,574,822	34,655,301
Customer deposits - refundable	1,920,848	-
	20,495,670	34,655,301

23.1 Point transactions

	Group	
	2022	2021
	RM	RM
<u>Customer deposits</u>		
At 1 January	34,655,301	10,086,841
Deferred during the financial year	3,970,742	50,239,833
Recognised as revenue during the financial year	(20,051,221)	(25,671,373)
At 31 December	18,574,822	34,655,301
<u>Customer deposits - refundable</u>		
At 1 January	-	-
Addition	1,920,848	-
At 31 December	1,920,848	-
Analysed as:-		
- Current	20,495,670	34,655,301

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

24. REVENUE

24.1 Disaggregated revenue information

	Group	
	2022	2021
	RM	RM
Glove chlorination system	54,009,631	69,939,409
Repair, refurbishment and maintenance	2,061,477	1,395,530
Trading of replacement parts	16,950,296	4,229,456
Storage and process tanks	8,813,127	16,903,456
Other products and services	6,450,520	13,309,754
	88,285,051	105,777,605

Timing of revenue recognition

Goods and services transferred at a point in time	88,285,051	105,777,605
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	Company	
	2022	2021
	RM	RM
Dividend income	-	5,800,000

Timing of revenue recognition

Goods and services transferred at a point in time	-	5,800,000
---	---	-----------

24.2 Contract balances

	Group	
	2022	2021
	RM	RM
Contract liabilities (Note 23)	20,495,670	34,655,301

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	
	2022	2021
	RM	RM
Finance costs		
- Term loan interest	86,642	12,251
- Bankers' acceptance interest	71,338	42,177
- Finance lease	70,047	66,128
	228,027	120,556

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

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

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Finance income				
- Fixed deposit with a licensed financial institution	67,594	39,436	7,936	-
- Current account	59,530	83,006	3,178	67,626
- Others	3,239	12,924	-	-
	130,363	135,366	11,114	67,626

26. (LOSS)/PROFIT BEFORE TAX

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

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Auditors' remuneration				
- Statutory audit	123,943	71,000	23,000	21,000
- Other services	7,000	45,198	7,000	-
Other services				
- Over provision in prior year	-	(13,860)	-	-
Expenses relating to lease of low-value assets				
- Hire of cranes	431,735	750,417	-	-
- Hire of forklifts	135,600	174,430	-	-
- Hire of genset	1,767	-	-	-
Realised (gain)/loss on foreign exchange	(1,594,343)	857,829	-	-
Rental of premises	200,550	204,800	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

27. TAX EXPENSE

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Current tax:-				
- Current financial year	16,027	7,834,312	16,027	-
- (Over)/Under provision in prior financial year	(24,536)	7,542	16,660	-
	(8,509)	7,841,854	32,687	-
Deferred tax (Note 7):-				
- Current financial year	3,022,339	(5,637,726)	-	-
- Under provision in prior financial year	(260,979)	(27,717)	-	-
	2,761,360	(5,665,443)	-	-
	2,752,851	2,176,411	32,687	-

A numerical reconciliation of income tax expense on (loss)/profit 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	
	2022	2021	2022	2021
	RM	RM	RM	RM
(Loss)/Profit before tax	(1,302,101)	5,682,431	(242,880)	2,953,107
Tax at statutory income tax rate of 24%	(312,504)	1,363,783	(58,291)	708,746
Tax effect in respect of:-				
Income not subject to tax	(41,364)	(104,040)	(13,576)	(1,401,232)
Tax at different rate	11,331	(32,238)	-	-
Non-allowable expenses	856,676	969,081	87,894	692,486
Deferred tax assets not recognised	2,524,227	-	-	-
(Over)/Under provision of taxation in prior financial year	(24,536)	7,542	16,660	-
Under provision of deferred taxation in prior financial year	(260,979)	(27,717)	-	-
Tax expense	2,752,851	2,176,411	32,687	-

Effective Year of Assessment 2019 as announced in the Annual Budget 2022, the unabsorbed business losses of the Group as of 31 December 2022 and thereafter will be available for carry forward for a period of 10 consecutive years. Upon expiry of the 10 years, the unabsorbed tax losses will be disregarded.

As such, the unrecognised tax losses carry-forward of RM9,423,526 (2021: RMNIL) will expire in 2032 under the tax legislation of Malaysia.

Deferred tax assets have not been recognised in respect of the following items due to uncertainty of its recoverability:-

	Group	
	2022	2021
	RM	RM
Unabsorbed tax losses	9,423,526	-
Unutilised capital allowances	1,094,085	-
	10,517,611	-

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary company that have a recent history of losses.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

28. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

Basic (loss)/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	
	2022	2021
(Loss)/Profit for the financial year attributable to owners of the Company (RM)	(3,910,475)	3,184,327
Weighted average number of ordinary shares in issue (unit)	284,462,071	265,753,315
Basic (loss)/earnings per share (sen)	(1.37)	1.20

Diluted (loss)/earnings per share

For the purpose of calculating diluted (loss)/earnings per share, the (loss)/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	
	2022	2021
(Loss)/Profit for the financial year attributable to owners of the Company (RM)	(3,910,475)	3,184,327
Weighted average number of ordinary shares in issue (unit)	284,462,071	265,753,315
Effect of dilutive potential ordinary share - ESOS (unit)	2,844,915	272,621
Weighted average number of ordinary shares for diluted earnings per share (unit)	287,306,986	266,025,936
Diluted (loss)/earnings per share (sen)	(1.36)	1.20

29. DIVIDEND

During the financial year, the following dividend has been paid by the Company to the owners of the Company:-

	Group and Company	
	2022	2021
	RM	RM
In respect of financial year ended 31 December 2021:-		
Final single tier dividend of 1.0 sen per ordinary share paid on 17 June 2022	2,844,031	-
	2,844,031	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022
(CONT'D)

30. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Salaries, bonuses and allowances	6,897,813	6,639,830	2,000	-
Fee	230,000	184,250	230,000	184,250
Defined contribution plan	594,743	528,504	-	-
Social security contribution	73,192	64,667	-	-
Employee insurance system	4,071	3,546	-	-
Share option granted under ESOS	469,769	692,935	91,143	140,775
Other benefits	154,254	361,251	-	-
	8,423,842	8,474,983	323,143	325,025

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

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
<u>Executive Director</u>				
Salaries, bonuses and allowances	1,539,289	1,299,469	-	-
Fee	92,000	72,000	92,000	72,000
Defined contribution plan	241,151	177,595	-	-
Social security contribution	3,853	2,770	-	-
Share option granted under ESOS	80,801	124,801	80,801	124,801
	1,957,094	1,676,635	172,801	196,801
<u>Non Executive Director</u>				
Allowance	2,000	-	2,000	-
Fee	138,000	112,250	138,000	112,250
Share option granted under ESOS	10,342	15,974	10,342	15,974
	150,342	128,224	150,342	128,224

The estimated value of benefits-in-kind of the Group provided to Directors during the financial year amounted to RM81,129 (2021: RM64,546).

31. CAPITAL COMMITMENT

	Group	
	2022	2021
	RM	RM
Authorised and contracted for:-		
Property, plant and equipment	-	585,986

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

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	
	2022	2021
	RM	RM
Lease payment charged by Director's spouse	23,778	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⁾	135,322	263,643

(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

31 December 2022

(CONT'D)

33. SEGMENTAL REPORTING – GROUP (CONT'D)

Business segments

	Note	Engineering RM	Trading and services RM	Other RM	Elimination RM	Combined RM
2022						
Revenue:-						
External customers		88,277,560	7,491	-	-	88,285,051
Inter-segment		-	5,458,099	363,243	(5,821,342)	-
Results:-						
Finance income		118,427	822	11,114	-	130,363
Finance costs		(584,738)	(6,532)	-	363,243	(228,027)
Dividend income		34,663	-	12,691	-	47,354
Depreciation of property, plant and equipment		(1,118,668)	(147,389)	-	-	(1,266,057)
Depreciation of investment properties		(46,110)	-	-	-	(46,110)
Tax expense		(2,720,164)	-	(32,687)	-	(2,752,851)
Other non-cash expenses	(i)	(5,811,126)	-	(91,143)	-	(5,902,269)
Segment loss		(3,496,097)	(283,288)	(275,567)	-	(4,054,952)
Assets:-						
Additions to non-current asset						
- property, plant and equipment		2,657,057	1,161	-	-	2,658,218
- investment properties		5,080,884	-	-	-	5,080,884
Segment assets	(ii)	70,193,199	1,258,009	36,737,608	(34,085,338)	74,103,478
Liabilities:-						
Segment liabilities	(iii)	44,240,791	131,004	196,158	(11,958,545)	32,609,408
2021						
Revenue:-						
External customers		105,777,605	-	-	-	105,777,605
Inter-segment		-	5,180,808	5,800,000	(10,980,808)	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

33. SEGMENTAL REPORTING – GROUP (CONT'D)**Business segments (cont'd)**

	Note	Engineering RM	Trading and services RM	Other RM	Elimination RM	Combined RM
2021 (cont'd)						
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)	453,640	-	140,775	-	594,415
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

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:-

	2022 RM	2021 RM
Gain on disposal of property, plant and equipment	93,306	155,000
Unrealised (loss)/gain on foreign exchange	(1,440,530)	1,150,854
Property, plant and equipment written off	(1,814)	(18,504)
Impairment of financial asset	(4,083,462)	-
Share based payment expenses	(469,769)	(692,935)
	(5,902,269)	594,415

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022
(CONT'D)

33. SEGMENTAL REPORTING – GROUP (CONT'D)

Business segments (cont'd)

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

	2022 RM	2021 RM
Segment assets	74,103,478	107,525,002
Deferred tax assets	5,068,079	7,829,439
Tax recoverable	2,110,336	-
Total assets	81,281,893	115,354,441

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

	2022 RM	2021 RM
Segment liabilities	32,609,408	58,959,845
Lease liabilities	1,524,684	1,418,824
Borrowings	9,961,967	8,679,195
Tax payable	6,277	2,930,406
Total liabilities	44,102,336	71,988,270

Geographical segments

The Group operates in Malaysia, Thailand, Vietnam, Indonesia, Sri Lanka, and United States of America. 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:-

	2022 RM	2021 RM
Revenue from external customers		
Malaysia	46,422,943	64,223,913
Thailand	14,433,933	26,055,632
Vietnam	16,137,149	15,070,324
Indonesia	25,986	-
Sri Lanka	114,688	427,736
United States of America	11,150,352	-
	88,285,051	105,777,605

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

33. SEGMENTAL REPORTING – GROUP (CONT'D)

Business segments (cont'd)

Major customers

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

	2022 RM	2021 RM
Customer A	15,927,377	14,563,731
Customer B	13,027,780	13,224,384
Customer C	12,258,993	13,906,428
Customer D	11,150,352	-
Customer E	-	14,703,242
Customer F	-	11,290,410

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")

	Carrying amount RM	FVTPL RM	AC RM
Group			
2022			
Financial assets			
Trade receivables	20,727,003	-	20,727,003
Other receivables	271,079	-	271,079
Fixed deposit with a licensed financial institution	2,490,187	-	2,490,187
Cash and bank balances and short-term investments	8,990,037	3,210,778	5,779,259
	32,478,306	3,210,778	29,267,528
Financial liabilities			
Trade payables	10,626,831	-	10,626,831
Other payables and accruals	1,461,987	-	1,461,987
Bank borrowings	9,961,967	-	9,961,967
	22,050,785	-	22,050,785

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022
(CONT'D)

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):-

	Carrying amount RM	FVTPL RM	AC RM
Group (cont'd)			
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
	67,127,778	13,438,866	53,688,912
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
	32,872,244	-	32,872,244
Company			
2022			
Financial assets			
Other receivables	1,000	-	1,000
Amount due from a subsidiary	11,668,238	-	11,668,238
Fixed deposit with a licensed financial institution	427,936	-	427,936
Cash and bank balances and short-term investments	2,795,312	2,088,489	706,823
	14,892,486	2,088,489	12,803,997
Financial liability			
Other payables and accruals	196,158	-	196,158

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

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):-

	Carrying amount RM	FVTPL RM	AC RM
Company (cont'd)			
2021			
Financial assets			
Other receivables	5,606,300	-	5,606,300
Amount due 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
	17,586,565	7,364,665	10,221,900
Financial liability			
Other payables and accruals	57,102	-	57,102

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 and interest rate 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

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:-

(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.

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

31 December 2022

(CONT'D)

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 Days past due					
	Current RM	<30 days RM	30-60 days RM	61-90 days RM	>90 days RM	Total RM
2022						
Expected credit loss rate	-	-	-	-	25%	
Estimated total gross carrying amount	4,283,054	2,001,870	1,148,103	1,094,283	16,283,155	24,810,465
Expected credit loss (collective)	-	-	-	-	-	-
Expected credit loss (individual)	-	-	-	-	4,083,462	4,083,462
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)	-	-	-	-	-	-

(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

31 December 2022

(CONT'D)

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.

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
2022						
Non-derivative financial liabilities						
Trade payables	10,626,831	10,626,831	10,626,831	-	-	-
Other payables and accruals	1,461,987	1,461,987	1,461,987	-	-	-
Lease liabilities	1,524,684	1,635,417	573,474	483,089	578,854	-
Bank borrowings	9,961,967	12,648,958	3,226,457	716,904	2,150,712	6,554,885
Total undiscounted financial liabilities	23,575,469	26,373,193	15,888,749	1,199,993	2,729,566	6,554,885
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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

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
2022						
Non-derivative financial liability						
Other payables and accruals	196,158	196,158	196,158	-	-	-
2021						
Non-derivative financial liability						
Other payables and accruals	57,102	57,102	57,102	-	-	-

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

(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").

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022
(CONT'D)

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

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
2022		
Trade receivables	8,526,064	40,977
Other receivables	-	15,127
Cash and bank balances	849,818	529,851
Other payables	-	(120,630)
Net exposure	9,375,882	465,325
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	28,880,626	82,421
		(Loss)/ Profit for the financial year/ Equity
Group		RM
2022		
USD/RM		
- Strengthened 0.47%		44,067
- Weakened 0.47%		(44,067)
THB/RM		
- Strengthened 0.18%		838
- Weakened 0.18%		(838)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

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)

	(Loss)/ Profit for the financial year/ Equity
Group (cont'd)	RM
2021	
USD/RM	
- Strengthened 0.31%	89,530
- Weakened 0.31%	(89,530)
THB/RM	
- Strengthened 0.60%	495
- Weakened 0.60%	(495)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

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)

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	
	2022	2021
	RM	RM
Fixed rate instruments		
Lease liabilities	1,524,684	1,418,824
Bankers' acceptances	2,379,000	1,367,000
Floating rate instrument		
Term loan	7,582,967	7,312,195

Interest rate sensitivity analysis

At 31 December 2022, 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.

Group	Increase/(Decrease)			
	(Loss)/Profit for the financial year		Equity	
	+100bp RM	-100bp RM	+100bp RM	-100bp RM
2022	(75,830)	75,830	(75,830)	75,830
2021	(73,122)	73,122	(73,122)	73,122

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.3 Reconciliation of liabilities arising from financing activities

	Note	1 January RM	Cash flows RM	Others RM	31 December RM
Group					
2022					
Lease liabilities	18	1,418,824	(510,640)	616,500 ^{^^}	1,524,684
Bank borrowings	19	8,679,195	(3,145,028) ^{^^^}	4,427,800 ^{**}	9,961,967
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
	Note	1 January RM	Cash flows RM	31 December RM	
Company					
2021					
Repayment to a subsidiary	11	33,032	(33,032)		-

^{**} Being bank borrowings used to acquire building under construction and investment properties.

^{^^} 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 RM4,912,000 and RM8,057,028 (2021: RM3,401,098 and RM5,541,369) 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.

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.

	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
Group				
2022				
Financial assets				
Cash and bank balances and short-term investments	3,210,778	-	-	3,210,778
Other receivables	-	-	59,402	59,402

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022
(CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

34.4 Fair value of financial instruments (cont'd)

Group (cont'd)	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
2022 (cont'd)				
Financial liabilities				
Term loan	-	-	1,524,684	1,524,684
Lease liabilities	-	-	9,961,967	9,961,967
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
Company				
2022				
Financial assets				
Cash and bank balances and short-term investments	2,088,489	-	-	2,088,489
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 (2021: no transfer in either direction).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

(CONT'D)

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.

Type	Description of valuation technique and inputs used
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 ratios 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 2022.

36. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) 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.
- (b) On 30 June 2022, the Company increased its issued and paid-up ordinary share capital from RM35,496,993 to RM35,623,055, by way of issuance of 276,810 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.
- (c) On 5 July 2022, Flexidynamic Engineering Sdn. Bhd., a wholly-owned subsidiary of the Company entered into sale and purchase agreement with Eraglo Properties Sdn. Bhd. in relation to the acquisition of a piece of freehold industrial land together with a single-storey semi-detached factory incorporating a 2-storey building erected thereon within a light industrial development for a consideration of RM4,888,888. The acquisition has been completed on 13 October 2022.

LIST OF PROPERTIES

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 2022 (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 building	45,746	Freehold	7	5,896	1 June 2016
2	Individual title held under H.S.(D) 48997, PT 51478, Mukim Tanjong Duabelas, Daerah Kuala Langat, Negeri Selangor 12, Jalan 1/3, Kawasan Perusahaan Olak Lempit, 42700 Banting, Selangor Darul Ehsan	Industrial land with a semi-detached factory comprising of 2-storey office	19,742	Freehold	3	4,064	30 August 2019
3	Individual title held under H.S.(D) 48998, PT 51479, Mukim Tanjong Duabelas, Daerah Kuala Langat, Negeri Selangor 12A, Jalan 1/3, Kawasan Perusahaan Olak Lempit, 42700 Banting, Selangor Darul Ehsan	Industrial land with a semi-detached factory comprising of 2-storey office	19,805	Freehold	3	4,072	30 August 2019
4	Individual title held under H.S.(D) 48996, PT 51477, Mukim Tanjong Duabelas, Daerah Kuala Langat, Negeri Selangor 10, Jalan 1/3, Kawasan Perusahaan Olak Lempit, 42700 Banting, Selangor Darul Ehsan	Industrial land with a semi-detached factory comprising of 2-storey office	19,676	Freehold	1/2	5,076	5 July 2022

ANALYSIS OF SHAREHOLDINGS

as at 28 March 2023

Total number of issued shares : 284,679,925
 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	2	0.15	100	0.00
100 to 1,000	241	18.89	119,010	0.04
1,001 to 10,000	542	42.48	3,134,000	1.10
10,001 to 100,000	373	29.23	14,295,300	5.02
100,001 to less than 5% of issued shares	116	9.09	101,030,315	35.49
5% and above of issued shares	2	0.16	166,101,200	58.35
Total	1,276	100.00	284,679,925	100.00

SUBSTANTIAL SHAREHOLDERS

as per Register of Substantial Shareholders as at 28 March 2023

	Direct	No. of Shares Held		
		%	Indirect	%
Tan Kong Leong	117,892,900	41.41	9,137,800 *	3.21
Liew Heng Wei	53,208,300	18.69	130,000 **	0.05
Phitchaya Arsangku	6,259,800	2.20	120,770,900 **	42.42
Lion Suk Chin	130,000	0.05	53,208,300 **	18.69

Notes:

* Deemed interest via spouse's shareholding and his shareholding in TECS Properties Sdn Bhd pursuant to Section 8 of the Companies Act 2016 ("Act").

** Deemed interest via spouse's direct and indirect shareholding in the Company.

DIRECTORS' INTEREST

as per Register of Directors' Shareholdings as at 28 March 2023

	Direct	No. of Shares Held		
		%	Indirect	%
Phang Sze Fui	-	-	-	-
Tan Kong Leong	117,892,900	41.41	9,137,800 *	3.21
Liew Heng Wei	53,208,300	18.69	130,000 **	0.05
Lion Suk Chin	130,000	0.05	53,208,300 **	18.69
Noor Zaliza Yati Binti Yahya	-	-	-	-
Chong Kai Feng	-	-	-	-
Poh Chee Fong	-	-	-	-
Sin Kuo Wei	8,346,400	2.93	-	-

Notes:

* Deemed interest via spouse's shareholding and his shareholding in TECS Properties Sdn Bhd pursuant to Section 8 of the Companies Act 2016 ("Act").

** Deemed interest via spouse's shareholding in the Company.

ANALYSIS OF SHAREHOLDINGS

as at 28 March 2023

(CONT'D)

TOP 30 SHAREHOLDERS/ DEPOSITORS

No.	Name of Shareholder	No. of Shares Held	% of Issued Capital
1.	Tan Kong Leong	112,892,900	39.66
2.	Liew Heng Wei	53,208,300	18.69
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.	CGS-CIMB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Kong Leong</i>	5,000,000	1.76
7.	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Wong Hoong Ton</i>	3,781,600	1.33
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	3,067,800	1.08
12.	Yee Choon Kiat	2,989,400	1.05
13.	TECS Properties Sdn Bhd	2,878,000	1.01
14.	Lim Hong Jun	2,000,000	0.70
15.	Wong Huey Kee	2,000,000	0.70
16.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Rakuten Trade Sdn Bhd for Lim Khin Choong</i>	1,785,000	0.63
17.	Ting Kai Ming	1,739,100	0.61
18.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Rakuten Trade Sdn Bhd for Loh Wei Keat</i>	1,722,400	0.61
19.	Pang Ko Yoek	1,565,600	0.55
20.	Pua Siew Peng	1,500,000	0.53
21.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Rakuten Trade Sdn Bhd for Wong Fook Loong</i>	1,466,600	0.52
22.	Wong Fook Loong	1,386,600	0.49
23.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Rakuten Trade Sdn Bhd for Chong Chee Keong</i>	1,336,600	0.47
24.	Lee Chuen Seh	1,170,000	0.41
25.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Kon Yeon Guen</i>	1,029,000	0.36
26.	Chan Yoke Chun	1,000,000	0.35
27.	Lee Chee Sian	1,000,000	0.35
28.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Rakuten Trade Sdn Bhd for Wong Fook Loong</i>	906,600	0.32
29.	Muk Chee Onn	896,200	0.31
30.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Chong Chee Keong</i>	874,700	0.31

NOTICE OF FOURTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourth ("4th") 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://tjih.online> or <https://tjih.com.my> (Domain Registration No. with MYNIC – D1A282781) on Friday, 23 June 2023 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 2022 together with the Directors' and Auditors' Reports thereon.
2. To approve the payment of Directors' fees and allowances up to RM230,000.00 for the period from this 4th AGM until the next AGM of the Company. **(Resolution 1)**
3. To re-elect the following Directors retiring in accordance with Article 92 of the Company's Constitution and being eligible, offer themselves for re-election: -
 - (i) Liew Heng Wei **(Resolution 2)**
 - (ii) Lion Suk Chin **(Resolution 3)**
 - (iii) Noor Zaliza Yati binti Yahya **(Resolution 4)**
4. 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 5)**

AS SPECIAL BUSINESS

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

5. **AUTHORITY TO ISSUE SHARES** **(Resolution 6)**

"THAT pursuant to Section 75 and 76 of the Companies Act 2016 ("**the Act**"), 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 10% 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.

AND THAT pursuant to Section 85 of the Act, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new Company shares ranking equally to the existing issued Company shares arising from any issuance of the new Company shares pursuant to Section 75 and 76 of the Act."
6. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE")** **(Resolution 7)**

"THAT subject always to the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company and/or its subsidiaries ("**Flexidynamic Group**") 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 28 April 2023, which are necessary for the day-to-day operations of Flexidynamic Group provided that the transaction are in the ordinary course of business, and are carried out at arms' length basis on normal commercial terms which are not more favourable to the related party than those generally available to the public as well as are not detrimental to the minority shareholders' of the Company and such approval, shall continue to be in force until: -

NOTICE OF FOURTH ANNUAL GENERAL MEETING (CONT'D)

- i) the conclusion of the next AGM of the Company following the 4th AGM at which the Proposed Renewal of Shareholders' Mandate is passed, at which time it will lapse, unless by a resolution passed at the meeting, the Proposed Renewal of Shareholders' Mandate authority is renewed;
- ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2)(b) 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
- iii) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is earlier.

AND THAT the Board of Directors of the Company be and is hereby authorised to do all acts, deeds, things and to execute all necessary documents as they may consider necessary or expedient in the best interest of the Company with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted under relevant authorities and to deal with all matters in relation thereto and to take such steps and do all acts and things in any manner as they may deem necessary of expedient to implement, finalise and give full effect to the transactions contemplated and/or authorised by this Ordinary Resolution"

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

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: 28 April 2023

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 4th AGM 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 4th AGM.

- 2. *For the purpose of determining a member who shall be entitled to attend, speak and vote at the 4th AGM, the Company shall be requesting the Record of Depositors as at 16 June 2023. Only a depositor whose name appears on the Record of Depositors as at 16 June 2023 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.*

NOTICE OF FOURTH ANNUAL GENERAL MEETING (CONT'D)

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://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 4th 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 4th AGM must request his/her proxy/attorney/authorised representative to register himself/herself via TIH Online website at <https://tiah.online>.*

Explanatory Notes to Special Business

Ordinary Resolution 6 – Authority to Issue Shares

The effect of the Ordinary Resolution if passed, will give the Directors of the Company, from the date of the 4th AGM, authority to allot and issue shares up to 10% of the total number of issued shares of the Company for such purposes as the Directors may deem fit and in the interest of the Company. The authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next AGM of the Company.

The Board of Directors is of the view that the 10% General Mandate is in the best interest of the Company and its shareholders as the authority will facilitate any possible fundraising activities, including but not limited to placing of shares, for purpose of funding future investment project(s), working capital, repayment of bank borrowings and/or acquisitions.

The waiver of pre-emptive rights pursuant to Section 85 of the Act will allow the Directors of the Company to issue new shares of the Company which rank equally to existing issued shares of the Company, to any person without having to offer new shares to all the existing shareholders of the Company prior to issuance of new shares in the Company under the mandate.

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

Ordinary Resolution 7 – Proposed Renewal of Shareholders' Mandate

The explanatory note on Ordinary Resolution 7 is set out in the Circular to Shareholders dated 28 April 2023.

ADMINISTRATIVE GUIDE FOR THE FOURTH ANNUAL GENERAL MEETING (“4TH AGM”)

Day & Date	: Friday, 23 June 2023
Time	: 10.00 a.m.
Online Meeting Platform	: TIIH Online website at https://tiih.online

MODE OF MEETING

The 4th 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 and 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 4th 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 4th 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 4th AGM using the RPV facilities:

Before the 4 th 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.
(b)	Submit your registration for RPV	<ul style="list-style-type: none"> Registration is open from Friday, 28 April 2023 until the day of 4th AGM on Friday, 23 June 2023. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the 4th AGM to ascertain their eligibility to participate at the 4th AGM using the RPV. Login with your user ID (i.e. email address) and password and select the corporate event: “(REGISTRATION) FLEXIDYNAMIC HOLDINGS BERHAD 4TH 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 16 June 2023, the system will send you an e-mail on 21 June 2023 to approve or reject your registration for remote participation. <p><i>(Note: Please allow sufficient time for the approval of new user of TIIH Online as well as registration for the RPV).</i></p>

ADMINISTRATIVE GUIDE FOR THE FOURTH ANNUAL GENERAL MEETING (“4TH AGM”) (CONT'D)

PROCEDURES TO RPV FACILITIES *cont'd*

Please read and follow the procedures below to participate at the 4th AGM using the RPV facilities: *cont'd*

On the 4 th AGM Day		
	Procedure	Action
(c)	Login to TIIH Online	<ul style="list-style-type: none"> Login with your user ID and password for remote participation at the 4th AGM at any time from 9.00 a.m. i.e. 1 hour before the commencement of the 4th AGM on Friday, 23 June 2023 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 4TH AGM” to engage in the proceedings of the 4th 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 4th 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.
(e)	Online Remote Voting	<ul style="list-style-type: none"> Voting session commences from 10.00 a.m. on Friday, 23 June 2023 until a time when the Chairperson announces the end of the session. Select the corporate event: “(REMOTE VOTING) FLEXIDYNAMIC HOLDINGS BERHAD 4TH 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 4th 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 TIIH 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 16 June 2023 shall be eligible to attend, speak and vote at the 4th 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 4th 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 4th AGM yourself, please do not submit any Proxy Form for the 4th AGM. You will not be allowed to participate in the 4th 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 4th AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than **Wednesday, 21 June 2023 at 10.00 a.m:**

ADMINISTRATIVE GUIDE FOR THE FOURTH ANNUAL GENERAL MEETING (“4TH AGM”) (CONT'D)

PROCEDURES TO RPV FACILITIES *cont'd*

Please read and follow the procedures below to participate at the 4th AGM using the RPV facilities: *cont'd*

(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 TIIH Online and the steps to submit are summarised below:

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 4TH 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 Chairperson 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 4TH 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 4TH 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 FOR THE FOURTH ANNUAL GENERAL MEETING (“4TH AGM”) (CONT'D)

POLL VOTING

The voting at the 4th 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 Friday, 23 June 2023** 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 4th 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 4th AGM via Tricor's TIIH Online website at <https://tiih.online> by selecting “e-Services” to login, pose questions and submit electronically no later than **Wednesday, 21 June 2023 at 10.00 a.m.** The Board will endeavor to answer the questions received at the 4th AGM.

NO RECORDING OR PHOTOGRAPHY

Strictly no recording or photography of the 4th AGM proceedings is allowed.

NO DOOR GIFT/VOUCHER

There will be no distribution of door gift or voucher for the 4th 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
	Pn Nor Faeayzah	603-2783 9274 nor.faeayzah@my.tricorglobal.com
	Ms Nur Shafikah	603-2783 9293 nur.shafikah@my.tricorglobal.com
	Mr Ashvinder Singh	603-2783 7962 ashvinder.singh@my.tricorglobal.com
	Fax Number	603-2783 9222
	Email	is.enquiry@my.tricorglobal.com



FLEXIDYNAMIC HOLDINGS BERHAD
Registration No. 201901010656 (1319984-V)
(Incorporated in Malaysia)

PROXY FORM

(Before completing this form please refer to the notes below)

CDS Account No.	
No. of ordinary 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.	Percentage of Shareholdings
		%
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
		%
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 Fourth ("4th") Annual General Meeting ("AGM") of the Company to be conducted on a fully virtual basis through live streaming and online remote 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 Friday, 23 June 2023 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 Director's fees and allowances up to RM230,000.00 from this 4 th AGM until the next AGM		
Ordinary Resolution 2	Re-election of Liew Heng Wei as Director		
Ordinary Resolution 3	Re-election of Lion Suk Chin as Director		
Ordinary Resolution 4	Re-election of Noor Zaliza Yati binti Yahya as Director		
Ordinary Resolution 5	Re-appointment of Messrs Grant Thornton Malaysia PLT as Auditors of the Company		
Ordinary Resolution 6	Authority to Issue Shares		
Ordinary Resolution 7	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

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 2023

.....
Signature/Common Seal

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 4th AGM 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://tjih.online>. For further information, kindly refer to the Administrative Guide for the 4th AGM.
2. For the purpose of determining a member who shall be entitled to attend, speak and vote at the 4th AGM, the Company shall be requesting the Record of Depositors as at 16 June 2023. Only a depositor whose name appears on the Record of Depositors as at 16 June 2023 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 authorised nominee may appoint in respect of each omnibus account it holds.

Then fold here

Affix
Stamp

The Share Registrar
FLEXIDYANAMIC 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.

1st fold here

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://tjih.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 4th 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 4th AGM must request his/her proxy/attorney/ authorised representative to register himself/herself via TIH Online website at <https://tjih.online>.



www.flexidynamic.com

FLEXIDYNAMIC HOLDINGS BERHAD

Registration No. 201901010656 (1319984-V)
(Incorporated in Malaysia under the Companies Act 2016)

A-3A-28, IOI Boulevard, Jalan Kenari 5,
Bandar Puchong Jaya, 47170 Puchong,
Selangor, Malaysia.

Tel: +603 8079 1878 Fax: +603 8079 1898