

RE **SET**
START
ALIGN
STRATEGIES

ANNUAL REPORT 2022



Cover Rationale

Outstretched human hands holding up an interconnected globe amidst a bright sunrise signifies a renewed sense of hope and positivity on FoundPac Group Berhad's corporate journey in 2022.

As manifested by the unfolding network of illuminated human nodes that grow outward organically, FoundPac is focused on nurturing its vast partnerships with vendors and contractors in diverse technological markets, to manufacture ever-better quality solutions for an expanding global customer base.

Through its coordinated approach of re-setting, re-starting and re-aligning its business strategies, including through cross-selling and diversification moves, FoundPac hopes to strengthen its own niche in the semiconductor market and also gain a firmer footing in electrical & electronics and related peripherals. Actionising "Greatness begins where fear ends", FoundPac is empowered to bolster performance, always dynamically striving to grow through challenges, to move towards full recovery and to deliver positive, long-term sustainable value.

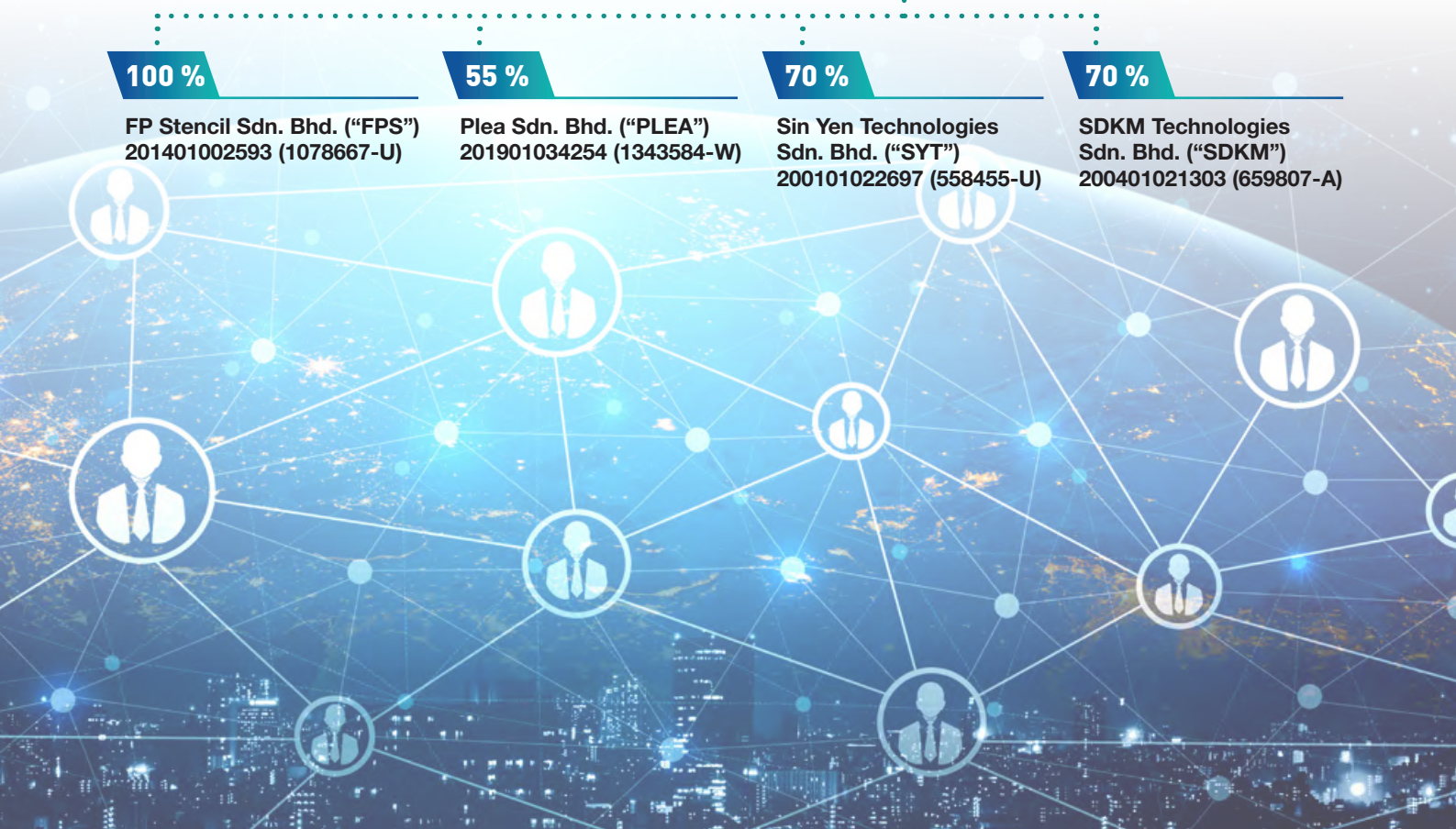
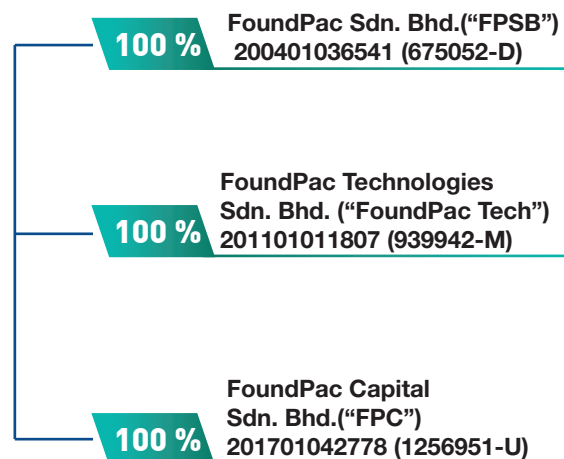
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CORPORATE STRUCTURE

FoundPac Group Berhad ("FoundPac") was incorporated in Malaysia under the Companies Act 1965 on 16 November 2015 as a private limited company under the name of FoundPac Group Sdn. Bhd. Subsequently, it was converted into a public limited company and assumed its present name on 11 March 2016.

The structure of the Group is as follows:-



GROUP PROFILE

Our Key Milestones

2004

December: Incorporation of FPSB

2005

May: FPSB commenced trading business

2006

February: FPSB expanded business to manufacturing and moved operations to Lengkok Kampung Jawa 2, Penang

2007

August: FPSB was awarded ISO 9001:2000 certification from SGS United Kingdom Ltd and SGS (Malaysia) Sdn. Bhd. for "Design and Fabrication of Precision Engineering Manufacturing"

2010

March: FPSB moved operations to own factory at Bayan Lepas Industrial Estate

August: FPSB was awarded ISO 9001:2008 certification from SGS United Kingdom Ltd and SGS (Malaysia) Sdn. Bhd. for "Design and Fabrication of Precision Engineering Manufacturing" and "Provision of Dimensional Measurement Service"

2011

April: Incorporation of FoundPac Tech

September: FoundPac Tech commenced business to undertake the design, development, manufacturing, marketing and sale of precision engineering parts

November: FoundPac Tech was awarded ISO 9001:2008 certification from SGS United Kingdom Ltd and SGS (Malaysia) Sdn. Bhd. for "Design and Fabrication of Precision Engineering Manufacturing" and "Provision of Dimensional Measurement Service"

2015

November: Incorporation of FoundPac

2016

August: FoundPac Tech was awarded ISO 9001:2015 certification from SGS (Malaysia) Sdn. Bhd. for "Design and Fabrication of Precision Engineering Manufacturing" and "Provision of Dimensional Measurement Service"

October: FoundPac Tech was awarded ISO 9001:2015 certification from SGS United Kingdom Ltd for "Design and Fabrication of Precision Engineering Manufacturing" and "Provision of Dimensional Measurement Service"

December: Listing of FoundPac on the Main Market of Bursa Malaysia Securities Berhad

2017

November: Incorporation of FPC and acquisition of 75% equity interest in FPS by FPC

2018

January: FPS was awarded BE EN ISO 9001:2015 certification from TUV UK Ltd and ISO 9001:2005/MS ISO 9001:2005 certification from TUV Nord (M) Sdn. Bhd. for "Design and Manufacture of SMT Stencils"

2019

September: FPS was awarded ISO 7 certification from VOV International Co., Ltd for "Cleanroom and Change Room"

2020

July: Acquisition of 55% equity interest in PLEA by FPC

September: Acquisition of 70% equity interest in SYT by FPC

2021

July: Further acquisition of 25% equity interest in FPS by FPC

September: FoundPac Tech was awarded IATF 16949:2016 certification from TUV Rheinland Cert GmbH for "Manufacture of Metal Precision Parts for Exterior"

September: The Group was selected as "Forbes Asia 200 Best Under A Billion Company"

October: Acquisition of 70% equity interest in SDKM by FPC

FoundPac Group is principally involved in the design, development, manufacture, marketing and sale of precision engineering parts namely stiffeners, test sockets, hand lids and related accessories, manufacture and sale of laser stencils, manufacture of industrial equipment and machinery as well as manufacture and sale of cables.

In FoundPac Group, we strongly believe that our competitive strengths are important in sustaining our business as well as providing us with future business growth. On account of the fact that our customers are primarily large multinational semiconductor manufacturers, outsourced semiconductor assembly and test companies and printed circuit board design houses, our Group's experienced management team with strong technical expertise is able to provide quality focus that can meet the international standards.

FoundPac Group continues to expand business through diversifying our customer base to include other end-user industries. In essence, our Group is endeavoured to provide value-added products and services to our customers in order to achieve profitability and sustainability to our shareholders and business partners.

CORPORATE INFORMATION



BOARD OF DIRECTORS

Tan Cheik Eaik*Independent Non-Executive Chairman***Dato' Ong Choon Heng***Executive Director/
Chief Executive Officer***Lee Chun Wah***Non-Independent
Non-Executive Director***Tan Sin Khoon***Non-Independent
Non-Executive Director***Chan Bee Cheng***Independent Non-Executive Director***Teoh Lay Fung***Independent Non-Executive Director*

AUDIT COMMITTEE

Chairman
Chan Bee Cheng

Member
Tan Cheik Eaik
Teoh Lay Fung

ESOS COMMITTEE

Chairman
Teoh Lay Fung

Member
Dato' Ong Choon Heng
Lee Chun Wah
Tan Sin Khoon
Chan Bee Cheng

HEAD OFFICE

Plot 35, Hilir Sungai Keluang 2
Bayan Lepas Industrial Estate
Non-Free Industrial Zone Phase IV
11900 Bayan Lepas, Penang

Tel No. : +604-630 9336
Fax No. : +604-630 9333
Email : corporate@foundpac.com
Website : www.foundpac.com

REMUNERATION COMMITTEE

Chairman
Teoh Lay Fung

Member
Lee Chun Wah
Chan Bee Cheng

COMPANY SECRETARIES

How Wee Ling
MAICSA 7033850
SSM PC No. 202008000869

Ooi Ean Hoon
MAICSA 7057078
SSM PC No. 202008000734

INDEPENDENT AUDITORS

Crowe Malaysia PLT
Chartered Accountants
Level 6, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 Penang

Tel No. : +604-227 7061
Fax No. : +604-227 8011

NOMINATING COMMITTEE

Chairman
Tan Cheik Eaik

Member
Chan Bee Cheng
Teoh Lay Fung

SHARE REGISTRAR

Securities Services (Holdings) Sdn. Bhd.
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

Tel No. : +603-2084 9000
Fax No. : +603-2094 9940/2095 0292

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
CIMB Bank Berhad
Citibank Berhad

RISK MANAGEMENT COMMITTEE

Chairman
Tan Sin Khoon

Member
Dato' Ong Choon Heng
Chan Bee Cheng
Teoh Lay Fung

REGISTERED OFFICE

57-G Persiaran Bayan Indah
Bayan Bay
Sungai Nibong
11900 Penang

Tel No. : +604-640 8932/8933
Fax No. : +604-643 8911

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

Stock Name : FPGROUP
Stock Code : 5277

BOARD OF DIRECTORS



1 Tan Cheik Eaik

Independent Non-Executive Chairman

2 Dato' Ong Choon Heng

Executive Director/Chief Executive Officer

3 Lee Chun Wah

Non-Independent Non-Executive Director

4 Tan Sin Khoon

Non-Independent Non-Executive Director

5 Chan Bee Cheng

Independent Non-Executive Director

6 Teoh Lay Fung

Independent Non-Executive Director



PROFILE OF DIRECTORS

Qualification

- Bachelor (Hons) of Electrical Engineering, University of Malaya (1990)

Date first appointed to the Board

- 22 November 2016

Membership of Board Committees

- Audit Committee: Member
- Nominating Committee: Chairman

Working experience

Hewlett Packard (M) Sdn. Bhd.

- Design Engineer (1990 - 1991)
- Senior Design Engineer (1991 - 1992)

Siangtronic Technology Sdn. Bhd.

- Managing Director (1992 - 2003)

Elsoft Research Berhad

- Executive Director/Chief Executive Officer (2003 - present)

Past appointment

- None

Occupation

- Director

Any other directorship(s) in public companies and listed issuers

- Executive Director/Chief Executive Officer of Elsoft Research Berhad

He attended all five (5) Board of Directors meetings held in the financial year 2022. He does not have any family relationship with any director and/or major shareholders of the Company and has no conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies to him during the financial year.



Tan Cheik Eaik

Independent
Non-Executive Chairman

| Age | Gender | Nationality |
|-----|--------|-------------|
| 57 | Male | Malaysian |



Dato' Ong Choon Heng

Executive Director/
Chief Executive Officer

| Age | Gender | Nationality |
|-----|--------|-------------|
| 46 | Male | Malaysian |

Qualification

- Bachelor of Accounting with First Class Honours, University of Malaya (2000)
- Member of Malaysian Institute of Accountants (MIA)
- Member of Malaysian Institute of Certified Public Accountants (MICPA)

Date first appointed to the Board

- 16 February 2016

Membership of Board Committees

- Risk Management Committee: Member
- ESOS Committee: Member

Working experience

Arthur Andersen & Co.

(now known as Ernst & Young)

- Staff Assistant (2000 - 2002)
- Senior Associate (2002 - 2004)

Plastic Recycling Company

- Financial Controller (2004-2006)

General Trading Company

- Finance Manager (2006 - 2007)
- Director (2007 - 2008)

FoundPac Group of Companies

- Executive Director/Chief Financial Officer (2015 - 2019)
- Executive Director/Chief Executive Officer (2019 - present)

Past appointment

Dufu Technology Corp Berhad

- Independent Non-Executive Director (2013 - 2016)

AsakaRiken (M) Sdn. Bhd. a subsidiary company of Asaka Riken Co. Ltd, a company listed on the JASDAQ, Japan

- Non-Executive Director (2014 - 2019)

RGT Berhad

- Independent Non-Executive Director (2019 - 2021)

Occupation

- Director

Any other directorship(s) in public companies and listed issuers

- None

He attended all five (5) Board of Directors meetings held in the financial year 2022. He does not have any family relationship with any director and/or major shareholders of the Company and has no conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies to him during the financial year.

PROFILE OF DIRECTORS (Cont'd)

Qualification

- Master of Science in Mechatronics, De Montfort University (UK) (1995)
- Diploma in Technology (Electronic Engineering), Tunku Abdul Rahman College (1994)

Date first appointed to the Board

- 16 February 2016

Membership of Board Committees

- Remuneration Committee: Member
- ESOS Committee: Member

Working experience

Ever Technologies Sdn. Bhd. (now known as AEM Microtronics (M) Sdn. Bhd.)

- Service Engineer (1995 - 1997)
- Sales Engineer (1997 - 2000)
- Business Manager (2000 - 2005)

FoundPac Group of companies

- General Manager (2006)
- Chief Executive Officer (2006 - 2019)

Past appointment

- None

Occupation

- Director

Any other directorship(s) in public companies and listed issuers

- None

He attended all five (5) Board of Directors meetings held in the financial year 2022. He does not have any family relationship with any director and/or major shareholders of the Company and has no conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies to him during the financial year.



Lee Chun Wah

Non-Independent
Non-Executive Director

| Age | Gender | Nationality |
|-----|--------|-------------|
| 52 | Male | Malaysian |



Tan Sin Khoon

Non-Independent
Non-Executive Director

| Age | Gender | Nationality |
|-----|--------|-------------|
| 55 | Male | Malaysian |

Qualification

- Bachelor of Science in Electrical Engineering, The University of Southwestern Louisiana, US (now known as University of Louisiana at Lafayette) (1992)

Date first appointed to the Board

- 16 February 2016

Membership of Board Committees

- Risk Management Committee: Chairman
- ESOS Committee: Member

Working experience

Hitachi Semiconductor (M) Sdn. Bhd.

- Production Engineer (1992 - 1994)

Intel Technology Sdn. Bhd.

- Senior Equipment and Process Engineer (1994 - 1995)

Talam BSC Sdn. Bhd.

- Project Manager (1995 - 1996)

Dijaya Enterprise Sdn. Bhd.

- Assistant General Manager (1996 - 1999)

Ever Technologies Sdn. Bhd. (now known as AEM Microtronics (M) Sdn. Bhd.)

- Equipment Manager (1999 - 2004)
- Operations Manager (2004 - 2006)

FoundPac Group of Companies

- Operation cum Business Director (2007 - 2009)
- Chief Operating Officer (2009 - 2018)

Past appointment

- None

Occupation

- Director

Any other directorship(s) in public companies and listed issuers

- None

He attended all five (5) Board of Directors meetings held in the financial year 2022. He does not have any family relationship with any director and/or major shareholders of the Company and has no conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies to him during the financial year.

PROFILE OF DIRECTORS (Cont'd)

Qualification

- Bachelor of Accounting with First Class Honours, University of Malaya (2000)
- Member of Malaysian Institute of Accountants (MIA)
- Member of Malaysian Institute of Certified Public Accountants (MICPA)

Date first appointed to the Board

- 15 March 2016

Membership of Board Committees

- Audit Committee: Chairman
- Remuneration Committee: Member
- Nominating Committee: Member
- Risk Management Committee: Member
- ESOS Committee: Member

Working experience

KPMG

- Audit Assistant (2000 - 2002)
- Supervisor (2002 - 2004)

Astro All Asia Networks Plc

- Senior Executive (2004 - 2005)

Ernst & Young

- Audit Manager (2005 - 2008)

Global Process Systems Sdn. Bhd.

- Finance Manager (2008 - 2013)

Foster Wheeler E&C (Malaysia) Sdn. Bhd.

- Finance Manager (2013 - 2015)

Independent Consultant (2016 - Present)

Past appointment

- None

Occupation

- Chartered Accountant

Any other directorship(s) in public companies and listed issuers

- None

She attended all five (5) Board of Directors meetings held in the financial year 2022. She does not have any family relationship with any director and/or major shareholders of the Company and has no conflict of interest with the Company. She has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies to her during the financial year.



Chan Bee Cheng

Independent
Non-Executive Director

| Age | Gender | Nationality |
|-----|--------|-------------|
| 46 | Female | Malaysian |



Teoh Lay Fung

Independent
Non-Executive Director

| Age | Gender | Nationality |
|-----|--------|-------------|
| 44 | Female | Malaysian |

Qualification

- Bachelor of Laws (Honours), University of Northumbria at Newcastle, United Kingdom (2002)
- Certificate of Legal Practice (CLP) from Legal Profession Qualifying Board of Malaysia (2003)

Date first appointed to the Board

- 15 March 2016

Membership of Board Committees

- Audit Committee: Member
- Remuneration Committee: Chairman
- Nominating Committee: Member
- Risk Management Committee: Member
- ESOS Committee: Chairman

Working experience

Zawiyah & Yeoh (now known as Zawiyah & Partners)

- Legal Assistant (2004)
- Partner (2009 - present)

Past appointment

- None

Occupation

- Advocate and Solicitor

Any other directorship(s) in public companies and listed issuers

- None

She attended all five (5) Board of Directors meetings held in the financial year 2022. She does not have any family relationship with any director and/or major shareholders of the Company and has no conflict of interest with the Company. She has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies to her during the financial year.

KEY SENIOR MANAGEMENT INFORMATION

Chang Joo Huat

Chief Operating Officer, FoundPac Tech

| | | |
|-----|--------|-------------|
| Age | Gender | Nationality |
| 57 | Male | Malaysian |

Qualification

- Master of Business Administration, Southern Pacific University, USA (2003)
- Bachelor of Engineering (Mechanical System), Universiti Putra Malaysia (1993)

Date first appointed to the Key Senior Management

- 16 February 2022

Working experience

Matsushita Electric Motor, Singapore

- Assistant Engineer (1987 – 1989)

AMD Penang, Malaysia

- Automation Technician (1989 – 1990)

Sanyo Electric (Pj) Sdn. Bhd.

- Research & Development Mechanical Engineer (1993 – 1995)

AT Engineering Sdn. Bhd.

- Senior Project Engineer (1995 – 1996)

Wong Engineering Automation Sdn. Bhd.

- Director (1996 – 2001)

Wong Engineering Industries Sdn. Bhd.

- Group Technical Director (2001 – 2021)

Wong Engineering Corporate Berhad

- Executive Director (2010 – 2021)

FoundPac Tech

- Chief Operating Officer (2022 - present)

Occupation

- Chief Operating Officer, FoundPac Tech

He does not hold any directorship in any public companies or listed corporations. He does not have any family relationship with any director and/or major shareholders of the Company and has no conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies to him during the financial year.

Fathil bin Mohamed

Operations Manager, FoundPac Tech

| | | |
|-----|--------|-------------|
| Age | Gender | Nationality |
| 59 | Male | Malaysian |

Qualification

- Executive Master of Business Administration, Open University Malaysia (2019)
- Executive Diploma in Human Resource Management, Open University Malaysia (2004)

Date first appointed to the Key Senior Management

- 1 July 2014

Working experience

Dynacraft Industries Sdn. Bhd.

- Product Engineer (1982 - 2006)

Anixter Malaysia Sdn. Bhd.

- QA Manager (2006 - 2010)

FoundPac Tech

- QA Assistant Manager (2011 - 2014)
- Operations Manager (2014 - present)

Occupation

- Operations Manager, FoundPac Tech

He does not hold any directorship in any public companies or listed corporations. He does not have any family relationship with any director and/or major shareholders of the Company and has no conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies to him during the financial year.

KEY SENIOR MANAGEMENT INFORMATION (Cont'd)

Lam Yoong Leng

Engineering Manager, FoundPac Tech

Age
47

Gender
Male

Nationality
Malaysian

Qualification

- Bachelor Degree of Mechanical Engineering, The Institution of Engineers, Malaysia (2004)

Date first appointed to the Key Senior Management

- 1 July 2014

Working experience

Penang Seagate Industries (M) Sdn. Bhd.

- Line Supervisor (1996 - 1998)

Hitachi Nippon Steel Semiconductor Singapore Pte Ltd

- Wafer Testing Technician (1998 - 2000)

Ever Technologies Sdn. Bhd.

- Mechanical Engineer (2000 - 2003)

Kenstronic Sdn. Bhd.

- Mechanical Engineer (2004 - 2006)

FoundPac Tech

- Engineering Manager (2006 - present)

Occupation

- Engineering Manager, FoundPac Tech

He does not hold any directorship in any public companies or listed corporations. He does not have any family relationship with any director and/or major shareholders of the Company and has no conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies to him during the financial year.

Chong Pak Kin

General Manager, FPS

Age
56

Gender
Male

Nationality
Malaysian

Qualification

- Master of Business Administration, University Science Malaysia (1998)
- Bachelor of Computer and Communications Engineering with First Class Honours, University Science Malaysia (1989)

Date first appointed to the Key Senior Management

- 1 October 2021

Working experience

Sony Mechatronic (M) Sdn. Bhd.

- Product Engineer (1989 - 1990)
- Senior Product Engineer (1991 - 1992)
- Assistant Department Head, Product Engineering Dept (1992)

Komag USA (M) Sdn. Bhd.

- RF Equipment Engineer/Manufacturing Supervisory Engineer (1992 - 1994)
- Sputter Production Manager (1995 - 1997)
- Operations Manager (1998 - 1999)
- Director, New Product Introduction (2000 - 2003)
- Director, Process Development Dept (2004 - 2007)

Western Digital (M) Sdn. Bhd.

- Director, Sputter Process Development Dept (2007 - 2008)

Fuji Electric (Malaysia) Sdn. Bhd.

- General Manager, Research & Development Dept (2009 - 2012)
- Senior General Manager, Research & Development Division (2013 - 2021)

FPS

- General Manager (2021 - present)

Occupation

- General Manager, FPS

He does not hold any directorship in any public companies or listed corporations. He does not have any family relationship with any director and/or major shareholders of the Company and has no conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies to him during the financial year.

KEY SENIOR MANAGEMENT INFORMATION (Cont'd)

Ng Phaik Lee

Managing Director, SDKM

Age
55

Gender
Female

Nationality
Malaysian

Qualification

- Master of Business Administration, Nottingham Trent University UK (2006)
- Member of Malaysia Institute of Accountants (MIA)
- Fellow Member of Association of Chartered Certified Accountants (FCCA)

Date first appointed to the Key Senior Management

- 15 May 2007

Working experience

SDKM Sdn. Bhd.

- Account Officer (1989 – 2000)

SDKM Fibres, Wires & Cables Berhad

- Corporate Finance Manager (2001 – 2006)
- General Manager (2006 - 2008)

SDKM

- Managing Director (2009 - present)

Occupation

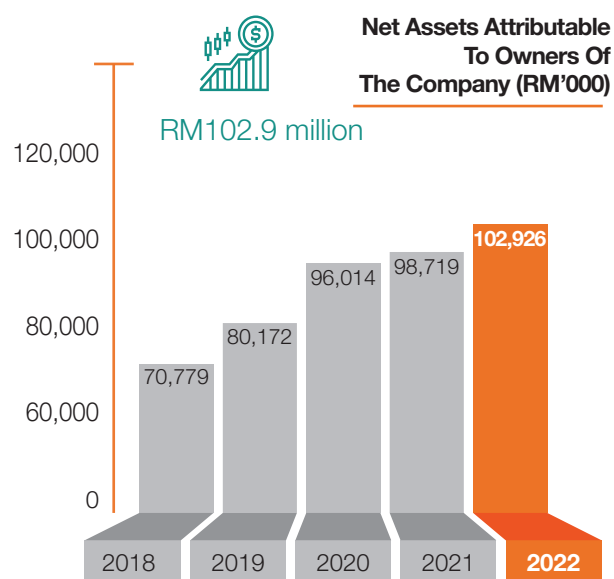
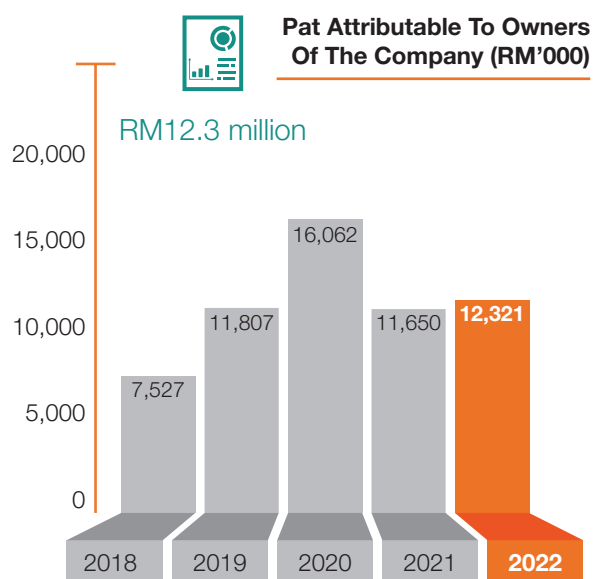
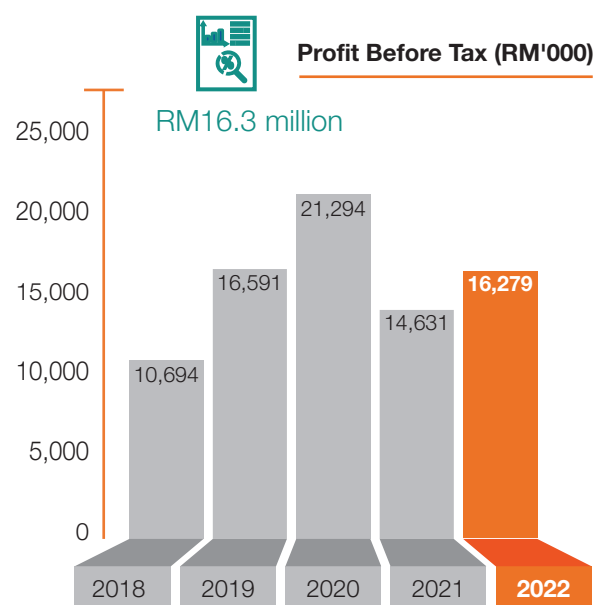
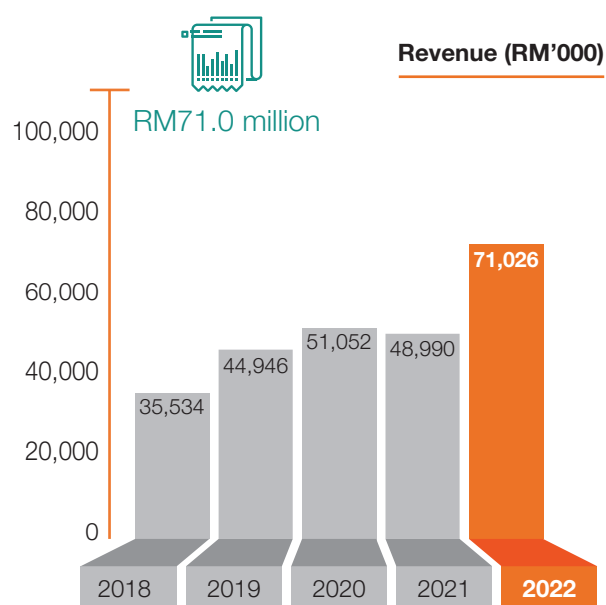
- Managing Director, SDKM

She does not hold any directorship in any public companies or listed corporations. She does not have any family relationship with any director and/or major shareholders of the Company and has no conflict of interest with the Company. She has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies to her during the financial year.



FINANCIAL HIGHLIGHTS

| Year | FYE 2018 | FYE 2019 | FYE 2020 | FYE 2021 | FYE 2022 |
|---|----------|----------|----------|----------|----------------|
| Revenue (RM'000) | 35,534 | 44,946 | 51,052 | 48,990 | 71,026 |
| Earnings before interests, taxation, depreciation and amortisation (RM'000) | 10,948 | 18,371 | 24,020 | 19,012 | 21,656 |
| Profit before tax (RM'000) | 10,694 | 16,591 | 21,294 | 14,631 | 16,279 |
| PBT margin (%) | 30.10 | 36.91 | 41.71 | 29.87 | 22.92 |
| Profit for the financial year (RM'000) | 8,011 | 12,664 | 17,065 | 11,856 | 12,072 |
| PAT margin (%) | 22.54 | 28.18 | 33.43 | 24.20 | 17.00 |
| PAT attributable to owners of the Company (RM'000) | 7,527 | 11,807 | 16,062 | 11,650 | 12,321 |
| Net assets attributable to owners of the Company (RM'000) | 70,779 | 80,172 | 96,014 | 98,719 | 102,926 |
| Basic earnings per share (sen) | 1.45 | 2.28 | 3.01 | 2.15 | 2.28 |
| Diluted earnings per share (sen) | 1.45 | 2.26 | 2.98 | 2.15 | 2.28 |
| Net assets per share attributable to owners of the Company (sen) | 13.66 | 15.45 | 17.70 | 18.24 | 19.05 |
| Dividend per share (sen) | 1.00 | 1.00 | 1.20 | 1.50 | 1.50 |



SUSTAINABILITY STATEMENT

Sustainability and our business

FoundPac Group Berhad (“FoundPac” or “Company”) and its subsidiaries (“FoundPac Group” or “Group”) acknowledge the importance of conducting business in an ethical, socially responsible and environmentally friendly manner for continuing success and sustainable growth. Therefore, the Group focus on sustainability principles when formulating and implementing business strategies to achieve its goals.

The Sustainability Statement (“Statement”) is prepared in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, has set out the material sustainability risks and opportunities, collectively known as material sustainability matters that impact the business operations.

The core of sustainability of our business is founded on ethical business practise, effective governance and in compliance to all applicable laws and regulations. The Group’s commitment towards management of material sustainability matters is focused and continuously improved by emphasising in Environmental, Social and Governance (“ESG”) aspects.

Materiality

The materiality assessment process was guided principally by Bursa Malaysia’s Sustainability Reporting Guide. It was first introduced and conducted in 2018 by analysing our internal documents, internal process, peer reviews and our risk register. The Group reviews sustainability related risk periodically as part of the risk assessment to address its key sustainability concerns. The Group has identified and analysed 20 key ESG issues to be disclosed in this Sustainability Statement.

A total of 37 operational and non-operational risks was reported by the Risk Management Committee (“RMC”) to Audit Committee (“AC”) during the FYE 2022 and necessary steps in mitigating the risks has been taken.

Stakeholder engagement

The Group believes that maintaining a good degree of communication and understanding with all the internal and external stakeholders are highly essential in our journey to be a good corporate governance and reputable sustainable business entity. Hence, our Group recognises the need to conduct a continuous dialogue and information sharing with the relevant stakeholders in a timely, effective and transparent manner. A summary of the stakeholder groups, the sustainability topics, and the type of engagement and its frequency are listed as follows:-

| Stakeholder | Sustainability topics | Type of engagement | Frequency |
|------------------------------------|--|---|-------------|
| Customers | Product quality and performance | Customer satisfaction survey | Annually |
| | Sustaining long term relationship | On-site visits at FoundPac Group premises | On-going |
| | Operation in compliance with applicable laws and standards | Customer audit | On-going |
| | Business development | Exhibition and road show | As required |
| Employees | Health and safety | Training and development | On-going |
| | Communication and engagement | Formal meeting and discussion | On-going |
| | Working environment | Employee feedback | On-going |
| | Career development and training | Appraisal and performance review | Annually |
| Investors/ Shareholders | Business performance review | Quarterly financial reports | Quarterly |
| | Operation in compliance with applicable laws and regulations | Annual report | Annually |
| | Strategic plans | Corporate website | On-going |
| | Investor engagement | Investor relationship channel | On-going |
| | Corporate development | Regular meeting and correspondence | On-going |
| | Information and communication | Feedback to enquiries | As required |

SUSTAINABILITY STATEMENT (Cont'd)

Stakeholder engagement (cont')

| Stakeholder | Sustainability topics | Type of engagement | Frequency |
|----------------------------------|---|---|-------------|
| Suppliers | Forging strategic partnership | Supplier selection via pre-qualification | On-going |
| | Supplier performance review | Regular meeting and correspondence | On-going |
| | Product and service quality | Site visit to suppliers' premises | On-going |
| Media | Timely and accurate information | Press release | As required |
| Government and regulators | Regulatory compliance | Site visit and meeting | As required |
| | Supporting country's economy growth | Participating in programme organised by government bodies | As required |
| Community | Environment protection | Participation in local community activities | On-going |
| | Local community activities involvements | Sponsorship and donations | On-going |
| | | Communication through emails and phone calls | On-going |

Governance

1. Sustainability governance

FoundPac Group's Enterprise Risk Management ("ERM") framework provides the necessary policies structure, targets and reporting systems to address the material risk and opportunities. Our ERM is governed by RMC headed by Non-Independent Non-Executive Director, Mr. Tan Sin Khoo, who was the Group's Executive Director and Chief Operating Officer previously. The RMC are supported by Risk Management Working Group ("RMWG") of each business unit. The RMWG consists of managers and key staff from various departments. Any finding and discussion of ERM are reported to the AC by RMC.

The RMC and RMWG are responsible for the materiality assessment and undertake role for identifying, evaluating, executing, implementing and monitoring the sustainability initiatives and actions that are aligned to the Group's vision, mission, objective and strategies.

Our Group has not formed a separate Sustainability Committee at the date of this report. The functions of Sustainability Committee are currently undertaken by the RMWG.

The scope of this Statement covers the period from 1 July 2021 to 30 June 2022 ("FYE 2022") and the reporting boundary is mainly focus on our major subsidiaries.

2. Board diversity

The key function of the Board of Directors is to oversee the operation management of the Group, service on behalf of the stakeholders so as to guide the Group to a strategic position in the industry and maximise shareholders' interest. FoundPac Group sees the importance of board diversification in bringing the Group to create an innovative and competitive advantage in the economy. The Board of FoundPac Group comprises 1 Executive Director and 5 Non-Executive Directors with different educational backgrounds, professional experience, skills, knowledge, age and gender. The profile of the Board of Directors is set out in page 6 to 8. The Group believes that with diversification of the Board, it will help to strengthen board performance and improve long-term shareholders value.

SUSTAINABILITY STATEMENT (Cont'd)

3. Whistleblowing Policy

The Group has established a Whistleblowing Policy to ensure high standards of corporate governance, business integrity and accountability in conduct of the business and operations. The Group commits to protect the whistle-blowers against any retaliation, for all reports disclosed in good faith.

Employees or third parties are encouraged to report or disclose any possible improper conduct should be directed to the Chairman of AC through a dedicated email. The Chairman of AC and Chief Executive Officer will deliberate the report with the committee members and decide on the appropriate course of action.

There were no whistleblowing cases being reported in FYE 2022.

4. Anti-Corruption Policy

The Group conducts the business to the highest ethical standards and adopted a zero-tolerance approach to all forms of corruption. The Group commits to act professionally, fairly and with integrity at all times. The Anti-Corruption Policy reiterates our commitment to conduct business by abiding to all applicable anti-corruption laws in the countries the Group operates and to cause the organisation, directors, officers and employees to behave accordingly.

During the FYE 2022, briefing has been provided to all employees on compliance issues covering the Anti-Corruption Policy and procedures.

With the utmost commitment upholds by the Group, the Group is pleased to inform that there have been no incident of confirmed corruption during the reporting period.

5. Privacy and disclosure of information

The Group understands the essential of data privacy and security for a business in creating and increasing the brand value in the long-term. It is also the Group's responsibility to build and to maintain the trust between the organisation and its customers, suppliers, and also the employees. Signing of Non-Disclosure Agreements with third parties and employees, encryption, firewalls, anti-malware or anti-virus software, and Code of Business Conduct and Ethic are in place and imposed to ensure business information is handling in proper and secured way and not abused by any unauthorised access.

The Group was not aware of any information security issue being reported in FYE 2022.

SUSTAINABILITY STATEMENT (Cont'd)

Economic

Besides the financial performance and corporate governance disclosed in this Annual Report, our key initiatives for business sustainability within the economic space are focused on the following key areas:-

1. Local ecosystem

FoundPac Group recognises that having a healthy local electronics and semiconductor ecosystem is a vital factor for the sustainability of the Group's business. In order to build a reliable supply chain ecosystem in the country that supports long-term strategy to grow the business in providing a wide range of high-quality products with optimum cost to our customers globally, we always promote purchase from local suppliers who have been providing good and high quality service.

During the FYE 2022, the percentage of purchase from local suppliers is 65%. The Group commits to continue sourcing our materials locally.

2. Commitment to quality

FoundPac Group was awarded the following certifications from:-

| | | |
|---|-------------|---|
| 1 | Certificate | ISO 9001:2015 |
| | Issuer | SGS United Kingdom Ltd and SGS (Malaysia) Sdn. Bhd. |
| | Scope | Design and Fabrication of Precision Engineering of Dimensional Measurement Service |
| 2 | Certificate | ISO 9001:2015 |
| | Issuer | TUV UK Ltd and TUV Nord (M) Sdn. Bhd. |
| | Scope | Design and Manufacture of SMT Stencils |
| 3 | Certificate | ISO 7 |
| | Issuer | VOV International Co., Ltd |
| | Scope | Cleanroom and Change Room |
| 4 | Certificate | ISO 9001:2015 |
| | Issuer | SIRIM QAS International |
| | Scope | Design, Development and Manufacture of Audio Video Cords & Connectors, Headphones and Earphones |
| 5 | Certificate | ISO 14001:2015 |
| | Issuer | SIRIM QAS International |
| | Scope | Design, Development and Manufacture of Audio Video Cords & Connectors, Headphones and Earphones |
| 6 | Certificate | IATF 16949:2016 |
| | Issuer | TUV Rheinland Cert GmbH |
| | Scope | Manufacture of Metal Precision Parts for Exterior |
| 7 | Certificate | UL Certification Mark |
| | Issuer | UL LLC |
| | Scope | UL 758 - Appliance Wiring Material |
| 8 | Certificate | Green Partner |
| | Issuer | Sony Corporation |
| | Scope | Certified Factory and Green Partner |

SUSTAINABILITY STATEMENT (Cont'd)

Economic (cont'd)

2. Commitment to quality (cont'd)

Having the above-mentioned certificates is a testament that FoundPac Group continues to uphold a consistent quality standard for our products. A comprehensive quality management system has been established to assure customers that quality assurance policies and procedures are in place to address our product quality and reliability on a regular basis, as well as improving our work efficiency.

FoundPac Group has stringent quality control in our operations. The quality control practices involve various stages of processes and in various departments by adopting well-known quality work standardisation techniques. Incoming material inspection is conducted to ensure raw materials and components comply with documented standards before production whereas the in-process quality inspection detects abnormalities in manufacturing process, which enhance our production efficiency and consistency. All our products go in-depth monitoring and quality control checks during different stages of production using the sophisticated measurement and laboratory equipment.

FoundPac Group's finished goods are inspected to ensure the products meet the customers' required specifications and are free from defects at the time of delivery. FoundPac Group monitors delivery lead time closely so that the products reach the customers on time. By adopting these quality control practices, we ensure our reliable products meet customers' expectations, build customers' confidence and trust on us.

3. Contribution to local communities

Our Group is principally involved in the design, development, manufacture, marketing and sale of precision engineering parts namely stiffeners, test sockets, hand lids and related accessories, manufacture and sale of laser stencils, manufacture of industrial equipment and machinery as well as manufacture and sale of cables.

FoundPac Group views talent retention is vital to sustain business growth and to maintain competitive. The Group strives to create job opportunities for the local people. For the FYE 2022, 89% of the Group employees are Malaysian.

Environment

Environmental stewardship is also our Group top priority in safeguarding health and safety of the public. FoundPac Group always considers the environmental impact before undertaking any new project.

1. Environmental permits and reporting

FoundPac obtained relevant environmental permits, approvals and registration and ensured the operating and reporting requirements are strictly adhered to.

Throughout the FYE 2022, the wastewater and industrial effluents monthly monitoring data were submitted to Department of Environment. The scheduled waste generated such as aluminium chips and coolant were disposed in accordance with the Environmental Quality Act 1974 under Environmental Quality (Scheduled Waste) Regulations 2005.

2. Materials consumption

FoundPac Group only use materials and components that are 'green' compliant and environmentally friendly. By avoiding the usage of hazardous and toxic materials, the Group ensures the entire supply chain including our manufacturing operations are free from restricted materials that pose not only hazardous to the environment and pollution of landfills, but also dangerous in terms of occupational exposure to our employees.

Besides that, the Group continues to reduce packing materials by using more effective and efficient packing method and environmentally friendly packing materials.

SUSTAINABILITY STATEMENT (Cont'd)

Environment (cont'd)

3. Energy and carbon management

FoundPac Group is committed to reduce carbon emissions and utilise the natural resources with the objective to create a safe and secure society sustained on clean energy as well as to enhance the reputation of businesses aiming for a sustainable society.

Since January 2019, we have expanded our carbon emissions reduction efforts by installing Solar PV System with the capacity to produce up to 165.66 kWp electricity as part of our Group's effort to promote the use of renewable energy. The Solar PV System installed is able to generate electricity from sunlight. The Solar PV System is deemed as "emission free" system because its operation does not emit any carbon dioxide or greenhouse gas. With the implementation of the Solar PV System technology, it reduces the impact on the environment while having unlimited resources for electricity generation from the sun. The Solar PV System has generated solar energy savings of 237.041 MWh; giving rise a cost saving to the Group of approximately RM104,000 for the FYE 2022.

The Group always works to reduce its electricity consumption by setting the temperature of air conditioners in our premises at around 24°C to 25°C. We installed transparent panels to direct the natural sun lights into the premises in order to reduce energy consumed for lighting purpose.

4. Waste management

Waste generation rates are rising as the economic activities ramp up, which in turn has increasingly drawn attention to the importance of waste management globally. FoundPac Group continue to develop recycling program and increase the awareness of essential recycling as an effort to reduce disposal to landfills. In FYE 2022, we managed to generate RM53,844 from the aluminium recycle waste, which is 73% higher than previous year.

Besides, we also donated a total of 821 kgs recycle waste of plastics, mixed paper and boxes to Eden Handicap Service Centre Berhad, a charitable non-profit and independent organization serving people with disabilities in Penang since 1993. The fund will be used to aid our on-going free community services to people with disabilities regardless of background, race or religion.

Social

FoundPac Group aims to provide a supportive, pleasant and healthy workplace for our employees, and to foster a caring community in our working environment. We care for our employees and recognise that having good staff relationship and a motivated workforce are crucial to our success. They are our partners in delivering and maintaining products and services of the highest quality standards to our customers. We acknowledge our people are the foundation of our business. As such, we support life-long learning and development of our people via continuous training and development programs. We also place importance on the safety and well-being of our employees and we are committed to provide and maintain a safe and healthy work environment.

1. Respect of labour and human rights

FoundPac Group is committed to uphold the human rights of workers, and to treat them with dignity and respect as stated in the Employees Handbook. This applies to all workers including permanent, contract and other type of workers. Our objectives include:-

- I. Attain the highest standard of employment practice in compliance with the relevant enacted laws;
- II. Uphold the culture and principles of equal opportunities in employment; and
- III. Create a working environment where every team member is treated fairly and without fear of reprisal, intimidation or harassment.

2. Employee profile

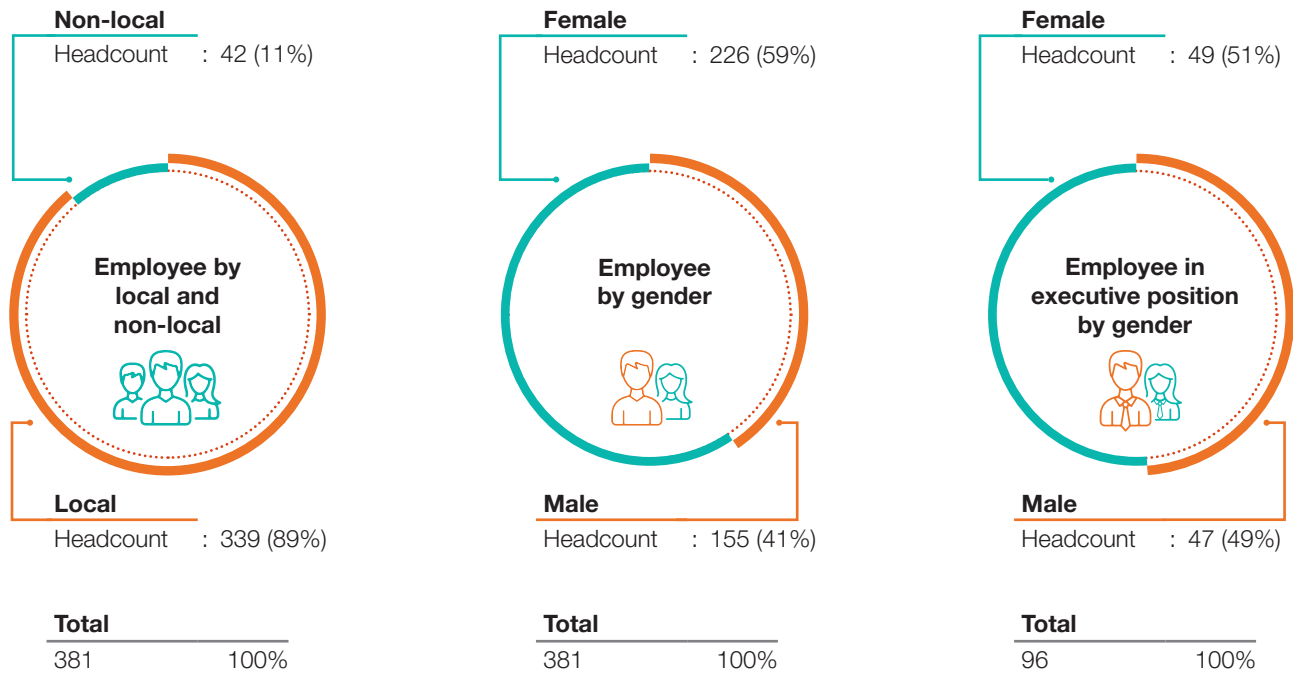
At FoundPac Group, we believe diversity and inclusion bring value to our business through effective innovation, attractiveness of workplace, employee engagement and corporate agility. As at 30 June 2022, the total number of employees of FoundPac Group was 381. Our emphasis has and will always be to hire local talent to support the local communities we operate in. FoundPac Group practices a non-discriminatory policy, where employees are hired and promoted based on the merit of job performance and commitment towards the organisation's goals.

SUSTAINABILITY STATEMENT (Cont'd)

Social (cont'd)

2. Employee profile (cont'd)

The analysis of our workforce profile for FYE 2022 is as follows:-



3. Employee development

FoundPac Group's human capital is developed and strengthened through its investment in people. Continuous training and professional development programs have helped to boost the technical knowledge and soft skills of our employees, positioning them in good stead to alleviate the performance standard quality, which is necessary for the Group to meet the ever-changing needs of our customers. Newly recruited employees will undergo orientation program to help them familiarise and understand the culture and background of the organisation. The new employees will also go through the on-job structured training programs tailored to their respective roles.

At FoundPac Group, we champion the idea of continuous learning for our employees to enhance their knowledge, skills and competencies in their current and future roles. Our Group is committed to provide in-house and cross-functional training and give opportunities to our employees to achieve accredited work-related certifications and attend other external programmes. On yearly basis, respective department head is required to review the training needs of their staff and to recommend the relevant training courses for the staff to enhance their knowledge and skills.

SUSTAINABILITY STATEMENT (Cont'd)

Social (cont'd)

3. Employee development (cont'd)

Our employees participated in various type of training in the FYE 2022 as follows:-

| Type of training | Headcount |
|---|------------|
| Manufacturing | 211 |
| Supply chain | 17 |
| Tax | 3 |
| Management | 172 |
| Total number of headcounts attending training | 403 |

With the growing number of younger workforce and at the same time cultivating on-going learning culture, FoundPac Group enrolled educational assistance program by providing sustainable funding every year to our employees.

4. Employee benefits

Recognition of employee contributions and commitment is a critical step to business success. FoundPac Group provides various employee benefits as way of appreciation to its staff. Salaries and wages offered by the Group are adhere to the minimum wage set by the Government. The Group provides various kind of employee benefits such as medical benefits, dental and/or optical benefits, insurance coverage for Group Hospitalisation and surgical scheme, Educational Assistance Program, business trip entitlements, protective footwear benefits for all the staffs in production department, and long service awards for staff with continuous service of 6 years and above. Other incentive schemes such as Employee Share Option Scheme was also offered to the eligible employees to retain the talents. Besides, in-house facilities included car park facilities, lockers and prayer room are also provided.

5. Emergency response

FoundPac Group's Emergency Response Team ("ERT") consists of 25 members, who are prepared to respond in emergency situations. They were trained to administer first-aid, help evacuate buildings and provide other assistance. We conducted first-aid training, ERT training and annual fire drill to be prepared for emergency events.

6. COVID-19 Measures

As the COVID-19 coronavirus pandemic continues, the Occupational Safety and Health Management ("OSH") Committee is taking actions to ensure the health and safety of our employees are being essentially safeguarded during this unprecedented time. We provided medical equipment for our staff including face masks, sanitizers and ensuring Standard Operating Procedures ("SOPs") related to regular disinfection and temperature-taking were duly followed. Other actions undertook by the Group include:-

- A mandatory temperature scanning of personnel before entering our premises are being enforced;
- Established safe physical distancing protocols through the addition of physical distancing markers and signs within offices;
- Required all employees to put on face masks, sanitize own work area 3 times per day, maintain physical distancing during work in avoiding the spread of the virus amongst employees and perform self-test on weekly basis; and
- Visitors are required to fill in health declaration form before entering the premises.

SUSTAINABILITY STATEMENT (Cont'd)

Social (cont'd)

7. A safe and healthy work environment

At FoundPac Group, we focus on minimising the incidence of occupancy injury and illness through occupational safety and health preparedness. The Group ensures that the employees carry out their work in safe and hygienic working environment.

We invest in the safety, health and wellness of our employees by sending staff for safety and health related training courses. We have an OSH committee consists of key staff from various departments, whose main purpose is to safeguard, manage, discuss and report areas related to FoundPac Group's safety, health and environment issue and performance.

We are proud of the efforts made by our OSH committee. In the FYE 2022, there were no major safety or health related incidences at the workplace.

In order to promote the health and wellbeing of our employees, FoundPac Group organized a virtual fun run of 5KM on 9 January 2022. The purpose of the event is to remind our employees the importance of maintaining a healthy lifestyle even during this global pandemic. Prizes and lucky draw are given to employees as a reward of their participation.



SUSTAINABILITY STATEMENT (Cont'd)

Social (cont'd)

8. Contribution to community

Cash Donation

FoundPac Group acknowledges our responsibility by giving back to the community as part of good business practice. FoundPac Group donates cash contribution every month to Pertubuhan Perlindungan Kanak-Kanak Pulau Pinang for sustaining its daily activities with the aim of uplifting the educational level and human values.

Blood Donation Campaign

Transfusion of blood and blood products helps save millions of lives every year. FoundPac Group wish to create awareness and encourages all its employees to embrace the humanitarian call to donate blood and inspire others to do the same. We wish to highlight the essential contribution blood donors make to keeping the world pulsating by saving lives and improving others' health. This year we collaborated with Penang General Hospital to organised a blood donation campaign in June 2022.



Distribution of bubur lambuk

Ramadan is also a great time when we can come together and demonstrate our generosity and ability to do charity and good work towards the betterment of those in need. FoundPac Group sharing the Ramadan spirit by giving away bubur lambuk to the surrounding communities in Masjid Al Ittifaq, Sungai Nibong Bayan Lepas on the month of Ramadan on 19 April 2022.



This Statement is made in accordance with a Board resolution dated 23 August 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of the Group's business and operations

FoundPac Group Berhad ("FoundPac" or "Company") is organised into business units based on products and services and has the following reportable operating segments:-

- (i) Precision engineering - Design, development, manufacture, marketing and sale of stiffeners, test sockets, hand lids and related accessories
- (ii) Laser stencils - Manufacture and sale of laser stencils
- (iii) Automation - Manufacturing of industrial equipment and machinery
- (iv) Cables and connectors - Manufacture and sale of accessory cables and connectors

FoundPac and its subsidiaries ("FoundPac Group" or "Group") operate in Malaysia and generate revenue mainly from the following geographical locations:-

1. North America;
2. Europe; and
3. Asia.

Review of financial performance

1. Revenue

For financial years under review, more than 67% of our Group's revenue were export sales. Detailed breakdown of our Group's revenue categorised by principal markets for the following financial years are set out below:-

| | FYE 2022 | | FYE 2021 | | Variance | |
|------------------------------|----------|--------|----------|--------|----------|----------|
| | RM'000 | % | RM'000 | % | RM'000 | % |
| North America | 24,974 | 35.16 | 18,821 | 38.42 | 6,153 | 32.69 |
| Europe | | | | | | |
| - United Kingdom | 5,445 | 7.67 | 6,344 | 12.95 | (899) | (14.17) |
| - France | 2,416 | 3.40 | 3,511 | 7.17 | (1,095) | (31.19) |
| - Italy | 986 | 1.39 | 514 | 1.05 | 472 | 91.83 |
| - Germany | 969 | 1.36 | 912 | 1.86 | 57 | 6.25 |
| - Others ⁽¹⁾ | 501 | 0.71 | 362 | 0.73 | 139 | 38.40 |
| | 10,317 | 14.53 | 11,643 | 23.76 | (1,326) | (11.39) |
| Other Asian countries | | | | | | |
| - China | 4,660 | 6.56 | 1,251 | 2.55 | 3,409 | 272.50 |
| - Taiwan | 1,978 | 2.78 | 2,287 | 4.67 | (309) | (13.51) |
| - Singapore | 1,378 | 1.94 | 1,059 | 2.16 | 319 | 30.12 |
| - Vietnam | 906 | 1.28 | 686 | 1.40 | 220 | 32.07 |
| - Japan | 1,087 | 1.53 | 17 | 0.03 | 1,070 | 6,294.12 |
| - Others ⁽²⁾ | 1,955 | 2.75 | 1,318 | 2.69 | 637 | 48.33 |
| | 11,964 | 16.84 | 6,618 | 13.50 | 5,346 | 80.78 |
| Malaysia | 23,164 | 32.62 | 10,566 | 21.58 | 12,598 | 119.23 |
| Others ⁽³⁾ | 607 | 0.85 | 1,342 | 2.74 | (735) | (54.77) |
| | 71,026 | 100.00 | 48,990 | 100.00 | 22,036 | 44.98 |

Notes:-

⁽¹⁾ Others include Austria, Belgium, Hungary, Russia, Netherlands and Romania

⁽²⁾ Others include Hong Kong, Republic of Korea, India, Philippines, Indonesia and Thailand

⁽³⁾ Others include Africa and Lebanon

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Review of financial performance (cont'd)

1. Revenue (cont'd)

For the FYE 2022, our Group recorded revenue of RM71.026 million, representing an increase of RM22.036 million or 44.98% as compared to revenue of RM48.990 million recorded in the FYE 2021. The increase in revenue was mainly attributable to the higher revenue generated by both precision engineering and accessory cable and connectors segments. Accessory cable and connectors segment is a new segment which contributed RM14.356 million to the group in FYE 2022; whilst precision engineering segment recorded surge in revenue from North America and other Asian countries by RM5.842 million and RM3.215 million respectively.

The export revenue, which remained the main contributor to our Group's total revenue of the FYE 2022 accounted for RM47.862 million or 67.39% of our Group's total revenue marking an increase in export revenue by RM9.438 million or 24.56% as compared to the FYE 2021 in which export revenue was recorded at RM38.424 million or 78.43% of our Group's total revenue.

The increase in export revenue was mainly attributable to the increase in revenue in North America and other Asian countries by RM6.153 million or 32.69% and RM5.346 million or 80.78% respectively. Revenue generated from North America increased from RM18.821 million in the FYE 2021 to RM24.974 million in the FYE 2022 whilst other Asian market spike from RM6.618 million in the FYE 2021 to RM11.964 million in FYE 2022. The increase in revenue in North America was mainly contributed by existing customer from precision engineering segment.

In the Malaysia market shown a significant increase in revenue by RM12.598 million or 119.23% from RM10.566 million in FYE 2021 to RM23.164 million in the FYE 2022 was mainly attributable to the revenue contribution from the group's new segment, accessory cables and connectors of RM12.496 million.

The increase in revenue was however set off against decrease in revenue from Europe market by RM1.326 million from RM11.643 million in the FYE 2021 to RM10.317 million in the FYE 2022. The decrease in revenue in Europe market was lesser orders from existing customers in United Kingdom and France in the FYE 2022.

2. Cost of goods sold, GP and GP margin

Our Group's cost of goods sold consists of material and fabrication costs, direct labour costs and production overhead costs. Our material and fabrication costs are the main components of cost of goods sold which include the purchase of aluminium, engineering plastic, stainless steel, fabricated parts, wire and copper.

The table below sets out the breakdown of the cost of goods sold, GP and GP margin for the financial years under review:-

| | FYE 2022 | | FYE 2021 | | Variance | |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|--------------|
| | RM'000 | % | RM'000 | % | RM'000 | % |
| Cost of goods sold | | | | | | |
| Material and fabrication costs | 26,484 | 58.56 | 14,765 | 55.07 | 11,719 | 79.37 |
| Direct labour costs | 6,675 | 14.76 | 3,967 | 14.80 | 2,708 | 68.26 |
| Production overhead costs | 12,063 | 26.68 | 8,078 | 30.13 | 3,985 | 49.33 |
| | <u>45,222</u> | <u>100.00</u> | <u>26,810</u> | <u>100.00</u> | <u>18,412</u> | <u>68.68</u> |
| GP and GP margin | <u>25,803</u> | <u>36.33</u> | <u>22,180</u> | <u>45.27</u> | <u>3,623</u> | <u>16.33</u> |

Our Group's cost of goods sold increased by RM18.412 million or 68.68% from RM26.810 million in the FYE 2021 to RM45.222 million in the FYE 2022. This was mainly due to direct cost attributable by the newly acquired subsidiary during the FYE 2022.

Our Group's GP increased by RM3.623 million or 16.33% from RM22.180 million in the FYE 2021 to RM25.803 million in the FYE 2022. GP margin decreased by 8.94% from 45.27% in the FYE 2021 to 36.33% in the FYE 2022 which was mainly due to the accessory cable and connectors segment has a lower GP margin.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Review of financial performance (cont'd)

3. Other income

The table below sets out the breakdown of other income for the financial years under review:-

| | FYE 2022 | | FYE 2021 | | Variance | |
|---|--------------|---------------|--------------|---------------|--------------|---------------|
| | RM'000 | % | RM'000 | % | RM'000 | % |
| Amortisation of deferred income | 239 | 8.94 | 240 | 18.65 | (1) | |
| Fair value gains on financial instrument | 740 | 27.67 | 857 | 66.58 | (117) | |
| Gain on disposal of property, plant and equipment | 192 | 7.18 | 70 | 5.44 | 122 | |
| Gain on foreign exchange:- | | | | | | |
| - Realised | 981 | 36.69 | - | - | 981 | |
| - Unrealised | 236 | 8.83 | 80 | 6.22 | 156 | |
| Sundry income | 272 | 10.17 | - | - | 272 | |
| Others | 14 | 0.52 | 40 | 3.11 | (26) | |
| | <u>2,674</u> | <u>100.00</u> | <u>1,287</u> | <u>100.00</u> | <u>1,387</u> | <u>107.77</u> |

Our Group's other income increased by RM1.387 million or 107.77% from RM1.287 million in the FYE 2021 to RM2.674 million in the FYE 2022. The increase was mainly attributed to increase in gain on foreign exchange by RM1.137 million.

There was no other unusual or material one-off gain/loss affecting the revenue or profit for the FYE 2022 and FYE 2021.

4. Operating expenses

| | FYE 2022 | | FYE 2021 | | Variance | |
|--|---------------|---------------|--------------|---------------|--------------|--------------|
| | RM'000 | % | RM'000 | % | RM'000 | % |
| Administrative and general expenses | 9,789 | 80.06 | 6,153 | 69.49 | 3,636 | |
| Selling and distribution expenses | 1,896 | 15.51 | 2,614 | 29.52 | (718) | |
| Finance costs | 151 | 1.23 | 6 | 0.07 | 145 | |
| Impairment losses on financial assets | 347 | 2.84 | 81 | 0.92 | 266 | |
| Loss on derecognition of financial assets measured at amortised cost | 44 | 0.36 | - | - | 44 | |
| | <u>12,227</u> | <u>100.00</u> | <u>8,854</u> | <u>100.00</u> | <u>3,373</u> | <u>38.10</u> |

Our Group's operating expenses increased by RM3.373 million or 38.10% from RM8.854 million in the FYE 2021 to RM12.227 million in the FYE 2022. The increase in operating expenses was mainly attributed to the group's new segment, accessory cables and connectors of RM3.832 million. However, the decrease in selling and distribution expenses by RM0.718 million which was due to decrease in travelling expenses. The impairment losses on financial assets of RM0.347 million in the FYE 2022 due to loss allowance for trade receivables recorded by laser stencils segment in accordance with MFRS 9, Financial instruments.

5. PBT and PBT margin

| | FYE 2022 | | FYE 2021 | | Variance | |
|--------------------|---------------|--------------|---------------|--------------|--------------|--------------|
| | RM'000 | % | RM'000 | % | RM'000 | % |
| PBT and PBT margin | <u>16,280</u> | <u>22.92</u> | <u>14,631</u> | <u>29.87</u> | <u>1,649</u> | <u>11.27</u> |

Our Group's PBT increased by RM1.649 million or 11.27% from RM14.631 million in the FYE 2021 to RM16.280 million in the FYE 2022. The increase in PBT was mainly contributed by precision engineering segment and off set against loss before tax of cable and connectors segment. The PBT margin decreased by 6.95% from 29.87% in FYE 2021 to 22.92% in the FYE 2022 which was mainly due to higher administrative expenses incurred in the FYE 2022 that led to a lower PBT margin.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Review of financial performance (cont'd)

6. Tax expense

| | FYE 2022 | | FYE 2021 | | Variance | |
|------------------------------------|----------|-------|----------|-------|----------|-------|
| | RM'000 | % | RM'000 | % | RM'000 | % |
| Tax expense and effective tax rate | 4,207 | 26.57 | 2,775 | 21.85 | 1,432 | 51.60 |

Our Group's tax expense increased by RM1.432 million or 51.60% from RM2.775 million in the FYE 2021 to RM4.207 million in the FYE 2022. The increase was in line with increase in PBT.

Our Group's effective tax rate is higher than the statutory tax rate of 24.00% in the FYE 2022. This was mainly due to losses in certain subsidiaries which are not available for set off against taxable profit in other subsidiaries within the Group.

7. PAT and PAT margin

| | FYE 2022 | | FYE 2021 | | Variance | |
|--------------------|----------|-------|----------|-------|----------|------|
| | RM'000 | % | RM'000 | % | RM'000 | % |
| PAT and PAT margin | 12,072 | 17.00 | 11,856 | 24.20 | 216 | 1.82 |

Our Group's PAT and PAT margin increased by RM0.216 million or 1.82% were mainly attributed to the increase in PBT.

Review of financial position and liquidity

1. Statement of financial position

| | 30 June 2022 | 30 June 2021 | Variance | |
|--|----------------|----------------|---------------|---------------|
| | RM'000 | RM'000 | RM'000 | % |
| Non-current assets | 42,538 | 39,777 | 2,761 | 6.94 |
| Current assets | 82,472 | 71,091 | 11,381 | 16.01 |
| Total Assets | 125,010 | 110,868 | 14,142 | 12.76 |
| Current Liabilities | 15,508 | 5,369 | 10,139 | 188.84 |
| Non-current liabilities | 2,854 | 2,817 | 37 | 1.31 |
| Total Liabilities | 18,362 | 8,186 | 10,176 | 124.31 |
| Net Assets | 106,648 | 102,682 | 3,966 | 3.86 |
| Equity | | | | |
| Equity attributable to owners of the Company | 102,926 | 98,719 | 4,207 | 4.26 |
| Non-controlling interests | 3,722 | 3,963 | (241) | (6.08) |
| Total Equity | 106,648 | 102,682 | 3,966 | 3.86 |

Non-current assets of our Group mainly consisted of property, plant and equipment, right-of-use assets and goodwill. Increase in non-current assets by RM2.761 million from RM39.777 million as at 30 June 2021 to RM42.538 million as at 30 June 2022 was mainly due to goodwill attributable by newly acquired subsidiaries during the FYE 2022 totalling RM1.679 million.

The increase in current assets and current liabilities as at 30 June 2022 was mainly due to the contribution from the new segment, accessory cable and connectors segment. The current assets of our Group mainly consisted of receivables and cash and cash equivalents. The increase in current assets by RM11.381 million from RM71.091 million as at 30 June 2021 to RM82.472 million as at 30 June 2022. The increase was mainly from inventory which increased by RM8.179 million. The current liabilities of our Group mainly consisted of payables, accruals and contract liabilities. Increase in current liabilities by RM10.139 million from RM5.369 million as at 30 June 2021 to RM15.508 million as at 30 June 2022 was mainly from the increased in payables by RM7.295 million.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Review of financial position and liquidity (cont'd)

2. Statement of cash flows

The following table sets out a summary of our statements of cash flows for the FYE 2022 and the FYE 2021:-

| | FYE | |
|--|----------|---------|
| | 2022 | 2021 |
| | RM'000 | RM'000 |
| Net cash from operating activities | 13,456 | 18,176 |
| Net cash used in investing activities | (3,710) | (3,959) |
| Net cash used in financing activities | (15,530) | (9,189) |
| | (5,784) | 5,028 |
| Currency translation differences | (28) | 33 |
| Net (decrease)/increase in cash and cash equivalents | (5,812) | 5,061 |
| Cash and cash equivalents at the beginning of the financial year | 56,197 | 51,136 |
| Cash and cash equivalents at the end of the financial year | 50,385 | 56,197 |
| Cash and cash equivalents comprise the followings:- | | |
| - Cash and bank balances | 33,274 | 39,857 |
| - Short-term funds - at fair value | 17,111 | 16,340 |
| | 50,385 | 56,197 |

Our Group's cash and cash equivalents decreased by RM5.812 million or 10.34% from RM56.197 million as at 30 June 2021 to RM50.385 million as at 30 June 2022. The decrease in cash and cash equivalents was mainly due to increase in net cash used in financing activities of RM6.341 million. The increase was mainly due to further acquisition in existing subsidiary and repayment of term loans amounting to RM4.500 million and RM2.416 million respectively.

Our Group generated operating profit before working capital changes of RM23.483 million in the FYE 2022. After adjusting for net outflow of RM5.840 million from working capital changes and net income tax paid of RM4.187 million, our net cash from operating activities was RM13.456 million.

Giving our strong financial position, our Group will continue to explore good investment opportunities to strengthen and enhance the position of our Group.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Capital structure, resources and expenditure

The overall capital management objective of our Group is to safeguard its ability to continue as a going concern so as to provide fair returns to shareholders of the Company. In order to meet this objective, our Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

Our Group considers total equity and total interest-bearing debts to be the key components of capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. Our Group monitors capital using a debt-to-equity ratio, which is calculated as total interest-bearing debts divided by total equity.

Our primary sources of funds are mainly derived from the net cash generated internally from our business operations and to a certain extent, external source of funds which comprises credit terms granted by our suppliers. The average credit terms granted to us ranges between 30 to 90 days. We may raise additional capital or funds through debt or equity offerings in the future to part finance our expansion plans or to meet our financing requirements should the need arise.

Our Board of Directors ("Board") is of the opinion that, after taking into consideration the funds to be generated from our business operations, our Group will have sufficient working capital for a period of twelve (12) months from the date of this Annual Report.

There are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer/receive funds to/from the Company in the form of cash dividends, loan or advances. In addition, as stated in our financial statements, our Group did not have bank borrowings as at 30 June 2022. Therefore, we are confident that we can meet our cash obligations.

Our Group manages capital spending in upgrading our existing machines to support our business growth cautiously. In the FYE 2022, we incurred capital expenditures of RM1.040 million to support our capacity expansion, innovation and cost efficiencies.

Risk exposures

Our Group's financial position and results of operations have been and will continue to be affected by, amongst others, the following factors which may not be within our control:-

1. Impact of foreign currency exchange rates

Our Group is exposed to currency risk from the dealings with customers and suppliers as majority of our customers are primarily located in overseas. Any significant change in foreign exchange rates may affect our Group's financial results.

To minimise exposure to currency risk, our Group observes the movements in exchange rates and acts accordingly. Where necessary, our Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:-

- (i) Our Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.
- (ii) Our Group maintains part of our cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

2. Competition risk

Notwithstanding our competitive strengths, we continue to face competition from existing and prospective competitors which may be capable of offering similar products. Additionally, consolidation of market players within the industry may heighten the competition.

Whilst we strive to remain competitive, there can be no assurance that any changes in the competitive environment would not have any material and adverse impact on our business and financial performance.

Forward-looking statements

Most countries have lifted Covid-19 restrictions and reopened their international borders. However, current market uncertainties on global supply chains issue have led to price fluctuations in the raw materials, this was further aggravated by the sudden erupt of geopolitical war between Russia and Ukraine. This posed a new set of challenges to our Group and the management is closely monitoring situation to ensure that such impact to the overall Group performance is mitigated.

Notwithstanding the external circumstances, the Board are confident about the contribution from the new segment of the Group and remains cautiously optimistic on the Group's business prospects in coming year.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Dividend policy

The Board adopted a dividend policy to recommend and distribute dividend of at least 30.00% of our annual audited PAT attributable to owners of the Company, depending on our financial performance, the availability of adequate distributable reserves and on condition that such distribution will not be detrimental to our Group's cash flows requirements.

During FYE 2022, the Group paid a total dividend of RM8.108 million:-

1. A first interim single tier dividend of 0.5 sen per share; equivalent to RM2.705 million in December 2021; and
2. A second interim single tier dividend of 1.0 sen per share; equivalent to RM5.403 million in June 2022.

As such, the total dividend payment is 65.81% of our Group's annual audited PAT attributable to owners of the Company and it is above our 30.00% dividend policy.

This Statement is made in accordance with a Board resolution dated 23 August 2022.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of FoundPac Group Berhad (“FoundPac” or “Company”) is pleased to provide an overview of the corporate governance practice throughout FoundPac and its subsidiaries (“FoundPac Group” or “Group”) during the financial year ended 30 June 2022 (“FYE 2022”) with reference to the principles as set out in the Malaysian Code on Corporate Governance (“MCCG” or “the Code”).

The Group’s application of each Practice set out in MCCG during the FYE 2022 is disclosed in the Company’s Corporate Governance Report (“CG Report”) which is available on the Company’s website at www.foundpac.com as well as via the Company’s announcement made to Bursa Malaysia Securities Berhad (“Bursa Securities”).

The Corporate Governance Overview Statement (“Statement”) is prepared in compliance with the Main Market Listing Requirements of Bursa Securities (“Main LR”) and it is to be read together with the CG Report.

The Board recognises the importance of adopting good corporate governance and is committed to ensure high standards of good corporate governance are in place and practiced within the Group in order to safeguard the shareholders and relevant stakeholders’ interests as well as enhancing shareholders’ value.

Principle A - Board leadership and effectiveness

I. Board responsibilities

The Board is collectively responsible for the long-term success of the Group and the delivery of sustainable value to its stakeholders. In discharging its fiduciary duties and leadership functions, the Board governs and sets the strategic direction of the Group while exercising oversight on management. The Board plays a critical role in setting the appropriate tone at the top, providing thought leadership and championing good governance and ethical practices throughout the Group.

The Board has full control of and is responsible for the Group’s strategic aims, ensures the necessary resources are in place for the Group to meet its objectives and review management performance. The Board has set the Group’s values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

The Board is mindful of the importance of the establishment of clear roles and responsibilities in discharging its fiduciary duties and leadership functions. The Board has defined its Board Charter by setting out the roles, duties and responsibilities of the Board, the principles and practices of corporate governance to be followed as well as key matters reserved for the Board’s approval. As such, the Board Charter serves as a reference and primary induction literature providing all Board members and management insights into the fiduciary and leadership functions of the Board. The Board Charter is available on the Company’s website at www.foundpac.com.

In order to assist the Board in its oversight function on specific responsibility areas, the Board has established five (5) committees, namely Audit Committee (“AC”), Nominating Committee (“NC”), Remuneration Committee (“RC”), Risk Management Committee (“RMC”) and Employees’ Share Option Scheme (“ESOS”) Committee (collectively herein referred as “Board Committees”). The primary functions of the Board Committees include assisting the Board in overseeing the affairs of the Group as the Board Committees have been entrusted with specific responsibilities and authorities. The authorities and functions of the Board Committees are properly set out in their respective Terms of Reference (“ToR”), Risk Management Framework and/or By-Laws of the ESOS (where applicable).

The roles of the Chairman and Chief Executive Officer (“CEO”) are clearly separated and the positions were held by different individual. This duties segregation between the Chairman and CEO ensures an appropriate balance of role, responsibility and accountability at the Board level. The Chairman is responsible for providing leadership to the Board in overseeing management and the Group’s overall strategic functions, whereas the day-to-day management of the Group’s business affairs is delegated to the CEO of the Company. The Board nevertheless reserves the decision-making authority on significant matters of the Group as captured in the Board Charter. The Board Charter serves as an authoritative document that governs the conduct of the Board, Board Committees and individual Director.

In undertaking its duties, the Board is supported by two (2) competent and suitable qualified Company Secretaries. In addition to the administrative matters, Company Secretaries also advised the Board on CG issues, compliance with the relevant policies and procedures, laws and regulatory requirements. Both Company Secretaries of the Group have legal credentials, and are qualified to act as Company Secretary under Section 235(2) of the Companies Act 2016.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Principle A - Board leadership and effectiveness (cont'd))

I. Board responsibilities (cont'd)

The Board acknowledges its role in propagating ethical standards and values and thus has taken the initiative to formalise Code of Conduct. The Company's Code of Ethics is intended to focus on the Board and each Director based on principles of integrity, responsibility, sincerity and corporate social responsibility. The Code of Ethics is designed to enhance the standard of corporate governance and corporate behaviour to establish a standard of ethical behaviour for Directors as well as provides guidance on matters ranging from conflict of interest situations to corruption and money-laundering.

The Code of Conduct for employees is also in place to provide guidance to all employees of the Group to meet performance standards and behave appropriately in the workplace. The policies, practices and procedures of the Code of Conduct for employees are clearly outlined in the Employee Handbook of respective subsidiary under the Group. The Code of Conduct for employees is integrated into the Group management practices and reviewed periodically.

The Whistle-Blowing Policy of FoundPac Group is in place with the objective to facilitate the stakeholders of the Group to report genuine concerns or allegations to a senior or independent member of the management of the Group about alleged unethical behaviour, actual or suspected fraud within the Group, or improper business conduct affecting the Group. The Whistle-Blowing Policy is designed to provide protection to those who makes the allegation or reports the misconduct. The Whistle-Blowing Policy of FoundPac Group has detailed the procedures in making report. A copy of the Whistle-Blowing Policy is available on the Company's website at www.foundpac.com.

The Board has in place an Anti-Corruption Policy that outlines the Group's commitment to conduct business to the highest ethical standards as well as act professionally, fairly and with integrity at all times. The Group adopts a zero-tolerance approach to all forms of corruption. The Anti-Corruption Policy reiterates the Group's commitment to conduct business by abiding to all applicable anti-corruption laws in the country where the Group is operating and to cause the organisation, Directors, officers and employees to behave accordingly. A copy of the Anti-Corruption Policy is also available on the Company's website at www.foundpac.com.

II. Board composition

The Board currently has six (6) members comprising the Independent Non-Executive Chairman, one (1) Executive Director, two (2) Independent Non-Executive Directors, and two (2) Non-Independent Non-Executive Directors. This composition complies with Paragraph 15.02 of the Main LR whereby the Company must have at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, who are Independent Directors.

In order to achieve the intended outcome of the MCCG, the Board's decisions are made objectively in the best interests of the Group by taking into account diverse perspectives and insights, the Group has met most of the good Practices recommended by the MCCG as detailed in the CG Report. Currently, we do not adopt a policy which limits the tenure of the Independent Directors to nine (9) years.

Notwithstanding the recommendation of the MCCG, the Board is presently of the view that there is no necessity to fix a maximum tenure limit for Directors as there are significant advantages to be gained from the long-serving Directors who possess tremendous insight and knowledge of the Group's businesses and affairs. The ability of a Director to serve effectively as an Independent Director is very much dependent on his calibre, qualification, experience and personal qualities, particularly his integrity and objectivity, and has no real connection to his tenure as an Independent Director.

The Board comprises a mix of qualified and experienced Directors with diverse experience, background and expertise. The combination of diverse professionals with varied background, experience and expertise in finance and corporate affairs have also enables the Board to discharge its responsibilities effectively and efficiently. The Board through the NC regularly reviews the composition of the Board and Board Committees.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Principle A - Board leadership and effectiveness (cont'd)

II. Board composition (cont'd)

Table below sets out brief profile of each Director; including the skillsets and diversity of the existing Board:-

| Director | Nationality | Designation | Industry/Background experience | | | | | | By composition | | |
|----------------------|-------------|---|--------------------------------|-----------|------------|-----------|---------------------|-----------|---------------------------------------|-------------------|--------------------------|
| | | | Technology | Marketing | Industrial | Corporate | Accounting/ Finance | Law/Legal | Age 40 – 49 years 50 – 59 years | Ethnic Chinese | Gender Male Female |
| Tan Cheik Eaik | Malaysian | Independent Non-Executive Chairman | √ | √ | √ | √ | | | √ | √ | √ |
| Dato' Ong Choon Heng | Malaysian | Executive Director/ Chief Executive Officer | | √ | √ | √ | √ | | √ | √ | |
| Lee Chun Wah | Malaysian | Non-Independent Non-Executive Director | √ | √ | √ | √ | | | √ | √ | √ |
| Tan Sin Khoon | Malaysian | Non-Independent Non-Executive Director | √ | | √ | | | | √ | √ | √ |
| Chan Bee Cheng | Malaysian | Independent Non-Executive Director | | | | | √ | | √ | √ | √ |
| Teoh Lay Fung | Malaysian | Independent Non-Executive Director | | | | | | √ | √ | √ | √ |

The Board takes cognisance of diversity relating to ethnicity and will endeavour to comply with the principles and recommendations of the relevant guidelines in relation to corporate governance.

The Board has not set gender diversity target as of the reporting period. The Board is of the view that the appointment of Board member or management should be determined based on objective criteria, merit and with due regard for diversity in skills, experience and other qualities regardless of gender. As of the reporting period, two (2) out of six (6) of the Directors are female Directors, which meet the MCCG's recommendation.

The NC is responsible for identifying, evaluating and recommending to the Board, suitable candidates to fill the Board vacancies. The NC makes the recommendations following a careful consideration of the required mix of skills, experience and diversity, as well as gender where appropriate. Apart from assisting the Board in carrying out annual review on the required mix of skills and experience, contributions and other qualities of the Board, the NC also carries out the process of evaluating the effectiveness of the Board as a whole, respective Board Committee as well as contribution by each Director. The Company Secretaries have the responsibility to ensure relevant procedures relating to the appointment of new Directors are properly executed. New Directors are required to undergo familiarisation programmes and briefings to get a better understanding of the Group's operations and the overall industry.

On 23 August 2022, the NC reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board and its Board Committees. The annual assessment is to evaluate the performance of the Board, Board Committees and individual Director in order to verify that the Board is operating effectively and efficiently as a whole. The NC assessed the Independent Directors to ascertain if they display a strong element of detached impartiality. The assessment was administered using a set of detailed questionnaires which covered matters relevant to the Board performance, among other items, contribution to interaction, quality of input, understanding of the role and personal development. The NC reviewed the outcome arising from the evaluation process and has compiled, documented and reported to the Board accordingly, as part of the Company's ongoing corporate governance practices. Based on the assessment carried out, the NC is satisfied with the effectiveness demonstrated.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Principle A - Board leadership and effectiveness (cont'd)

II. Board composition (cont'd)

The Board and Board Committees convene meetings with sufficient regularity to deliberate on matters under their purview. The Directors have dedicated adequate time and effort to prepare and actively participate during Board and Board Committees Meeting. There were five (5) Board Meetings during the FYE 2022. All the Directors have complied with the minimum 50% attendance requirement as stipulated in the Main LR. Details of the Directors' meeting attendance for the FYE 2022 are as follows:-

| Director | Attendance |
|----------------------|------------|
| Tan Cheik Eaik | 5/5 |
| Dato' Ong Choon Heng | 5/5 |
| Lee Chun Wah | 5/5 |
| Tan Sin Khoon | 5/5 |
| Chan Bee Cheng | 5/5 |
| Teoh Lay Fung | 5/5 |

In the interval between Board Meetings, for any matters requiring Board's decisions, the Board's approvals are obtained through circular resolutions. The resolutions passed by way of such circular resolutions are then noted at the next Board Meeting. To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated to all the Directors on periodical basis.

The NC also assessed the training needs of the Board and reminded the Board to attend training programs continuously in order to enhance their skills and knowledge where relevant, as well as to keep abreast with the changes in market trends, technological advancement and legislation affecting the Group.

The training programs attended by the Directors during the FYE 2022 are as follows:-

| Director | Date/Duration | Training programs attended |
|----------------------|-----------------|---|
| Tan Cheik Eaik | Monthly/12 Days | The Vistage Chief Executive Program by Vistage Malaysia Sdn. Bhd. |
| | 0.5 Day | Corporate Liability, S17A of the MACC Act 2009 |
| Dato' Ong Choon Heng | 1 Day | 2nd Penang International Business Investment Summit |
| | 0.5 Day | Corporate Liability, S17A of the MACC Act 2009 |
| Lee Chun Wah | 0.5 Day | Corporate Liability, S17A of the MACC Act 2009 |
| Tan Sin Khoon | 0.5 Day | Corporate Liability, S17A of the MACC Act 2009 |
| Chan Bee Cheng | 0.5 Day | SC's Audit Oversight Board Conversation with Audit Committees |
| | 0.5 Day | EY Malaysia Budget 2022 |
| | 0.5 Day | Corporate Liability, S17A of the MACC Act 2009 |
| Teoh Lay Fung | 0.5 Day | Corporate Liability, S17A of the MACC Act 2009 |

III. Remuneration

The Board has in place policies and procedures to determine the remuneration of Directors and senior management which takes in account the demand, complexities and performance of the Group as well as skills and experience required. The policies and procedures are periodically reviewed. The RC reviewed and recommended to the Board the remuneration framework for Executive Director. As for Non-Executive Directors, their remuneration packages are structured such that their objectivity in fulfilling their fiduciary duties is not impaired. Accordingly, the remuneration level for Non-Executive Directors reflects their credentials, responsibilities and position on the Board and Board Committees as well as their commitment to the Company's affairs. The aggregate annual remuneration of Non-Executive Directors comprises Directors' fees and meeting allowance as recommended by the Board and is subject to shareholders approval at the forthcoming annual general meeting ("AGM").

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Principle A - Board leadership and effectiveness (cont'd)

III. Remuneration (cont'd)

Detailed disclosure on named basis for the remuneration of individual Director for the FYE 2022 are as follows:-

| Category | Fee (RM) | Salary and other emoluments* (RM) | ESOS (RM) | Total (RM) |
|----------------------|----------------|-----------------------------------|----------------|------------------|
| Company | | | | |
| Tan Cheik Eaik | 51,000 | 6,500 | 38,185 | 95,685 |
| Lee Chun Wah | - | 6,500 | - | 6,500 |
| Tan Sin Khoon | - | 5,500 | - | 5,500 |
| Chan Bee Cheng | 39,000 | 8,500 | 38,185 | 85,685 |
| Teoh Lay Fung | 39,000 | 5,500 | 38,185 | 82,685 |
| | 129,000 | 32,500 | 114,555 | 276,055 |
| Subsidiary | | | | |
| Dato' Ong Choon Heng | - | 887,348 | 119,329 | 1,006,677 |
| Lee Chun Wah | - | 96,000 | 76,371 | 172,371 |
| Tan Sin Khoon | - | 96,000 | 76,371 | 172,371 |
| | - | 1,079,348 | 272,071 | 1,351,419 |
| Group | 129,000 | 1,111,848 | 386,626 | 1,627,474 |

* Other emoluments mainly consist of allowances, bonuses and defined contribution plans.

The Board is of the view that disclosure on remuneration of the top five (5) senior management on a named basis may not be in the best interest of the Group due to confidentiality and sensitivity of information. Thus, the Board has opted not to disclose it.

The ToR of the RC is available on the Company's website at www.foundpac.com.

Principle B - Effective audit and risk management

I. Audit committee

The Board has established AC on 15 March 2016 with the primary objective of assisting the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices and internal control system of the Group.

The AC comprises solely of Independent Non-Executive Directors. The Chairman of AC is not the Chairman of the Board and she is an accountant by profession and a member of the Malaysian Institute of Certified Public Accountants ("MICPA") as well as the Malaysian Institute of Accountants ("MIA"). The AC composition meets the requirements of Paragraph 15.09(1)(a) and (b) of the Main LR.

The NC had on 23 August 2022 assessed the performance of the AC and its members through an annual Board Committees effectiveness evaluation. The NC is satisfied that the AC and its members have discharged their functions, duties and responsibilities in accordance with the AC's ToR and supported the Board in ensuring the Group upholds appropriate corporate governance standards.

The duties and responsibilities of the AC are spelt out in the ToR of the AC, a copy of which is available on the Company's website at www.foundpac.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Principle B - Effective audit and risk management (cont'd)

II. Risk management and internal control framework

The Group has formalised the risk management process of the Group through Group Risk Management Framework. Under this Framework, RMC and Risk Management Working Group ("RMWG") have been formed.

The RMWG, which consists of senior management and key personnel, is responsible to identify risks, quantify the risk impact and formulate risk mitigation strategies. RMWG will meet the RMC to discuss and evaluate the RMWGs' reports for adoption on periodical basis. Thereafter, the RMC will report to the AC about key risks and risk management activities carried out during that period. The AC will review the report and confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified.

The Statement on Risk Management and Internal Control set out on pages 40 to 41 of this Annual Report provides an overview on the state of risk management and internal control within the Group.

Principle C - Integrity in corporate reporting and meaningful relationship with stakeholders

I. Communication with stakeholders

The Board ensures there is effective, transparent and regular communication with its stakeholders to ensure that they are informed of all material business matters on a timely manner.

Presently, the Board and management of the Group communicate regularly with its shareholders and other stakeholders through the following channels of communication:-

- a) Website of Bursa Securities
- b) Company's website at www.foundpac.com
- c) Analyst briefings and one-to-one meetings

II. Conduct of general meetings

The Company's general meetings are the important and effective platforms for Directors to communicate with the shareholders. Shareholders are able to participate, engage the Board effectively and make informed voting decisions at general meetings.

The Board practises to dispatch notice of AGM to shareholders at least 28 days before the meeting in line with the Practice 13.1 of the MCGG. The adequate time given the shareholders would allow them to make necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney. This would also enable the shareholders to properly consider the resolutions that will be discussed and decided at the meeting. The Board adopted electronic voting during the AGM taking into consideration the advantages of electronic voting.

This Statement is made in accordance with a Board resolution dated 23 August 2022.

AUDIT COMMITTEE REPORT

The Audit Committee (“AC”) was established by the Board of Directors (“Board”) on 15 March 2016 with the primary objective of assisting the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices and internal control system of FoundPac Group Berhad (“FoundPac” or “Company”) and its subsidiaries (“FoundPac Group” or “Group”).

Composition

The present composition of the AC consists of three (3) members of the Board, all of whom are Independent Non-Executive Directors:-

| | |
|----------------|---|
| Chairman of AC | Chan Bee Cheng <i>Independent Non-Executive Director</i> |
| Member of AC | Tan Cheik Eaik <i>Independent Non-Executive Chairman</i> |
| | Teoh Lay Fung <i>Independent Non-Executive Director</i> |

This composition meets the requirements of Paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) [“Main LR”].

Ms. Chan Bee Cheng, the Chairman of the AC, is an accountant by profession and a member of the Malaysian Institute of Certified Public Accountants (“MICPA”) as well as the Malaysian Institute of Accountants (“MIA”). Accordingly, this meets the requirements of Paragraph 15.09(1)(c) of the Main LR. The other two (2) members of the AC, Mr. Tan Cheik Eaik is the Chief Executive Officer of a Public Listed Company whilst Ms. Teoh Lay Fung is a lawyer by profession. All members of the AC are believed to be able to analyse and interpret financial statements to discharge their duties and responsibilities effectively as members of the AC.

The Nominating Committee (“NC”) had on 23 August 2022 assessed the performance of the AC and its members through an annual Board Committees effectiveness evaluation. The NC is satisfied that the AC and its members have discharged their functions, duties and responsibilities in accordance with the AC’s Terms of Reference (“ToR”) and supported the Board in ensuring the Group upholds appropriate corporate governance standards. The ToR of the AC is available on the Company’s website at www.foundpac.com.

Attendance at meetings

The information on the attendance of each member at the AC meetings held during the financial year ended 30 June 2022 (“FYE 2022”) is as follows:-

| Member | Attendance |
|----------------|------------|
| Chan Bee Cheng | 4/4 |
| Tan Cheik Eaik | 4/4 |
| Teoh Lay Fung | 4/4 |

The AC conducted its meetings in an open and constructive manner. The AC encouraged focused discussion, questioning and expressions of differing opinions. The External Auditors and Internal Auditors attended meetings of the AC to present their reports. As and when necessary, the AC would request the attendance of relevant personnel at its meetings to brief the AC on specific issues. The representatives from finance department attended the AC meetings to present the unaudited quarterly financial reports as well as other financial reporting related matters for the AC’s deliberation and recommendation to the Board for approval, where appropriate.

At each meeting, the Chairman of the AC reported the AC’s deliberations and recommendations to the Board. Minutes of each AC meeting were recorded and tabled for confirmation at the next following AC meeting and subsequently presented to the Board for notation.

AUDIT COMMITTEE REPORT (Cont'd)

Summary of activities

The activities carried out by the AC during the FYE 2022 in the discharge of its duties and responsibilities are as follows:-

1. Financial reporting

On 24 August 2021, the AC reviewed the draft audited financial statements for the financial year ended 30 June 2021 ("FYE 2021"), AC Report and the Statement on Risk Management and Internal Control and recommended the same to the Board for inclusion in the Annual Report 2021.

The AC reviewed the quarterly results for the fourth quarter of the FYE 2021 and the quarterly results for the first quarter, second quarter and third quarter of the FYE 2022 at the AC meetings held on 24 August 2021, 24 November 2021, 22 February 2022 and 20 May 2022 respectively and recommended the same to the Board for approval and announcement to Bursa Securities.

2. External audit

On 24 August 2021 and 20 May 2022, the AC met with the External Auditors for discussion session without the presence of the executive members. On 24 August 2021, the External Auditors updated the AC on the status of audit for the FYE 2021 and the outstanding audit areas as summarised in the Audit Review Memorandum ("ARM"). The External Auditors highlighted the identified Key Audit Matters ("KAMs") in the Independent Auditors' Report for the AC's notation. During the meeting, the AC enquired the External Auditors whether they have encountered any matter/concern/issue during the course of audit including the co-operation rendered by the management thus far which will in any way cause difficulties to discharge their duties that warrants the AC's attention. The External Auditors informed that the management had granted full co-operation to the External Auditors during their course of audit. The AC has also obtained confirmation from the External Auditors that Messrs. Crowe Malaysia PLT are not aware of any cause that in their professional judgement, may be thought to impair their independence.

The AC, on 24 August 2021, concluded that based on the assessment, amongst others as set out below, the performance of the External Auditors for the FYE 2021 was found adequate and thereby recommended the re-appointment of Messrs. Crowe Malaysia PLT as the External Auditors of the Group to the Board for approval by its shareholders at the 6th Annual General Meeting held on 24 November 2021:-

- After having satisfied with its audit independence and the quality processes/performance throughout its course of audit for the FYE 2021;
- Able to give adequate technical support when audit issue arose; and
- Adequate experience and resources for the audit engagements.

During the meeting on 20 May 2022, the External Auditors tabled the Audit Plan prior to the commencement of audit of financial statements for the FYE 2022. The External Auditors briefed the AC about changes in the Malaysian Financial Reporting Standards applicable to the Group, areas of audit emphasis which required significant attention by the External Auditors in performing audit. The External Auditors also outlined the nature and scope of audit, audit timetable, list of management communication team and audit engagement team in the Audit Plan.

The AC also enquired the External Auditors whether they have encountered any matter/concern/issue during the course of their previous audit that warrant the Committee's attention. The External Auditors reverted that they have received full co-operation from the management. There was no critical issue from the audit work carried out on the Group to be highlighted to the AC.

3. Risk management and internal audit

At present, the Group does not have an in-house internal audit department. The Board has appointed an independent professional consulting firm, Finfield Corporate Services Sdn. Bhd. ("FCS" or "Internal Auditors") to carry out internal audit services, including enterprise risk management services, for the Group since 22 February 2017.

FCS's principal role is to provide independent assurance on the adequacy and effectiveness of risk management, internal control and governance processes. It reports directly to the AC on its activities based on the approved annual Internal Audit Plan.

AUDIT COMMITTEE REPORT (Cont'd)

Summary of activities (cont'd)

3. Risk management and internal audit (cont'd)

During the FYE 2022, the Internal Auditors have conducted review on risk management system and internal control system in the following areas:-

| Name of subsidiary | Audit area | Reporting date |
|---|---|------------------|
| FoundPac Technologies Sdn. Bhd. ("FoundPac Tech") | - The compliance with Guidelines on Adequate Procedures pursuant to Section 17A of the MACC Act | 24 November 2021 |
| FP Stencil Sdn Bhd ("FPS") | - The compliance with Guidelines on Adequate Procedures pursuant to Section 17A of the MACC Act | 24 November 2021 |
| Sin Yen Technologies Sdn. Bhd. ("SYT") | - Revenue - Account Receivables and collection | 9 May 2022 |

During the course of internal audit, the Internal Auditors identified areas that required improvement. Those areas identified were highlighted in the internal audit reports together with internal audit recommendations, the management comments and action plans in relation thereto and subsequently tabled in the AC meeting.

The Internal Auditors also carried out follow-up reviews on previous internal audit findings and management action plans to ensure that the recommendations for improving the internal control systems were implemented satisfactorily.

On 20 May 2022, FCS presented its report to the Risk Management Committee ("RMC") concerning its review on the risk management system of FoundPac Tech and FPS. The RMC reported the adequacy and effectiveness of the risk management process to the AC on the same date. The reports included updates on the risk profile of both subsidiaries and relevant action plans to manage the Group's risks at an acceptable level.

The cost incurred for the internal audit services rendered during the FYE 2022 amounted to RM34,000.

4. Others

The AC reviewed and discussed the recurrent related party transactions to ensure that the transactions entered into were 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.

Subsequent to the FYE 2022, the activities of the AC comprised the followings:-

1. Financial reporting

On 23 August 2022, the AC reviewed the draft audited financial statements for the FYE 2022 and recommended the same to the Board for inclusion in the Annual Report 2022. The AC also reviewed the quarterly results for the fourth quarter of the FYE 2022 and recommended the same to the Board for approval and announcement to Bursa Securities. On the same date, the AC reviewed AC Report and the Statement on Risk Management and Internal Control and recommended the same to the Board for inclusion in the Annual Report 2022.

2. External audit

On 23 August 2022, the AC met with the External Auditors without the presence of the executive members. On the same date, the External Auditors updated the AC on the status of audit for the FYE 2022 and the outstanding audit areas as summarised in the ARM. The External Auditors highlighted the identified KAMs in the Independent Auditors' Report for the AC's notation. During the meeting, the AC enquired the External Auditors whether they have encountered any matter/concern/issue during the course of audit including the co-operation rendered by management thus far which will in any way cause difficulties to discharge their duties that warrants the AC's attention. The External Auditors informed that the management had granted full co-operation to the External Auditors during their course of audit. The AC has also obtained confirmation from the External Auditors that Messrs. Crowe Malaysia PLT are not aware of any cause that in their professional judgement, may be thought to impair their independence.

AUDIT COMMITTEE REPORT (Cont'd)

Summary of activities (cont'd)

2. External audit (cont'd)

The AC, on 23 August 2022, concluded that based on the assessment, amongst others as set out below, the performance of the External Auditors for the FYE 2022 was found adequate and thereby recommended the re-appointment of Messrs. Crowe Malaysia PLT as the External Auditors of the Group to the Board for approval by its shareholders at the forthcoming Annual General Meeting:-

- After having satisfied with its audit independence and the quality processes/performance throughout its course of audit for the FYE 2022;
- Able to give adequate technical support when audit issue arose; and
- Adequate experience and resources for the audit engagements.

3. Others

The AC reviewed and discussed the recurrent related party transactions to ensure that the transactions entered into were 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.

The AC has also reviewed and verified the allocation of option pursuant to the Employees' Shares Option Scheme ("ESOS") for the FYE 2022 and satisfied that it is in compliance with the criteria set out in the By-Laws.

This report is made in accordance with a Board resolution dated 23 August 2022.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

The Board of Directors ("Board") of FoundPac Group Berhad ("FoundPac" or "Company") is pleased to present this Statement on Risk Management and Internal Control ("Statement"), which has been prepared in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of the Listed Issuers issued by Bursa Malaysia Securities Berhad ("Bursa Securities").

Board responsibility

The Board affirms its overall responsibility for risk management practices and internal control system of FoundPac and its subsidiaries ("FoundPac Group" or "Group"). The Board recognises that in order to meet the Group's mission and objectives, as well as safeguarding shareholders' interest, it is important to have a sound systems of risk management and internal control which are embedded in all aspects of activities of the Group.

In making this Statement, the Board wishes to highlight that like any other system of controls, our risk management and internal control systems have been designed to manage the Group's risk to an acceptable level, within the risk appetite. The system can only provide reasonable, but not absolute assurance against material misstatements, losses or fraud. The risk management and internal control systems cover strategic, operational, financial and compliance objectives of the Group.

The Board acknowledges that "tone from the top" is a key driver of a healthy corporate culture and serves to form the bedrock of value creation. Accordingly, the Board adopts Code of Ethics to enhance the standard of corporate governance and corporate behaviour as well as Anti-Corruption Policy which outlines the Group's commitment to conduct business to the highest ethical standards as well as act professionally.

Senior management and key personnel of the Group

The senior management and key personnel of the Group are accountable to the Board for the implementation of the processes in identifying, evaluating, monitoring and reporting of risks and internal control. The Chief Executive Officer ("CEO") has provided the Board the assurance that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, to ensure achievement of corporate objectives.

Risk management

The Group has formalised the risk management process through Group Risk Management Framework. Under this Framework, Risk Management Committee ("RMC") and Risk Management Working Group ("RMWG") have been formed.

The RMWG which consists of senior management and key personnel, is responsible to identify risks, quantify the risk impact and formulate risk mitigation strategies. RMWG will meet the RMC to discuss and evaluate the RMWG's reports for adoption on periodical basis. Thereafter, the RMC will report to the Audit Committee ("AC") about key risks and risk management activities carried out during that period. The AC will review the report and confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified.

The RMWG is mainly responsible for identifying and assessing business and compliance risks by employing the following methodologies:-

- Identification of significant risks by the process owners
- Assessment of the likelihood and impact of the risks identified
- Evaluating the control strategies in relation to the risks
- Formulating action plan to address control deficiencies
- Setting Key Risk Indicators to monitor the risks

Internal control system

Internal controls are embedded in various work processes and procedures. The Board maintains an organisational structure with clearly defined levels of responsibility and authority and appropriate reporting procedures.

The CEO, the senior management and key personnel of the Group are assigned with the responsibility of managing the Group. Key functions such as finance, tax, treasury, corporate, legal matters and contract awarding are controlled centrally by them. They are also accountable for the conduct and performance of the various business units. They monitor the affairs of the business units through review of performance and operation reports and having regular management meetings with the heads of the business units to identify, discuss and resolve business, financial, operational, environmental, compliance and management issues. The meetings also serve as a platform whereby the Group's goals and objectives are communicated.

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

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Internal audit

The AC is responsible for reviewing and monitoring the adequacy and effectiveness of the Group's system of internal control. The review and monitoring of the adequacy and effectiveness of the system of internal control are carried out through the internal audit function. In this respect, the Group has outsourced the internal audit function to an independent professional consulting firm to assist the AC to achieve the following objectives:-

- Review and assess the adequacy and effectiveness of the internal control system and provide recommendations to improve on the existing control environment in relation to key business processes and risk management practices;
- Recommend opportunities for improving efficiency, effectiveness and economic aspects of the Group's operations; and
- Promote a system of internal control that is responsive to the dynamic and ever-changing business environment, cost effective and sustainable.

The annual Internal Audit Plan is reviewed and approved by the AC prior to the commencement of internal audit review. The plan is developed based on the risk profile and analysis of the businesses of the Group, as well as on past experience. The internal audit will focus its resources on areas of high risks which will be audited more frequently than low risk areas. For purposes of identifying and prioritising risks, the Internal Auditors will discuss with the RMC and the RMWG, review management reports and financial statements.

During the financial year ended 30 June 2022 ("FYE 2022"), the Internal Auditors carried out reviews on the following areas:-

FoundPac Technologies Sdn. Bhd.

- The compliance with Guidelines on Adequate Procedures pursuant to Section 17A of the MACC Act

FP Stencil Sdn. Bhd.

- The compliance with Guidelines on Adequate Procedures pursuant to Section 17A of the MACC Act

Sin Yen Technologies Sdn. Bhd.

- Revenue
- Account Receivables and collection

The findings of their audits were tabled at the AC meetings for deliberation.

Conclusion

The Board, based on the Internal Auditors' reports for the FYE 2022 and having received reasonable assurance from the CEO, is satisfied with the adequacy and effectiveness of the Group's risk management and internal control systems which have been in place for the FYE 2022 and up to the date of approval of this Statement. There were no material internal control weaknesses which had resulted in material losses, uncertainties or contingencies that would require disclosure in this Annual Report.

This Statement is made in accordance with a Board resolution dated 23 August 2022.

Review of statement by the External Auditors

Pursuant to Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the External Auditors have reviewed this Statement for inclusion in this Annual Report. As set out in their terms of engagement, the limited assurance review was performed in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control Included in the Annual Report*.

The External Auditors' limited assurance procedures primarily comprise obtaining an understanding of the processes described in this Statement, reviewing documentation to support the existence of the processes, and assessing whether the disclosure appropriately reflects the processes in place. The External Auditors are not required to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control systems.

Based on their review as to the factual accuracy of the processes and not their effectiveness or efficiency, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of the *Statement on Risk Management and Internal Control: Guidelines for Directors of the Listed Issuers* issued by Bursa Securities to be set out, nor is this Statement factually inaccurate.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Pursuant to Paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Pursuant to the Companies Act 2016, the Directors are required to prepare financial statements which give a true and fair view of the state of affairs, including the cash flows and results of the Group and of the Company as at the end of each financial year.

In preparing the financial statements, the Directors have considered the followings:-

- That the Group and the Company have used appropriate accounting policies, and these are consistently applied;
- That reasonable and prudent judgments and estimates were made;
- That the approved accounting standards in Malaysia have been adopted; and
- That the financial statements have been prepared on a going concern basis.

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

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

This Statement is made in accordance with a Board resolution resolution dated 23 August 2022.

ADDITIONAL COMPLIANCE INFORMATION

Utilisation of proceeds

There were no proceeds raised from corporate proposal during the financial year ended 30 June 2022 ("FYE 2022").

Audit and non-audit fees

The amount of audit and non-audit fees incurred for services rendered to the Company and its subsidiaries for the FYE 2022 by the Company's Auditors, or a firm or corporation affiliated to the Auditors' firm are as follows:-

| Category | Audit fee RM'000 | Non-audit fee RM'000 |
|--------------|---------------------|-------------------------|
| Company | 35 | 6 |
| Subsidiaries | 100 | 39 |
| | <u>135</u> | <u>45</u> |

The non-audit services rendered were in respect of review of the Statement on Risk Management and Internal Control and tax fee.

Material contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and Major Shareholders' interests either still subsisting as at 30 June 2022 or entered into since the end of the previous financial year.

Employees' Share Option Scheme

The shareholders of the Company had via its Extraordinary General Meeting held on 22 November 2017, amongst others, approved the establishment of an Employees' Share Option Scheme ("ESOS") of up to 10% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS Scheme. The implementation of the ESOS is effective from 22 February 2018.

The Board of Directors of the Company had approved the extension of the ESOS from 22 February 2023 for a further period of five (5) years to 21 February 2028.

Pursuant to the Company's ESOS, not more than 70% of the options available under the scheme shall be allocated, in aggregate, to Directors and senior management. Since the commencement of the scheme, 54.32% of the options under the scheme have been granted to Directors and senior management.

During the financial year, 33.18% of the options under the scheme have been granted to Directors and senior management.

The total number of ESOS granted, forfeited, exercised and outstanding during FYE 2022 are set out below:-

| | Balance as at 1 July 2021 | Granted | Exercised | Forfeited | Balance as at 30 June 2022 |
|-----------|------------------------------|------------|-----------|-----------|-------------------------------|
| Directors | - | 8,100,000 | - | - | 8,100,000 |
| Employees | - | 18,780,000 | - | (380,000) | 18,400,000 |
| Total | - | 26,880,000 | - | (380,000) | 26,500,000 |

The table below set out the ESOS granted to Directors:-

| | Balance as at 1 July 2021 | Granted | Exercised | Forfeited | Balance as at 30 June 2022 |
|--------------------------------|------------------------------|-----------|-----------|-----------|-------------------------------|
| Executive Directors | | | | | |
| Dato' Ong Choon Heng | - | 2,500,000 | - | - | 2,500,000 |
| Total | - | 2,500,000 | - | - | 2,500,000 |
| Non-Executive Directors | | | | | |
| Lee Chun Wah | - | 1,600,000 | - | - | 1,600,000 |
| Tan Sin Khoo | - | 1,600,000 | - | - | 1,600,000 |
| Tan Cheik Eaik | - | 800,000 | - | - | 800,000 |
| Chan Bee Cheng | - | 800,000 | - | - | 800,000 |
| Teoh Lay Fung | - | 800,000 | - | - | 800,000 |
| Total | - | 5,600,000 | - | - | 5,600,000 |

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DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 30 June 2022.

Principal activities

The principal activity of the Company is that of investment holding. The principal activities and other details of the subsidiaries are disclosed in Note 8 to the financial statements.

Results

| | Group RM | Company RM |
|--|-------------------|-------------------|
| Profit/(Loss) for the financial year attributable to:- | | |
| - Owners of the Company | 12,321,357 | 14,366,675 |
| - Non-controlling interests | (248,926) | 0 |
| | <u>12,072,431</u> | <u>14,366,675</u> |

Dividends

During the financial year, the Company declared and paid the following interim dividends in respect of the financial year ended 30 June 2022:-

| | RM |
|--|------------------|
| First interim single tier dividend of 0.5 sen per share | 2,705,175 |
| Second interim single tier dividend of 1.0 sen per share | 5,403,225 |
| | <u>8,108,400</u> |

Reserves and provisions

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

Issue of shares or debentures

The Company did not issue any shares or debentures during the financial year.

Share options

The shareholders of the Company, by a resolution passed at the extraordinary general meeting held on 22 November 2017, approved the Employees' Share Option Scheme ("ESOS") of the Company. The ESOS became effective on 22 February 2018.

The principal features of the ESOS are disclosed in Note 17 to the financial statements.

The movements in the number of options during the financial year are as follows:-

| Date of offer | Date of expiration | Exercise price RM | Number of options over ordinary shares | | | | Balance at 30.6.2022 |
|---------------|--------------------|----------------------|--|------------|-----------|-----------|-------------------------|
| | | | Balance at 1.7.2021 | Granted | Exercised | Forfeited | |
| 14.3.2022 | 13.4.2026 | 0.390 | 0 | 26,880,000 | 0 | (380,000) | 26,500,000 |

DIRECTORS' REPORT (Cont'd)

Bad and doubtful debts

Before the financial statements were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent.

Current assets

Before the financial statements were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records have been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements misleading.

Valuation methods

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group or the Company misleading or inappropriate.

Contingent and other liabilities

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

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

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

Change of circumstances

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

Items of an unusual nature

The results of the operations of the Group and the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

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, in the opinion of the directors, to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

DIRECTORS' REPORT (Cont'd)

Directors

The directors in office since the beginning of the financial year are:-

Directors of the Company

Dato' Ong Choon Heng
Lee Chun Wah
Tan Sin Khoon
Tan Cheik Eaik
Chan Bee Cheng
Teoh Lay Fung

Directors of subsidiaries (other than directors of the Company)

Lim Seng Chiew (resigned on 21.7.2021)
Ong Charn Hong
Chen Yen Hong
Tan Sin Hong
Ng Phaik Lee*
Kameda Shin*

* Being director of new subsidiary acquired on 15 October 2021

Directors' interests

According to the register of directors' shareholdings, the interests in shares in the Company of the directors in office at the end of the financial year are as follows:-

| Name of director | Number of ordinary shares | | | | | |
|----------------------|---------------------------|-----------|--------|-------------------------|------------------------|-------------------------|
| | Direct interest | | | Deemed interest | | |
| | Balance at 1.7.2021 | Bought | (Sold) | Balance at 30.6.2022 | Balance at 1.7.2021 | Balance at 30.6.2022 |
| Dato' Ong Choon Heng | 3,683,000 | 1,922,900 | 0 | 5,605,900 | 181,800,000 | 181,800,000 |
| Lee Chun Wah | 33,980,300 | 1,000,000 | 0 | 34,980,300 | 181,800,000 | 181,800,000 |
| Tan Sin Khoon | 31,000,000 | 889,000 | 0 | 31,889,000 | 181,800,000 | 181,800,000 |
| Tan Cheik Eaik | 1,800,000 | 0 | 0 | 1,800,000 | 0 | 0 |
| Chan Bee Cheng | 1,420,000 | 0 | 0 | 1,420,000 | 0 | 0 |
| Teoh Lay Fung | 570,000 | 0 | 0 | 570,000 | 0 | 0 |

| Name of director | Number of options over ordinary shares | | | |
|----------------------|--|-----------|-----------|-------------------------|
| | Balance at 1.7.2021 | Granted | Exercised | Balance at 30.6.2022 |
| Dato' Ong Choon Heng | 0 | 2,500,000 | 0 | 2,500,000 |
| Lee Chun Wah | 0 | 1,600,000 | 0 | 1,600,000 |
| Tan Sin Khoon | 0 | 1,600,000 | 0 | 1,600,000 |
| Tan Cheik Eaik | 0 | 800,000 | 0 | 800,000 |
| Chan Bee Cheng | 0 | 800,000 | 0 | 800,000 |
| Teoh Lay Fung | 0 | 800,000 | 0 | 800,000 |

By virtue of their interests in shares in the Company, Dato' Ong Choon Heng, Lee Chun Wah and Tan Sin Khoon are deemed to have interests in shares in the subsidiaries to the extent of the Company's interests, pursuant to Section 8 of the Companies Act 2016.

DIRECTORS' REPORT (Cont'd)

Directors' benefits

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than the directors' remuneration as disclosed in Note 22 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of certain related party transactions as disclosed in Note 27 to the financial statements.

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

Indemnity and insurance for directors and officers

There was no indemnity given to or liability insurance effected for any director or officer of the Group or the Company during the financial year.

Auditors

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 21 to the financial statements. There was no indemnity given to or liability insurance effected for the auditors during the financial year.

Signed in accordance with a resolution of the directors dated 23 August 2022

Dato' Ong Choon Heng

Lee Chun Wah

STATEMENT BY DIRECTORS

In the opinion of the directors, the financial statements set out on pages 54 to 98 give a true and fair view of the financial position of the Group and the Company as at 30 June 2022 and of their financial performance and 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.

Signed in accordance with a resolution of the directors dated 23 August 2022

Dato' Ong Choon Heng

Lee Chun Wah

STATUTORY DECLARATION

I, Dato' Ong Choon Heng (MIA membership no.: 21270), being the director primarily responsible for the financial management of FoundPac Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 54 to 98 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Dato' Ong Choon Heng at George Town in the State of Penang on this 23 August 2022

Dato' Ong Choon Heng

Before me

Shamini A/P M Shanmugam

No. P157

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

to the members of FoundPac Group Berhad 201501040628 (1165946-H)
(Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of FoundPac Group Berhad, which comprise the statements of financial position as at 30 June 2022 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and 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 54 to 98.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 30 June 2022, and of their financial performance and 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 are independent of the Group and 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

| Key audit matter | How our audit addressed the key audit matter |
|--|--|
| <u>Impairment of goodwill (Refer to Notes 3 and 7 to the financial statements)</u> The Group carries significant goodwill. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. The impairment test involves significant judgements and estimation uncertainty in making key assumptions about future market and economic conditions, growth rates, profit margins, discount rate, etc. | Our audit procedures included, among others:- <ul style="list-style-type: none">• Evaluating whether the method used by the Group in measuring the recoverable amount is appropriate in the circumstances.• Making enquiries of and challenging management on the key assumptions and inputs used in the measurement method.• Evaluating whether the key assumptions and inputs used are reasonable and consistent by taking into consideration the past performance, future growth, market development, etc.• Performing stress tests and sensitivity analyses to assess the impacts of those key assumptions and inputs on the measurement of recoverable amount. |

INDEPENDENT AUDITORS' REPORT (Cont'd)

to the members of FoundPac Group Berhad 201501040628 (1165946-H)
(Incorporated in Malaysia)

Report on the audit of the financial statements (cont'd)

Key audit matters (cont'd)

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p><u>Impairment of receivables (Refer to Notes 3 and 11 to the financial statements)</u></p> <p>The Group carries significant receivables and is subject to major credit risk exposure. The Group recognises loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions.</p> | <p>Our audit procedures included, among others:-</p> <ul style="list-style-type: none"> Obtaining an understanding of:- <ul style="list-style-type: none"> the Group's control over the receivable collection process; how the Group identifies and assesses the impairment of receivables; and how the Group makes the accounting estimates for impairment. Reviewing the ageing analysis and past due status of receivables and testing the reliability thereof. Reviewing the subsequent cash collections for major receivables and overdue amounts. Making inquiries of management regarding the action plans to recover overdue amounts. Comparing and challenging management's view on the recoverability of overdue amounts to historical patterns of collections. Reviewing the computation of historical observed default rates and adjustment for forward-looking estimates used to develop the provision matrix. Evaluating the reasonableness and adequacy of the resulting loss allowance recognised. |

We have determined that there are no key audit matters to communicate in our report 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 directors' report (but does not include the financial statements of the Group and the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and request that a correction be made. If the directors refuse to make the correction, we shall take appropriate action considering our legal rights and obligations, to seek to have the uncorrected material misstatement appropriately brought to the attention of users for whom our auditors' report is prepared.

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

INDEPENDENT AUDITORS' REPORT (Cont'd)

to the members of FoundPac Group Berhad 201501040628 (1165946-H)
(Incorporated in Malaysia)

Report on the audit of the financial statements (cont'd)

Responsibilities of the directors for the financial statements (cont'd)

In preparing the financial statements of the Group and 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 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 the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and 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 the Company, including the disclosures, and whether the financial statements of the Group and the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

INDEPENDENT AUDITORS' REPORT (Cont'd)

to the members of FoundPac Group Berhad 201501040628 (1165946-H)
(Incorporated in Malaysia)

Report on the audit of the financial statements (cont'd)

Auditors' responsibilities for the audit of the financial statements (cont'd)

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

Other matters

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

Crowe Malaysia PLT

201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Date: 23 August 2022

Penang

Eddy Chan Wai Hun

02182/10/2023 J
Chartered Accountant

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2022

| | Note | 2022 RM | 2021 RM |
|--|------|--------------------|--------------------|
| Non-current assets | | | |
| Property, plant and equipment | 4 | 14,238,351 | 15,317,066 |
| Right-of-use assets | 5 | 10,179,283 | 9,040,776 |
| Intangible assets | 6 | 0 | 78,574 |
| Goodwill | 7 | 16,528,721 | 15,000,638 |
| Deferred tax assets | 9 | 1,591,000 | 340,000 |
| | | <u>42,537,355</u> | <u>39,777,054</u> |
| Current assets | | | |
| Inventories | 10 | 12,933,188 | 4,753,568 |
| Receivables | 11 | 16,871,667 | 9,486,322 |
| Prepayments | | 1,251,117 | 151,085 |
| Current tax assets | | 1,030,996 | 503,216 |
| Cash and cash equivalents | 12 | 50,385,415 | 56,197,041 |
| | | <u>82,472,383</u> | <u>71,091,232</u> |
| Current liabilities | | | |
| Payables | 13 | 12,134,944 | 4,839,777 |
| Lease liabilities | 14 | 864,079 | 0 |
| Contract liabilities | 15 | 1,822,080 | 512,071 |
| Current tax liabilities | | 687,030 | 17,000 |
| | | <u>15,508,133</u> | <u>5,368,848</u> |
| Net current assets | | 66,964,250 | 65,722,384 |
| Non-current liabilities | | | |
| Lease liabilities | 14 | 497,580 | 0 |
| Deferred tax liabilities | 9 | 2,106,000 | 2,328,000 |
| Deferred income on government grants | 16 | 250,312 | 489,477 |
| | | <u>2,853,892</u> | <u>2,817,477</u> |
| Net assets | | <u>106,647,713</u> | <u>102,681,961</u> |
| Equity | | | |
| Share capital | 17 | 59,996,111 | 59,996,111 |
| Treasury shares | 17 | (1,340,846) | (820,925) |
| Share option reserve | | 1,283,025 | 0 |
| Revaluation surplus | | 1,851,940 | 1,851,940 |
| Retained profits | | 41,135,210 | 37,691,229 |
| Equity attributable to owners of the Company | | <u>102,925,440</u> | <u>98,718,355</u> |
| Non-controlling interests | 18 | 3,722,273 | 3,963,606 |
| Total equity | | <u>106,647,713</u> | <u>102,681,961</u> |

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2022

| | Note | 2022 RM | 2021 RM |
|--|------|--------------|--------------|
| Revenue | 19 | 71,025,746 | 48,990,376 |
| Cost of goods sold | | (45,222,479) | (26,810,180) |
| Gross profit | | 25,803,267 | 22,180,196 |
| Interest income | | 28,309 | 18,472 |
| Other income | | 2,674,487 | 1,286,500 |
| Administrative and general expenses | | (9,788,836) | (6,153,842) |
| Selling and distribution expenses | | (1,896,094) | (2,614,233) |
| Finance costs | | (150,706) | (5,803) |
| Impairment losses on financial assets | 20 | (347,400) | (80,557) |
| Loss on derecognition of financial assets measured at amortised cost | | (43,525) | 0 |
| Profit before tax | 21 | 16,279,502 | 14,630,733 |
| Tax expense | 23 | (4,207,071) | (2,774,793) |
| Profit for the financial year | | 12,072,431 | 11,855,940 |
| Other comprehensive income for the financial year | | 0 | 0 |
| Comprehensive income for the financial year | | 12,072,431 | 11,855,940 |
| Profit for the financial year attributable to:- | | | |
| - Owners of the Company | | 12,321,357 | 11,649,459 |
| - Non-controlling interests | 18 | (248,926) | 206,481 |
| | | 12,072,431 | 11,855,940 |
| Comprehensive income for the financial year attributable to:- | | | |
| - Owners of the Company | | 12,321,357 | 11,649,459 |
| - Non-controlling interests | | (248,926) | 206,481 |
| | | 12,072,431 | 11,855,940 |
| Earnings per share:- | 24 | | |
| - Basic (sen) | | 2.28 | 2.15 |
| - Diluted (sen) | | 2.28 | 2.15 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2022

| | Non-distributable | | | Distributable | | Equity attributable to owners of the Company | Non-controlling interests | Total equity |
|--|-------------------|--------------------|----------------------|---------------------|-------------------|--|---------------------------|--------------------|
| | Share capital | Treasury shares | Share option reserve | Revaluation surplus | Retained profits | | | |
| | RM | RM | RM | RM | RM | RM | RM | RM |
| Balance at 1 July 2020 | 59,996,111 | 0 | 0 | 1,851,940 | 34,166,068 | 96,014,119 | 3,287,194 | 99,301,313 |
| Acquisition of subsidiaries | 0 | 0 | 0 | 0 | 0 | 0 | 489,931 | 489,931 |
| Purchase of own shares | 0 | (820,925) | 0 | 0 | 0 | (820,925) | 0 | (820,925) |
| Redemption of preference shares | 0 | 0 | 0 | 0 | 0 | 0 | (20,000) | (20,000) |
| Dividends (Note 25) | 0 | 0 | 0 | 0 | (8,124,298) | (8,124,298) | 0 | (8,124,298) |
| Total transactions with owners | 0 | (820,925) | 0 | 0 | (8,124,298) | (8,945,223) | (20,000) | (8,965,223) |
| Profit (representing comprehensive income) for the financial year | 0 | 0 | 0 | 0 | 11,649,459 | 11,649,459 | 206,481 | 11,855,940 |
| Balance at 30 June 2021 | 59,996,111 | (820,925) | 0 | 1,851,940 | 37,691,229 | 98,718,355 | 3,963,606 | 102,681,961 |
| Acquisition of subsidiary | 0 | 0 | 0 | 0 | 0 | 0 | 2,880,617 | 2,880,617 |
| Issue of preference shares to non-controlling interests | 0 | 0 | 0 | 0 | 0 | 0 | 858,000 | 858,000 |
| Purchase of own shares | 0 | (519,921) | 0 | 0 | 0 | (519,921) | 0 | (519,921) |
| Share-based payments | 0 | 0 | 1,283,025 | 0 | (107,682) | 1,175,343 | 107,682 | 1,283,025 |
| Dividends (Note 25) | 0 | 0 | 0 | 0 | (8,108,400) | (8,108,400) | 0 | (8,108,400) |
| (Distributions to)/Contributions by owners | 0 | (519,921) | 1,283,025 | 0 | (8,216,082) | (7,452,978) | 965,682 | (6,487,296) |
| Change in ownership interest in subsidiary (Note 18) | 0 | 0 | 0 | 0 | (661,294) | (661,294) | (3,838,706) | (4,500,000) |
| Total transactions with owners | 0 | (519,921) | 1,283,025 | 0 | (8,877,376) | (8,114,272) | (2,873,024) | (10,987,296) |
| Profit/(Loss) (representing comprehensive income) for the financial year | 0 | 0 | 0 | 0 | 12,321,357 | 12,321,357 | (248,926) | 12,072,431 |
| Balance at 30 June 2022 | 59,996,111 | (1,340,846) | 1,283,025 | 1,851,940 | 41,135,210 | 102,925,440 | 3,722,273 | 106,647,713 |

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2022

| | Note | 2022 RM | 2021 RM |
|--|------|-------------|-------------|
| Cash flows from operating activities | | | |
| Profit before tax | | 16,279,502 | 14,630,733 |
| Adjustments for:- | | | |
| Amortisation of deferred income | | (239,165) | (239,165) |
| Amortisation of intangible assets | | 18,488 | 13,866 |
| Depreciation | | 5,475,690 | 4,619,458 |
| Fair value gains on financial instruments | | (739,828) | (856,912) |
| Gain on disposal of property, plant and equipment | | (192,015) | (70,177) |
| Impairment loss on goodwill | | 150,479 | 0 |
| Impairment loss on intangible assets | | 60,086 | 0 |
| Impairment losses on financial assets | | 347,400 | 80,557 |
| Interest expense | | 150,706 | 5,803 |
| Interest income | | (28,309) | (18,472) |
| Inventories written down | | 836,976 | 440,070 |
| Loss on derecognition of financial assets measured at amortised cost | | 43,525 | 0 |
| Property, plant and equipment written off | | 325,282 | 23 |
| Reversal of inventories written down | | (43,361) | (31,510) |
| Share-based payments | | 1,283,025 | 0 |
| Unrealised gain on foreign exchange | | (236,227) | (80,280) |
| Variable lease payments | | (8,548) | 0 |
| Operating profit before working capital changes | | 23,483,706 | 18,493,994 |
| Changes in:- | | | |
| Inventories | | (2,750,909) | 172,894 |
| Receivables | | (525,102) | 5,432,832 |
| Prepayments | | (855,017) | 254,692 |
| Payables | | (3,018,783) | (1,333,741) |
| Contract liabilities | | 1,310,009 | (355,011) |
| Cash generated from operations | | 17,643,904 | 22,665,660 |
| Tax paid | | (4,533,715) | (4,513,613) |
| Tax refunded | | 347,285 | 24,000 |
| Net cash from operating activities | | 13,457,474 | 18,176,047 |
| Cash flows from investing activities | | | |
| Acquisition of intangible assets | | 0 | (31,239) |
| Acquisition of property, plant and equipment | | (1,039,928) | (3,199,357) |
| Acquisition of subsidiaries, net of cash acquired | 8 | (3,631,125) | (1,676,071) |
| Interest and fund distributions received | | 768,137 | 875,384 |
| Proceeds from disposal of property, plant and equipment | | 193,350 | 72,260 |
| Net cash used in investing activities | | (3,709,566) | (3,959,023) |

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

CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

for the financial year ended 30 June 2022

| | Note | 2022 RM | 2021 RM |
|--|------|--------------|-------------|
| Cash flows from financing activities | | | |
| Acquisition of shares from non-controlling interests | | (4,500,000) | 0 |
| Dividends paid | | (8,108,400) | (8,124,298) |
| Interest paid | | (150,706) | (5,803) |
| Issue of preference shares to non-controlling interests | | 858,000 | 0 |
| Payment of lease liabilities | 26 | (694,132) | (218,597) |
| Purchase of own shares | | (519,921) | (820,925) |
| Redemption of preference shares to non-controlling interests | | 0 | (20,000) |
| Repayment of term loans | 26 | (2,415,721) | 0 |
| Net cash used in financing activities | | (15,530,880) | (9,189,623) |
| Currency translation differences | | (28,654) | 33,374 |
| Net (decrease)/increase in cash and cash equivalents | | (5,811,626) | 5,060,775 |
| Cash and cash equivalents brought forward | | 56,197,041 | 51,136,266 |
| Cash and cash equivalents carried forward | 12 | 50,385,415 | 56,197,041 |

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

STATEMENT OF FINANCIAL POSITION

as at 30 June 2022

| | Note | 2022 RM | 2021 RM |
|-----------------------------|------|-------------------|-------------------|
| Non-current assets | | | |
| Investments in subsidiaries | 8 | 68,984,269 | 55,715,800 |
| Current assets | | | |
| Receivables | 11 | 1,000 | 1,000 |
| Prepayments | | 14,400 | 14,400 |
| Current tax assets | | 12,200 | 10,500 |
| Cash and cash equivalents | 12 | 338,665 | 6,618,287 |
| | | 366,265 | 6,644,187 |
| Current liabilities | | | |
| Payables | 13 | 90,168 | 121,000 |
| | | 90,168 | 121,000 |
| Net current assets | | 276,097 | 6,523,187 |
| Net assets | | <u>69,260,366</u> | <u>62,238,987</u> |
| Equity | | | |
| Share capital | 17 | 59,996,111 | 59,996,111 |
| Treasury shares | 17 | (1,340,846) | (820,925) |
| Share option reserve | | 1,283,025 | 0 |
| Retained profits | | 9,322,076 | 3,063,801 |
| Total equity | | <u>69,260,366</u> | <u>62,238,987</u> |

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

STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2022

| | Note | 2022 RM | 2021 RM |
|---|------|------------|------------|
| Revenue | 19 | 14,807,500 | 9,750,000 |
| Interest income | | 248 | 922 |
| Other income | | 16,831 | 179,121 |
| Administrative and general expenses | | (457,904) | (464,399) |
| Profit before tax | 21 | 14,366,675 | 9,465,644 |
| Tax expense | 23 | 0 | 0 |
| Profit for the financial year | | 14,366,675 | 9,465,644 |
| Other comprehensive income for the financial year | | 0 | 0 |
| Comprehensive income for the financial year | | 14,366,675 | 9,465,644 |

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

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2022

| | Share capital RM | Treasury shares RM | Non-distributable Share option reserve RM | Distributable Retained profits RM | Total equity RM |
|---|---------------------|-----------------------|---|---|--------------------|
| Balance at 1 July 2020 | 59,996,111 | 0 | 0 | 1,722,455 | 61,718,566 |
| Purchase of own shares | 0 | (820,925) | 0 | 0 | (820,925) |
| Dividends (Note 25) | 0 | 0 | 0 | (8,124,298) | (8,124,298) |
| Total transactions with owners | 0 | (820,925) | 0 | (8,124,298) | (8,945,223) |
| Profit (representing comprehensive income) for the financial year | 0 | 0 | 0 | 9,465,644 | 9,465,644 |
| Balance at 30 June 2021 | 59,996,111 | (820,925) | 0 | 3,063,801 | 62,238,987 |
| Purchase of own shares | 0 | (519,921) | 0 | 0 | (519,921) |
| Share-based payments | 0 | 0 | 1,283,025 | 0 | 1,283,025 |
| Dividends (Note 25) | 0 | 0 | 0 | (8,108,400) | (8,108,400) |
| Total transactions with owners | 0 | (519,921) | 1,283,025 | (8,108,400) | (7,345,296) |
| Profit (representing comprehensive income) for the financial year | 0 | 0 | 0 | 14,366,675 | 14,366,675 |
| Balance at 30 June 2022 | 59,996,111 | (1,340,846) | 1,283,025 | 9,322,076 | 69,260,366 |

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

STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2022

| | Note | 2022 RM | 2021 RM |
|--|------|--------------|-------------|
| Cash flows from operating activities | | | |
| Profit before tax | | 14,366,675 | 9,465,644 |
| Adjustments for:- | | | |
| Dividend income | | (14,807,500) | (9,750,000) |
| Fair value gains on financial instruments | | (16,610) | (179,121) |
| Interest income | | (248) | (922) |
| Share-based payments | | 114,556 | 0 |
| Operating loss before working capital changes | | (343,127) | (464,399) |
| Change in payables | | (30,832) | 20,000 |
| Cash absorbed by operations | | (373,959) | (444,399) |
| Tax paid | | (1,700) | (2,000) |
| Tax refunded | | 0 | 24,000 |
| Net cash used in operating activities | | (375,659) | (422,399) |
| Cash flows from investing activities | | | |
| Dividends received | | 14,807,500 | 9,750,000 |
| Interest and fund distributions received | | 16,858 | 180,043 |
| Subscription for preference shares in subsidiary | | (12,100,000) | (4,500,000) |
| Net cash from investing activities | | 2,724,358 | 5,430,043 |
| Cash flows from financing activities | | | |
| Dividends paid | | (8,108,400) | (8,124,298) |
| Purchase of own shares | | (519,921) | (820,925) |
| Net cash used in financing activities | | (8,628,321) | (8,945,223) |
| Net decrease in cash and cash equivalents | | (6,279,622) | (3,937,579) |
| Cash and cash equivalents brought forward | | 6,618,287 | 10,555,866 |
| Cash and cash equivalents carried forward | 12 | 338,665 | 6,618,287 |

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2022

1. General information

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

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 8.

The registered office of the Company is located at 57-G, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Bayan Lepas, Penang, Malaysia and its principal place of business is located at Plot 35, Hilir Sungai Keluang 2, Bayan Lepas Industrial Estate, Non-Free Industrial Zone Phase IV, 11900 Bayan Lepas, Penang, Malaysia.

The consolidated financial statements set out on pages 54 to 58 together with the notes thereto cover the Company and its subsidiaries ("Group"). The separate financial statements of the Company set out on pages 59 to 62 together with the notes thereto cover the Company solely.

The presentation currency of the financial statements is Ringgit Malaysia ("RM").

The financial statements were authorised for issue in accordance with a resolution of the directors dated 23 August 2022.

2. Significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements of the Group and the Company are prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the significant accounting policies, and in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

For the financial year under review, the Group and the Company have applied the Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 *Interest Rate Benchmark Reform - Phase 2* which are effective for annual periods beginning on or after 1 January 2021. The initial application of these amendments did not have any significant impacts on the financial statements.

The Group and the Company have not applied the following MFRSs which have been issued as at the end of the reporting period but are not yet effective:-

| MFRS (issued as at the end of the reporting period) | Effective for annual periods beginning on or after |
|---|--|
| MFRS 17 <i>Insurance Contracts</i> | 1 January 2023 |
| Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i> | 1 January 2022 |
| Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> | Deferred |
| Amendments to MFRS 17 <i>Insurance Contracts</i> | 1 January 2023 |
| Amendment to MFRS 17 <i>Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i> | 1 January 2023 |
| Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i> | 1 January 2023 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

2. Significant accounting policies (cont'd)

2.1 Basis of preparation of financial statements (cont'd)

| MFRS (issued as at the end of the reporting period) | Effective for annual periods beginning on or after |
|--|--|
| Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i> | 1 January 2023 |
| Amendments to MFRS 108 <i>Definition of Accounting Estimates</i> | 1 January 2023 |
| Amendments to MFRS 112 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> | 1 January 2023 |
| Amendments to MFRS 116 <i>Property, Plant and Equipment - Proceeds before Intended Use</i> | 1 January 2022 |
| Amendments to MFRS 137 <i>Onerous Contracts - Cost of Fulfilling a Contract</i> | 1 January 2022 |
| Annual Improvements to MFRS Standards 2018 - 2020 | 1 January 2022 |

Management foresees that the initial application of the above MFRSs will not have any significant impacts on the financial statements.

2.2 Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. If the assets acquired are not a business, the transaction or other event is accounted for as an asset acquisition.

Acquisition method

Business combinations are accounted for using the acquisition method, except for those involving entities under common control. Under the acquisition method, the consideration transferred, the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. The components of non-controlling interests that are present ownership interests are measured at the present ownership instruments' proportionate share in the recognised amounts of the identifiable net assets acquired. All other components of non-controlling interests are measured at their acquisition-date fair values. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. All acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss as incurred.

Goodwill at the acquisition date is measured as the excess of (a) over (b) below:-

- (a) the aggregate of:-
 - (i) the acquisition-date fair value of the consideration transferred;
 - (ii) the amount of any non-controlling interests; and
 - (iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree.
- (b) the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

2. Significant accounting policies (cont'd)

2.2 Business combinations (cont'd)

Acquisition method (cont'd)

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.8. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

Merger method

The merger method is used for business combination involving entities under common control which is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Under the merger method, the results of the combining entities are presented as if the entities had been combined throughout the reporting period. The cost of merger is cancelled against the value of shares acquired and any difference arising from the cancellation is taken to equity.

2.3 Basis of consolidation

A subsidiary is an entity that is controlled by another entity. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

A subsidiary is consolidated from the acquisition date, being the date on which control is obtained, and continues to be consolidated until the date when control is lost. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Upon loss of control of a subsidiary, the assets (including any goodwill) and liabilities of, and any non-controlling interests in the subsidiary are derecognised. All amounts recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the related assets or liabilities had been directly disposed of. Any consideration received and any investment retained in the former subsidiary are recognised at their fair values. The resulting difference is then recognised as a gain or loss in profit or loss.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost or at valuation less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.8.

Revaluations of buildings are made with sufficient regularity at an interval of not more than five years such that the carrying amounts of the assets do not differ materially from their fair values at the end of the reporting period.

A revaluation increase is recognised in other comprehensive income and accumulated in equity as revaluation surplus or recognised in profit or loss to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in profit or loss. A revaluation decrease is recognised in profit or loss or recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of the same asset.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

2. Significant accounting policies (cont'd)

2.4 Property, plant and equipment (cont'd)

Capital work-in-progress is not depreciated. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

| | |
|--|-----------|
| Buildings | 2% |
| Plant and machinery | 10% - 33% |
| Office equipment, furniture and fittings | 10% - 50% |
| Renovation | 10% - 20% |
| Motor vehicles | 20% |

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

2.5 Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

Initial recognition and measurement

When the Group acts as a lessee, it recognises a right-of-use asset (representing its right to use the underlying leased asset) and a lease liability (representing its obligation to make lease payments) at the commencement date. The Group has elected not to apply such recognition principle to short-term leases (which have a lease term of 12 months or less) and leases of low-value assets. The lease payments associated with those leases are recognised as an expense on a straight-line basis over the lease term.

A right-of-use asset is initially recognised at cost, which comprises the initial amount of lease liability, any lease payments made at or before the commencement date (less any lease incentives), any initial direct costs and any estimated dismantling, removing and restoring costs.

A lease liability is initially recognised at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The unpaid lease payments included in the measurement of lease liability comprise fixed payments (less any lease incentives), variable lease payments linked to an index or a rate, expected amounts payable under residual value guarantees, the exercise price of a purchase option reasonably certain to be exercised and the penalties of a termination option reasonably certain to be exercised.

Subsequent measurement

A right-of-use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any remeasurement of lease liability. The impairment policy is disclosed in Note 2.8.

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that a purchase option will be exercised, the right-of-use asset is depreciated on a straight-line basis from the commencement date to the end of its useful life. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term.

A lease liability is subsequently measured at amortised cost, and remeasured to reflect any reassessment (arising from changes to the lease payments) or lease modifications.

As a practical expedient, the Group has elected not to assess whether a rent concession occurring as a direct consequence of the covid-19 pandemic is a lease modification. Accordingly, any change in lease payments resulting from such rent concession is accounted for as a variable lease payment in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

2. Significant accounting policies (cont'd)

2.6 Intangible assets

Website costs and mobile application are treated as intangible assets. Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.8.

Intangible assets are amortised on a straight-line basis over the estimated useful lives of the assets using an annual rate of 20%.

The useful life and amortisation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

2.7 Investments in subsidiaries

As required by the Companies Act 2016, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.8.

2.8 Impairment of non-financial assets

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than deferred tax assets and inventories, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs of disposal and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss or, in respect of a revalued asset, treated as a revaluation decrease.

An impairment loss on an asset, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in profit or loss or, in respect of a revalued asset, treated as a revaluation increase. An impairment loss on goodwill is not reversed.

2.9 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Depending on the nature or use of the inventories, cost is determined on the first-in, first-out or weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

2.10 Contract assets and contract liabilities

A contract is presented in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is an entity's right to consideration in exchange for goods or services transferred to a customer when that right is conditioned on something other than the passage of time. The asset is subject to impairment assessment on the same basis as trade receivables as disclosed in Note 2.11. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

2. Significant accounting policies (cont'd)

2.11 Financial assets

Financial assets of the Group and the Company consist of receivables and cash and cash equivalents.

Initial recognition and measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. Trade receivables that do not contain a significant financing component are initially recognised at their transaction price (as defined in Note 2.16). Other financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Subsequent measurement

Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss in accordance with their classification on the basis of both the business model within which they are held and their contractual cash flow characteristics.

(i) Amortised cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All receivables and cash and bank balances are classified under this category. Any gain or loss is recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.

(ii) Fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if it is held within a business model whose objective is to both collect contractual cash flows and sell financial assets and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group and the Company do not have any financial assets classified under this category.

(iii) Fair value through profit or loss

A financial asset is measured at fair value through profit or loss if it does not meet the criteria to be measured at amortised cost or fair value through other comprehensive income. All short-term funds are classified under this category. Any gain or loss is recognised in profit or loss.

Impairment

At each reporting date, the Group and the Company recognise a loss allowance for expected credit losses on a financial asset measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. Any adjustment to the loss allowance is recognised in profit or loss as an impairment gain or loss.

Irrespective of whether there is any significant increase in credit risk since initial recognition, the loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9 *Financial Instruments*. Such lifetime expected credit losses are calculated using a provision matrix based on historical credit loss experience and adjusted for reasonable and supportable forward-looking information that is available without undue cost or effort.

The expected credit losses for a credit-impaired financial asset are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The gross carrying amount of a credit-impaired financial asset is directly written off when there is no reasonable expectation of recovery.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

2. Significant accounting policies (cont'd)

2.11 Financial assets (cont'd)

Derecognition

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or all the risks and rewards of ownership are substantially transferred. A direct write-off of gross carrying amount when there is no reasonable expectation of recovering a financial asset constitutes a derecognition event.

2.12 Financial liabilities

Financial liabilities of the Group and the Company consist of payables.

Initial recognition and measurement

A financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value minus transaction costs.

Subsequent measurement

All payables are subsequently measured at amortised cost. Any gain or loss is recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

Derecognition

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

2.13 Foreign currency transactions and translation

The consolidated financial statements and separate financial statements of the Company are presented in Ringgit Malaysia, which is also the Company's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date, whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.

2.14 Share capital

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Own shares purchased are held as treasury shares in accordance with the requirements of Section 127 of the Companies Act 2016. The total amount of consideration paid, including directly attributable costs, is recognised directly in equity. When treasury shares are distributed as share dividends, the cost of the shares distributed is applied in the reduction of distributable reserves. When treasury shares are resold in the open market, the difference between the sale consideration and the cost of the shares resold is adjusted to share capital. When treasury shares are cancelled, the cost of the shares cancelled is applied in the reduction of distributable reserves and the issued share capital is diminished by the shares so cancelled.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability, whereas dividends proposed or declared after the reporting period are disclosed in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

2. Significant accounting policies (cont'd)

2.15 Fair value measurement

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 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. The valuation techniques used include the following or a combination thereof:-

- (i) Market approach - which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.
- (ii) Cost approach - which reflects the amount that would be required currently to replace the service capacity of an asset.
- (iii) Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

The inputs to valuation techniques used to measure fair value are categorised into the following levels of fair value hierarchy:-

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

Any transfers between the levels of fair value hierarchy are deemed to have occurred at the end of the reporting period.

Non-financial assets

The fair values of buildings are measured using the market comparison approach. Under this approach, the fair values are derived from observable market data such as prices per square foot for comparable properties in similar locations (i.e. Level 2).

Financial assets and financial liabilities

The carrying amounts of receivables, cash and bank balances and payables which are short-term in nature or repayable on demand are reasonable approximations of fair values.

The fair values of short-term funds are directly measured using their unadjusted market values quoted by financial institutions (i.e. Level 1).

2.16 Revenue from contracts with customers

The Group recognises revenue (by applying the following steps) to depict the transfer of promised goods or services to customers at the transaction price.

- (i) Step 1: Identify contract - A contract is an agreement between two or more parties that creates enforceable rights and obligations.
- (ii) Step 2: Identify performance obligations - Each promise to transfer distinct goods or services is identified as a performance obligation and accounted for separately.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

2. Significant accounting policies (cont'd)

2.16 Revenue from contracts with customers (cont'd)

- (iii) Step 3: Determine transaction price - The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. It is adjusted for the effects of variable consideration (e.g. discounts, rebates, incentives or penalties), significant financing component, non-cash consideration and consideration payable to customer.
- (iv) Step 4: Allocate transaction price to performance obligations - The transaction price is allocated to each performance obligation on the basis of the relative (estimated) stand-alone selling prices of each distinct good or service promised in the contract.
- (v) Step 5: Recognise revenue - Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). Revenue is recognised either over time or at a point in time depending on the timing of transfer of control.

Sale of goods

The Group determines that the transfer of control of promised goods generally coincides with the transfer of risks and rewards of ownership. Accordingly, revenue from the sale of goods is recognised at a point in time when the significant risks and rewards of ownership have been transferred to the customer upon delivery.

Rendering of services

The Group determines that the transfer of control of promised services generally coincides with the Group's performance as the customer simultaneously receives and consumes the benefits of the performance as the Group performs. Accordingly, revenue from the rendering of services is recognised over time when the services are performed. The Group measures the progress towards complete satisfaction of the performance obligation using an output method, i.e. time elapsed.

2.17 Other income

Dividend income is recognised in profit or loss only when the entity's right to receive payment of the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably.

Interest income for financial assets measured at amortised cost is recognised in profit or loss using the effective interest method. Interest or fund distribution income for financial assets measured at fair value through profit or loss is included in their net fair value gains or losses.

2.18 Government grants

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to the grants and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Grants related to assets are presented in the statement of financial position as deferred income which is amortised on a straight-line basis over the estimated useful lives of the assets. Grants related to income are deducted in reporting the related expense in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

2.19 Employee benefits

Short-term employee benefits

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss or included in the cost of an asset, where appropriate, in the period in which the associated services are rendered by the employee.

Defined contribution plans

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund ("EPF"). Contributions to defined contribution plans are recognised in profit or loss or included in the cost of an asset, where appropriate, in the period in which the associated services are rendered by the employee.

Share-based payments

The Employees' Share Option Scheme ("ESOS") of the Company grants the Group's eligible employees options to subscribe for shares in the Company at pre-determined subscription prices. These equity compensation benefits are treated as equity-settled share-based payment transactions and recognised in profit or loss with a corresponding increase in equity over the vesting period as share option reserve. The total amount to be recognised is determined by reference to the fair value of the share options at grant date and the estimated number of share options expected to vest on vesting date.

2.20 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.21 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

A deferred tax liability is recognised for all taxable temporary differences, whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.22 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, term deposits that are withdrawable on demand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

3. Judgements and estimation uncertainty

Judgements made in applying accounting policies

In the process of applying the accounting policies of the Group and the Company, management is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements.

Sources of estimation uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

Impairment of goodwill

Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. The impairment test involves significant judgements and estimation uncertainty in making key assumptions about future market and economic conditions, growth rates, profit margins, discount rate, etc. The carrying amount of goodwill is disclosed in Note 7.

Valuation of inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews involve judgements and estimation uncertainty in forming expectations about future sales and demands. Any changes in these accounting estimates will result in revisions to the valuation of inventories (Note 10).

Impairment of receivables

The Group and the Company recognise loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions. Any changes in these accounting estimates will affect the carrying amounts of receivables (Note 11).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

4. Property, plant and equipment

Group

| | Buildings RM | Plant and machinery RM | Office equipment, furniture and fittings RM | Renovation RM | Motor vehicles RM | Capital work-in progress RM | Total RM |
|---------------------------------|------------------|------------------------------|---|------------------|-------------------------|--------------------------------------|-------------------|
| Cost/Valuation | | | | | | | |
| Balance at 1 July 2020 | 5,100,000 | 20,656,295 | 3,634,997 | 819,276 | 0 | 324,210 | 30,534,778 |
| Acquisition of subsidiaries | 0 | 77,735 | 352,000 | 0 | 417,783 | 0 | 847,518 |
| Additions | 0 | 2,858,127 | 331,181 | 10,049 | 0 | 0 | 3,199,357 |
| Disposals/Write-offs | 0 | (1,219,801) | (960,520) | 0 | 0 | 0 | (2,180,321) |
| Balance at 30 June 2021 | 5,100,000 | 22,372,356 | 3,357,658 | 829,325 | 417,783 | 324,210 | 32,401,332 |
| Acquisition of subsidiary | 364,000 | 4,860,801 | 1,986,886 | 755,899 | 1,308,363 | 0 | 9,275,949 |
| Additions | 0 | 432,031 | 313,968 | 45,215 | 248,714 | 0 | 1,039,928 |
| Disposals/Write-offs | 0 | (276,943) | (353,842) | 0 | (419,209) | (324,210) | (1,374,204) |
| Balance at 30 June 2022 | 5,464,000 | 27,388,245 | 5,304,670 | 1,630,439 | 1,555,651 | 0 | 41,343,005 |
| Representing:- | | | | | | | |
| - Cost | 364,000 | 27,388,245 | 5,304,670 | 1,630,439 | 1,555,651 | 0 | 36,243,005 |
| - Valuation | 5,100,000 | 0 | 0 | 0 | 0 | 0 | 5,100,000 |
| | 5,464,000 | 27,388,245 | 5,304,670 | 1,630,439 | 1,555,651 | 0 | 41,343,005 |
| Accumulated depreciation | | | | | | | |
| Balance at 1 July 2020 | 148,544 | 11,313,372 | 2,581,140 | 557,491 | 0 | 0 | 14,600,547 |
| Acquisition of subsidiaries | 0 | 56,476 | 184,091 | 0 | 294,015 | 0 | 534,582 |
| Depreciation | 148,544 | 3,338,978 | 505,033 | 88,957 | 45,840 | 0 | 4,127,352 |
| Disposals/Write-offs | 0 | (1,219,801) | (958,414) | 0 | 0 | 0 | (2,178,215) |
| Balance at 30 June 2021 | 297,088 | 13,489,025 | 2,311,850 | 646,448 | 339,855 | 0 | 17,084,266 |
| Acquisition of subsidiary | 22,446 | 3,358,827 | 1,688,566 | 250,743 | 1,260,743 | 0 | 6,581,325 |
| Depreciation | 154,004 | 3,548,590 | 521,528 | 148,835 | 113,693 | 0 | 4,486,650 |
| Disposals/Write-offs | 0 | (276,077) | (352,303) | 0 | (419,207) | 0 | (1,047,587) |
| Balance at 30 June 2022 | 473,538 | 20,120,365 | 4,169,641 | 1,046,026 | 1,295,084 | 0 | 27,104,654 |
| Carrying amount | | | | | | | |
| Balance at 1 July 2020 | 4,951,456 | 9,342,923 | 1,053,857 | 261,785 | 0 | 324,210 | 15,934,231 |
| Balance at 30 June 2021 | 4,802,912 | 8,883,331 | 1,045,808 | 182,877 | 77,928 | 324,210 | 15,317,066 |
| Balance at 30 June 2022 | 4,990,462 | 7,267,880 | 1,135,029 | 584,413 | 260,567 | 0 | 14,238,351 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

4. Property, plant and equipment (cont'd)

The buildings stated at valuation were revalued to fair values on 30 June 2019 based on appraisals performed by independent professional valuers using the market comparison approach. The appraised values were derived from observable prices per square foot for comparable properties in similar locations (i.e. Level 2). Had the buildings been carried under the cost model, the total carrying amount of their entire class that would have been recognised in the financial statements is RM3,895,342 (2021 : RM3,672,540).

5. Right-of-use assets

Group

| | Leasehold land RM | Buildings RM | Office equipment RM | Total RM |
|------------------------------------|-------------------------|-----------------|---------------------------|-------------|
| Balance at 1 July 2020 | 9,320,388 | 212,494 | 0 | 9,532,882 |
| Depreciation | (279,612) | (212,494) | 0 | (492,106) |
| Balance at 30 June 2021 | 9,040,776 | 0 | 0 | 9,040,776 |
| Acquisition of subsidiary | 127,613 | 1,442,823 | 26,196 | 1,596,632 |
| Remeasurement of lease liabilities | 0 | 530,915 | 0 | 530,915 |
| Depreciation | (281,652) | (694,823) | (12,565) | (989,040) |
| Balance at 30 June 2022 | 8,886,737 | 1,278,915 | 13,631 | 10,179,283 |

The Group acquired the rights to use the leasehold land as principal places of business for 44 to 50 years. It also leases the buildings and office equipment for business operations for 2 to 5 years.

6. Intangible assets

Group

| | Website costs and mobile application RM |
|--|--|
| Cost | |
| Balance at 1 July 2020 | 0 |
| Acquisition of subsidiary | 61,201 |
| Additions | 31,239 |
| Balance at 30 June 2021 / 30 June 2022 | 92,440 |
| Amortisation and impairment losses | |
| Balance at 1 July 2020 | 0 |
| Amortisation | 13,866 |
| Balance at 30 June 2021 - Accumulated amortisation | 13,866 |
| Amortisation | 18,488 |
| Impairment loss | 60,086 |
| Balance at 30 June 2022 | |
| - Accumulated amortisation | 32,354 |
| - Accumulated impairment losses | 60,086 |
| | 92,440 |
| Carrying amount | |
| Balance at 1 July 2020 | 0 |
| Balance at 30 June 2021 | 78,574 |
| Balance at 30 June 2022 | 0 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

7. Goodwill

Group

| | 2022 RM | 2021 RM |
|-----------------------------|-------------------|-------------------|
| Balance at 1 July | 15,000,638 | 12,646,443 |
| Acquisition of subsidiaries | 1,678,562 | 2,354,195 |
| Impairment loss | (150,479) | 0 |
| Balance at 30 June | <u>16,528,721</u> | <u>15,000,638</u> |

Goodwill is attributable to the following subsidiaries, each representing a separate cash-generating unit ("CGU"):-

| | 2022 RM | 2021 RM |
|--|-------------------|-------------------|
| FP Stencil Sdn. Bhd. (formerly known as Dynamic Stencil Sdn. Bhd.) | 12,646,443 | 12,646,443 |
| Plea Sdn. Bhd. | 0 | 150,479 |
| SDKM Technologies Sdn. Bhd. | 1,678,562 | 0 |
| Sin Yen Technologies Sdn. Bhd. | <u>2,203,716</u> | <u>2,203,716</u> |
| | <u>16,528,721</u> | <u>15,000,638</u> |

The recoverable amounts of the CGUs were determined based on their value in use calculated using cash flow projections. The cash flow projections were based on the most recent financial budgets/forecasts approved by management which covered a period of 5 years. A growth rate of 0% was used to extrapolate the cash flow projections beyond the 5 years covered by the financial budgets/forecasts. A discount rate of 17.11% (2021 : 16.45%) per annum was applied to the cash flow projections.

Barring any unforeseen circumstances, management believes that no reasonably possible change in the above key assumptions would cause the carrying amounts of the CGUs to materially exceed their recoverable amounts.

8. Investments in subsidiaries

Company

| | 2022 RM | 2021 RM |
|---------------------------|-------------------|-------------------|
| Unquoted shares - at cost | 66,110,000 | 54,010,000 |
| Contributions under ESOS | <u>2,874,269</u> | <u>1,705,800</u> |
| | <u>68,984,269</u> | <u>55,715,800</u> |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

8. Investments in subsidiaries (cont'd)

The details of the subsidiaries are as follows:-

| Name of subsidiary | Principal place of business/ Country of incorporation | Effective ownership interest | | Principal activity |
|--|--|------------------------------|------|---|
| | | 2022 | 2021 | |
| FoundPac Sdn. Bhd. | Malaysia | 100% | 100% | Investment holding |
| FoundPac Technologies Sdn. Bhd. | Malaysia | 100% | 100% | Design, development, manufacture, marketing and sale of stiffeners, test sockets, hand lids and related accessories |
| FoundPac Capital Sdn. Bhd. | Malaysia | 100% | 100% | Investment holding |
| <u>Subsidiaries of FoundPac Capital Sdn. Bhd.</u> | | | | |
| FP Stencil Sdn. Bhd. (formerly known as Dynamic Stencil Sdn. Bhd.) | Malaysia | 100% | 75% | Manufacture and sale of laser stencils |
| Plea Sdn. Bhd. | Malaysia | 55% | 55% | Provision of Internet of Things (IoT) solutions and technology |
| SDKM Technologies Sdn. Bhd. | Malaysia | 70% | 0% | Manufacture and sale of accessory cables and connectors |
| Sin Yen Technologies Sdn. Bhd. | Malaysia | 70% | 70% | Manufacture of industrial equipment and machinery |

Group

Acquisition of subsidiary

On 15 October 2021, the Group, through FoundPac Capital Sdn. Bhd. acquired 70% equity interest in SDKM Technologies Sdn. Bhd. for cash consideration of RM8,400,000. The acquisition gave rise to a goodwill of RM1,678,562.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

8. Investments in subsidiaries (cont'd)

Acquisition of subsidiary (cont'd)

The amounts recognised at the acquisition date for each major class of assets acquired and liabilities assumed are as follows:-

| | RM |
|---|--------------|
| Property, plant and equipment | 2,694,624 |
| Right-of-use assets | 1,596,632 |
| Deferred tax assets | 692,000 |
| Inventories | 6,222,326 |
| Receivables | 6,939,236 |
| Prepayments | 245,015 |
| Current tax assets | 659,391 |
| Cash and cash equivalents | 4,768,875 |
| Payables | (10,266,899) |
| Loans and borrowings | (2,415,721) |
| Lease liabilities | (1,533,424) |
| Net assets | 9,602,055 |
| Non-controlling interests | (2,880,617) |
| Share of net assets acquired | 6,721,438 |
| Fair value of consideration transferred | (8,400,000) |
| Goodwill | (1,678,562) |

The revenue and loss for the financial period recognised since the acquisition date included in the consolidated statement of comprehensive income amounted to RM14,356,358 and RM472,316 respectively.

Had the acquisition date been 1 July 2021, management estimates that the Group's revenue and profit for the financial year would have been RM77,818,079 and RM12,160,467 respectively.

The effects of the acquisition on the consolidated statement of cash flows are as follows:-

| | RM |
|---|-------------|
| Cash consideration paid | 8,400,000 |
| Cash and cash equivalents acquired | (4,768,875) |
| Acquisition of subsidiary, net of cash acquired | 3,631,125 |

9. Deferred tax assets and deferred tax liabilities

Group

| | 2022 RM | 2021 RM |
|---|-------------|-------------|
| Balance at 1 July | (1,988,000) | (2,420,000) |
| Acquisition of subsidiary | 692,000 | 46,000 |
| Deferred tax income relating to origination and reversal of temporary differences | 502,000 | 313,000 |
| Deferred tax assets under recognised in prior year | 279,000 | 73,000 |
| Balance at 30 June | (515,000) | (1,988,000) |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

9. Deferred tax assets and deferred tax liabilities (cont'd)

| | 2022 RM | 2021 RM |
|---|------------------|--------------------|
| Disclosed as:- | | |
| - Deferred tax assets | 1,591,000 | 340,000 |
| - Deferred tax liabilities | (2,106,000) | (2,328,000) |
| | <u>(515,000)</u> | <u>(1,988,000)</u> |
| In respect of:- | | |
| - (Taxable)/Deductible temporary differences of:- | | |
| - Property, plant and equipment | (958,000) | (516,000) |
| - Right-of-use assets | (2,211,000) | (1,962,000) |
| - Inventories | 347,000 | 0 |
| - Financial instruments | 507,000 | 276,000 |
| - Lease liabilities | 327,000 | 0 |
| - Unused capital allowances | 172,000 | 29,000 |
| - Unused tax losses | 1,301,000 | 185,000 |
| | <u>(515,000)</u> | <u>(1,988,000)</u> |

As at 30 June 2022, no deferred tax assets have been recognised for the following amounts:-

| | 2022 RM | 2021 RM |
|---|----------------|----------------|
| Deductible temporary differences of inventories | 177,000 | 0 |
| Unused capital allowances | 8,000 | 8,000 |
| Unused tax losses:- | | |
| - Expiring in year of assessment 2030 | 40,000 | 40,000 |
| - Expiring in year of assessment 2031 | 197,000 | 197,000 |
| - Expiring in year of assessment 2032 | 9,000 | 0 |
| | <u>431,000</u> | <u>245,000</u> |

The deductible temporary differences and unused capital allowances have no expiry date.

10. Inventories

Group

| | 2022 RM | 2021 RM |
|------------------|-------------------|------------------|
| Raw materials | 4,776,144 | 1,574,561 |
| Work-in-progress | 5,681,483 | 2,041,945 |
| Finished goods | 2,306,276 | 1,137,062 |
| Goods-in-transit | 169,285 | 0 |
| | <u>12,933,188</u> | <u>4,753,568</u> |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

11. Receivables

| | Group | | Company | |
|---------------------|-------------------|------------------|--------------|--------------|
| | 2022 RM | 2021 RM | 2022 RM | 2021 RM |
| Trade receivables:- | | | | |
| - Related party* | 0 | 6,300 | 0 | 0 |
| - Unrelated parties | 16,978,568 | 9,906,025 | 0 | 0 |
| | 16,978,568 | 9,912,325 | 0 | 0 |
| - Loss allowance | (927,770) | (580,370) | 0 | 0 |
| | 16,050,798 | 9,331,955 | 0 | 0 |
| Other receivables | 820,869 | 154,367 | 1,000 | 1,000 |
| | <u>16,871,667</u> | <u>9,486,322</u> | <u>1,000</u> | <u>1,000</u> |

* Being a company in which a director has substantial financial interest

Trade receivables

The Group determines credit risk concentrations in terms of counterparties and geographical areas. As at 30 June 2022, there was 1 (2021 : 1) major customer that individually accounted for 10% or more of the Group's trade receivables and the total outstanding balance due from this major customer amounted to RM1,830,662 (2021 : RM1,121,616). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

| | Group | |
|-----------------------|-------------------|------------------|
| | 2022 RM | 2021 RM |
| Malaysia | 7,048,012 | 2,350,358 |
| Other Asian countries | 2,158,668 | 1,746,923 |
| North America | 4,238,625 | 3,624,690 |
| Europe | 2,683,306 | 1,601,699 |
| Others | 849,957 | 588,655 |
| | <u>16,978,568</u> | <u>9,912,325</u> |

The credit terms of trade receivables range from 30 to 90 days. The Group uses past due information to assess the credit risk of trade receivables. The analysis by past due status is as follows:-

| | Group | |
|----------------------------|-------------------|------------------|
| | 2022 RM | 2021 RM |
| Not past due | 12,686,465 | 6,213,054 |
| 1 to 30 days past due | 2,135,336 | 1,945,414 |
| 31 to 60 days past due | 578,368 | 325,442 |
| 61 to 90 days past due | 168,185 | 196,980 |
| More than 90 days past due | 1,410,214 | 1,231,435 |
| | <u>16,978,568</u> | <u>9,912,325</u> |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

11. Receivables (cont'd)

Trade receivables (cont'd)

The Group determines that a trade receivable is credit-impaired when the customer is experiencing significant financial difficulty and has defaulted in payments. Unless otherwise demonstrated, the Group generally considers a default to have occurred when the trade receivable is more than 90 days past due. The gross carrying amount of a credit-impaired trade receivable is directly written off when there is no reasonable expectation of recovery. This normally occurs when there is reasonable proof of customer insolvency.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. Such lifetime expected credit losses are calculated using a provision matrix based on historical observed default rates (adjusted for forward-looking estimates). The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished among the diversity of customer base.

Group

| | Not past due RM | 1 to 30 days past due RM | 31 to 60 days past due RM | 61 to 90 days past due RM | More than 90 days past due RM | Credit-impaired RM | Total RM |
|--------------------------|--------------------|-----------------------------|------------------------------|------------------------------|----------------------------------|-----------------------|-------------|
| 2022 | | | | | | | |
| Gross carrying amount | 12,686,465 | 2,135,336 | 578,368 | 168,165 | 628,125 | 782,089 | 16,978,568 |
| Average credit loss rate | 0.32% | 0.33% | 0.39% | 0.65% | 15.00% | 100.00% | 5.46% |
| Loss allowance | 41,151 | 6,966 | 2,247 | 1,086 | 94,231 | 782,089 | 927,770 |
| 2021 | | | | | | | |
| Gross carrying amount | 6,213,054 | 1,945,414 | 325,442 | 196,980 | 1,231,435 | 0 | 9,912,325 |
| Average credit loss rate | 0.01% | 0.11% | 0.37% | 2.08% | 46.48% | 100.00% | 5.86% |
| Loss allowance | 558 | 2,081 | 1,220 | 4,105 | 572,406 | 0 | 580,370 |

The average credit loss rates were based on the payment profile of revenue over a period of 36 (2021 : 36) months and the corresponding historical credit losses experienced during the period. The rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The changes in the loss allowance are as follows:-

| | Group | |
|---------------------------|------------|------------|
| | 2022 RM | 2021 RM |
| Balance at 1 July | 580,370 | 197,397 |
| Acquisition of subsidiary | 0 | 302,416 |
| Impairment losses | 347,400 | 80,557 |
| Balance at 30 June | 927,770 | 580,370 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

12. Cash and cash equivalents

| | Group | | Company | |
|----------------------------------|-------------------|-------------------|----------------|------------------|
| | 2022 RM | 2021 RM | 2022 RM | 2021 RM |
| Cash and bank balances | 33,274,444 | 39,856,929 | 338,665 | 5,138,320 |
| Short-term funds - at fair value | 17,110,971 | 16,340,112 | 0 | 1,479,967 |
| | <u>50,385,415</u> | <u>56,197,041</u> | <u>338,665</u> | <u>6,618,287</u> |

Cash and bank balances are placed with reputable financial institutions with low credit risk. Accordingly, their expected credit losses are not considered to be material and hence, have not been recognised.

Short-term funds represent highly liquid investments in money market funds managed by financial institutions that invest in low-risk instruments, and are readily redeemable with insignificant risk of changes in value. Their fair values were directly measured using the unadjusted market values quoted by the financial institutions (i.e. Level 1).

13. Payables

| | Group | | Company | |
|----------------|-------------------|------------------|---------------|----------------|
| | 2022 RM | 2021 RM | 2022 RM | 2021 RM |
| Trade payables | 8,714,576 | 3,294,754 | 0 | 0 |
| Other payables | 3,420,368 | 1,545,023 | 90,168 | 121,000 |
| | <u>12,134,944</u> | <u>4,839,777</u> | <u>90,168</u> | <u>121,000</u> |

Payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

The credit terms of payables range from 30 to 90 days.

14. Lease liabilities

Group

| | 2022 RM | 2021 RM |
|---|------------------|------------|
| Gross lease liabilities:- | | |
| - Within 1 year | 903,037 | 0 |
| - 1 to 5 years | 515,826 | 0 |
| Total contractual undiscounted cash flows | 1,418,863 | 0 |
| Future finance charges | (57,204) | 0 |
| Present value of lease liabilities | <u>1,361,659</u> | <u>0</u> |
| Disclosed as:- | | |
| - Current liabilities | 864,079 | 0 |
| - Non-current liabilities | 497,580 | 0 |
| | <u>1,361,659</u> | <u>0</u> |

The incremental borrowing rates applied to lease liabilities as at 30 June 2022 ranged from 4.10% to 4.50% per annum.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

15. Contract liabilities

Group

| | 2022 RM | 2021 RM |
|---|------------------|----------------|
| Balance at 1 July | 512,071 | 90,279 |
| Acquisition of subsidiary | 0 | 776,803 |
| Revenue recognised from contract liabilities | (180,053) | (767,423) |
| Excess of consideration over revenue recognised | 1,490,062 | 412,412 |
| Balance at 30 June | <u>1,822,080</u> | <u>512,071</u> |

As disclosed in Note 2.16, the Group generally satisfies its performance obligations at a point in time upon delivery of goods. Any consideration received or due in advance before a performance obligation is satisfied is presented as contract liability.

16. Deferred income on government grants

Group

| | 2022 RM | 2021 RM |
|--------------------|------------------|------------------|
| Balance at 1 July | 489,477 | 728,642 |
| Amortisation | <u>(239,165)</u> | <u>(239,165)</u> |
| Balance at 30 June | <u>250,312</u> | <u>489,477</u> |

The Group received grants from the local government for modernisation and upgrading of its existing manufacturing activities. The grants covered 50% of the costs of the assets subject to the limits approved by the local government.

17. Share capital

| | 2022 RM | 2021 RM |
|--|------------|------------|
|--|------------|------------|

Issued and fully paid

| | | |
|---|-------------------|-------------------|
| 542,322,500 ordinary shares with no par value | <u>59,996,111</u> | <u>59,996,111</u> |
|---|-------------------|-------------------|

Treasury shares

The shareholders of the Company, by a resolution passed at the annual general meeting held on 24 November 2021, approved the Company's plan to purchase its own shares. The details of the shares purchased from the open market using internally generated funds and held as treasury shares during the financial year are as follows:-

| | 2022 | | 2021 | |
|-------------------------------------|---------------------------|------------------|---------------------------|----------------|
| | No. of ordinary shares | Cost RM | No. of ordinary shares | Cost RM |
| Balance at 1 July | 1,053,900 | 820,925 | 0 | 0 |
| Shares purchased | <u>946,100</u> | <u>519,921</u> | <u>1,053,900</u> | <u>820,925</u> |
| Balance at 30 June | <u>2,000,000</u> | <u>1,340,846</u> | <u>1,053,900</u> | <u>820,925</u> |
| Average unit cost for the year (RM) | | <u>0.550</u> | | <u>0.779</u> |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

17. Share capital (cont'd)

Treasury shares (cont'd)

The number of outstanding shares in issue after excluding the treasury shares is as follows:-

| | 2022 No. of ordinary shares | 2021 No. of ordinary shares |
|--------------------|-----------------------------------|-----------------------------------|
| Balance at 1 July | 541,268,600 | 542,322,500 |
| Shares purchased | (946,100) | (1,053,900) |
| Balance at 30 June | <u>540,322,500</u> | <u>541,268,600</u> |

Employees' Share Option Scheme ("ESOS")

The shareholders of the Company, by a resolution passed at the extraordinary general meeting held on 22 November 2017, approved the Company's ESOS. The ESOS became effective on 22 February 2018.

The principal features of the ESOS are as follows:-

- (i) At any point of time when the offer is made, the maximum number of shares to be issued under the ESOS shall not exceed 10% of the total issued share in the capital of the Company during the duration of the ESOS.
- (ii) Any employee (including executive directors) of the Group shall be eligible to participate in the ESOS if, as at the date of offer, the employee is at least 18 years of age and has been confirmed and completed at least 12 months of service within the Group on a full time basis.
- (iii) All non-executive directors who have been appointed to the Board for more than 1 year shall be eligible to participate in the ESOS in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad.
- (iv) The ESOS shall be valid for a duration of 10 years from the effective date.
- (v) The exercise price shall be determined based on the weighted average market price of shares for the 5 market days immediately preceding the date of offer with a discount of not more than 10%.
- (vi) The options granted are exercisable on a time proportion basis over the duration of the ESOS. The employee's entitlement to the options is vested as soon as they become exercisable.
- (vii) The new shares to be allotted and issued upon exercise of any options granted under the scheme will, upon allotment and issuance, rank pari passu in all respects with the existing shares and paid-up shares in the Company, save and except that the new shares so allotted and issued will not be entitled to any right, dividend, allotment and/or distribution declared, made or paid, the entitlement date of which precedes the date of exercise of the options.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

17. Share capital (cont'd)

Employees' Share Option Scheme ("ESOS") (cont'd)

The movements in the number of share options during the financial year are as follows:-

| | No. of options over ordinary shares | Weighted average exercise price RM | Weighted average remaining contractual life |
|-----------------------------|--|--|---|
| Outstanding at 1 July 2021 | 0 | | |
| Granted | 26,880,000 | 0.390 | |
| Forfeited | (380,000) | 0.390 | |
| Outstanding at 30 June 2022 | <u>26,500,000</u> | 0.390 | 3.79 years |
| Exercisable at 30 June 2022 | <u>6,625,000</u> | 0.390 | |

The fair value of share options was measured using the Black Scholes Model with the following inputs:-

| | |
|------------------------------|----------------|
| Grant date | 14.3.2022 |
| Fair value at grant date | <u>RM0.140</u> |
| Weighted average share price | RM0.430 |
| Exercise price | RM0.390 |
| Expected volatility | 40.53% |
| Option life | 4 years |
| Expected dividends | 3.60% |
| Risk-free interest rate | <u>3.13%</u> |

The expected volatility reflects the assumption that historical volatility is indicative of future trends but may not necessarily be the actual outcome. No other features of the share options granted were incorporated into the measurement of fair value.

18. Non-controlling interests ("NCI")

Group

| | Accumulated NCI | | Profit/(Loss) allocated to NCI | |
|---|------------------|------------------|-----------------------------------|----------------|
| | 2022 RM | 2021 RM | 2022 RM | 2021 RM |
| FP Stencil Sdn. Bhd. (formerly known as Dynamic Stencil Sdn. Bhd.) | 0 | 3,790,469 | 48,237 | 503,275 |
| Plea Sdn. Bhd. | (4,871) | 114,966 | (124,992) | (99,415) |
| SDKM Technologies Sdn. Bhd. | 3,667,087 | 0 | (141,695) | 0 |
| Sin Yen Technologies Sdn. Bhd. | 60,057 | 58,171 | (30,476) | (197,379) |
| | <u>3,722,273</u> | <u>3,963,606</u> | <u>(248,926)</u> | <u>206,481</u> |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

18. Non-controlling interests ("NCI") (cont'd)

The details of the subsidiaries that have NCI are as follows:-

| Name of subsidiary | Principal place of business/ Country of incorporation | Effective ownership interest held by NCI | | Principal activity |
|--|--|--|------|--|
| | | 2022 | 2021 | |
| FP Stencil Sdn. Bhd. (formerly known as Dynamic Stencil Sdn. Bhd.) ("FPS") | Malaysia | 0% | 25% | Manufacture and sale of laser stencils |
| Plea Sdn. Bhd. ("PLEA") | Malaysia | 45% | 45% | Provision of Internet of Things (IoT) solutions and technology |
| SDKM Technologies Sdn. Bhd. ("SDKM") | Malaysia | 30% | 0% | Manufacture and sale of accessory cables and connectors |
| Sin Yen Technologies Sdn. Bhd. ("SYT") | Malaysia | 30% | 30% | Manufacture of industrial equipment and machinery |

The summarised financial information (before inter-company eliminations) of the above subsidiaries is as follows:-

| | FPS RM | PLEA RM | SDKM RM | SYT RM |
|---|-------------|------------|-------------|-------------|
| 2022 | | | | |
| Non-current assets | 1,000,056 | 0 | 5,022,569 | 661,401 |
| Current assets | 12,902,925 | 19,880 | 13,244,006 | 3,939,863 |
| Current liabilities | (668,607) | (30,705) | (5,545,371) | (2,901,075) |
| Non-current liabilities | 0 | 0 | (497,580) | 0 |
| Net assets/(liabilities) | 13,234,374 | (10,825) | 12,223,624 | 1,700,189 |
| Revenue | 7,439,599 | 19,635 | 14,356,358 | 5,093,987 |
| Profit/(Loss) (representing comprehensive income) | 965,581 | (277,762) | (472,316) | (101,588) |
| Net cash from/(used in) operating activities | 2,861,482 | (10,963) | (2,381,016) | 560,857 |
| Net cash used in investing activities | (134,286) | 0 | (313,123) | (12,503) |
| Net cash used in financing activities | (3,224,400) | 0 | (176,159) | 0 |
| Net cash (outflow)/inflow | (497,204) | (10,963) | (2,870,298) | 548,354 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

18. Non-controlling interests ("NCI") (cont'd)

| | FPS RM | PLEA RM | SYT RM |
|---|------------------|---------------|------------------|
| 2021 | | | |
| Non-current assets | 1,184,392 | 78,574 | 730,161 |
| Current assets | 14,662,893 | 218,987 | 1,658,302 |
| Current liabilities | (685,410) | (42,080) | (694,559) |
| Net assets | 15,161,875 | 255,481 | 1,693,904 |
| Revenue | 9,984,194 | 8,356 | 2,970,112 |
| Profit/(Loss) (representing comprehensive income) | 2,013,098 | (220,921) | (657,930) |
| Net cash from/(used in) operating activities | 5,430,868 | (350,897) | (1,105,875) |
| Net cash from/(used in) investing activities | 90,119 | (29,239) | (190,868) |
| Net cash (used in)/from financing activities | (224,400) | 392,500 | 400,000 |
| Net cash inflow/(outflow) | <u>5,296,587</u> | <u>12,364</u> | <u>(896,743)</u> |

Change in ownership interest in subsidiary

On 21 July 2021, the Group, through FoundPac Capital Sdn. Bhd. acquired the remaining 25% ownership interest in FPS from NCI for cash consideration of RM4,500,000. The effects of the change in ownership interest on the equity attributable to owners of the Company are as follows:-

| | RM |
|--|--------------------|
| Amount by which NCI are adjusted | 3,838,706 |
| Cash consideration paid | <u>(4,500,000)</u> |
| Decrease in equity attributable to owners of the Company | <u>(661,294)</u> |

19. Revenue

| | Group | | Company | |
|---|-------------------|-------------------|-------------------|------------------|
| | 2022 RM | 2021 RM | 2022 RM | 2021 RM |
| Revenue from contracts with customers:- | | | | |
| - Sale of goods | 71,008,451 | 48,982,020 | 0 | 0 |
| - Rendering of services | 17,295 | 8,356 | 0 | 0 |
| Other source of revenue:- | | | | |
| - Dividend income | 0 | 0 | 14,807,500 | 9,750,000 |
| | <u>71,025,746</u> | <u>48,990,376</u> | <u>14,807,500</u> | <u>9,750,000</u> |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

19. Revenue (cont'd)

Disaggregation of revenue from contracts with customers

| | 2022 RM | Group 2021 RM |
|---|-------------------|---------------------|
| Major products and services:- | | |
| - Precision engineering products | 44,122,182 | 36,031,676 |
| - Laser stencils | 7,435,924 | 9,983,732 |
| - Industrial equipment and machinery | 5,093,987 | 2,966,612 |
| - Internet of Things (IoT) solutions and technology | 17,295 | 8,356 |
| - Accessory cables and connectors | 14,356,358 | 0 |
| | <u>71,025,746</u> | <u>48,990,376</u> |
| Geographical areas:- | | |
| - Malaysia | 23,163,672 | 10,566,205 |
| - Other Asian countries | 11,964,432 | 6,618,306 |
| - North America | 24,973,921 | 18,821,135 |
| - Europe | 10,316,633 | 11,642,625 |
| - Others | 607,088 | 1,342,105 |
| | <u>71,025,746</u> | <u>48,990,376</u> |

20. Impairment losses on financial assets

Group

| | 2022 RM | 2021 RM |
|---|----------------|---------------|
| Trade receivables from contracts with customers | <u>347,400</u> | <u>80,557</u> |

21. Profit before tax

| | 2022 RM | Group 2021 RM | Company 2022 RM | 2021 RM |
|--|------------|---------------------|-----------------------|------------|
| Profit before tax is arrived at after charging:- | | | | |
| Amortisation of intangible assets | 18,488 | 13,866 | 0 | 0 |
| Auditors' remuneration:- | | | | |
| - Statutory | 134,500 | 109,500 | 35,000 | 35,000 |
| - Non-statutory | 0 | 12,000 | 0 | 0 |
| Depreciation of property, plant and equipment | 4,486,650 | 4,127,352 | 0 | 0 |
| Depreciation of right-of-use assets | 989,040 | 492,106 | 0 | 0 |
| Employee benefits expense (Note 22) | 17,701,963 | 10,314,112 | 276,056 | 158,500 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

21. Profit before tax (cont'd)

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2022 RM | 2021 RM | 2022 RM | 2021 RM |
| Fee expense for financial instruments not measured at fair value through profit or loss | 86,043 | 62,628 | 242 | 441 |
| Impairment loss on goodwill* | 150,479 | 0 | 0 | 0 |
| Impairment loss on intangible assets* | 60,086 | 0 | 0 | 0 |
| Interest expense for financial liabilities not measured at fair value through profit or loss | 94,882 | 0 | 0 | 0 |
| Interest expense for lease liabilities | 55,824 | 5,803 | 0 | 0 |
| Inventories written down | 836,976 | 440,070 | 0 | 0 |
| Lease expense relating to:- | | | | |
| - Short-term leases | 292,200 | 179,500 | 0 | 0 |
| - Leases of low-value assets (other than short-term leases) | 15,608 | 0 | 0 | 0 |
| Property, plant and equipment written off | 325,282 | 23 | 0 | 0 |
| Realised loss on foreign exchange | 0 | 165,333 | 0 | 0 |
| and crediting:- | | | | |
| Amortisation of deferred income | 239,165 | 239,165 | 0 | 0 |
| Fair value gains on financial instruments mandatorily measured at fair value through profit or loss | 739,828 | 856,912 | 16,610 | 179,121 |
| Gain on disposal of property, plant and equipment | 192,015 | 70,177 | 0 | 0 |
| Gain on foreign exchange:- | | | | |
| - Realised | 981,686 | 0 | 0 | 0 |
| - Unrealised | 236,227 | 80,280 | 0 | 0 |
| Interest income for financial assets measured at amortised cost | 28,309 | 18,472 | 248 | 922 |
| Reversal of inventories written down | 43,361 | 31,510 | 0 | 0 |
| Variable lease payments from covid-19-related rent concessions | 8,548 | 0 | 0 | 0 |

* Included in administrative and general expenses

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

22. Employee benefits expense (including directors' remuneration)

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2022 RM | 2021 RM | 2022 RM | 2021 RM |
| Directors of the Company:- | | | | |
| - Fees | 129,000 | 120,000 | 129,000 | 120,000 |
| - Other short-term employee benefits | 1,015,935 | 922,116 | 32,500 | 38,500 |
| - Defined contribution plans | 95,913 | 82,284 | 0 | 0 |
| - Share-based payments | 386,626 | 0 | 114,556 | 0 |
| | 1,627,474 | 1,124,400 | 276,056 | 158,500 |
| Directors of subsidiaries:- | | | | |
| - Fees | 0 | 176,000 | 0 | 0 |
| - Other short-term employee benefits | 903,049 | 1,000,192 | 0 | 0 |
| - Defined contribution plans | 87,750 | 112,458 | 0 | 0 |
| - Share-based payments | 57,278 | 0 | 0 | 0 |
| - Government grants under Wage Subsidy Programme | (2,400) | 0 | 0 | 0 |
| | 1,045,677 | 1,288,650 | 0 | 0 |
| Other employees:- | | | | |
| - Short-term employee benefits | 13,410,815 | 7,629,265 | 0 | 0 |
| - Defined contribution plans | 1,200,276 | 789,217 | 0 | 0 |
| - Share-based payments | 839,121 | 0 | 0 | 0 |
| - Government grants under Wage Subsidy Programme | (421,400) | (517,420) | 0 | 0 |
| | 15,028,812 | 7,901,062 | 0 | 0 |
| | 17,701,963 | 10,314,112 | 276,056 | 158,500 |

23. Tax expense

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2022 RM | 2021 RM | 2022 RM | 2021 RM |
| Tax based on results for the year:- | | | | |
| - Current tax | 4,827,000 | 3,510,000 | 0 | 0 |
| - Deferred tax | (502,000) | (313,000) | 0 | 0 |
| | 4,325,000 | 3,197,000 | 0 | 0 |
| Tax under/(over) provided in prior year:- | | | | |
| - Current tax | 161,071 | (349,207) | 0 | 0 |
| - Deferred tax | (279,000) | (73,000) | 0 | 0 |
| | 4,207,071 | 2,774,793 | 0 | 0 |

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate on results for the year is as follows:-

| | Group | | Company | |
|--|-----------|-----------|-----------|-----------|
| | 2022 % | 2021 % | 2022 % | 2021 % |
| Applicable tax rate | 24.00 | 24.00 | 24.00 | 24.00 |
| Non-deductible expenses | 4.06 | 0.55 | 0.76 | 1.18 |
| Non-taxable income | (1.76) | (1.83) | (24.76) | (25.18) |
| Tax incentives claimed | 0.00 | (1.22) | 0.00 | 0.00 |
| Increase in unrecognised deferred tax assets | 0.27 | 0.35 | 0.00 | 0.00 |
| Average effective tax rate | 26.57 | 21.85 | 0.00 | 0.00 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

24. Earnings per share

Group

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

| | 2022 | 2021 |
|---|-------------|-------------|
| Profit for the financial year attributable to owners of the Company (RM) | 12,321,357 | 11,649,459 |
| Number of shares in issue as at 1 July | 541,268,600 | 542,322,500 |
| Effect of shares purchased | (424,618) | (309,830) |
| Weighted average number of shares for computing basic earnings per share | 540,843,982 | 542,012,670 |
| Number of shares under ESOS deemed to have been issued for no consideration | 340,616 | 0 |
| Weighted average number of shares for computing diluted earnings per share | 541,184,598 | 542,012,670 |
| Basic earnings per share (sen) | 2.28 | 2.15 |
| Diluted earnings per share (sen) | 2.28 | 2.15 |

25. Dividends

Group and Company

| | 2022 RM | 2021 RM |
|--|------------|------------|
| In respect of financial year ended 30 June 2021:- | | |
| - First interim single tier dividend of 0.5 sen per share | 0 | 2,711,612 |
| - Second interim single tier dividend of 1.0 sen per share | 0 | 5,412,686 |
| In respect of financial year ended 30 June 2022:- | | |
| - First interim single tier dividend of 0.5 sen per share | 2,705,175 | 0 |
| - Second interim single tier dividend of 1.0 sen per share | 5,403,225 | 0 |
| | 8,108,400 | 8,124,298 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

26. Notes to consolidated statement of cash flows

Group

Lease liabilities

| | 2022 RM | 2021 RM |
|--|------------------|------------|
| Balance at 1 July | 0 | 218,597 |
| Acquisition of subsidiary | 1,533,424 | 0 |
| Remeasurement from reassessment or lease modifications | 530,915 | 0 |
| Payments | (694,132) | (218,597) |
| Variable lease payments | (8,548) | 0 |
| Balance at 30 June (Note 14) | <u>1,361,659</u> | <u>0</u> |

The total cash outflow for leases is as follows:-

| | 2022 RM | 2021 RM |
|--|------------------|----------------|
| Operating activities | | |
| Lease expense recognised in profit or loss (Note 21) | 307,808 | 179,500 |
| Financing activities | | |
| Interest portion of lease liabilities (Note 21) | 55,824 | 5,803 |
| Principal portion of lease liabilities | <u>694,132</u> | <u>218,597</u> |
| | <u>1,057,764</u> | <u>403,900</u> |

Term loans

| | 2022 RM | 2021 RM |
|---------------------------|--------------------|------------|
| Balance at 1 July | 0 | 0 |
| Acquisition of subsidiary | 2,415,721 | 0 |
| Repayments | <u>(2,415,721)</u> | <u>0</u> |
| Balance at 30 June | <u>0</u> | <u>0</u> |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

27. Related party disclosures

Transactions with related parties during the financial year are as follows:-

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2022 RM | 2021 RM | 2022 RM | 2021 RM |
| Key management personnel compensation:- | | | | |
| - Short-term employee benefits | 2,047,984 | 2,218,308 | 161,500 | 158,500 |
| - Defined contribution plans | 183,663 | 194,742 | 0 | 0 |
| - Share-based payments | 443,904 | 0 | 114,556 | 0 |
| | 2,675,551 | 2,413,050 | 276,056 | 158,500 |
| Contributions to subsidiaries under ESOS | 0 | 0 | 1,168,469 | 0 |
| Dividends received from subsidiaries | 0 | 0 | 4,807,500 | 9,750,000 |
| Sale of goods to other related party* | 20,150 | 49,850 | 0 | 0 |
| Subscription for preference shares in subsidiary | 0 | 0 | 12,100,000 | 4,500,000 |

* Being a company in which a director has substantial financial interest

28. Segment reporting

Group

Operating segments

For management purposes, the Group is organised into business units based on their products and services and has the following reportable operating segments:-

- (i) Precision engineering - Design, development, manufacture, marketing and sale of stiffeners, test sockets, hand lids and related accessories
- (ii) Laser stencils - Manufacture and sale of laser stencils
- (iii) Automation - Manufacture of industrial equipment and machinery
- (iv) Accessory cables and connectors - Manufacture and sale of accessory cables and connectors

No operating segments have been aggregated to form the above reportable segments.

The accounting policies and measurement bases of the segment items reported are the same as those disclosed in Note 2. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with external parties.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

28. Segment reporting (cont'd)

Operating segments (cont'd)

| | Precision engineering RM | Laser stencils RM | Automation RM | Accessory cables and connectors RM | Unallocated non- reportable segments RM | Total RM |
|--|--------------------------------|-------------------------|------------------|---|---|-------------|
| 2022 | | | | | | |
| Statement of financial position | | | | | | |
| Segment assets | 71,231,277 | 26,548,449 | 6,804,980 | 19,925,537 | 499,495 | 125,009,738 |
| Included in the measure of segment assets are:- | | | | | | |
| - Additions to non-current assets | 234,216 | 742,923 | 31,272 | 4,853,688 | 0 | 5,862,099 |
| Segment liabilities | 8,618,519 | 668,607 | 2,901,075 | 6,042,951 | 130,873 | 18,362,025 |
| Statement of comprehensive income | | | | | | |
| Segment profit/(loss) | 12,704,938 | 965,581 | (101,588) | (472,316) | (1,024,184) | 12,072,431 |
| Included in the measure of segment profit/(loss) are:- | | | | | | |
| - External revenue | 44,122,182 | 7,435,924 | 5,093,987 | 14,356,358 | 17,295 | 71,025,746 |
| - Interest and fund distribution income | 553,737 | 176,980 | 18,769 | 51 | 18,600 | 768,137 |
| - Non-cash income | 309,318 | 23,025 | 51,898 | 143,060 | 0 | 527,301 |
| - Interest expense | 0 | 12,988 | 0 | 137,718 | 0 | 150,706 |
| - Amortisation and depreciation | 3,731,564 | 651,049 | 103,032 | 990,045 | 18,488 | 5,494,178 |
| - Other non-cash expenses | 1,166,077 | 887,742 | 214,492 | 264,957 | 513,505 | 3,046,773 |
| - Tax expense/(income) | 3,848,648 | 406,620 | 8,607 | (56,806) | 2 | 4,207,071 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

28. Segment reporting (cont'd)

Operating segments (cont'd)

| | Precision engineering RM | Laser stencils RM | Automation RM | Accessory cables and connectors RM | Unallocated non-reportable segments RM | Total RM |
|--|-----------------------------|----------------------|------------------|---------------------------------------|---|-------------|
| 2021 | | | | | | |
| Statement of financial position | | | | | | |
| Segment assets | 70,619,684 | 28,493,728 | 4,592,179 | 0 | 7,162,695 | 110,868,286 |
| Included in the measure of segment assets are:- | | | | | | |
| - Additions to non-current assets | 2,941,850 | 60,638 | 507,722 | 0 | 94,523 | 3,604,733 |
| Segment liabilities | 6,633,276 | 685,410 | 694,559 | 0 | 173,080 | 8,186,325 |
| Statement of comprehensive income | | | | | | |
| Segment profit/(loss) | 11,135,055 | 2,013,098 | (676,424) | 0 | (615,789) | 11,855,940 |
| Included in the measure of segment profit/(loss) are:- | | | | | | |
| - External revenue | 36,031,676 | 9,983,732 | 2,966,612 | 0 | 8,356 | 48,990,376 |
| - Interest and fund distribution income | 538,572 | 150,757 | 6,001 | 0 | 180,054 | 875,384 |
| - Non-cash income | 350,955 | 197,397 | 0 | 0 | 0 | 548,352 |
| - Interest expense | 0 | 5,803 | 0 | 0 | 0 | 5,803 |
| - Amortisation and depreciation | 3,923,258 | 616,662 | 79,538 | 0 | 13,866 | 4,633,324 |
| - Other non-cash expenses | 313,828 | 13,002 | 391,217 | 0 | 83 | 718,130 |
| - Tax expense/(income) | 2,536,009 | 693,930 | (455,213) | 0 | 67 | 2,774,793 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

28. Segment reporting (cont'd)

Geographical information

The Group operates principally in Malaysia and generates revenue from the following geographical locations of customers:-

| | External revenue | |
|-----------------------|-------------------|-------------------|
| | 2022 RM | 2021 RM |
| Malaysia | 23,163,672 | 10,566,205 |
| Other Asian countries | 11,964,432 | 6,618,306 |
| North America | 24,973,921 | 18,821,135 |
| Europe | 10,316,633 | 11,642,625 |
| Others | 607,088 | 1,342,105 |
| | <u>71,025,746</u> | <u>48,990,376</u> |

Major customers

The major customers that contributed 10% or more of the Group's total revenue are as follows:-

| | External revenue | | Segment |
|---------------|------------------|------------|--|
| | 2022 RM | 2021 RM | |
| Customer I* | 7,494,054 | 7,763,303 | Precision engineering |
| Customer II* | 3,966,126 | 5,096,942 | Precision engineering |
| Customer III* | <u>7,113,443</u> | <u>0</u> | <u>Accessory cables and connectors</u> |

* The identity of the major customer has not been disclosed as permitted by MFRS 8 Operating Segments.

29. Contractual commitments

Group

| | 2022 RM | 2021 RM |
|--|----------------|----------------|
| Acquisition of property, plant and equipment | <u>101,000</u> | <u>681,000</u> |

30. Financial risk management

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk and currency risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

30. Financial risk management (cont'd)

Credit risk

The Group's exposure to credit risk arises mainly from receivables and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position.

The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms. The quantitative information about such credit risk exposure is disclosed in Note 11. As the Group only deals with reputable financial institutions, the credit risk associated with deposits placed with them is low.

Liquidity risk

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

Currency risk

The Group's exposure to currency risk arises mainly from transactions entered into in currencies other than its functional currency, i.e. Ringgit Malaysia ("RM"). The major foreign currencies transacted are US Dollar ("USD") and Euro ("EUR"), and the gross carrying amounts of foreign currency denominated monetary items at the end of the reporting period are as follows:-

| | Group | | | |
|---------------------------|--------------------|-------------------|--------------------|------------------|
| | Denominated in USD | | Denominated in EUR | |
| | 2022 RM | 2021 RM | 2022 RM | 2021 RM |
| Receivables | 11,475,147 | 6,796,554 | 1,456,391 | 699,216 |
| Cash and cash equivalents | 4,172,063 | 6,354,586 | 3,823,189 | 716,326 |
| Payables | (3,429,015) | (999,442) | (49,561) | 0 |
| | <u>12,218,195</u> | <u>12,151,698</u> | <u>5,230,019</u> | <u>1,415,542</u> |

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:-

- (i) The Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.
- (ii) The Group maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 June 2022

30. Financial risk management (cont'd)

Currency risk (cont'd)

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss (and equity) to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

| | Increase/ (Decrease) in profit 2022 RM | Group Increase/ (Decrease) in profit 2021 RM |
|--|--|---|
| Appreciation of USD against RM by 2% (2021 : 2%) | 185,717 | 184,706 |
| Depreciation of USD against RM by 2% (2021 : 2%) | (185,717) | (184,706) |
| Appreciation of EUR against RM by 3% (2021 : 1%) | 119,245 | 10,758 |
| Depreciation of EUR against RM by 3% (2021 : 1%) | <u>(119,245)</u> | <u>(10,758)</u> |

31. Capital management

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity and total interest-bearing debts to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total interest-bearing debts divided by total equity as follows:-

| | 2022 RM | Group 2021 RM |
|------------------------------|--------------------|---------------------|
| Total interest-bearing debts | 1,361,659 | 0 |
| Total equity | <u>106,647,713</u> | <u>102,681,961</u> |
| Total capital | <u>108,009,372</u> | <u>102,681,961</u> |
| Debt-to-equity ratio | <u>1%</u> | <u>0%</u> |

The aforementioned capital management objective, policies and processes have remained unchanged from the previous financial year.

LIST OF PROPERTIES

| Registered owner/ Title/ Address | Description/ Existing use | Approximate age of building/ Tenure/ Date of expiry of lease | Approximate land/ Built- up area (Sq. feet) | Net book value as at 30.6.2022 (RM'000) | Date of last revaluation |
|--|--|---|--|--|-----------------------------|
| FoundPac Sdn. Bhd. | | | | | |
| Title Pajakan Negeri 5869, Lot 12349, Mukim 12, District of South West, Penang | Industrial land with three (3) buildings erected thereon. Factory complex comprises 1-single storey sales office building, 1-single storey management office with an annexed 1.5-storey detached factory. | 24 years/ 60 years leasehold interest expiring 31.10.2053 | 66,133/ 48,816 | 13,415 | 01.07.2019 |
| Address Plot 35, Hilir Sungai Keluang 2, Bayan Lepas Industrial Estate, Non-Free Industrial Zone Phase IV, 11900 Bayan Lepas, Penang | | | | | |
| SDKM Technologies Sdn. Bhd. | | | | | |
| Title Pajakan Negeri 18113, Lot 68807, Bandar Sungai Petani, District of Kuala Muda, Kedah | Industrial land with one (1) building erected thereon. Factory complex comprises 1 1/2-storey semi-detached factory | 29 years/ 60 years leasehold interest expiring 25.06.2063 | 12,239/ 7,040 | 462 | 20.10.2021 |
| Address Lot A-12, Jalan 11-A, Lot 12/69 MIEL, Fasa 5, Kawasan Perusahaan Bakar Arang, 08000 Sungai Petani, Kedah. | | | | | |

ANALYSIS OF SHAREHOLDINGS

30 SEPTEMBER 2022

Share Capital

| | | |
|-------------------------------|---|--|
| Total Number of Issued Shares | : | 541,667,500 ⁺ |
| Class of Share | : | Ordinary Shares with equal voting rights |
| Number of Shareholders | : | 9,581 |

⁺ Excluding a total of 2,000,000 shares purchased and retained as treasury shares.

Distribution Of Shareholders

| Holdings | No. of Holders | Total Holdings | % |
|----------------------|----------------|----------------|--------|
| 1 – 99 | 126 | 5,445 | 0.00 |
| 100 – 1,000 | 1,110 | 724,309 | 0.13 |
| 1,001 – 10,000 | 5,151 | 28,018,185 | 5.17 |
| 10,001 – 100,000 | 2,851 | 87,611,560 | 16.17 |
| 100,001 – 27,083,374 | 339 | 193,507,021 | 35.72 |
| 27,083,375 and above | 4 | 231,800,980 | 42.79 |
| Total | 9,581 | 541,667,500 | 100.00 |

Thirty Largest Securities Account Holders

| Name | Shareholdings | % |
|---|---------------|-------|
| 1. FoundPac Holdings Sdn. Bhd. | 135,800,000 | 25.07 |
| 2. Amsec Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged Securities Account For FoundPac Holdings Sdn. Bhd. | 40,000,000 | 7.38 |
| 3. Lee Chun Wah | 28,000,980 | 5.17 |
| 4. Tan Sin Khoon | 28,000,000 | 5.17 |
| 5. CIMB Group Nominees (Tempatan) Sdn. Bhd. Qualifier: CIMB Commerce Trustee Berhad for Kenanga Shariah Growth Opportunities Fund (50156 TR01) | 14,275,900 | 2.64 |
| 6. Citigroup Nominees (Asing) Sdn. Bhd. Qualifier: Exempt An For Citibank New York (Norges Bank 14) | 10,919,600 | 2.02 |
| 7. CIMB Group Nominees (Tempatan) Sdn. Bhd. Qualifier: CIMB Commerce Trustee Berhad for Kenanga Growth Opportunities Fund (50154 TR01) | 8,672,000 | 1.60 |
| 8. Lee Chun Wah | 7,379,320 | 1.36 |
| 9. Maybank Nominees (Tempatan) Sdn. Bhd. Qualifier: Maybank Trustees Berhad for Public Industry Growth Fund (N14011930270) | 6,257,400 | 1.16 |
| 10. RHB Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged Securities Account for FoundPac Holdings Sdn. Bhd. | 6,000,000 | 1.11 |
| 11. Public Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged Securities Account for Ong Choon Heng (E-BMM) | 5,643,000 | 1.04 |
| 12. CIMB Group Nominees (Tempatan) Sdn. Bhd. Qualifier: Exempt An for Petroliaam Nasional Berhad (KIB) | 4,773,700 | 0.88 |
| 13. Alliancegroup Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged Securities Account for Ng Wee Kean (7000571) | 4,277,300 | 0.79 |
| 14. Tan Sin Khoon | 3,889,000 | 0.72 |
| 15. RHB Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged Securities Account for Rosmariah Binti Abd Manan | 3,509,000 | 0.65 |
| 16. Public Gold Marketing Sdn. Bhd. | 3,484,700 | 0.64 |
| 17. Affin Hwang Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged Securities Account for Lee Cheng Chuan (LEE4666C) | 3,320,700 | 0.61 |
| 18. Maybank Nominees (Tempatan) Sdn. Bhd. Qualifier: Maybank Trustees Berhad For Areca Dividend Income Fund (412723) | 3,090,000 | 0.57 |

ANALYSIS OF SHAREHOLDINGS (Cont'd)

30 SEPTEMBER 2022

Thirty Largest Securities Account Holders (cont'd)

| Name | Shareholdings | % |
|--|---------------|------|
| 19. Maybank Nominees (Tempatan) Sdn. Bhd. Qualifier: Maybank Trustees Berhad For Areca Equity Growth Fund (427458) | 3,090,000 | 0.57 |
| 20. Alliancegroup Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged Securities Account for Lee Cheng Chuan (8057815) | 2,858,800 | 0.53 |
| 21. Maybank Nominees (Tempatan) Sdn. Bhd. Qualifier: Maybank Trustees Berhad for Kenanga Syariahextra Fund (N14011960240) | 2,793,600 | 0.52 |
| 22. UOB Kay Hian Nominees (Asing) Sdn. Bhd. Qualifier: Exempt An For UOB Kay Hian Pte Ltd (A/C Clients) | 2,100,000 | 0.39 |
| 23. HSBC Nominees (Asing) Sdn. Bhd. Qualifier: J.P. Morgan Securities Plc | 1,957,900 | 0.36 |
| 24. Citigroup Nominees (Asing) Sdn. Bhd. Qualifier: Exempt An For OCBC Securities Private Limited (Client A/C-NR) | 1,910,000 | 0.35 |
| 25. Tan Cheik Eaik | 1,800,000 | 0.33 |
| 26. Maybank Nominees (Tempatan) Sdn. Bhd. Qualifier: Maybank Trustees Berhad for Kenanga Syariahextra Fund (990405) | 1,706,500 | 0.32 |
| 27. Chan Bee Cheng | 1,620,000 | 0.30 |
| 28. Citigroup Nominees (Tempatan) Sdn. Bhd. Qualifier: Employees Provident Fund Board (KenangaESG) | 1,407,000 | 0.26 |
| 29. Yong Wai Man | 1,346,000 | 0.25 |
| 30. Teh Eng Hin | 1,315,600 | 0.24 |

Substantial Shareholders

| Name | Direct No. of shares held | % | Indirect No. of shares held | % |
|--------------------------------|---------------------------------|-------|-----------------------------------|----------------------|
| 1. FoundPac Holdings Sdn. Bhd. | 181,800,000 | 33.56 | - | - |
| 2. Lee Chun Wah | 35,380,300 | 6.53 | 181,800,000 ^(a) | 33.56 ^(a) |
| 3. Tan Sin Khoon | 31,889,000 | 5.89 | 181,800,000 ^(a) | 33.56 ^(a) |
| 4. Dato' Ong Choon Heng | 6,600,000 | 1.22 | 181,800,000 ^(a) | 33.56 ^(a) |

^(a) Deemed interested pursuant to Section 8 of the Companies Act 2016 ("the Act") via FoundPac Holdings Sdn. Bhd.

Directors' Shareholdings

| Name | Direct No. of shares held | % | Indirect No. of shares held | % |
|-------------------------|---------------------------------|------|-----------------------------------|----------------------|
| 1. Lee Chun Wah | 35,380,300 | 6.53 | 181,800,000 ^(a) | 33.56 ^(a) |
| 2. Tan Sin Khoon | 31,889,000 | 5.89 | 181,800,000 ^(a) | 33.56 ^(a) |
| 3. Dato' Ong Choon Heng | 6,600,000 | 1.22 | 181,800,000 ^(a) | 33.56 ^(a) |
| 4. Tan Cheik Eaik | 1,800,000 | 0.33 | - | - |
| 5. Chan Bee Cheng | 1,620,000 | 0.30 | - | - |
| 6. Teoh Lay Fung | 570,000 | 0.11 | - | - |

^(a) Deemed interested pursuant to Section 8 of the Act via FoundPac Holdings Sdn. Bhd.

SHARE BUY-BACK STATEMENT

1. Disclaimer statement

This statement is important and if you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused this Share Buy-Back Statement ("Statement") prior to its issuance, take no responsibilities for the contents of the Statement, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Statement.

2. Rationale for the proposed renewal of authority to FoundPac Group Berhad ("FoundPac" or "Company") to purchase its own ordinary shares ("Shares") of up to ten per centum (10%) of the total number of issued shares at any point of time ("Proposed Renewal of Share Buy-Back Mandate")

The rationale of the Proposed Renewal of Share Buy-Back Mandate, if implemented, are as follows:-

- (a) To enable the Company to utilise any of its surplus financial resources, which is not immediately required for other uses, to purchase its own Shares from the market. The Proposed Renewal of Share Buy-Back Mandate is to stabilise the market price of the Shares and to prevent against speculation of the Shares, when undervalued, to enhance investors' confidence;
- (b) Regardless if the Shares purchased pursuant to the Proposed Renewal of Share Buy-Back Mandate ("Purchased Shares") are maintained as treasury shares or cancelled, the Proposed Renewal of Share Buy-Back Mandate, will result in a lower number of Shares being used for the purpose of computing the Earnings Per Share ("EPS"), in which will improve the EPS of FoundPac and may have a positive impact on the market price of FoundPac Shares; and
- (c) The Purchased Shares may be held as treasury shares and resold in the open market at a higher price with the intention of realising a potential gain without affecting the total issued share capital of the Company. If any treasury shares are distributed as share dividends and/or issued under employees' share scheme, this would serve to reward the shareholders and/or employees of the Company.

3. Retained profits

Based on the audited financial statements of the Company as at 30 June 2022, the retained profits of the Company stood at RM9,322,076.

4. Source of funding

The Proposed Renewal of Share Buy-Back Mandate will be financed by both internally generated fund and/or external borrowings. The maximum fund to be allocated by the Company shall not exceed the retained profits of the Company. The amount of internally generated funds and/or external borrowings to be utilised will only be determined later depending on the availability of internally generated funds and bank borrowings at the time of the purchase(s), actual number of FoundPac Shares to be purchased and other cost factors.

In the event external borrowings are used for the purchase of FoundPac Shares, the Board of Directors of the Company ("Board") will ensure that the Company has the capability to repay the borrowings and that such repayment will not have a material effect on the Company's cash flow. Any funds utilised by FoundPac for the Proposed Renewal of Share Buy-back Mandate will consequentially reduce the resources available to FoundPac for its operations by a corresponding amount for shares bought back.

SHARE BUY-BACK STATEMENT (Cont'd)

5. Interest of directors and substantial shareholders and persons connected to them

Save for the inadvertent increase in the percentage shareholdings and/or voting rights of the shareholders in the Company as a consequence of the Proposed Renewal of Share Buy-Back Mandate, none of the directors and substantial shareholders of FoundPac nor persons connected to them has any interest, direct or indirect, in the Proposed Renewal of Share Buy-Back Mandate and, if any, the resale of the treasury shares.

Based on the Register of Directors' Shareholdings and Register of Substantial Shareholders of FoundPac as at 30 September 2022, the effects of the Proposed Renewal of Share Buy-Back Mandate on the shareholdings of the directors and substantial shareholders of FoundPac are as follows:-

Minimum Scenario - Assuming none of the 25,155,000 ESOS Options are exercised and FoundPac implements the Proposed Renewal of Share Buy-Back Mandate in full.
Maximum Scenario - Assuming full exercise of the 25,155,000 ESOS Options and FoundPac implements the Proposed Renewal of Share Buy-Back Mandate in full.

| Directors | Before the Proposed Renewal of Share Buy-Back Mandate | | | | After the Proposed Renewal of Share Buy-Back Mandate | | | | | | | |
|-------------------------------------|---|------------------|----------------------------|----------|--|------------------|----------------------------|----------|------------------|------------------|----------------------------|----------|
| | As at the 30 September 2022 | | | | Minimum Scenario | | | | Maximum Scenario | | | |
| | No. of Shares | % ^(a) | Direct | Indirect | No. of Shares | % ^(b) | Direct | Indirect | No. of Shares | % ^(c) | Direct | Indirect |
| Tan Cheik Eaik | 1,800,000 | 0.33 | - | - | 1,800,000 | 0.37 | - | - | 2,600,000 | 0.51 | - | - |
| Dato' Ong Choon Heng ⁽¹⁾ | 6,600,000 | 1.22 | 181,800,000 ⁽²⁾ | 33.56 | 5,605,900 | 1.35 | 181,800,000 ⁽²⁾ | 37.16 | 8,475,000 | 1.65 | 181,800,000 ⁽²⁾ | 35.49 |
| Lee Chun Wah ⁽¹⁾ | 35,380,300 | 6.53 | 181,800,000 ⁽²⁾ | 33.56 | 35,380,300 | 7.23 | 181,800,000 ⁽²⁾ | 37.16 | 36,580,300 | 7.14 | 181,800,000 ⁽²⁾ | 35.49 |
| Tan Sin Khoon ⁽¹⁾ | 31,889,000 | 5.89 | 181,800,000 ⁽²⁾ | 33.56 | 31,889,000 | 6.52 | 181,800,000 ⁽²⁾ | 37.16 | 33,489,000 | 6.45 | 181,800,000 ⁽²⁾ | 35.49 |
| Chan Bee Cheng | 1,620,000 | 0.30 | - | - | 1,620,000 | 0.33 | - | - | 2,220,000 | 0.43 | - | - |
| Teoh Lay Fung | 570,000 | 0.11 | - | - | 570,000 | 0.12 | - | - | 1,370,000 | 0.27 | - | - |
| Substantial Shareholder | | | | | | | | | | | | |
| FoundPac Holdings Sdn. Bhd. | 181,800,000 | 33.56 | - | - | 181,800,000 | 37.16 | - | - | 181,800,000 | 35.49 | - | - |

Note:-

- (a) Based on the total number of issued shares of 541,667,500 Shares, exclusive of 2,000,000 shares held as treasury shares
 (b) Based on the total number of issued shares of 489,300,750 Shares without exercising the ESOS Options and the Proposed Share Buy-Back is carried out in full and all that shares so purchased are held as treasury shares
 (c) Based on the total number of issued shares of 511,940,250 Shares after full exercise of 25,155,000 ESOS Options with the assumption that the Directors / Substantial Shareholders and Persons Connected to them (whose also an eligible person to the Company's ESOS) fully exercised their ESOS Options:-

- Dato' Ong Choon Heng – 1,875,000 ESOS Options
- Tan Cheik Eaik – 800,000 ESOS Options
- Lee Chun Wah – 1,200,000 ESOS Options
- Tan Sin Khoon – 1,600,000 ESOS Options
- Chan Bee Cheng – 600,000 ESOS Options
- Teoh Lay Fung – 800,000 ESOS Options

⁽¹⁾ Also Substantial Shareholder of the Company.

⁽²⁾ Indirect interest by virtue of his substantial interest in FoundPac Holdings Sdn Bhd

SHARE BUY-BACK STATEMENT (Cont'd)

6. Potential advantages and disadvantages of the Proposed Renewal of Share Buy-Back Mandate

6.1 Potential advantages of the Proposed Renewal of Share Buy-Back Mandate

The potential advantages of the Proposed Renewal of Share Buy-Back Mandate are set out in Section 2 of this Statement.

6.2 Potential disadvantages of the Proposed Renewal of Share Buy-Back Mandate

The potential disadvantages of the Proposed Renewal of Share Buy-Back Mandate are as follows:-

- (a) The Proposed Renewal of Share Buy-Back Mandate, if implemented, will reduce the financial resources of FoundPac and may result in FoundPac foregoing interest income and/or better investment opportunities that may emerge in the future; and
- (b) It would also result in reduction of financial resources available for distribution in the form of cash dividends to shareholders of FoundPac in the immediate future.

Nevertheless, the Board is of the view that the Proposed Renewal of Share Buy-Back Mandate is not expected to have any potential material disadvantages to the Company and its shareholders, as it will be implemented only after taking into consideration, amongst others, the financial resources of FoundPac and the resultant impact on the shareholders of the Company.

7. Material financial impact of the Proposed Renewal of Share Buy-Back Mandate

The material financial effect of the Proposed Renewal of Share Buy-Back Mandate on the share capital, consolidated net assets ("NA"), working capital, earnings and EPS, dividends and the substantial shareholders' shareholdings in FoundPac are set out below:-

7.1 Share capital

The effects of the Proposed Renewal of Share Buy-Back Mandate on the total number of issued shares of FoundPac are as follows:-

Minimum Scenario - Assuming none of the 25,155,000 ESOS Options are exercised and FoundPac implements the Proposed Renewal of Share Buy-Back Mandate in full

Maximum Scenario - Assuming full exercise of the 25,155,000 ESOS Options are exercised and FoundPac implements the Proposed Renewal of Share Buy-Back Mandate in full.

| | Minimum Scenario | Maximum Scenario |
|---|-----------------------------|-----------------------------|
| | No. of Shares | No. of Shares |
| As at 30 September 2022 | 543,667,500 | 543,667,500 |
| Shares to be issued pursuant to the ESOS | 0 | 25,155,000 |
| | <hr/> | <hr/> |
| | 543,667,500 | 568,822,500 |
| Proposed Renewal of Share Buy-Back Mandate (assuming all Purchased Shares are held as treasury shares) | 54,366,750 | 56,882,250 |
| | <hr/> | <hr/> |
| Total number of issued share after the Proposed Renewal of Share Buy-Back Mandate | 489,300,750 | 511,940,250 |

SHARE BUY-BACK STATEMENT (Cont'd)

7. Material financial impact of the Proposed Renewal of Share Buy-Back Mandate (cont'd)

7.1 Share capital (cont'd)

The effect of the Proposed Renewal of Share Buy-Back Mandate on the issued share capital of the Company will depend on the intention of the Board with regard to the treatment of the Purchased Shares. If the Purchased Shares are cancelled, the total number of issued share will be reduced by the number of Shares cancelled. Conversely, if the Purchased Shares are retained as treasury shares, resold or distributed to shareholders, the Proposed Renewal of Share Buy-Back Mandate will not have any effect on the total number of issued shares. However, while the Purchased Shares are held as treasury shares, the Companies Act 2016 states that the rights attached to them as to voting, dividends and participation in other distributions or otherwise are suspended and the treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares for any purposes including without limiting the generality of this provision, the provisions of any law or requirements of the Constitution of the Company or the listing rules of a stock exchange on substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

7.2 NA

The effects of the Proposed Renewal of Share Buy-Back Mandate on NA of FoundPac and its subsidiaries ("FoundPac Group" or "Group") would depend on the purchase price and number of Purchased Shares, the effective cost of funding, loss in interest income of the Company and the treatment of Purchased Shares.

If all the Purchased Shares are cancelled, the Proposed Renewal of Share Buy-Back Mandate will reduce the NA per Share if the purchase price exceed the NA per Share at the time of the purchase. Conversely, the NA per Share will increase if the purchase price is below the NA per Share at the time of the purchase.

The NA per Share will decrease if the Purchased Shares are retained as treasury shares, due to the accounting requirements for treasury shares to be carried at cost and to be offset against equity.

If the treasury shares are subsequently resold, the NA per Share upon the resale will increase if the Company realises a gain from the resale, and vice-versa. If the treasury shares are distributed as dividends, the NA per Share will be reduced by the cost of the treasury shares.

7.3 Working capital

The Proposed Renewal of Share Buy-Back Mandate, as and when implemented, will reduce the working capital and cash flows of FoundPac Group, the quantum of which depends on, amongst others, the number and purchase price(s) of the Purchased Shares.

For the Purchased Shares which are kept as treasury shares, upon their resale, the working capital and the cash flows of FoundPac Group will increase upon the receipt of the proceeds of the resale. The quantum of the increase in the working capital and cash flows will depend on the actual selling price(s) of the treasury shares resold.

7.4 Earnings and EPS

The effects of the Proposed Renewal of Share Buy-Back Mandate on earnings and EPS of FoundPac Group will depend on the purchase price of the Shares, the effective funding cost, if any, or any loss in interest income to FoundPac Group.

If the Purchased Shares are retained as treasury shares and resold, the effects on the earnings of FoundPac Group will depend on the actual selling price, the number of the treasury shares resold, and the effective gain or interest saving arising from the exercise.

If the Purchased Shares are cancelled, the Proposed Share Buy-Back Mandate will increase the EPS of FoundPac Group provided that the income foregone and interest expenses incurred on the Purchased Shares are less than the EPS before the Proposed Share Buy-Back Mandate.

SHARE BUY-BACK STATEMENT (Cont'd)

7. Material financial impact of the Proposed Renewal of Share Buy-Back Mandate (cont'd)

7.5 Dividends

Assuming the Proposed Renewal of Share Buy-Back Mandate is implemented in full, dividends would be paid on the remaining total number of issued shares of FoundPac (excluding the Shares already purchased). The Proposed Renewal of Share Buy-Back Mandate would reduce the cash available which may otherwise be used for dividend payments. Nonetheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

Any dividends to be declared by FoundPac in the future would depend on, inter-alia, the profitability and cash flow position of FoundPac Group.

7.6 Substantial shareholders

Shares bought back by the Company under the Proposed Renewal of Share Buy-Back Mandate that are retained as treasury shares will result in a proportionate increase in the percentage shareholdings of the substantial shareholders in the Company. Please refer to the Section 5 of this Statement for further details.

8. Implications of the Proposed Renewal of Share Buy-Back Mandate relating to the rules of takeovers, merger and compulsory acquisitions ("the Rules")

Based on the Company's total number of issued shares and the current shareholdings of the substantial shareholders and/or parties acting in concert as at 30 September 2022, none of the substantial shareholders and/or parties acting in concert with them will be required to make a mandatory general offer in the event of the implementation of the Proposed Renewal of Share Buy-Back Mandate in full.

FoundPac has no intention for the Proposed Renewal of Share Buy-Back Mandate to be triggered the obligation to undertake a mandatory general offer under the Rules by any of its substantial shareholders and/or parties acting in concert with them. The Board will ensure that only such number of FoundPac Shares are purchased, retained as treasury shares or cancelled in the manner that the Rules will not be triggered.

The Board is aware of the requirements of the Rules and will be mindful of the requirements when making any purchase of FoundPac Shares pursuant to the Proposed Renewal of Share Buy-Back Mandate.

9. Purchases, resold, transfer and cancellation made by the Company of its own shares in the preceding 12 months

Details of the shares bought back by the Company in the previous twelve (12) months up to 30 September 2022 are as follows:-

| Date of purchase | No. of Shares purchased | Lowest price (RM) | Highest price (RM) | Average price (RM) | Total consideration* |
|------------------|-------------------------|-------------------|--------------------|--------------------|----------------------|
| 25.11.2021 | 200,000 | 0.675 | 0.675 | 0.675 | 135,318.61 |
| 06.12.2021 | 33,600 | 0.630 | 0.630 | 0.630 | 21,218.80 |
| 14.01.2022 | 212,500 | 0.580 | 0.590 | 0.585 | 124,725.45 |
| 03.03.2022 | 300,000 | 0.495 | 0.500 | 0.498 | 149,909.34 |
| 04.03.2022 | 200,000 | 0.440 | 0.445 | 0.443 | 88,748.55 |

* Includes transaction cost

As at 30 September 2022, there are in total of 2,000,000 FoundPac Shares held as treasury shares.

FoundPac has not resold, transferred or cancelled any treasury shares in the preceding 12 months up to 30 September 2022.

SHARE BUY-BACK STATEMENT (Cont'd)

10. Proposed intention of the directors to deal with the shares so purchased

The Proposed Renewal of Share Buy-Back Mandate, if exercised, the shares shall be dealt with in the following manner:-

- To cancel the shares so purchased; or
- To retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the open market or subsequently cancelled; or
- Retain part of the shares so purchased as treasury shares and cancel the remainder.

11. Historical share prices

The monthly highest and lowest market prices of FoundPac Shares traded on Bursa Securities for the preceding 12 months are as follows:-

| | High RM | Low RM |
|-------------|------------|-----------|
| 2021 | | |
| October | 0.781 | 0.742 |
| November | 0.767 | 0.602 |
| December | 0.680 | 0.606 |
| 2022 | | |
| January | 0.655 | 0.538 |
| February | 0.587 | 0.518 |
| March | 0.528 | 0.396 |
| April | 0.533 | 0.430 |
| May | 0.455 | 0.416 |
| June | 0.460 | 0.390 |
| July | 0.470 | 0.380 |
| August | 0.585 | 0.460 |
| September | 0.645 | 0.510 |

Last transacted market price as at 30 September 2022 (being the latest practical date prior to the printing of this Statement) was RM0.575.

(Source: Bloomberg)

12. Public shareholding spread

As at 30 September 2022, the public shareholdings spread of the Company was approximately 52.03%. In this regard, the Board undertakes to purchase Shares only to the extent that the public shareholding spread of FoundPac shall not fall below 25.00% of the total number of issue share capital of the Company (excluding treasury shares) at all time pursuant to the Proposed Renewal of Share Buy-Back Mandate, in accordance with Para 8.02(1) and 12.14 of the Bursa Securities Main Market Listing Requirements.

13. Directors' statement

After taking into consideration all relevant factors, the Board is of the opinion that the Proposed Renewal of Share Buy-Back Mandate described above is in the best interest of the Company.

14. Directors' recommendation

The Board recommends that you vote in favour of the ordinary resolution to be tabled at the forthcoming Annual General Meeting to give effect to the Proposed Renewal of Share Buy-Back Mandate.

15. Responsibility statement

This statement has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

SHARE BUY-BACK STATEMENT (Cont'd)

16. Documents available for inspection

Copies of following documents will be available for inspection at the registered office of the Company at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang during normal office hours from Monday to Friday (except for public holiday) from the date of this Statement up to and including the date of the forthcoming Annual General Meeting:-

- I. Constitution of FoundPac; and
- II. The audited financial statements of FoundPac for the past two (2) financial years ended 30 June 2021 and 30 June 2022 respectively.

17. Further information

There is no other information concerning the Proposed Renewal of Share Buy-Back Mandate as shareholders and other professional advisers would reasonably require and expect to find in this Statement for the purpose of making informed assessment as to the merits of approving the Proposed Renewal of Share Buy-Back Mandate and the extent of the risks involved in doing so.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 7th Annual General Meeting of the Company will be held at Wembley Room 10, Level 9, The Wembley, A St Giles Hotel, Penang, 183, Jalan Magazine, 10300 Penang on Wednesday, 23 November 2022 at 9.00 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements of the Company for the year ended 30 June 2022 together with the Reports of the Directors and of the Auditors thereon. *(Please refer to Note 1)*
2. To approve the payment of Directors' Fee of up to RM149,500 for the period from December 1, 2022 until the next Annual General Meeting ("AGM") of the Company. (Resolution 1)
3. To approve the other benefits (excluding Directors' Fee) payable to Non-Executive Directors of up to RM248,000 for the period from December 1, 2022 until the next AGM of the Company. (Resolution 2)
4. To re-elect the following Directors retiring under Paragraph 102 of the Constitution of the Company and who, being eligible offer themselves for re-election:- *(Please refer to Note 2)*
 - a. Mr. Tan Cheik Eaik (Resolution 3)
 - b. Mr. Lee Chun Wah (Resolution 4)
5. To re-appoint Messrs. Crowe Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. (Resolution 5)

Special businesses

6. To consider and if thought fit, to pass the following resolutions:-

Ordinary resolutions

- a) Authority to issue shares (Resolution 6)

"That pursuant to Companies Act 2016 ("the Act") and approvals from the Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant governmental/ regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to issue and allot shares in the Company from time to time until the conclusion of the next AGM and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being, and that the Board of Directors be empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Securities."

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

Special businesses (cont'd)

6. To consider and if thought fit, to pass the following resolutions:-(cont'd)

Ordinary resolutions (cont'd)

- b) Renewal of authority to purchase its own shares

(Resolution 7)

"That subject to the Act, provisions of the Company's Constitution and the requirements of the Bursa Securities and other relevant governmental and regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to purchase its own shares through Bursa Securities, subject to the following:-

- i) The maximum aggregate number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the total issued shares of the Company at any point in time;
- ii) The maximum fund to be allocated by the Company for the purpose of purchasing the Company's shares shall not exceed the retained profits of the Company. As at the latest financial year ended 30 June 2022, the audited retained profits of the Company is RM9,322,076;
- iii) The authority conferred by this resolution will be effective immediately upon the passing of this resolution and shall continue to be in force until the conclusion of the next AGM of the Company, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions or the expiration of the period within which the next AGM is required by law to be held or unless revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first;
- iv) Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:-
 - To cancel the shares so purchased; or
 - To retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
 - Retain part of the shares so purchased as treasury shares and cancel the remainder.

The Directors of the Company be and are hereby authorised to take all such steps as are necessary and entering into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments, if any, as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares in accordance with the Act, provisions of the Company's Constitution, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals."

7. To transact any other business of which due notice shall have been given in accordance with the Act.

By Order of the Board

HOW WEE LING MAICSA 7033850 / SSM PC NO. 202008000869

OOI EAN HOON MAICSA 7057078 / SSM PC NO. 202008000734

Secretaries

Penang

19 October 2022

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

Proxy:-

- a) For the purpose of determining a member who shall be entitled to attend and vote at this 7th AGM, the Company shall be requesting the Record of Depositors as at 16 November 2022. Only a depositor whose name appears on the Record of Depositors as at 16 November 2022 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.
- b) A member of the Company (Except an Exempt Authorised Nominee) shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- c) 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.
- d) The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy shall be either under its common seal or under the hand of its officer or attorney duly authorised.
- e) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang at least twenty-four (24) hours before the time set for holding the Meeting or any adjournments thereof. Proxy Form transmitted by facsimile or electronic mail will not be accepted unless the original copy is received at the Registered Office.

Explanatory note on Ordinary and Special Business:-

1. This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Act and the Company's Constitution do not require a formal approval of the shareholders and hence, is not put forward for voting.
2. The Board through the Nomination Committee had undertaken an annual assessment on the Directors. Mr. Tan Cheik Eaik (Independent Non-Executive Director) and Mr. Lee Chun Wah (Non-Independent Non-Executive Director) are seeking for re-election pursuant to Paragraph 102 of the Company's Constitution, at the 7th AGM. Mr. Tan Cheik Eaik has also provided his annual declaration/confirmation of independence.

The Board and the Nomination Committee are satisfied with their performance assessment i.e. meeting attendances, participated actively and contributed positively during deliberations or discussions at Board Meetings, competency and capability, understanding of their roles and responsibilities. Thus, the Board recommended that the approval of the shareholders be sought for the re-election of the said Directors at the 7th AGM. The information of the Directors' standing for re-election is set out in "Profile of Directors" of the Annual Report 2022.

3. The proposed Resolution No. 6 [Item 6(a)], if passed, will grant a new general mandate (Mandate 2022) and empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total ten per centum (10%) of total number of issued shares of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority will, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next AGM of the Company.

The Mandate 2022 will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited for further placing of shares, for the purpose of funding future investment(s), acquisition(s) and/or working capital.

As at the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the 6th AGM. The Company did not issue any share pursuant to the mandate granted because there was no investment, acquisition or working capital that required fund raising activity.

4. The proposed Ordinary Resolution No. 7 [Item 6(b)], if passed, will give the Company the authority to purchase its own Ordinary Shares of up to ten per centum (10%) of the total number of issued shares of the Company for the time being. This authority, unless renewed or revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM after that date is required by law to be held, whichever occurs first. For further information on the renewal of authority to purchase its own shares, please refer to the Share Buy-back Statement set out in the Annual Report 2022.

IMPORTANT NOTICE:

We also wish to remind you to monitor the Company's website and announcements from time to time for any changes to the 7th AGM arrangement.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

1. **Details of individuals who are standing for election as directors (excluding directors standing for a re-election)**

No individual is seeking election as a director at the 7th AGM of the Company.

2. **Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad**

Details of the general mandate to issue securities in the Company pursuant to the Companies Act 2016 are set out in Explanatory Note (3) of the Notice of 7th AGM.

PROXY FORM

| | |
|-----------------------------|--|
| No. of Ordinary Shares held | |
| Contact No. | |

| | |
|-----------------|--|
| CDS Account No. | |
| Email Address | |

*I/We _____ (*NRIC No./ Company No _____) of _____

being a *Member/Members of FOUNDPAC GROUP BERHAD hereby appoint:-

☐ The following proxy(ies):-

| Name | NRIC / Passport No. | Address | Proportions of my/our holdings to be represented (%) |
|---------------------------------|---------------------|---------|--|
| (1) | | | |
| AND * / OR FAILING HIM*, | | | |
| (2) | | | |
| Total... | | | 100.0% |

In case of show of hands, Proxy 1* / Proxy 2* shall vote on our behalf

AND * / OR FAILING HIM*,

☐ Chairman of the Meeting

as *my/our proxy to vote for *me/us and on *my/our behalf at the 7th Annual General Meeting of the Company to be held at Wembley Room 10, Level 9, The Wembley, A St Giles Hotel, Penang, 183, Jalan Magazine, 10300 Penang on Wednesday, 23 November 2022 at 9.00 a.m. and at any adjournment thereof as indicated below:-

☐ Tick (✓) whichever is applicable

* Strike out whichever is inapplicable

(Please indicate with an "X" in the space provided below on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion)

| RESOLUTIONS | FOR | AGAINST |
|--|-----|---------|
| 1. To approve the payment of Directors' Fee of up to RM149,500 for the period from December 1, 2022 until the next Annual General Meeting ("AGM") of the Company. | | |
| 2. To approve the other benefits (excluding Directors' Fee) payable to Non-Executive Directors of up to RM248,000 for the period from December 1, 2022 until the next Annual General Meeting of the Company. | | |
| To re-elect the following Directors retiring under Paragraph 102 of the Constitution of the Company and who, being eligible offer themselves for re-election:- | | |
| 3. Mr. Tan Cheik Eaik | | |
| 4. Mr. Lee Chun Wah | | |
| 5. To re-appoint Messrs. Crowe Malaysia PLT as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration. | | |
| To pass the following resolutions as special businesses:- | | |
| Ordinary resolutions | | |
| 6. Authority to issue shares. | | |
| 7. Renewal of authority to purchase its own shares. | | |

Signed this day of, 2022

Signature of Shareholder(s)

Notes:-

For the purpose of determining a member who shall be entitled to attend and vote at this 7th Annual General Meeting, the Company shall be requesting the Record of Depositors as at 16 November 2022. Only a depositor whose name appears on the Record of Depositors as at 16 November 2022 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.

Proxy:-

- A member of the Company (Except an Exempt Authorised Nominee) shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- 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.
- The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Registered Office of the Company at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang at least twenty-four (24) hours before the time set for holding the Meeting or any adjournments thereof. Proxy Form transmitted by facsimile or electronic mail will not be accepted unless the original copy is received at the Registered Office.



Please fold across the line and close

Affix
stamp

The Company Secretaries
FOUNDPAC GROUP BERHAD
57-G Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang

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FoundPac Group Berhad

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