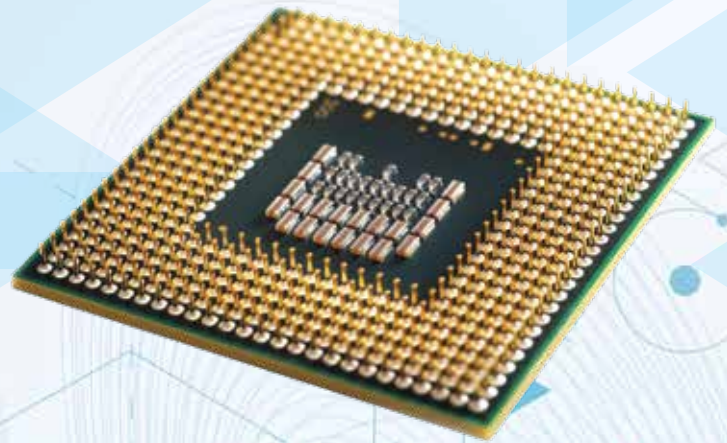


# FRONTKEN

Frontken Corporation Berhad 200401012517 (651020-T)

ANNUAL REPORT 2023



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### NG WAI PIN

*Chairman / Chief Executive Officer*

### DR TAY KIANG MENG

*Executive Director / Chief Scientist /  
Chief Sustainability Officer*

### NG CHEE WHYE

*Independent Non-Executive Director*

### GERALD CHIU YOONG CHIAN

*Non-Independent Non-Executive  
Director*

### KOH HUEY MIN

*Independent Non-Executive Director*

### YM RAJA JASTINA ADLINA

### BINTI RAJA ARSHAD

*Independent Non-Executive Director*

## AUDIT COMMITTEE

**Ng Chee Whye** (*Chairman*)

**Koh Huey Min**

**YM Raja Jastina Adlina Binti Raja Arshad**

## NOMINATION COMMITTEE

**YM Raja Jastina Adlina Binti Raja Arshad**  
(*Chairman*)

**Ng Chee Whye**

**Gerald Chiu Yoong Chian**

**Koh Huey Min**

## REMUNERATION COMMITTEE

**Ng Chee Whye** (*Chairman*)

**Koh Huey Min**

**YM Raja Jastina Adlina Binti Raja Arshad**

## COMPANY SECRETARIES

**Mah Li Chen** (MAICSA 7022751)  
(PC No. 202008002006)

**Chew Mei Ling** (MAICSA 7019175)  
(PC No. 201908003178)

## REGISTERED OFFICE

B-11-10 Level 11  
Megan Avenue II  
Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
Tel : (03) 2203 3388  
Fax : (03) 2203 3399  
Email : [lichen@secretariesinc.com](mailto:lichen@secretariesinc.com)

## HEAD OFFICE

Suite 301, Block F  
Pusat Dagangan Phileo Damansara 1  
No. 9, Jalan 16/11  
Off Jalan Damansara  
46350 Petaling Jaya, Selangor  
  
601D, Level 6, Tower D, Uptown 5  
No. 5, Jalan SS21/39  
Damansara Uptown  
47400 Petaling Jaya, Selangor  
(From July 2024 onwards)

Tel : (03) 7968 3312  
Fax : (03) 7968 3316  
Email : [ir@frontken.com](mailto:ir@frontken.com)  
Website : [www.frontken.com](http://www.frontken.com)

## INVESTOR RELATIONS

Tel : (03) 7968 3312  
Fax : (03) 7968 3316  
Email : [ir@frontken.com](mailto:ir@frontken.com)

## SHARE REGISTRAR

Tricor Investor & Issuing House  
Services Sdn Bhd  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Tel : (03) 2783 9299  
Fax : (03) 2783 9222  
Email : [is.enquiry@  
my.tricorglobal.com](mailto:is.enquiry@my.tricorglobal.com)

## AUDITORS

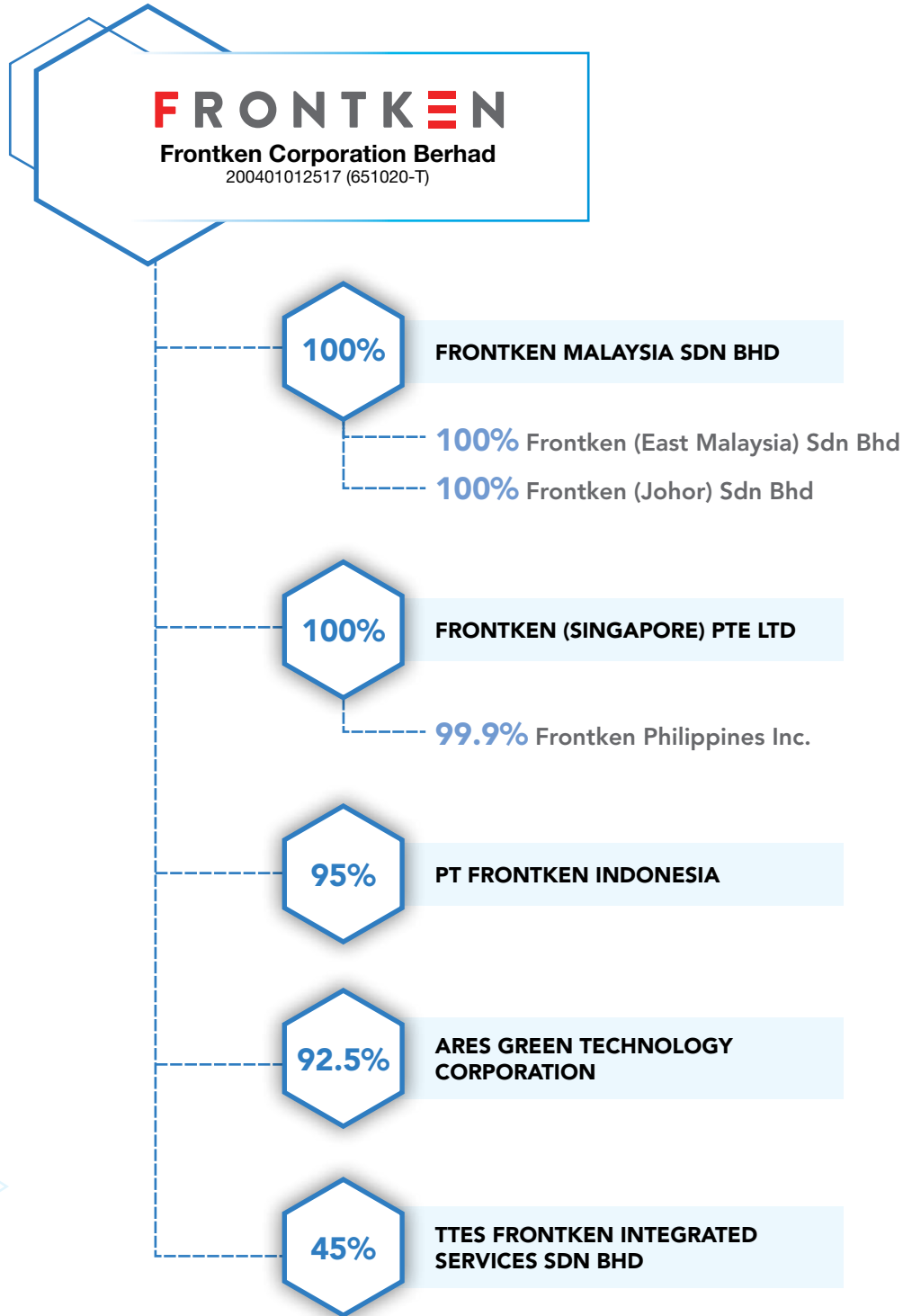
Crowe Malaysia PLT  
201906000005 (LLP0018817-LCA)  
& AF 1018  
Chartered Accountants  
Level 16 Tower C  
Megan Avenue II  
12 Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
Tel : (03) 2788 9999  
Fax : (03) 2788 9998

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
Securities Berhad  
Stock Name : FRONTKN  
Stock Code : 0128  
Reuters Code : FRKN.KL  
Bloomberg Code : FRCB MK

# GROUP CORPORATE STRUCTURE

As At 27 March 2024



# OUR VISION, MISSION AND PROFILE



## OUR VISION

To be the leading service provider in the industry we serve.



## OUR MISSION

To serve our customers with complete satisfaction which includes not only the most competitive price and fastest delivery time but also the highest technical performance and reliability for all our services and products.



## OUR PROFILE

Frontken Corporation Berhad, listed on the Main Market of Bursa Malaysia Securities Berhad, has since its inception in 1996, established itself as a world leading service provider of advanced precision cleaning and surface treatment for semiconductor process chamber parts and repair and maintenance services for the oil and gas industry.

The Group uses cutting edge technology including advanced precision cleaning, advanced surface treatment and specialty spray coating to extend the lifespan of the high precision tools/equipment used in the fabrication of wafers, while significantly improving its customer's process efficiency, operating and maintenance costs.

The Group's continuous focus on research and development helped to improve our customers' process tool part optimisation. As a result, we were able to constantly exceed customers expectation by re-designing some of the tools to further increase the parts' shelf life and at the same time reducing impact on the environment.

The Group's customer portfolio comprises key players in the semiconductor, optoelectronics, oil and gas and petrochemical industries around the world.

To date, the Group has facilities in Singapore, Malaysia, Taiwan, the Philippines, and Indonesia with 1360 employees.

# OUR SERVICES

## SEMICONDUCTOR

### ADVANCED PRECISION CLEANING

Advanced Precision cleaning and surface treatment of vacuum processes equipment parts in the semiconductors and TFT industries.

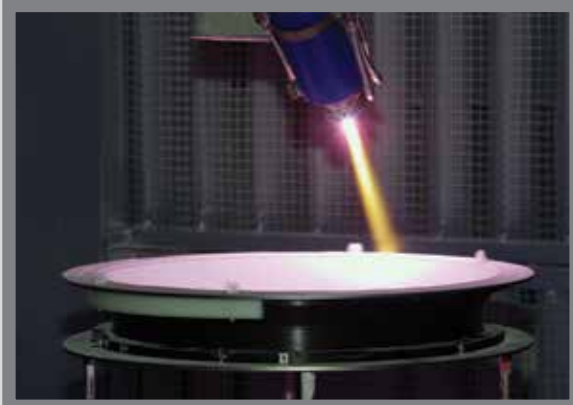
Decontamination of newly manufactured parts and routine maintenance. Kit management of semiconductor manufacturing components.



### ADVANCED SURFACE TREATMENT & SPECIALTY COATING

Advanced Surface treatment services include thermal spray coatings, arc spray coatings, precision anodisation and precision texturing and polishing.

Protection, lifetime extension, performance and efficiency improvements via advance surface treatment technology such as cold build up treatment, plating, plating & conversion coating, and specialised plasma transferred arc welding.



## ENGINEERING

### ROTATING EQUIPMENT

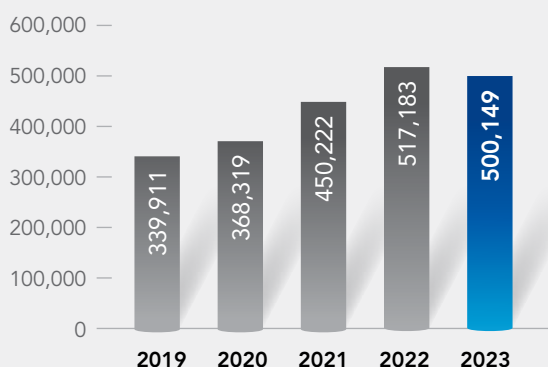
Equipment maintenance and overhaul, mechanical fitting & assembly, dynamic balancing, heat treatment, on site machining, metal stitching, and laser alignment.



# FINANCIAL HIGHLIGHTS

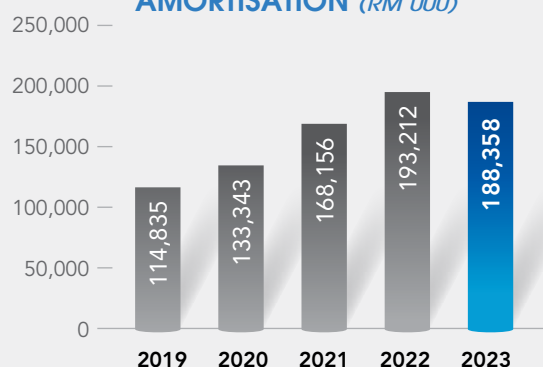
## REVENUE

(RM'000)



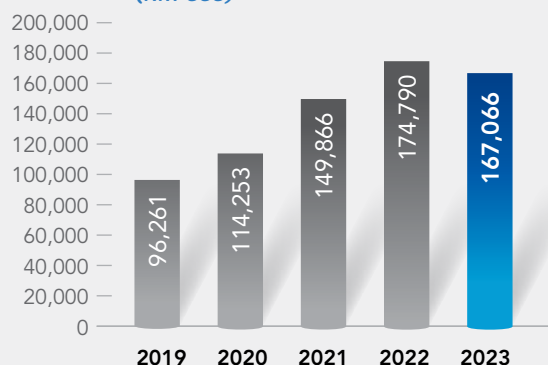
## EARNING BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION

(RM'000)



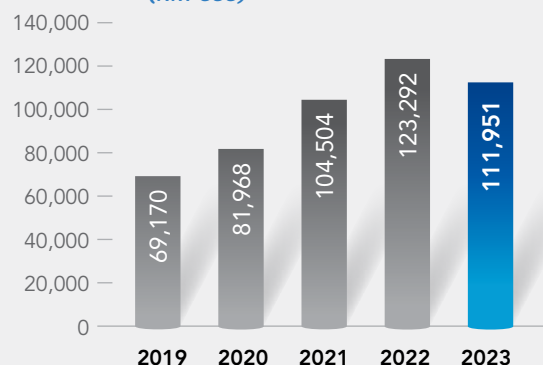
## PROFIT BEFORE TAX

(RM'000)



## NET PROFIT

(RM'000)



	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>SEGMENTAL REVENUE – BY CUSTOMER LOCATION</b>					
Singapore	53,866	46,586	48,278	55,959	52,606
Malaysia	65,873	51,417	63,227	86,983	93,362
Taiwan	186,018	235,121	303,561	337,556	316,923
Others	34,154	35,195	35,156	36,685	37,258
	339,911	368,319	450,222	517,183	500,149
<b>SEGMENTAL REVENUE – BY INDUSTRY</b>					
Semiconductor	265,975	311,374	378,685	413,322	383,174
Oil & Gas	57,435	42,451	50,419	82,500	97,459
General*	16,501	14,494	21,118	21,361	19,516
	339,911	368,319	450,222	517,183	500,149

\* Comprises power generation, marine, steel, cement, wood processing, pulp & paper, printing, agriculture, industrial manufacturing, food, construction and other sectors.

# FINANCIAL HIGHLIGHTS (CONT'D)

SUMMARISED GROUP FINANCIAL POSITION					
AS AT 31 DECEMBER (RM'000)	2019	2020	2021	2022	2023
Non-Current Assets	181,523	175,361	257,937	300,195	307,538
Current Assets	334,202	442,910	460,699	505,626	577,887
<b>Total Assets</b>	<b>515,725</b>	<b>618,271</b>	<b>718,636</b>	<b>805,821</b>	<b>885,425</b>
Share Capital	118,925	118,925	118,441	118,441	118,441
Reserves	258,047	321,070	382,415	430,028	522,726
Shareholders' Equity	376,972	439,995	500,856	548,469	641,167
Non-Controlling Interests	21,776	27,039	34,225	39,454	46,735
<b>Total Equity</b>	<b>398,748</b>	<b>467,034</b>	<b>535,081</b>	<b>587,923</b>	<b>687,902</b>
Non-Current Liabilities	15,053	12,826	22,295	31,999	31,109
Current Liabilities	101,924	138,411	161,260	185,899	166,414
<b>Total Liabilities</b>	<b>116,977</b>	<b>151,237</b>	<b>183,555</b>	<b>217,898</b>	<b>197,523</b>
<b>Total Equity and Liabilities</b>	<b>515,725</b>	<b>618,271</b>	<b>718,636</b>	<b>805,821</b>	<b>885,425</b>

SUMMARISED GROUP CASH FLOWS					
YEAR ENDED 31 DECEMBER (RM'000)	2019	2020	2021	2022	2023
Net Cash Flows From Operating Activities	114,901	119,733	138,775	142,863	143,999
Net Cash Flows For Investing Activities	(12,113)	(11,900)	(86,212)	(58,685)	(8,708)
Net Cash Flows For Financing Activities	(33,711)	(33,949)	(61,084)	(50,629)	(71,801)
Net Increase/(Decrease) in Cash and Cash Equivalents	69,077	73,884	(8,521)	33,549	63,490
Effect of exchange differences	1,652	6,248	11,079	(8,467)	13,440
Cash and Cash Equivalents at Beginning of Year	148,940	219,669	299,801	302,359	327,441
Cash and Cash Equivalents at End of Year	219,669	299,801	302,359	327,441	404,371

FINANCIAL ANALYSIS					
	2019	2020	2021	2022	2023
Turnover growth	3.9%	8.4%	22.2%	14.9%	-3.3%
Profit Before Tax Growth	27.3%	18.7%	31.2%	16.6%	-4.4%
Net Profit Growth	32.4%	18.5%	27.5%	18.0%	-9.2%
Pre-tax Profit Margin	28.3%	31.0%	33.3%	33.8%	33.4%
Net Profit Margin	20.3%	22.3%	23.2%	23.8%	22.4%
Return on Average Shareholders' Equity	19.7%	20.1%	22.2%	23.5%	18.8%
Return on Average Total Assets	14.4%	14.5%	15.6%	16.2%	13.2%
Earnings Per Share (Sen)					
- Basic	* 4.4	* 5.2	6.7	7.8	7.1
- Diluted	^ 4.4	^ 5.2	# 6.7	# 7.8	# 7.1

\* The earning per share have been adjusted to reflect the bonus issue of two for every one existing ordinary share which was completed on 30 April 2021.

^ The Group has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

# The potential conversion of warrants is anti-dilutive as its exercise price is higher than the average market price of the Company's ordinary shares during the current financial period and hence, the diluted earnings per share is equal to the basic earnings per share.

# CHAIRMAN'S MESSAGE

## Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I'm pleased to present to you the Annual Report and Audited Financial Statements of the Group for the financial year 2023 ("FY2023"). As part of this Annual Report, we have also included the Management Discussion and Analysis to provide our shareholders with a more insightful and informative details of the Group's operation and performance.

Despite a challenging operating environment, our business continued to demonstrate incredible resilience, thanks to our strong fundamentals and team of dedicated employees. It is a testament to our solid foundation, careful planning, and our flexibility to adapt to the rapidly changing business landscape.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL PERFORMANCE

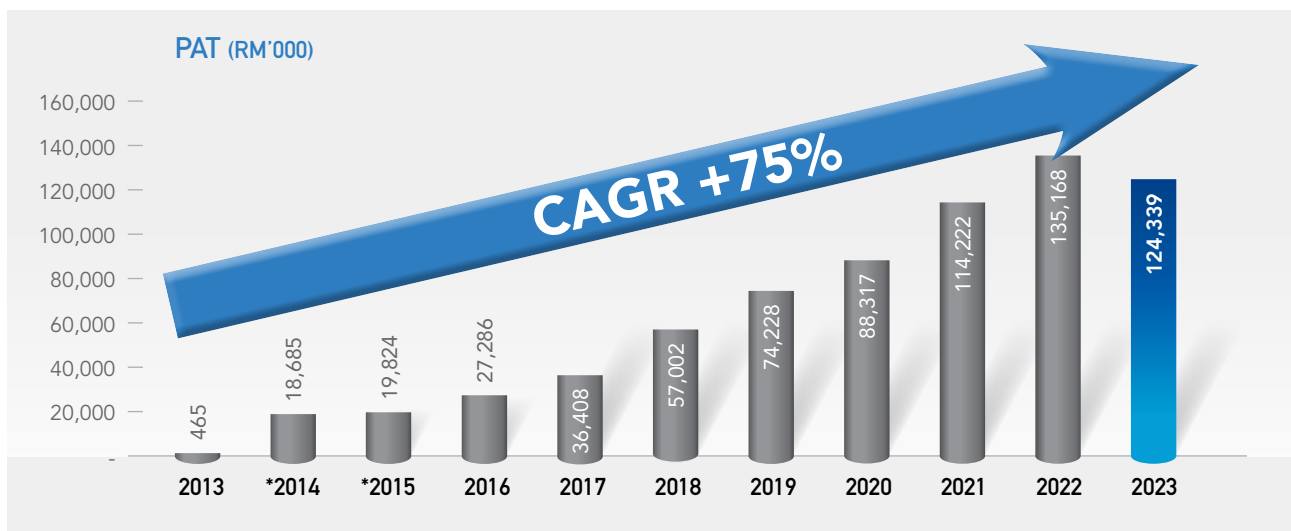
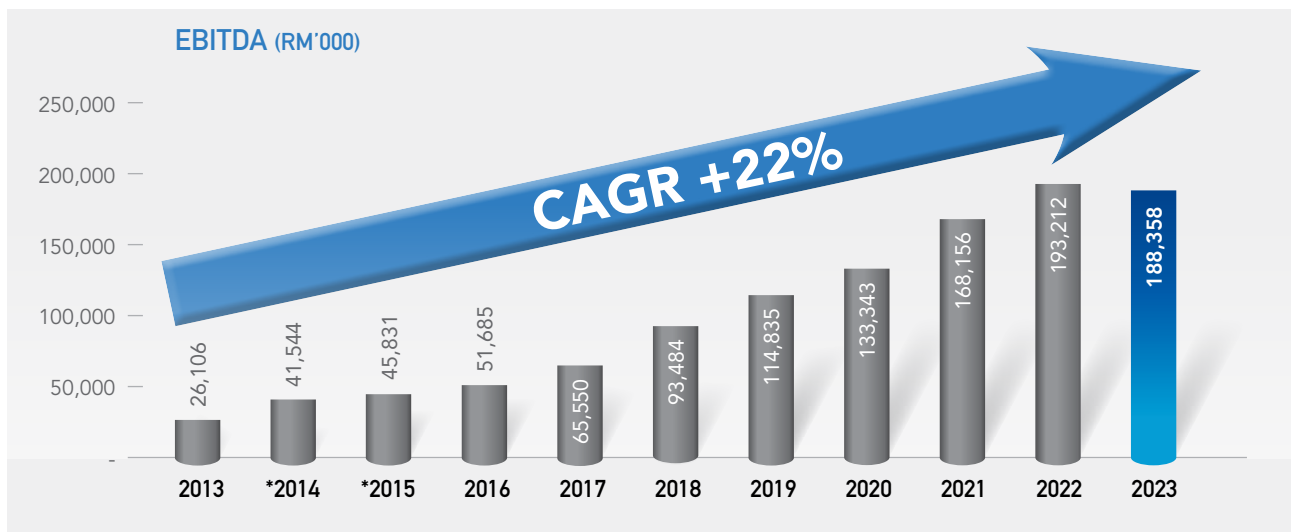
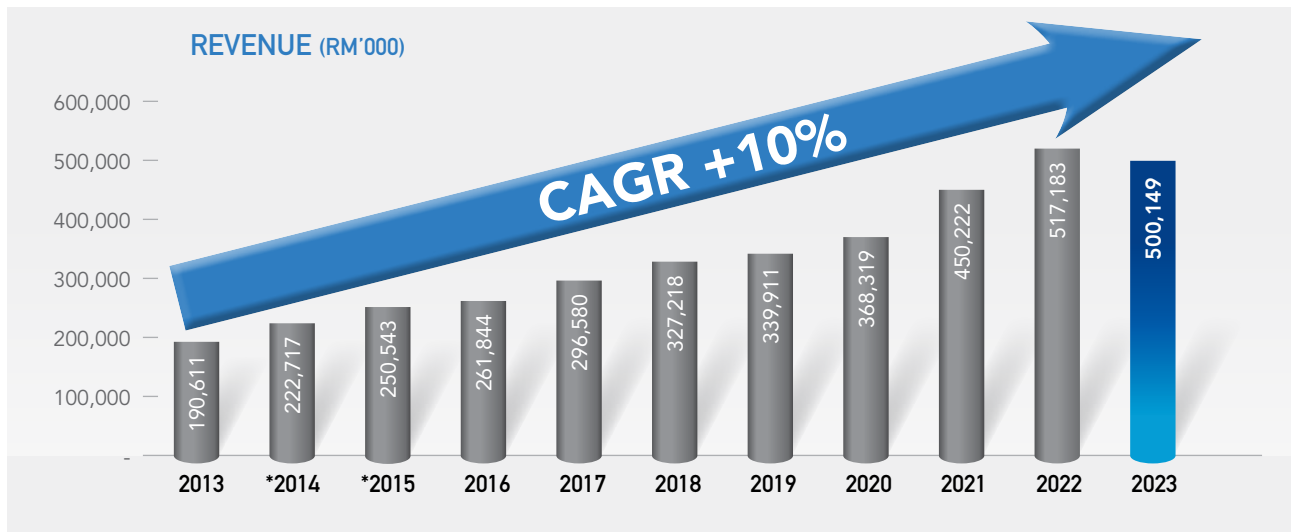
This is the first time in many years that we have not reported a growth in both our revenue and earnings. Nonetheless, the result is still a commendable one considering the overall weakness in the main segment that we operate in. The revenue for 2023 was RM500.1 million, a slight decrease of 3% compared to last year due to lower contribution from all our subsidiaries except for the ones in Malaysia and the Philippines.

The Group's profit before tax for the year was at RM167.1 million, a 4% decrease from the preceding financial year. Our earnings before interest, tax, depreciation and amortisation ("EBITDA") stood at RM188.4 million. Our profit after tax ("PAT") was RM124.3 million, a decrease of 8% compared to RM135.2 million recorded a year ago.

During the year, the Group continued to generate a positive cash flow of RM144.0 million from our business operations. The Group's capital expenditure ("CAPEX") for the year for property, plant and equipment was at RM15.2 million. Despite the cash outflows from dividend and CAPEX, the Group's total cash balance as at 31 December 2023 remained strong at RM417.0 million. The Group's financial position at the end of FY2023 continued to be strong with total assets standing at RM885.4 million, an increase of 10% compared to the previous year.

We will endeavour to pay a sustainable dividend and return profits to shareholders that commensurate with the performance of the Group. In 2024, the Company declared a dividend of 2.2 sen per share amounting to RM34.6 million. We believe that we will be able to continue with a sustainable dividend payment, taking into consideration our financial performance, capital commitments, acquisition related activities and reserves, among others.

# CHAIRMAN'S MESSAGE (CONT'D)



\* Note: Excluded the one-off ATB project for a like-for-like comparison.

# CHAIRMAN'S MESSAGE (CONT'D)

## OVERALL 2023

The main challenge facing the Group's operations last year was the overall weakness in global demand in the front end semiconductor industry. This was especially the case for our semiconductor segment in the first half of the year where activities were sluggish. To that end, the Group took various measures to safeguard its profitability, namely managing its costs and at the same time continue to explore new opportunities. The Group's engineering business, on the other hand, performed very well with a record breaking bottom line. This is a classic case of perseverance paying off in the long run.

We continued to hold our annual executive team meetings where we reviewed the individual unit's performances, exchanged ideas and set goals for the coming years. We set out business strategies and plans for each business unit according to their strengths, opportunities and market conditions. During the year, we also worked on exiting the non-strategic business such as our operation in Indonesia. It is still a work in progress and announcement, where necessary, will be made in due course.

## OUR WORKFORCE

We believe we are where we are today due to our amazing team. We place strong emphasis on developing and bringing out the best in our employees. During the year, we continued to encourage our employees to acquire new knowledge through continuous learning to enable them to stay on top of the industry trends and continue to be the leader in the space we operate in. Various trainings, seminars, workshops, and networking activities were conducted to allow our employees to have the opportunities to learn and master new skills set.

As always, we aim to be an employer of choice. To that end, we will continue to invest in our people through various performance-based incentives, competitive benefits and skills development programmes that allow for advancement opportunities within the Group. Every year, we will look into our employees' compensation package and make adjustments to reflect their achievements and contribution based on meeting the key performance indicators that include both qualitative and quantitative measures. We believe that it is vital to ensure that all our employees are compensated fairly for their skills and hard work and at the same time be in line with the current market standards.

## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE ("ESG") AND SUSTAINABILITY

ESG is an integral part of our company's culture and strategy. We are focused on making a positive and sustainable impact wherever we are at, from the Board and the leadership team, across all our businesses and at all levels of our workforce. We strongly believe that acting responsibly and with integrity is the only way to build and manage a business over the long term.

**Environment** – We are constantly looking at ways to further improve and see how we can make positive impact to the planet. Our strategy is underpinned by various sustainability goals and targets that will enable us to measure our progress toward reaching our vision. We have been working with our customers in addressing the environmental challenges, including the transition to a net zero carbon economy. Our research and development ("R&D") team continued to focus on where we can improve and deliver solutions that maximise benefits to the environment and society.

During the year, we continue to measure and look at ways where we can reduce greenhouse gas ("GHG") emissions associated with our operation. We strive to minimise energy consumption in our workplace and at the same time improve on our operational performance in the areas of GHG emissions and energy, waste and water usage. In 2023, through our efforts and continued collaboration with our customers, since 2018, we have adopted the equivalent of 3,183,631 KW of electricity using solar energy, an accumulative savings of 394,517 tons of recycled DI-water, and accumulative savings of 460,807 kg of recycled waste in our operations. We have also set a long-term target of reducing our Emissions Intensity – to stabilise emissions with the aim to achieve Net Zero Emissions by 2050.

For more details specifically on our environment and climate change efforts, please visit our website at [www.frontken.com](http://www.frontken.com) for the report titled "Frontken Sustainability Climate Change Report 2023".

# CHAIRMAN'S MESSAGE (CONT'D)



**Social** – We believe it is important that we give back to the community we live in and step up for them when they needed our support. We did this through various initiatives over the last years. For example, we believe that by helping and cultivating our younger generations/ interns from various backgrounds as well as hiring underprivileged persons will help them to be independent and at the same time allows them to be self-sufficient and to have equal opportunities in the society. Additionally, our employees actively participate in activities such as blood donation drives and support for vulnerable and less privileged groups.

Over the years, we continued to foster staff wellness and development, maintain safe workplace, promote inclusion and equality, provide equal opportunities, encourage training and support retention of our talented people, among others. We believe by creating a happy workplace and good morale will in turn boost productivity as a whole. In 2023, we recorded an employee retention rate of 98%, achieving 103% of our target goal.

During the year, we continued our engagement with suppliers, customers and other stakeholders. We ensure that we provide our customers with the best services and good selling practices.

**Governance** – The Board is responsible, among other things, for reviewing the Group's strategy, its risk management and ensuring that there is a proper system of internal control in place. In the past few years, the Board had also discussed and established plans in the succession of the leadership team. We have a strong and stable Board consisting of Directors with a wide range of relevant knowledge, skills and experience, as more particularly set out in our Annual Report pages 20 to 22.

In addition, we actively engage with our shareholders through investor days, conferences and meetings in different locations around the world. These interactions with our potential shareholders and existing shareholders throughout the year provide us with valuable insights and help us refine our strategic priorities and our ESG goals.

More information on our Governance can be found in the Corporate Governance and Sustainability Report 2023.

Further details on the Group's Sustainability initiatives and achievements for FY2023 are available at the Sustainability section of this Annual Report and the full report on our website at [www.frontken.com](http://www.frontken.com).

## AWARDS AND RECOGNITION

Frontken, for the third time, was selected as "Forbes Asia 200 Best Under a Billion Company" in FY2023. According to Forbes methodology, the list recognises 200 companies with long-term sustainable performance across a variety of metrics from a universe of 20,000 publicly traded companies in the Asia-Pacific region with annual sales above US\$10 million and below US\$1 billion. This recognition means a lot to us and it motivates us to work harder to achieve greater heights.

In 2023, once again we won The Edge Malaysia ESG Awards under the category "Most Improved Performance Over Three Years". The awards are a reflection of our commitment in our work in ESG and serves as an encouragement for us to do better and continue to pursue our long-term objectives in this area. Additionally, the Group has been a constituent for the FTSE4Good Bursa Malaysia and FTSE4Good Bursa Malaysia Shariah Index since 2021.

# CHAIRMAN'S MESSAGE (CONT'D)



Selected as Forbes Asia 200 Best Under a Billion Company in FY2023 and the event ceremony.

During the year, the Group's subsidiaries also received numerous recognitions and awards from our customers and local authorities in areas including excellent business performance and ESG initiatives. These awards inspire us to continue what we have been doing and a testament that we are on the right path in achieving our goals.



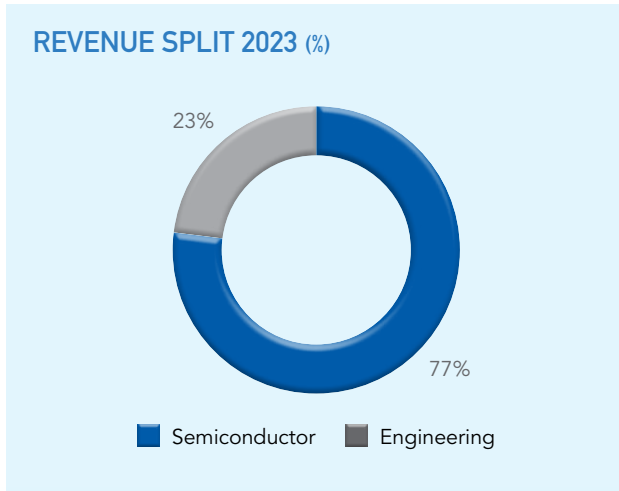
One of the Awards we received – Production Support and & ESG collaboration Award



The Edge Malaysia ESG Awards 2023 Most Improved Performance Over Three Years RM800M to RM5B Market Capitalisation Gold

# CHAIRMAN'S MESSAGE (CONT'D)

## BUSINESS OVERVIEW



## SEMICONDUCTOR

As announced by the Semiconductor Industry Association (SIA), the global semiconductor industry sales totalled \$526.8 billion in 2023, a decrease of 8.2% compared to the 2022 total of \$574.1 billion, which was the industry's highest ever annual total. As a result, demand for our semiconductor's services also weakened slightly. We saw the overall industry to be relatively subdued during the first half of the year, and only gradually gained momentum towards the second half. Nevertheless, despite facing an ongoing volatile and weak business landscape, we managed to overcome these hurdles by tapping into our strong fundamentals and sturdy balance sheet. As indicated in my statement last year, we took the opportunity to work on new projects and fine tuning our operations during the slower period in anticipation of busier years to come.



An employee operating one of the equipment in our facility.

As the nodes get smaller and the process of making chips become exponentially harder, so too are our cleaning processes and technology to cater to these developments. The cleaning requirement for the chamber process parts has become more and more stringent, hence the need to achieve close to zero particle contamination has become more crucial than ever – even a single speck of dust could be damaging to our customers' production. Therefore, our ultra-high purity advanced precision cleaning process is highly precise to ensure that the end result is of the highest quality to meet, in most instances exceed, our customers' specifications. To ensure that we comply with our customers' requirements, the cleaned parts are measured using the most advanced metrology systems and computerised data station. During the year, our R&D team continued to work closely alongside our customers to support them as they continue to advance in the leading-edge semiconductor technology. We are constantly exploring new ideas or improve those that already exist, especially in the area of ESG, where we utilise more environmentally friendly materials and automate some aspect of our processes.

Other than growing organically, the Group continues to look for opportunities and possibilities such as potential mergers and acquisitions in the semiconductor space. We will keep our shareholders updated through our Company's announcement should any of our endeavours materialise.

As reported by World Semiconductor Trade Statistics ("WSTS"), the contraction in 2023 is to be followed by a robust recovery, with an estimated growth of 13.1 percent in 2024<sup>1</sup>. Additionally, based on our conversations with our customers, we are cautiously optimistic that the performance of this segment will be more than satisfactory this year.

Source:

<sup>1</sup> WSTS Semiconductor Market Forecast Fall 2023



An employee performing visual inspection using Black Light (Ultraviolet) before final packaging process to confirm that there are no fibres/substrate microcracks.

## CHAIRMAN'S MESSAGE (CONT'D)



*Our employees at our production line aisle*

**Taiwan** – In FY2023, AGTC recorded a revenue of RM 327.8 million, a slight decrease of 6% compared to the previous year mainly due to a lower-than-expected semiconductors' fabs utilisation rate. We began to see a slow-down in activities by our customers early in the year. As such, during the start of the year, we took various measures such as reducing unnecessary spending, minimise expenses, optimising workforce, and focus on fostering strong relationships with customers and suppliers. There were no easy solutions, but we did not waver and continue to not only deliver on short-term expectations, but focus on our long-term goals leveraging on our strength and capabilities. Our hard work paid off early this year when our customer qualified us for a few key projects that we have been working with them for the past 12 to 18 months. These projects, we believe will contribute positively to the Group's performance.

For Plant 2, we are making good progress and have already started with the new advanced cleaning technology that was mentioned in my statement last year. We believe that Plant 2 will allow us to gain efficiency improvement in the long run and at the same time strengthen our position as the leading advanced high precision chamber parts service provider in the region for many years to come.

Our strategy has always been to invest for long-term sustainable growth. To that end, we will continue to look for new land for future expansion should Plant 2 runs out of capacity.

**Frontken Singapore (Semicon)** – The ongoing semiconductor slowdown, exacerbated further by rising manpower and material costs and limited pool of local talent has had quite a big impact to our business.

To mitigate the situation, we renegotiated some of our contracts with our customers to adjust prices for certain parts so that the same may be more aligned with the increased cost that we have been absorbing since the start of the pandemic. We are grateful to our customers for understanding our plights and agreeing to our proposed price re-alignment that will take place this year. We have also made considerable efforts such as streamlining our workforce, optimising our processes, and initiating continuous improvement projects to help boost profitability of this business unit.

Based on some of the preliminary feedback from our customers, we expect business to pick up gradually from the second half of 2024 underpinned by higher utilisation rate of their new fabs in Singapore.

# CHAIRMAN'S MESSAGE (CONT'D)

**Frontken Malaysia ("FMSB")** – Our precision cleaning business in Malaysia comes under FMSB which operates in Kulim, Melaka and Kuching. FMSB was not spared from the downturn in the semiconductor industry. In the face of these challenges, we remain focused in navigating the same by finding ways to reduce operating costs, providing innovative solutions and adding value to our services. Having said that, the performance of FMSB improved marginally with better revenue and bottom line compared to a year ago. The improved bottom lines was mainly due to continual cost saving efforts including identifying inefficiencies in production and streamlining our inventories.

Our foundry customer that are involved in the production of chips for the automotive segment are reportedly expanding their capacity to cater for the higher demand by their end customers. It was announced that they are investing billions of ringgits in Kulim Hi-Tech Park to increase their wide-bandgap chips production capacity. Consequently, we have also made the necessary investment to meet the expected additional demand from our customer and we will continue to do so should the need arises. We are excited with all these new developments which will augur well for our precision cleaning business in Malaysia.

## ENGINEERING DIVISION

In FY2023, our engineering divisions performance had been exceptional, with profits hitting record level in spite of the usual challenges in the oil and gas ("O&G") industry. Over the last decade, the O&G industry had experienced significant volatility alongside global geopolitical tensions. The COVID-19 pandemic has also plunged the global crude oil price into one of its lowest in recent years. Thankfully, our business gradually gained momentum in 2022 and 2023 as a result of improved activities in this segment which in turn contributes to a much-improved bottom line to our business in this segment.

With a mix of bullish and bearish views on O&G, we believe our business in this segment will continue to fluctuate depending on the market condition. However, with our many years of experience and our long-term strategy, we are cautiously optimistic, that this segment will continue to contribute positively to our Group's performance in the coming year.



Palinpinon HP Diaphragm Repair

## CHAIRMAN'S MESSAGE (CONT'D)



*Major Overhauling of Generator*



**TTES Frontken Integrated Services** – Our business in this unit continued to do exceptionally well compared to the year before as we saw reduced disruptions to the supply chain as oil prices stabilise. Despite sales price pressures from customers and stiff competition, the continuous tweaking of TTES business strategies and selective investments throughout 2023 yielded their best ever performance in recent times.

Other than improved activities in Kemaman, we also saw increased orders flowing in at our facility in Pengerang, Johor. The facility was completed in 2022 to support the Petronas Refinery and Petrochemical Integrated Development (RAPID) and Pengerang Integrated Complex. Our long-term plan will be to continue to maximise our new assets, enhance strategic local and foreign collaboration partnership that supplement our in-house capabilities, broaden our scope of services and products, participate in more work categories and enhanced engineering works. Human resource management and retainment will be crucial for us to expand our capabilities and in becoming a leading O&G service provider. We continue to aspire to be the most sought after, reliable and efficient one-stop service centre for O&G companies, covering all aspects of customers' maintenance needs, EPCC and turnaround supports. We will continue with our business plan to expand joint tendering with selective partners to capture long-term integrated service contracts and expand our market base further.

**Frontken Singapore (Engineering)** – In 2023, we continued to achieve an improved financial performance as a result of better market condition. The continual engagement to tap into the non-traditional type of industries, new projects from non-traditional service offering and upturn in the O&G sector also helped our cause.

Despite facing competitive pricing pressure, lack of suitable skilled candidates and increased cost, we were able to overcome these hurdles by managing our resources wisely and cross training our skilled employees to enhance production efficiency. During the year, we saw increased activities for thermal spray processes from our existing customers and parts fabrication project for solar panel manufacturers. Activities for rotating equipment such as compressors and blowers as well as static component from petrochemical complexes in Jurong Island are expected to increase with upcoming planned shutdowns. We believe revenue for this portion of our business will continue to contribute positively to the Group's performance.

Moving forward, we will continue to seek opportunities to tap into new markets such as consumer products' manufacturers with continual emphasis on O&G and petrochemical industries.

**Frontken Philippines** – The Group's operation in the Philippines achieved a revenue of RM15.1 million, an increase of 9% compared to the year before attributable to additional projects from the power industry. The uptick in revenue coupled with ongoing savings initiatives contributed to an operating profit of RM2.1 million, an increase of 7% year on year.

# CHAIRMAN'S MESSAGE (CONT'D)

The enhancements in our capabilities, specifically the Large Vertical Lathe Machine and Cold Metal Transfer Welding Machine, have empowered us to undertake larger-scale projects concurrently. This has allowed us to meet deadlines and uphold the stringent quality standards demanded by our customers. Our focus will be in the power generation industry as we believe significant grow area for us to remain the same as the Philippines' Government aims for energy self-sufficiency.

Moving forward, we will continue to enhance our competency through comprehensive training initiatives and strategic partnerships with industry and technology experts. These efforts are integral to our goal of becoming recognised as experts in our field of services, ensuring that we deliver top-notch solutions and remain at the forefront of the industries we serve.

## OUTLOOK

We believe there are many organic growth opportunities ahead of us, particularly in the semiconductor front end space. With that in mind, we will continue to explore the same to develop our core businesses and continue to take a pragmatic approach towards the development of our customers and partners.

We will continue to take a long-term view of the industry and our business while making the most of our unique strengths. We believe that with our leading market position and the strategic actions we have taken over the years will allow us to benefit from the longer-term growth in the years ahead. We remain cautiously optimistic in our ability to deliver increasing shareholders return through underlying profit growth and sustainable dividend payment.

## APPRECIATION

I would like to take this opportunity to thank our Board of Directors for its continuous guidance, strategic advice and steadfast support throughout the year. On behalf of the Board, I would like to welcome our new Independent Non-Executive Director, YM Raja Jastina Adlina Binti Raja Arshad who joined the Board in August of last year. We believe her broad set of skills and experience will be an asset to the Company and we look forward to working with her.

I would also like to thank each and every one of my colleagues for their relentless dedication, sacrifices, and hard work during the year, without which none of this would be possible.

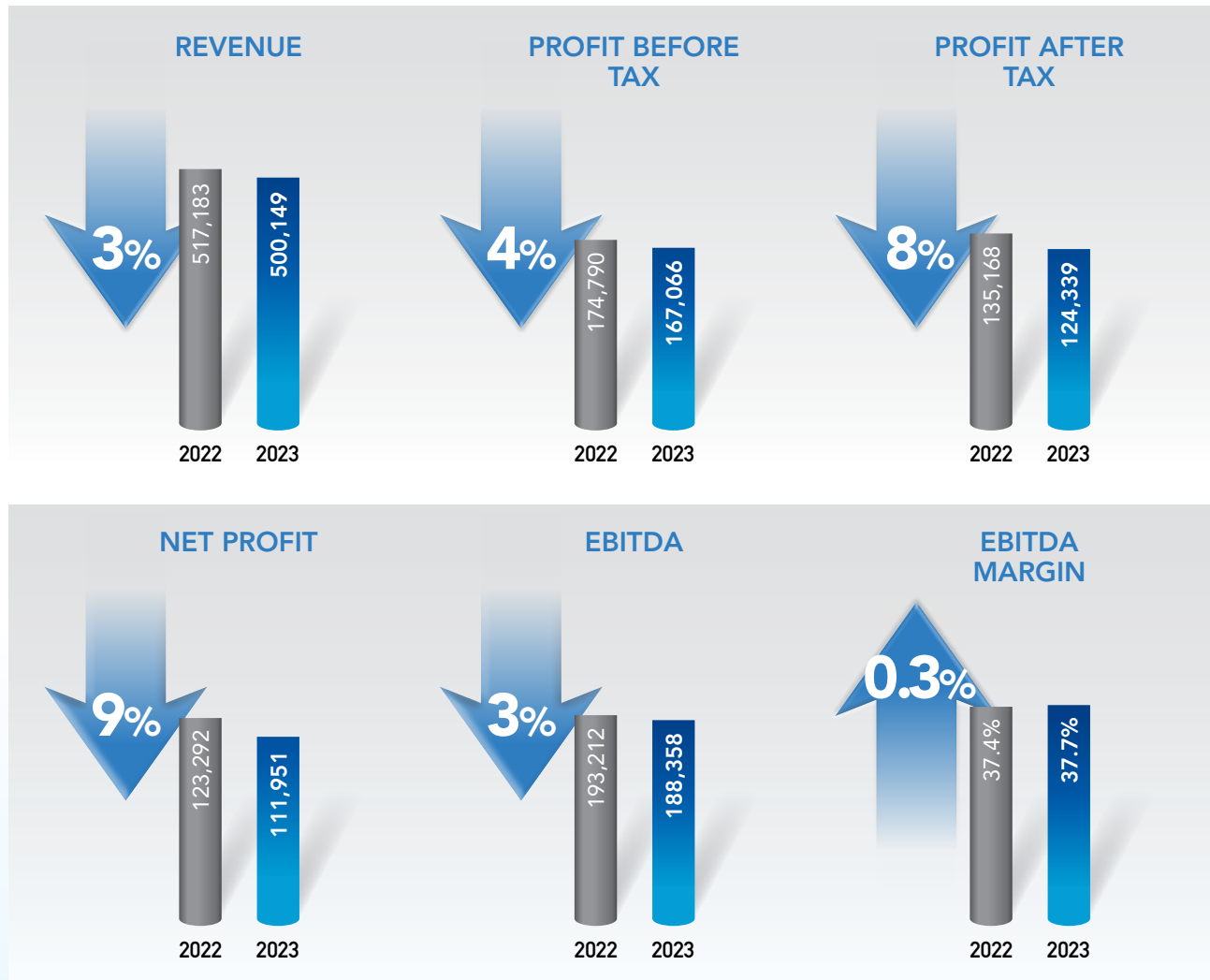
I would like to thank our customers for their trust and confidence in us. I am also extremely grateful for their understanding, continued business and the opportunities to work with them.

To our business associates, various ministries, government agencies and regulators of the countries where we operate in, we appreciate your support and trust that you have given to us.

Lastly, I would like to thank all our loyal shareholders, for your ongoing support and trust in us. We will continue to do our very best in delivering the expected return to all of you.

# FINANCIAL REVIEW

## RESULTS OF OPERATIONS IN RM'000



## REVENUE

The Group's revenue of RM500.1 million for FY2023 was 3% lower than that achieved in the previous year mainly due to slower demand from the semiconductor industry.

REVENUE (by customer location)	2023 RM'000	%	2022 RM'000	%	% change in revenue
Taiwan	316,923	63	337,556	65	-6
Malaysia	93,362	19	86,983	17	7
Singapore	52,606	11	55,959	11	-6
Others	37,258	7	36,685	7	2
Total	500,149	100	517,183	100	-3

# FINANCIAL REVIEW (CONT'D)

An analysis of revenue by customer location showed weaker demand from our customers in Taiwan and Singapore, resulting from a slowdown in the global semiconductor market.

The improvement in the Group's local business was largely due to increased orders from the various contracts for the provision of engineering services, manpower supply and also mechanical rotating equipment services and parts that the Group has with the oil majors.

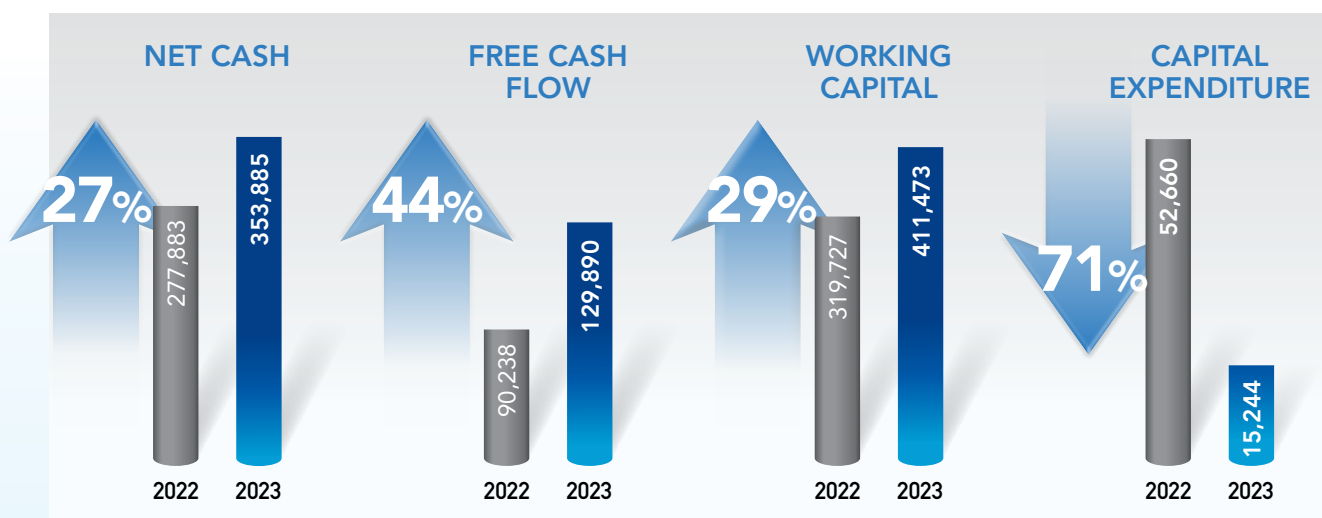
## EARNINGS

The Group's earnings before interest, tax, depreciation and amortisation ("EBITDA") for FY2023 was RM4.8 million or 3% lower than that achieved in the preceding year mainly due to lower revenue from our subsidiaries in Taiwan and Singapore.

Compared to last year, the profit after tax for the Group decreased by 8% mainly due to lower revenue and higher withholding tax imposed on the dividend declared by Taiwan subsidiary. If the Group were to exclude the withholding tax and foreign currency exchange impact from the equation, for a like-for-like comparison, the current year's performance would have only been 2.5% lower than the preceding year; a very commendable performance under very challenging operating environment for the space the Group operates in.

The consolidated net profit attributable to shareholders of the Company for FY2023 decreased by RM11.3 million or 9% compared to the preceding year. This Group's basic earnings per share decreased from 7.8 sen to 7.1 sen for FY2023.

## CASH FLOWS IN RM'000



The free cash flow increased by RM39.7 million to RM129.9 million in FY2023 mainly due to higher cash flow generated from operating activities and lower capital expenditure.

The net cash generated from operating activities in FY2023 increased to RM144.0 million. Net cash used for investing activities decreased by RM50.0 million to RM8.7 million in FY2023 due to lower capital expenditure. The net cash outflow of RM71.8 million for financing activities consists mainly of repayment of money market loan and payments of dividends.

The Group cash and cash equivalents increased from RM327.4 million to RM404.4 million as of 31 December 2023, which will provide the Group with financial flexibility to fund future growth initiatives.

## FINANCIAL POSITION

The Group's shareholders' fund improved from RM548.5 million to RM641.2 million as of 31 December 2023, an increase of 17%.

The Group's total assets were RM885.4 million as of 31 December 2023, an increase of RM79.6 or 10% from RM805.8 million a year ago. It was primarily due to the increase in the Group's cash and bank balances and fixed deposits with licensed banks by RM56.5 million and the increase in short-term investments by RM20.7 million. The Group's liabilities decreased by RM20.4 million to RM197.5 million as of 31 December 2023 mainly due to the repayment of the money market loan.

# BOARD OF DIRECTORS' PROFILE

## NG WAI PIN

*Chairman / Chief Executive Officer*

- Aged 58, Male, Malaysian
- Appointed to the Board on 10 April 2006

Ng Wai Pin, formerly a Senior Independent Non-Executive Director of Frontken Corporation Berhad ("FCB"), was re-designated as the Chairman / Chief Executive Officer / Managing Director of the Company on 19 January 2012. He holds a Bachelor of Laws degree from University of Auckland and was admitted to the roll of barristers and solicitors of the High Court of New Zealand in 1989. He then continued practising as a barrister and solicitor in a leading legal firm in Auckland for a number of years before returning to Malaysia where he joined Shook Lin & Bok, a legal firm in Kuala Lumpur. He was admitted as an Advocate and Solicitor of the High Court of Malaya in 1993. He later became a Director and Chief Executive Officer of an oil and gas services company listed on Bursa Malaysia Securities Berhad with regional operations, before

returning to private practice in law. From September 2005 to February 2009, he was the Chief Operating Officer of a company listed on the Singapore Exchange Limited and was seconded as the Chief Executive Officer of a company listed on the Australian Stock Exchange. He is also the Executive Chairman of Ares Green Technology Corporation, a public company in Taiwan, R.O.C., a subsidiary of FCB.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

## DR TAY KIANG MENG

*Executive Director / Chief Scientist / Chief Sustainability Officer*

- Aged 59, Male, Singaporean
- Appointed to the Board on 10 April 2006

Dr Tay Kiang Meng holds a Bachelor of Engineering (First Class Honours) in Manufacturing Systems Engineering from University of Portsmouth, and a Master of Science in Advanced Manufacturing Systems and a PhD in Engineering from Brunel University, United Kingdom.

He is responsible for research and development leading the Group's technology roadmap, spearheading research and development ("R&D") activities, formalising the Group's quality systems, developing critical manufacturing technologies for FCB's semiconductor technology and advanced materials engineering, and exploring new technology opportunities for the Group. He has more than 20 years of professional experiences in technology development, R&D, and has led some of the most significant technology innovations in semiconductor-related manufacturing technology and advanced materials engineering.

An engineer and scientist by training, Dr Tay began his professional R&D experience with research think tank, Gintic Institute of Manufacturing Technology, Singapore. Dr Tay has received honours and awards in many of his academic, research and technology development work.

Dr Tay also sits on the board of the FCB's subsidiary, Ares Green Technology Corporation.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

# BOARD OF DIRECTORS' PROFILE (CONT'D)

## NG CHEE WHYE

*Independent Non-Executive Director*

- Aged 58, Male, Malaysian
- Appointed to the Board on 31 July 2019
- Chairman of Audit Committee and Remuneration Committee, Member of Nomination Committee

Ng Chee Whye is a Chartered Accountant with the Chartered Accountants Australia and New Zealand and holds a Bachelor of Commerce degree from the University of Canterbury, New Zealand. He began his professional career with KPMG Peat Marwick in Auckland, New Zealand, gaining experience with clients from varied industries. Following which, he relocated closer to home to assume varied Senior Finance roles with various IT related entities in Singapore and Malaysia, namely Hewlett-Packard Singapore (Pte) Ltd, Creative Technology Ltd and Electronic Data Systems IT Services (M) Sdn Bhd. He subsequently moved on to assume Chief Financial Officer roles with various Wealth Advisory and Fund Management entities at Prudential Fund Management Bhd, AXA Financial Services and Nexus Financial Services Pte Ltd.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

## GERALD CHIU YOONG CHIAN

*Non-Independent Non-Executive Director*

- Aged 50, Male, Singaporean
- Appointed to the Board on 31 July 2019
- Member of Nomination Committee

Gerald Chiu Yoong Chian holds a BA (First Class Honours) in Engineering and Master's in Engineering (with distinction), both from the University of Cambridge, United Kingdom. He joined Dymon Asia Capital in 2012, helped establish Dymon Asia Private Equity ("DAPE"), and is a member of DAPE's investment committee. DAPE is focused on making private equity investments in Small and Medium Enterprises in South East Asia, and aims to contribute both capital and expertise to the companies it invests in. DAPE's current funds are Fund I (SGD300 million), Fund II (USD450 million) and Fund III (USD650 million). DAPE has offices in Singapore, Malaysia and Thailand, and has invested in 29 companies and exited 11 companies across these geographies.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

# BOARD OF DIRECTORS' PROFILE (CONT'D)

## KOH HUEY MIN

*Independent Non-Executive Director*

- Aged 58, Female, Malaysian
- Appointed to the Board on 1 December 2021
- Member of Audit Committee, Nomination Committee and Remuneration Committee

Koh Huey Min is a Fellow Member of the Chartered Institute of Management Accountants and a member of the Malaysian Institute of Accountants.

She has more than 30 years of experience in finance, accounting, tax, treasury fields, marketing, business development, property investment and development and shopping complex operations.

She was an Executive Director of Berjaya Assets Berhad ("BAssets") from 23 June 2017 to 31 August 2021. Prior to that, she was attached to PricewaterhouseCoopers and subsequent to that, she worked in Hong Leong Group of Companies as an Accountant. She joined Berjaya Times Square ("BTSSB"), a wholly-owned subsidiary of BAssets in March 1994 as the Head of Finance and Admin. She was appointed as an Executive Director of BTSSB from 8 January 2013 to 31 August 2021. She anchored the overall property development

and investment division and also managed the overall operations of Berjaya Times Square Group. She also held directorships in various subsidiaries of BAssets. Currently she is an Independent Non-Executive Director of Scientex Packaging (Air Keroh) Berhad, Paragon Union Berhad and Tropicana Corporation Berhad.

She is the Chairman of the Audit Committee of Paragon Union Berhad and Tropicana Corporation Berhad and sits as a member on the various board committees of these public listed companies.

She has no family relationship with any other Directors or major shareholders of the Company.

She has not been convicted of any offences within the past five years. She has no conflict of interest with the Company.

## YM RAJA JASTINA ADLINA BINTI RAJA ARSHAD

*Independent Non-Executive Director*

- Aged 42, Female, Malaysian
- Appointed to the Board on 15 August 2023
- Chairman of Nomination Committee, Member of Audit Committee and Remuneration Committee

YM Raja Jastina holds an Economics degree from Liverpool University, England and a Masters in Marketing Communications from Westminster University, England. She is currently the Head of Astro Shaw and Vice President of Malay Nusantara Business at Astro. She spearheads Malaysia's leading film studio which is behind the highest grossing local movies of all-time. Apart from championing local movie production, her all rounded portfolio includes heading strategy for Astro's digital brand, driving revenue growth for Astro's pay per view business, managing Astro's on-air Talent Management business and Astro's movie distribution division where she looks into IP exportation to regional and international market.

She has close to 20 years of business management, media, marketing and branding experience where she has driven Astro's Malay content strategy and built a strong business network both locally and internationally.

She has no family relationship with any other Directors or major shareholders of the Company.

She has not been convicted of any offences within the past five years. She has no conflict of interest with the Company.

# SENIOR MANAGEMENT'S PROFILE

## GEORGE I. LAGOS

*President, Frontken Philippines Inc. ("FPI")*

- Aged 64, Male, Filipino
- Appointed in 2003

George I. Lagos graduated from Don Bosco Technical College, Industrial Technology Course. He has extensive working experience in the oil and gas industry, power and related industrial fields. Prior to joining FPI in 2003, he has held various senior positions in multinational companies and has gathered a wealth of experience that encompasses maintenance of various types of rotating and static machinery in the oil and gas, power and general industry.

He was appointed as the President in 2003 and is the chairman of the Board of FPI.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

## MOHD SHUKRI BIN HITAM

*Managing Director of TTES Frontken Integrated Services Sdn Bhd ("TFIS")*

- Aged 57, Male, Malaysian
- Appointed in 2000

Mohd Shukri Bin Hitam holds a Bachelor of Science in Aerospace Engineering, Bachelor of Science in Aeronautics (specialised in Aircraft Maintenance Engineering), Associate Science (Diploma) in Aircraft Maintenance Management Technology and Certificate in Airframe and Power Plant Mechanic.

He has extensive working experience in engineering related fields. Prior to the incorporation of TFIS, he worked in various organisations as engineer and consulting specialist in rotating equipment and turbomachinery engineering and technical services.

He is the Managing Director of TFIS and is responsible to oversee the overall operations of TFIS, engineering and technical services and directs various engineering and technical consultancy services at joint-service and consultancy companies.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

# SENIOR MANAGEMENT'S PROFILE (CONT'D)

## ▶ **TSAI YU MIN**

*General Manager, Ares Green Technology Corporation ("AGTC")*

- Aged 47, Male, Taiwanese
- Appointed in 2013

Tsai Yu Min holds a Degree in Chemical Engineering from Taiwan Taichung Feng Chia University.

He has extensive working experience in sales and marketing and general management and has been working with AGTC, a subsidiary of FCB, since 2000. Before his appointment as General Manager in 2013, he was the sales manager, responsible for formulation of sales and marketing strategies for AGTC.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

## ▶ **WONG CHEE WAI**

*Chief Financial Officer*

- Aged 53, Male, Malaysian
- Appointed in 2022

Wong Chee Wai is an associate member of Chartered Institute of Management Accountants and Chartered Accountant of Malaysian Institute of Accountants.

He has more than 30 years of experience in audit, accounting, financial, tax, treasury and budget management in audit firm and various organisations. He joined Frontken Corporation Berhad in 2009 as senior finance manager and, subsequently, he was promoted to Financial Controller and Senior Financial Controller. He serves on the boards of several subsidiaries of Frontken Corporation Berhad.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

Save as disclosed on pages 20 to 24, none of the Directors and members of Key Senior Management hold any other directorship in any public company and/or listed issuer in Malaysia.

# SUSTAINABILITY REPORT

## MESSAGES FROM SUSTAINABILITY COMMITTEE

### DEAR STAKEHOLDERS,

Over the past two decades, Frontken Group has been dedicated to building technology and providing services that empower our customers to embrace sustainability, fostering a positive impact on our environment, communities, and society at large. Our commitment revolves around integrating technology, best practices, strategic partnerships, and streamlined processes, all united by a singular mission — to advance sustainability through actionable technology. Together with our customers, employees, and stakeholders, we strive to make a meaningful contribution to the environment and society.

At Frontken Group, our unwavering commitment extends to health, safety, environmental responsibility, corporate accountability, and sustainable development. Our global focus is on delivering products, services, and technologies that not only enhance and promote sustainable business practices but also explicitly contribute to addressing the challenges outlined in the Sustainable Development Goals. We believe in the power of collaboration and collective efforts to create a more sustainable future, and we look forward to continuing our journey of making a positive difference in the world.

In the fiscal year 2023 (“FY2023”), our journey was marked by considerable challenges, as the preceding two years unfolded a series of significant events that rapidly shaped a highly intricate and uncertain landscape. This period has highlighted both the resilience and fragility of our global economic, environmental, social, and governance systems. The world collectively navigated through a global supply chain disruption, prolonged conflicts, diverse natural disasters, and heightened political tensions, alongside grappling with challenges such as high inflation and economic slowdown.

As we adapt to the new realities forged by these challenges, our concerns now encompass critical issues like climate change, environmental conservation, peace, prosperity, and economic recovery. It is evident that the global business community needs a profound industrial transformation, fostering collaboration, and making necessary adjustments to navigate these complexities. Responding with heightened innovation, embracing responsible technology, adopting sustainable business operations, mitigating carbon emissions, and transitioning to sustainable energy sources are imperative steps.

To address these challenges effectively, it is crucial for businesses to prioritise compliance with laws and regulations, uphold high ethical standards, and integrate sustainability into their overall development strategy. Our commitment is to contribute to this transformative journey, fostering responsible practices and making a positive impact on the global stage. Together, through innovation and sustainable practices, we can create a more resilient and equitable future for all.

## TRANSFORMATIONAL JOURNEY

At Frontken Group, our commitment to transformation remains steadfast as we continuously evolve our business operations, focusing our innovation efforts on areas where our technologies, processes, systems, and capabilities can drive meaningful change and accelerate progress. We understand the dynamic nature of our stakeholders, customers, and supply chains, and we are dedicated to addressing climate change risks, clean water challenges, circular economy principles, and fostering green innovation and sustainable production practices.

Our transformational journey is intricately woven with our sustainability development efforts. We firmly believe that the most significant impact we can achieve is through collaboration with our stakeholders, including customers, partners, and suppliers. By working together, we can co-create sustainable innovations and green production solutions that effectively address global challenges and enhance the efficiency of value chains.

At Frontken Group, we are committed to leading by example, integrating sustainability into every aspect of our business, and driving positive change that extends beyond our organisation. Through our collective efforts and shared vision, we aim to contribute to a more sustainable and resilient future for generations to come.

# SUSTAINABILITY REPORT (CONT'D)

During the fiscal year 2023 meetings of the Sustainability Committee, members engaged in ongoing discussions to enhance our specific business materiality assessment, refine enterprise risk management processes, and strengthen internal control systems. These endeavours are part of our commitment to fine-tune sustainability development priorities and management strategies in response to the evolving risk landscape and challenges confronting our customers and stakeholders.

A notable aspect of our deliberations involved exploring the incorporation of circular economy principles into our business models. This includes a comprehensive consideration of life cycle impacts in the markets we serve. The group recognises the importance of aligning our operations with sustainability principles and strives to implement circular economy concepts that promote resource efficiency, reduce waste, and contribute to a more sustainable future.

In summary, Frontken Group's overarching aim is to achieve the following:

- (a) **Enhanced Materiality Assessment:** Continuously refine and update our business materiality assessment to ensure it aligns with evolving sustainability priorities and addresses the changing needs of our stakeholders.
- (b) **Robust Enterprise Risk Management:** Strengthen our enterprise risk management processes to proactively identify, assess, and respond to emerging risks, thereby ensuring the resilience and sustainability of our business operations.
- (c) **Effective Internal Control Systems:** Improve internal control systems to uphold transparency, accountability, and ethical practices, fostering a culture of responsible business conduct.
- (d) **Circular Economy Integration:** Explore and implement circular economy principles in our business models, taking into account life cycle impacts, to contribute to resource efficiency, waste reduction, and overall sustainability.

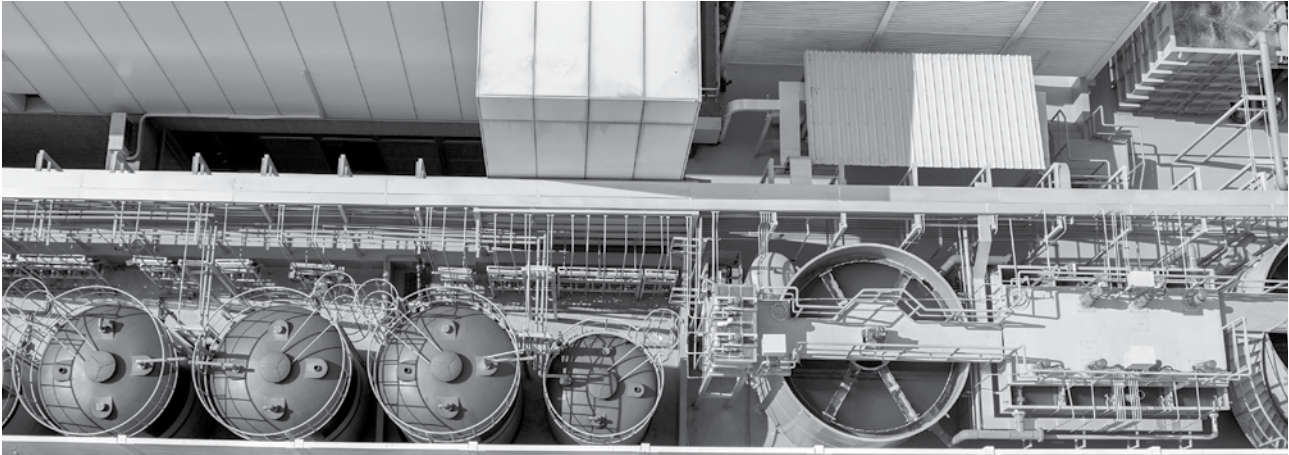
By actively pursuing these objectives, Frontken Group aims to reinforce its commitment to sustainability, resilience, and responsible business practices, creating enduring value for both the organisation and its broader ecosystem.

The Group has set ambitious targets to be achieved by 2050, reflecting our commitment to sustainability and environmental responsibility. These objectives are as follows:

- (a) **Environmental Vision 2050:** By 2050, our goal is to neutralise 100% of our greenhouse gas emissions, aligning with our Environmental Vision 2050 and contributing to a carbon-neutral future.
- (b) **Innovation Portfolio:** By 2050, we aim to generate 100% of our innovation portfolio, ensuring that it significantly addresses sustainability challenges and creates substantial value for our customers and stakeholders.
- (c) **Sustainable Products and Processes:** By 2050, our aim is to create 100% of our products and processes with strict adherence to sustainability development criteria, incorporating green chemistry, green production practices, and embracing circular economy principles to minimise climate impact.

These ambitious targets underscore our commitment to long-term sustainability, innovation, and responsible business practices. By setting clear milestones for greenhouse gas emissions, innovation generation, and sustainable product development, we are dedicated to making a positive and lasting impact on the environment, society, and the markets we serve. These objectives reflect our proactive approach to sustainability, aligning with global goals for a more sustainable and resilient future.

# SUSTAINABILITY REPORT (CONT'D)



## SIGNIFICANT MILESTONES

In FY2023, Frontken Group achieved significant milestones across several key areas, demonstrating our commitment to innovation, sustainability, and responsible business practices. Some of our key accomplishments include:

- (a) **Strengthened Innovation Platform:** We successfully enhanced our innovation platform, fostering increased value creation through innovative solutions. By prioritising research and development initiatives, we have expanded our capabilities to address emerging challenges and meet the evolving needs of our customers and stakeholders.
- (b) **Updated Greener Products and Production Processes:** We made substantial progress in updating our product offerings and production processes to be more environmentally friendly. Through specialised capabilities and investments in sustainable technologies, we have advanced towards greener practices, reducing our environmental footprint and promoting resource efficiency.
- (c) **Greener and Safer Chemical Usage and Management Policy:** We implemented a comprehensive policy for the greener and safer usage and management of chemicals across our operations. By adhering to stringent regulatory standards and adopting best practices in chemical management, we have prioritised the health and safety of our employees, customers, and communities, while minimising environmental impact.
- (d) **Increased Transparency and Risk Reduction:** We enhanced transparency in our operations, reducing risks and taking proactive measures to address sustainability challenges. Our initiatives, including those related to climate change and pollution control, have resulted in tangible actions aimed at mitigating environmental impact and promoting sustainable practices throughout our value chain.

These accomplishments underscore our ongoing commitment to driving positive change and creating value for all stakeholders. By prioritising innovation, sustainability, and transparency, we are positioned to contribute meaningfully to addressing global challenges and building a more resilient and sustainable future.

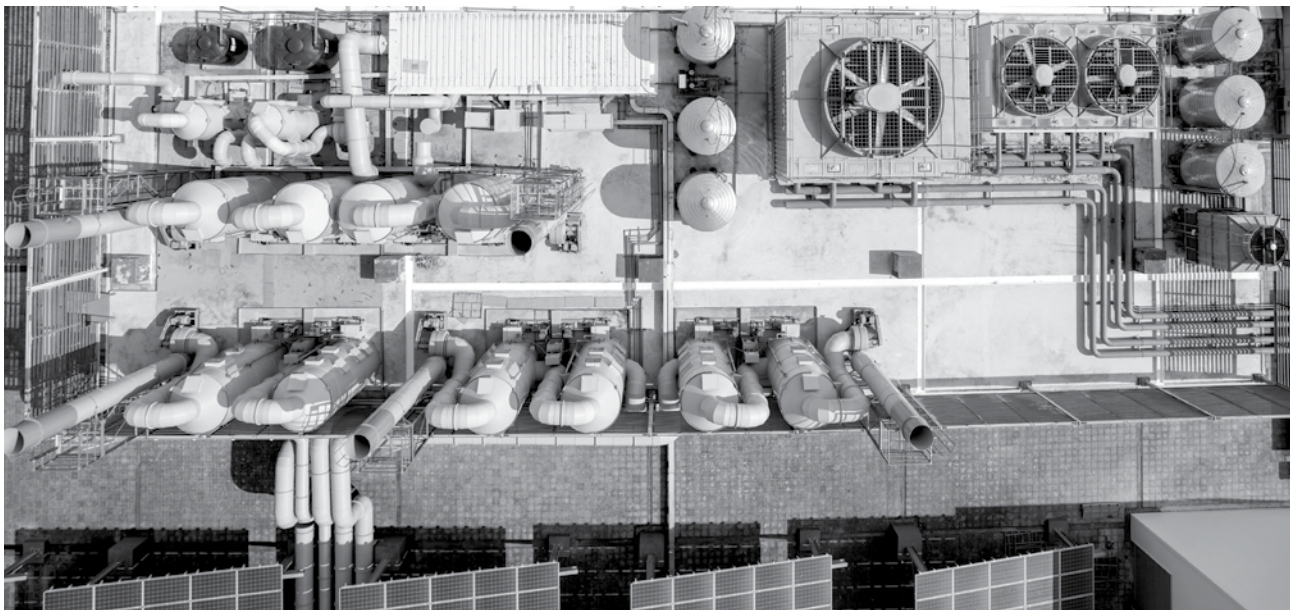
# SUSTAINABILITY REPORT (CONT'D)

## CONTINUOUS ACHIEVEMENTS

Frontken Group's commitment to sustainability is evident through our proactive efforts to transform and mitigate carbon emissions while embracing sustainable energy practices. Over the years, we have made strategic investments and transitions to lower greenhouse gas designs for both our production processes and overall operations. As part of our commitment to renewable energy, we are pleased to share the following achievements from 2018 to 2023:

- (a) **Adoption of Solar Energy:** We have invested significantly in solar energy systems, leading to the adoption of renewable energy practices. As of 2018 to 2023, we have successfully integrated the equivalent of 3,183,631 kilowatts of electricity using solar energy for our operations. This transition to sustainable energy sources reflects our dedication to reducing our carbon footprint and contributing to a greener, more sustainable future.
- (b) **DI-Water Recycling:** Since 2018 to 2023, we have implemented a robust DI-Water recycling system, resulting in an accumulative savings of 394,517 tonnes of recycled DI-Water. This initiative not only showcases our commitment to resource efficiency but also contributes to the conservation of water resources, a critical aspect of sustainable operations.
- (c) **Waste Recycling:** Our commitment to waste reduction is evident in the accumulative savings of 460,807 kilograms of recycled waste since 2018 to 2023. By implementing effective waste recycling programmes, we aim to minimise our environmental impact, promote circular economy principles, and contribute to a more sustainable waste management system.

These achievements underscore our dedication to environmental stewardship, sustainability, and responsible resource management. By adopting renewable energy sources, recycling initiatives, and efficient water management, Frontken Group is actively contributing to the global effort to combat climate change and build a more sustainable and resilient future.



# SUSTAINABILITY REPORT (CONT'D)

## CLIMATE CHANGE CHALLENGES

The Sustainability Committee, in alignment with various references and standards, including the recommendations of the Climate-related Financial Disclosures, diligently evaluated and identified risks and opportunities pertaining to the environment, specifically in relation to climate change. This comprehensive assessment guided discussions on the direction of the Company's environmental initiatives, emphasising waste recovery, recycling practices, and efforts toward establishing a circular economy. A dedicated report on Climate Change Challenges has been published to transparently communicate the outcomes of these discussions and initiatives.

Frontken Group is committed to navigating the challenges associated with reducing greenhouse gas emissions while concurrently enhancing our positive impact on the environment and society. Our continuous exploration of innovative approaches to business growth is grounded in the development of technologies, products, and services that actively contribute to environmental protection, energy conservation, and the mitigation of global warming. By actively working towards reducing global greenhouse gas emissions, we aspire to play a meaningful role in addressing climate challenges while advancing our business endeavours.

As part of our commitment to transparency and accountability, we will concentrate on disclosing comprehensive environmental, social, and governance ("ESG") information. This includes detailed insights into our initiatives related to climate change and pollution control, reinforcing our dedication to responsible business practices and contributing to a sustainable and resilient global future.

## CONTINUOUS IMPROVEMENT

In FY2023, Frontken Group has reaffirmed and strengthened its commitment to various dimensions of sustainability development. Our focus areas include governance, the health and safety of our employees, environmental sustainability, emissions and climate change, pollution control, and sustainable supply chain management. The culmination of our efforts during this fiscal year is encapsulated in our comprehensive sustainability report, showcasing accomplishments, and outlining crucial steps taken to integrate sustainability vision for long-term growth, development, and profitability.

To ensure the success of our sustainability initiatives, we have dedicated additional resources towards full control, digitisation, and integration of these efforts. Our goal is to recognise opportunities for profitability, drive continuous improvement, build enterprise value, preserve business integrity, and protect our reputation. At the core of these initiatives is the belief that sustainability is pivotal for the Group's lasting success.

At the core of our operations, Frontken Group continuously develops advanced technologies to empower our customers to create sustainable products and services. Our focus lies in extending the lifespan, performance, and aesthetic appeal of critical parts used in everyday production processes. Through our innovative technology, we help customers:

- (a) PROTECT the surfaces of critical parts;
- (b) PRESERVE the materials of critical parts for extended lifespans; and
- (c) PROVIDE for a sustainable future through recycling, repairing, refurbishment, re-engineering, and re-coating initiatives.

Aligned with our Sustainable Development Goals, we actively seek business opportunities that re-engineer shared values from fewer resources, transforming societal concerns and environmental challenges into innovative products and services for our global customers. Our commitment to delivering value extends beyond stakeholders to include broader social and environmental considerations. We believe that excellent corporate governance positively contributes to society and the environment, fostering long-term growth.

# SUSTAINABILITY REPORT (CONT'D)

Frontken Group has invested significant time and resources in transitioning towards more sustainable, digital, and automated business models. Our success is evident in our investments in the digitisation of advanced production systems, expanded production capacity, and re-engineering efforts in water usage, conservation systems, renewable energy, and waste treatment and discharge systems. These initiatives have positioned us as leaders in semiconductor parts processing support technology and environmental sustainability. As we continue to evolve, Frontken Group remains dedicated to creating lasting value while actively contributing to a sustainable future.

Frontken Group places a strong emphasis on stakeholder engagement for comprehensive risk management and materiality assessment. We actively involve our stakeholders in discussions about the critical trends and topics essential to the ongoing success of our business. This includes reducing environmental emissions, minimising energy consumption and waste, enhancing safety and productivity, fostering inclusivity, maintaining good corporate governance, and ensuring robust business continuity plans. We view these factors not only as risks but also as opportunities to fortify our risk management practices, creating enduring value and facilitating sustainable growth for the Group.

The assessment and enhancement of operational sustainability are seamlessly integrated into the strategic formulation of the Group. Key issues identified have paved the way for the development of strategies and the establishment of medium-term and long-term goals. In our long-term vision, we aspire to benchmark our sustainability development against recognised frameworks, including the GRI Framework, United Nations Sustainable Development Goals, Responsible Business Alliance (“RBA”) Framework, and Bursa Malaysia FTSE Russell ESG Model Framework. By continuously focusing on the economic and ESG dimensions of our business, we aim to contribute meaningfully to resolving environmental and social challenges.

The Board, supported by the Sustainability Management Committee and Risk Management Committee, plays a pivotal role in providing oversight. These committees rigorously review and implement initiatives related to ESG, and more. This collaborative approach ensures that our sustainability initiatives align with the highest standards, promoting transparency, accountability, and responsible business practices throughout the organisation. Through these ongoing efforts, Frontken Group is committed to delivering positive outcomes not only for the business but also for the broader community and the environment.

Moving forward, Frontken Group recognises that the health and safety of our employees, their families, and those associated with our business partners are paramount priorities. In FY2023, the Group continued its unwavering commitment to improving and strengthening its focus on the Seven “Core Areas for Action on Sustainability”. These seven dimensions represent the foundation of sustainability development within the Group.

Encouragingly, our dedicated employees at Frontken Group remain committed to our mission and core values. The Group consistently invests in enhancing the skills and knowledge of our workforce, ensuring they contribute effectively to our sustainability development vision. As we undergo transformations in our business practices and operations, we express gratitude for our on-site employees who safeguard our facilities, production output, and innovation creation on a daily basis. Their actions align with our employee roles and responsibilities, integrated into their personal objectives and incentives programme, directly linked to our business operational requirements and progress toward Frontken Sustainability Goals.

- (a) **Continuous Innovation and Value Creation:** Strengthening our innovation and production platform to provide tangible benefits to customers, ensuring a competitive advantage, and delivering positive social and environmental impact for sustainability development.
- (b) **Maximising Resources and Productivity:** Strengthening productivity and optimising resources in production, operations, and the supply chain. This includes managing critical materials, eliminating waste, and reducing costs to become a more sustainable and competitive company.

# SUSTAINABILITY REPORT (CONT'D)

Highlights of our achievements include:

- (a) **Innovation and Value Creation:** Emphasis on continuous innovation to bring competitive advantages to customers while positively impacting society and the environment.
- (b) **Resource Maximisation and Productivity:** A focus on optimising resources in production, operations, and the supply chain, including managing critical materials, waste reduction, and cost-effectiveness.

For more detailed information, the Frontken FY2023 Sustainability Report is available, providing a comprehensive update on our sustainability strategy. This report builds upon the detailed information shared in our FY2023 Environmental Climate Change and Pollution Control Reports. Covering the 2023 fiscal year, the report includes data, performance highlights, progress against targets, and outlines notable targets set for the medium-term and long-term. This transparent reporting underscores our commitment to accountability, transparency, and the pursuit of sustainable practices.

## FY2023 ACHIEVEMENT OF SUSTAINABILITY GOALS

### RESPONSIBLE MANAGEMENT

The Board of Frontken Group recognises the paramount importance of upholding high standards of corporate governance to safeguard the interests of stakeholders and the assets of the Group. With a clear understanding of its responsibilities, the Board oversees the Group's business performance and affairs, providing guidance to management on strategic direction, digitalisation, technology, and innovation. It reviews and approves annual budgets, financial plans, monitors performance, and ensures compliance with all laws and regulations. Major acquisitions and corporate exercises also receive Board approval.



The sustainable development of our management team's characters and capabilities is integral to our corporate social responsibility. We prioritise financial prudence, discipline, integrity, and strong risk management. Commitment to high standards of corporate governance sustains growth, safeguards stakeholders' interests, and maximises long-term shareholders' value.

At Frontken Group, we continuously improve ourselves towards achieving the highest standards of corporate governance, viewing employees as our most valuable asset. We actively foster a collaborative team culture with shared vision and positive values. Through continuous responsible innovation, green production, and sustainable supply chains, we provide customers with advanced and comprehensive process technologies and services, promoting environmental friendliness and societal contribution.

Our commitment extends to delivering sustainable growth, protecting the environment, empowering lives, and nurturing communities where we operate. Responsible management, innovation, employees, green production, supply chain, and inclusive society define the core values that guide our corporate ethics and culture. We prioritise employee growth, recognising that their development contributes to corporate growth.

Frontken Group maintains a zero-tolerance policy towards fraud, corruption, and unethical actions. Our anti-bribery and corruption policies, fraud investigation procedures, and whistleblower mechanisms underscore our commitment to fraud risk management. We conduct regular fraud and control awareness programmes to educate and update employees. Whistleblower hotlines ensure that individuals can report misconduct without fear of reprisals, fostering transparency and accountability throughout the organisation.

Our adherence to these principles has enabled us to build trustworthy relationships globally, instil pride in our employees' work, foster innovation, and continually enhance productivity. At Frontken Group, ethical conduct, transparency, and accountability are foundational to our operations, ensuring sustainable growth and value creation for all stakeholders.

# SUSTAINABILITY REPORT (CONT'D)

In the reporting period of FY2023, we achieved the following:

GOVERNANCE INDICATORS	UNIT OF MEASURE	FY2023
<b>ENTERPRISE RISK MANAGEMENT</b>		
I. Committed to assessment of all potential business risks in all business units; enforce full business recovery policy planning with complete procedures and rehearsals to address any potential risk in all operational business units;	compliance	100%
II. The board has oversight of risk management policy that are 100% committed to enforce corruption risk assessment; with complete procedures to address corruption in operations that are assessed to be "high risk"; including confidential or anonymous whistle-blowing mechanism for all staff and suppliers;	compliance	100%
III. Committed to 100% training for all employees on the anti-corruption policy and risk management; including communication and disclosures of anti-corruption policy to all employees covering all possible enterprise risks and data;	percentage	100%
IV. Committed to 100% communication for all related suppliers and customers on the anti-corruption policy and potential risk areas;	percentage	100%
V. Zero incident of material losses for each period;	number of incidents	0
VI. Zero incident of corruption and bribery for each period;	number of incidents	0
VII. Full disclosure of number of staff disciplined or dismissed due to non-compliance with anti-corruption policy/policies;	number	0
VIII. Full disclosure of cost of fines, penalties, or settlements in relation to corruption.	currency	0
<b>CORPORATE GOVERNANCE</b>		
I. Committed compliance to 100% full disclosure of details about all the directors;	compliance	100%
II. Commitment compliance to gender diversity on the board: including women on the executive committee or equivalent;	ratio	33%
III. Committed to compliance towards a fully non-executive audit committee or audit board with all independent directors;	compliance	Yes
IV. Committed compliance to full disclosures of all fixed and variable remuneration for: (a) executive directors included in the company's remuneration disclosures; (b) non-executive board members;	compliance	Yes
V. Committed compliance to allows all shareholders to have the right to vote on all director appointments and dismissals; and the full disclosure of voting results;	compliance	Yes

# SUSTAINABILITY REPORT (CONT'D)

In the reporting period of FY2023, we achieved the following: (cont'd)

GOVERNANCE INDICATORS	UNIT OF MEASURE	FY2023
<b>CORPORATE GOVERNANCE (cont'd)</b>		
VI. Committed compliance to conduct periodic full internal audits and evaluation on all operating business units to identify potential risks areas;	risk level	extremely low
VII. Committed compliance to full compliance of periodic evaluation of board effectiveness; including disclosure of number of times the board/each committee have/has met per annum.	effectiveness level	extremely high
<b>TAX COMPLIANCE</b>		
I. Zero incidents of tax non-compliance for each period.	number of incidents	0
<b>INFOTECH AND DATA SECURITY</b>		
I. Zero incident of data loses for each period;	number of incidents	0
II. Zero incident of security breaches for each period.	number of incidents	0

## RESPONSIBLE INNOVATION AND SERVICES

In FY2023, Frontken continued its dedication to technological advancement by developing advanced precision cleaning and coating technologies for the 3nm process in Taiwan and the 8nm process in Singapore. Additionally, the company took a leadership role in advancing precision cleaning and coating for the next generation memory wafer processes in both Taiwan and Singapore.

The research and development ("R&D") team in FY2023 focused on strengthening the innovation platform, increasing R&D activities, and addressing sustainability challenges such as climate change and pollution control. The team also dedicated efforts to develop more specialised capabilities and environmentally friendly methods for chemical management, coating, and cleaning processes. Importantly, improvements were made in production process flow and productivity, with a particular emphasis on replacing hazardous steps and processes to ensure the safety and well-being of employees and the environment.

Frontken's sustainability development initiatives placed a strong emphasis on environmental safety management. Innovative projects were designed to effectively reduce occupational hygiene risks, enhance workplace environments, and improve employee health management. The successful implementation of an automated cleaning system significantly minimised employees' exposure to hazardous substances, leading to the recognition of our subsidiary, Ares Green Technology Corporation, with an award from a major customer for outstanding efforts in Supply Chain Environment, Safety, and Health.

Frontken's commitment to ESG practices has garnered high ratings and an excellent overall industry score. The company's inclusion in the FTSE4Good Bursa Malaysia Index and the Bursa Malaysia Shariah Index reflects its alignment with sustainable and responsible business practices. These achievements showcase Frontken's ongoing commitment to technological innovation, environmental sustainability, and responsible corporate citizenship.



# SUSTAINABILITY REPORT (CONT'D)

In summary, FY2023 marks another year of Frontken Group significant progress and strong external recognition of its business practice and ESG efforts. Some other highlights include:

- Frontken won the gold awards in most improved performance over three years (RM800M to RM5B market Capitalisation) by the Edge Malaysia ESG award 2023.
- Frontken has achieved the inclusion into the FTSE4Good Bursa Malaysia Index.
- Frontken has achieved the inclusion into the FTSE4Good Bursa Malaysia Shariah Index.
- Frontken has achieved top 25% (4 stars) by ESG Ratings among PLCs in FBM EMAS that have been assessed by FTSE Russell.

It's commendable to acknowledge and appreciate the efforts of Frontken's ESG team and all its dedicated employees, including domain experts from various business units. Their continuous innovation and guidance have played a crucial role in achieving the company's ESG goals. The collective commitment of the team demonstrates Frontken's dedication to fostering a strong, profitable, and sustainable business practice.

Even amidst global uncertainties and complexity, the confidence expressed in Frontken's unwavering commitment to building a robust and sustainable business is noteworthy. This confidence reflects the resilience and determination of the entire Frontken community to navigate challenges, embrace innovation, and contribute positively to the broader business landscape.

The acknowledgment of the team's efforts and the commitment to sustainable practices reinforces Frontken's position as a responsible corporate entity, dedicated to creating long-term value for all stakeholders. It's through such dedication and collaborative spirit that companies can continue to thrive and make meaningful contributions to the global business community.

In the reporting period of FY2023, we achieved the following:



RND INNOVATION INDICATORS	UNIT OF MEASURE	FY2023
<b>RESEARCH AND DEVELOPMENT AND INNOVATION ("RDI") RATE</b>		
I. Increase of at least 10% in RDI rate; computed based on per unit of dollar revenue/RND cost for each period. (Baseline data is FY2019);	rate	83.35
II. Increase of at least 10% in return of investment in RDI activities; computed based on per unit of dollar operating profit/RND cost for each period. (Baseline data is FY2019);	return of investment	20.67
III. Number of RDI activities and IPs generated per FTE for each period.	number	6.56

# SUSTAINABILITY REPORT (CONT'D)

In the reporting period of FY2023, we achieved the following: (cont'd)

RND INNOVATION INDICATORS		UNIT OF MEASURE	FY2023
<b>RESEARCH AND DEVELOPMENT AND INNOVATION ("RDI") CAPABILITY MATURITY MODEL</b>			
I.	Committed compliance to achieve level 5 research development innovation capability maturity model;	RDI CMM level	100%
II.	Committed compliance to achieve level 5 knowledge competency maturity model for all FTE in RDI;	KCMM level	4.10
III.	Committed compliance to full process of records internal audits without major critical discrepancies;	compliance	100%
IV.	Committed compliance to full production system external audits without major critical discrepancies.	compliance	100%
<b>SUSTAINABILITY DEVELOPMENT INDEX ESG RATINGS</b>			
I.	Committed compliance to achieve top 25% by ESG ratings among PLCS in FBM EMAS that have been assessed by FTSE RUSSELL. ESG ratings of PLCS assessed by FTSE RUSSELL in accordance with FTSE RUSSELL ESG RATINGS methodology;	score	4 stars
II.	Committed compliance to achieve the inclusion into the FTSE4GOOD BURSA Malaysia index;	inclusion	Yes
III.	Committed compliance to achieve the inclusion into the FTSE4GOOD BURSA Malaysia Shariah index.	inclusion	Yes
<b>INNOVATION PROJECTS FOR SUSTAINABILITY DEVELOPMENT</b>			
I.	Total accumulated green power project (kWh) since 2018;	kWh	3,183,631
II.	Total accumulated DIW recycling project since 2018 (tonne);	tonne	394,517
III.	Total accumulated waste recycling project since 2018 (kg).	kg	460,807

## RESPONSIBLE GREEN PRODUCTION

Frontken Group has made significant strides in enhancing its green production methods to address operational challenges posed by global warming. In FY2023, the establishment of an advanced new production plant in Taiwan and a cutting-edge production line in Singapore reflects the company's commitment to innovation-driven progress. As chip processes become increasingly complex, the advanced production capacity has expanded. Despite this growth, efforts to maintain sustainability have been evident, with marginal increases observed in unit production average power and water usage, attributed to product and process optimisations and the qualification stage of new facilities.

The company has maintained consistency in managing waste production, demonstrating a commitment to environmental stewardship. Moving forward, these incremental increases will be mitigated by the ongoing expansion of renewable energy and water recycling systems, alongside future innovations.

# SUSTAINABILITY REPORT (CONT'D)

Frontken Group takes proactive measures to assess and mitigate its environmental impact, monitoring Scopes 1, 2, and 3 greenhouse gas ("GHG") emissions according to the GHG Protocol standards. Notably, electricity consumption, particularly in production operations, stands out as a focal point for reducing energy usage and emissions. Optimising energy efficiency remains central to the sustainability strategy, with ongoing efforts aimed at reducing utility costs and environmental footprint.

In alignment with its commitment to a low-carbon future, Frontken Group has increased its reliance on renewable energy sources, including on-site generation such as solar power. Initiatives like scrubber overhaul, energy-efficient lighting systems, and chiller system enhancements further contribute to energy conservation and emissions reduction. The installation of solar photovoltaic systems has significantly bolstered the company's renewable energy capacity, generating substantial power since inception. Notably, the group has generated an average yearly green energy output of up to 530,605 kWh, accumulating approximately 3,183,630 kWh of green power since 2018.

Continued investment in energy conservation technologies, including frequency conversion and flow monitoring systems, has yielded tangible results, resulting in substantial electricity savings annually. Frontken Group's proactive approach to sustainability underscores its dedication to environmental responsibility and sets a benchmark for industry-leading practices in energy conservation and emissions reduction.

In the reporting period of FY2023, we achieved the following:

ENVIRONMENT INDICATORS	UNIT OF MEASURE	FY2023
<b>GHG EMISSION SCOPE 1, 2 &amp; 3</b>		
I. Scope 1: Direct Emissions from company facilities, fleets, etc; (tCO <sub>2</sub> e)	tCO <sub>2</sub> e	1,590
II. Scope 2: Indirect Emissions from electricity purchased and used by the company; (tCO <sub>2</sub> e)	tCO <sub>2</sub> e	12,154
III. Scope 3: Other Indirect Emissions from company activities via entities beyond its ownership or control (procurement, shipping, distribution, waste, etc.), as well as business travel and employee commuting. (tCO <sub>2</sub> e)	tCO <sub>2</sub> e	54,361
<b>EMISSION DATA COVERAGE</b>		
I. Coverage by revenue (%): Ratio of Frontken semiconductor related business revenue in Singapore, Malaysia and Taiwan to the whole revenue of Frontken Group;	% coverage by revenue	76.58%
II. Coverage by Site (%): Ratio of Reporting Covered Frontken Sites to All Sites in Frontken Group.	% coverage by site	76.92%
<b>ENERGY DATA</b>		
I. Total energy consumption data;	MWh	25,297
II. Internal carbon price: per tonne of GHG emissions (tCO <sub>2</sub> e).	USD per tonne	20
<b>SCOPE 1: GHG EMISSIONS INTENSITY PER REVENUE IN MILLION MYR</b>		
I. Reduce 10% our Emissions Intensity – the amount of GHGs emitted per dollar revenue. (Baseline data FY2020). (kgCO <sub>2</sub> e per revenue in Million MYR)	kgCO <sub>2</sub> e per revenue in Million MYR	3,180

# SUSTAINABILITY REPORT (CONT'D)

In the reporting period of FY2023, we achieved the following: (cont'd)

ENVIRONMENT INDICATORS	UNIT OF MEASURE	FY2023
<b>SCOPE 2: GHG EMISSIONS INTENSITY PER UNIT PRODUCTION</b>		
I. Reduce 10% our GHG emissions per unit of production. (Energy consumption and GHG emissions baseline data FY2020).	kgCO <sub>2</sub> e per part	6.13
<b>SCOPE 3: GHG EMISSION DATA</b>		
Purchased goods and services	tCO <sub>2</sub> e	8,703
Capital goods	tCO <sub>2</sub> e	36,126
Fuel-and-energy-related activities (not included in scope 1 or 2)	tCO <sub>2</sub> e	2,363
Upstream transportation and distribution	tCO <sub>2</sub> e	0
Waste generated in operations	tCO <sub>2</sub> e	1,487
Business travel	tCO <sub>2</sub> e	279
Employee commuting	tCO <sub>2</sub> e	257
Upstream leased assets	tCO <sub>2</sub> e	0
Investments	tCO <sub>2</sub> e	0
Downstream transportation and distribution	tCO <sub>2</sub> e	5,146
Processing of sold products	tCO <sub>2</sub> e	0
Use of sold products	tCO <sub>2</sub> e	0
End of life treatment of sold products	tCO <sub>2</sub> e	0
Downstream leased assets	tCO <sub>2</sub> e	0
Franchises	tCO <sub>2</sub> e	0
Other (upstream)	tCO <sub>2</sub> e	0
Other (downstream)	tCO <sub>2</sub> e	0
Total/no breakdown	tCO <sub>2</sub> e	54,361
<b>AIR POLLUTANT EMISSIONS</b>		
(a) Short Term Goal by 2025: (i) Reduce 10% our unit air pollutant emissions – the amount of air pollutant emissions in kg per unit of production. (Baseline data FY2020). (kg per part)	number of abnormal occurrences	0.0043

# SUSTAINABILITY REPORT (CONT'D)

In the reporting period of FY2023, we achieved the following: (cont'd)

ENVIRONMENT INDICATORS	UNIT OF MEASURE	FY2023
<b>WATER CONSERVATION</b>		
I. Reduce 10% our water consumption per unit of production. (Water consumption baseline data FY2019). (Cubic meter per part)	cubic metre per part	0.14
<b>WATER DATA</b>		
I. Disclosure of the number of incidents of non-compliance with water quality/quantity permits, standards, and regulations;	number of incidents	0
II. Water management plan (including water recycling system);	kilo tonne	87
III. Water-stressed/scarce regions;	number	0
IV. Total water (effluent) discharge from facilities.	cubic metre	279,145
<b>TOTAL WATER DISCHARGE DATA DISCLOSED BY DESTINATION</b>		
Ocean total discharge	cubic metre	0
Surface Water total discharge	cubic metre	0
Subsurface/well total discharge	cubic metre	0
Off-site water treatment total discharge	cubic metre	279,145
Beneficial/other use total discharge	cubic metre	0
Total discharge	cubic metre	279,145
<b>TOTAL WATER WITHDRAWAL DATA DISCLOSED BY SOURCE</b>		
Surface water from rivers, lakes, natural ponds	cubic metre	0
Groundwater from wells, boreholes	cubic metre	0
Used quarry water collected in the quarry	cubic metre	0
Municipal potable water	cubic metre	279,145
External wastewater	cubic metre	0
Harvested rainwater	cubic metre	0
Sea water, water extracted from the sea or the ocean	cubic metre	0
Total Water Withdrawal	cubic metre	279,145
<b>WASTE REDUCTION</b>		
I. Reduce 10% our waste generated in kg per unit of production. (Waste generated baseline data FY2019). (kg per part)	kg per part	0.4

# SUSTAINABILITY REPORT (CONT'D)

In the reporting period of FY2023, we achieved the following: (cont'd)

ENVIRONMENT INDICATORS	UNIT OF MEASURE	FY2023
<b>WASTE DATA</b>		
I. Total waste generated and recycled;	tonne	80,583
II. Total hazardous waste generated;	tonne	641
III. Total non-recyclable waste generated.	tonne	816
<b>ENVIRONMENT COMPLIANCE</b>		
(a) Total costs of environmental fines and penalties during financial year	USD	0
<b>CHEMICAL MANAGEMENT</b>		
I. Increase usage of environmentally friendly chemical in kg per unit of production by 10%. (Friendly chemical use baseline data FY2019 = 0.97); (kg per part)	kg per part	1.68
II. Committed compliance to proper handling, usage, storage and disposal of used chemicals in an environmentally friendly manner.	compliance	100%

## RESPONSIBLE WORKPLACE

Frontken Group has been dedicated to improving and implementing robust Work Safety and Health Hazard Prevention Programmes in the workplace. These programmes involve comprehensive hazard assessments, the identification of measures to limit safety and health hazards, and the adoption of measures to ensure the protection of workers. Embracing the “new normal” work practices, the group has diversified working approaches to enhance productivity and empower employees to utilise their abilities to the fullest. Furthermore, ongoing initiatives such as job redesign, performance management, and other systems aim to expand the role and expectations for each employee, fostering a pivot to job-based and skill-based human capital management.

The commitment to providing a safe and injury-free working environment is articulated in Frontken’s Health, Safety, and Environment policy statement, aligning with Workplace Safety and Health (“WSH”) regulations across various jurisdictions. The group actively promotes awareness of workplace occupational health and safety and strives to elevate safety standards for stakeholders through the implementation of a comprehensive WSH work plan. This plan includes measures such as training and education, fire safety improvements, and onsite safety inspections.

Frontken Group believes in the preventability of all workplace injuries, setting an ultimate goal of achieving zero injuries through continued investment in core safety programmes and injury reduction initiatives. The implementation of a mandatory WSH training programme for operational employees equips them with essential knowledge, covering safety responsibilities and specific job-related topics such as electrical safety, ergonomics, control of hazardous materials, and chemical safety.

The group maintains 100% compliance with all regulatory requirements relevant to the health and safety performance of its operations and processes. A robust health and safety system is in place to identify and evaluate hazards and risks, with regular internal and third-party audits conducted to review and qualify the safety system. The Environment, Safety, and Health (“ESH”) and Sustainability team developed detailed Health and Safety Protocols for all sites and operations, supporting and safeguarding employees in challenging times. Frontken Group remains committed in its commitment to prioritising the health, safety, and well-being of its workforce.

# SUSTAINABILITY REPORT (CONT'D)

In the reporting period of FY2023, we achieved the following:

SOCIAL & PEOPLE INDICATORS		UNIT OF MEASURE	FY2023
<b>HEALTH AND SAFETY: WORKPLACE COVID-19 PROTOCOL</b>			
I.	Achieve zero fatal incidents of COVID-19 and related issues for the period. Implement protocol and programme to prevent and control of global fatal health issue which applies to employees and the related community.	number of incidents	0
<b>HEALTH AND SAFETY</b>			
I.	Achieve zero fatal incidents of employees' health and safety fatalities in all 100% coverage of Frontken group;	number of incidents	0
II.	Achieve zero incidents of work-related contractor fatalities in all 100% coverage of Frontken group;	number of incidents	0
III.	Reduce to less than 3 incidents of ESH-related notices of violation in all 100% coverage of Frontken group;	number of incidents	0
IV.	Reduce our health and safety recordable injury rate to 0.09 hour per 100 employees in all 100% coverage of Frontken group. [lost-time incident rate = lost hours per 100 employees].	hour per 100 employees	0.01
<b>HEALTH AND SAFETY COMPLIANCE AND CERTIFICATIONS</b>			
I.	Established board committee, safety committees, safety teams' oversight of management and control of health and safety risks in all 100% compliance and coverage of Frontken group;	compliance	Yes
II.	Achieve 100% percentage of production sites licensed and certified by the local regulatory authority within each country/site;	percentage	100%
III.	Achieve 100% percentage of production sites with ISO and/or OHSAS 18001 certification and or equivalent international assurance standard certification; and/or qualification by customers;	percentage	100%
IV.	Achieve 100% percentage of monitoring of safety indicators; and monthly/weekly safety training and awareness;	percentage	100%
V.	Number of employees trained on health and safety standards; and safety protocol/standards/policy.	number	994
VI.	Achieve 100% percentage compliance of production employees trained on health and safety protocols/standards/policy.	compliance	100%

# SUSTAINABILITY REPORT (CONT'D)

## RESPONSIBLE INCLUSION AND DIVERSITY

Our employees are fundamental assets driving the success of our Group, demonstrating daily commitment, team cohesion, and problem-solving prowess. We are steadfast in supporting their talents, knowledge, experiences, and skill sets through continuous training and educational processes, fostering their development and growth within the Group.

Frontken Group recruits and employs individuals based solely on their talents, without bias towards nationality or race, in a fair, open, and just manner. We are dedicated to cultivating and retaining a diverse and robust talent pool, driving growth through continuous training and development while instilling a culture of safety, excellence, and work-life balance. Our initiatives encompass talent development, leadership grooming, knowledge exchange, health and safety, and employee wellness, among others. We provide competitive compensation, above-industry-average benefits, paid leaves, and a variety of training courses, striving to create a safe, healthy, and joyful working environment.

We firmly believe that the continuous improvement, learning, development, and growth of our employees are pivotal to our sustainability, competitiveness, and resilience in business operations. Encouraging continuous improvement and learning, we prepare our workforce for the future, particularly in the “new normal” environment, by inspiring passion and providing opportunities to strengthen domain expertise and personal growth. Our focus on training and education aims to build a knowledgeable, future-ready, and responsive workforce, equipped with essential soft and hard skills, domain knowledge, and the ability to support sustainability development and transformation initiatives.

Employee engagement is of utmost importance to us, as engaged employees perform better, are happier at work, and are more motivated to succeed, ultimately contributing to improved business performance. We actively engage in discussions with our employees on labour issues, such as staff development and reskilling, fostering stronger relationships and enabling career growth. We maintain open communication channels to ensure employees feel comfortable sharing their views and questions directly with senior management, fostering a culture of transparency and accountability.

Frontken Group is committed to creating a better world through our services and the passion of our employees. We believe in fostering inclusive communities and actively participate in public welfare activities to contribute positively to society. Empowering our employees to extend their values into local communities, we engage in corporate social responsibility initiatives, including overseas internships for students and hiring disabled individuals. Additionally, our employees actively participate in social impact activities such as blood donation drives and support for vulnerable and less privileged groups, demonstrating our commitment to making a difference beyond our business operations.

# SUSTAINABILITY REPORT (CONT'D)

In the reporting period of FY2023, we achieved the following:

SOCIAL & PEOPLE INDICATORS		UNIT OF MEASURE	FY2023
<b>LABOUR PRACTICE</b>			
I.	Achieve Zero incidents of unfair employment practices;	number of incidents	0
II.	Achieve Zero incidents of violation of labour laws;	number of incidents	0
III.	Achieve employee retention rate of 95%;	percentage of retention	98%
IV.	Committed compliance to local employment and/or sourcing;	compliance	Yes
V.	Committed to local employment and sourcing - The proportion of local employees in the total number of the company.	percentage	69%
<b>HUMAN RIGHTS</b>			
I.	Committed to achieve Zero incidents of unfair harassment, bullying and/or unlawful discrimination practices including gender-based violence, sexual harassment, sexual abuse, corporal punishment, mental or physical coercion, bullying, public shaming, or verbal abuse of workers, etc;	number of incidents	0
II.	Committed compliance to enforced Zero tolerance approach to any child labour and/or modern slavery and/or forced labour of any kind within Frontken operations;	compliance	Yes
III.	Committed compliance to meet and/or exceed the minimum wage/ meet living wage in each country of operations.	compliance	Yes
<b>INCLUSION AND DIVERSITY</b>			
I.	Committed compliance to achieve a balance diverse and inclusive workplace; inclusive of race, nationality, gender, age, disabilities;	compliance	Yes
II.	The percentage of employees that are contractors or temporary staff;	percentage	0%
III.	The percentage of Group's staff with a disability per 100 employees;	percentage (per 100 employees)	1.18
IV.	The percentage of women in the Group's workforce;	percentage	19%
V.	Number of nationalities in the Group's workforce;	number	10
VI.	Committed compliance to hire, develop, reward, promote and retain any employee purely based on their talents, commitment, potential and the results their achievement.	compliance	100%

# SUSTAINABILITY REPORT (CONT'D)

In the reporting period of FY2023, we achieved the following: (cont'd)

SOCIAL & PEOPLE INDICATORS	UNIT OF MEASURE	FY2023
<b>EQUAL OPPORTUNITY</b>		
I. Committed to achieve Zero incidents of unfair discrimination or harassment practices; based on race, colour, age, gender, sexual orientation, gender identity, ethnicity or national origin, disability, pregnancy, religion, political affiliation, marital status in hiring and employment practices such as wages, promotions, rewards, and access to training.	number of incidents	0
<b>TALENT DEVELOPMENT</b>		
I. Achieve 100% coverage of annual staff appraisal practices to develop talent;	percentage	100%
II. Committed compliance to employee development programmes to enhance knowledge and skills for specific talent and succession planning.	compliance	100%
<b>TRAINING AND DEVELOPMENT</b>		
I. Committed to increase the amount of training hours invested by 10% (baseline date from FY 2019);	hour	20,993
II. Amount of time spent on employee talent development training to enhance knowledge or individual skills;	days	3,230
III. Achieve average time spent on development training of each employee to enhance knowledge or individual skills; (Unit: hours per employee)	hours per employee	23
IV. Achieve average time spent on development training of each employee to enhance knowledge or individual skills; (Unit: days per employee)	days per employee	3.5
V. Achieve 95% all employees are trained and educated in their respective work scope.	percentage	92%
<b>SOCIAL PARTICIPATION</b>		
I. Increase the number of social participation activities by 10%;	number	28
II. Achieve 70% of all employees for social participation activities.	percentage	56%
<b>SOCIAL IMPACT</b>		
I. Increase the amount of number of volunteerism hours invested by 10% (baseline date from FY 2019);	hour	12,701
II. Total equivalent amount of donations/community investments made to registered not-for-profit organisations; and/or for the community;	MYR	2,200
III. Increase the total number of persons got the benefit through our supporting schools and non-profit organisations; and/or the community via social projects by 10%. (Baseline date from FY 2019).	person	179

# SUSTAINABILITY REPORT (CONT'D)

## RESPONSIBLE SUPPLY CHAIN

In 2023, Frontken Group continues to prioritise and support our suppliers' compliance with local, national, and global guidelines, emphasising our Supplier Code of Conduct framework and supplier management practices.

Our business operations rely on various inputs including raw materials, chemicals, consumables, equipment, and supplier services. Recognising the critical importance of reliable supply chains, we are dedicated to proactive collaboration with our suppliers to mitigate supply chain risks, optimise delivery efficiency, reduce costs, and enhance sustainability in their operations.



Frontken Group is committed to achieving a sustainable supply chain by ensuring that our business operations and key suppliers adhere to the highest standards of procurement and management practices. We have implemented a Sustainable Procurement and Supplier Management Policy, promoting transparency, fairness, and alignment with industry best practices. Our policy aligns with frameworks such as the RBA Code of Conduct, emphasising quality, integrity, and excellence.

Understanding the environmental risks inherent in our value chain, we actively engage with environmentally responsible suppliers and promote sustainable sourcing and procurement practices. We prioritise aspects such as labour practices, human rights, supplier diversity, environmental impact, data security, and material sourcing in our supplier relationships. Through collaborative efforts, we aim to cultivate a sustainable business ecosystem based on mutual success.

Frontken Group adopts a risk-based approach to supply chain management, ensuring sustainability and resilience at every stage of supplier engagement. Our Supplier Code of Conduct, aligned with the UN Global Compact Framework and RBA standards, sets stringent standards for ethical business conduct, mitigating social, economic, and environmental risks.

We seek partnerships with suppliers who share our values and commitment to ethical business practices. Our Supplier Supply Chain Sustainability Guidelines emphasise compliance with local regulations, fair employment practices, human rights, environmental protection, anti-corruption measures, workplace safety, product quality, and information disclosure.

Frontken Group upholds the principles of fairness, dignity, respect, and transparency in all supplier relationships. We prioritise employee welfare, environmental conservation, ethical business conduct, and intellectual property rights protection. Through mutual understanding and adherence to our Supplier Code of Conduct and sustainability guidelines, we foster enduring partnerships built on trust, integrity, and shared values.

Frontken Group places significant emphasis on developing relationships with suppliers that align with our values and uphold ethical business practices. We collaborate with our suppliers to ensure a clear understanding of and compliance with the requirements outlined in our Supplier Supply Chain Sustainability Guidelines:

- (a) **Compliance with Laws and Regulations:** Suppliers are expected to adhere to all laws and regulations in the countries where we operate, encompassing both business-related and non-business-related transactions.
- (b) **Fair Employment Practices:** We support fair employment practices consistent with our commitment to human rights. Suppliers are encouraged to establish strong and direct relationships with their employees, fostering open and honest communication with fairness, dignity, and respect.
- (c) **Respect for Human Rights:** Suppliers must uphold human rights without discrimination, harassment, abuse, or any inhumane treatment. This includes a commitment to eliminating child labour and forced labour, managing employees' work hours, breaks, and holidays responsibly, paying legally mandated minimum wages, and ensuring no inappropriate wage abatement. Additionally, suppliers should respect employees' rights and pay at least a living wage.

# SUSTAINABILITY REPORT (CONT'D)

- (d) **Climate Change and Environmental Protection:** Recognition of climate change issues is essential, and suppliers are expected to actively contribute to the conservation and protection of the natural environment. This involves efforts to reduce negative environmental impacts and prevent pollution.
- (e) **Fair Business Transactions:** Suppliers are required to engage in fair business transactions, prohibiting all types of corruption. Bribes or illegal contributions are strictly forbidden.
- (f) **Safe and Healthy Workplaces:** Ensuring safe and healthy workplaces is a priority. Suppliers should maintain a good working environment that prioritises the well-being of their employees.
- (g) **Quality and Safety of Products and Services:** Suppliers must commit to delivering products and services of high quality and safety standards.
- (h) **Accurate and Timely Disclosure of Information:** Transparency is crucial, and suppliers should provide accurate, timely, and appropriate disclosure of information.
- (i) **Respect for Intellectual Property Rights:** Intellectual property rights must be respected. The transfer of technology and know-how should be done in a manner that protects intellectual property rights. Confidential information of both customers and suppliers should be safeguarded.

By adhering to these guidelines, Frontken Group and its suppliers work together to foster a sustainable and ethical supply chain, promoting responsible business practices and contributing to positive social and environmental impact.

In the reporting period of FY2023, we achieved the following:

SUPPLY CHAIN INDICATORS	UNIT OF MEASURE	FY2023
<b>SUPPLY CHAIN QUALIFICATION</b>		
I. Achieve sustainability qualification of the top 10 critical suppliers based on total spend cost. (Baseline data FY2020);	number	24
II. Committed to establish supply chain risk management; including quantification of suppliers; supply chain compliance monitoring or audit; and communicated to all key suppliers;	compliance	Yes
III. Committed compliance to respect all party's intellectual property rights; including the transfer of technology and know-how.	compliance	Yes
<b>SUPPLY CHAIN HEALTH AND SAFETY</b>		
I. Achieve zero incidents of onsite contractors and supplier's health and safety fatalities, including all occupational safety within the facilities of Frontken group.	number	0
<b>SUPPLY CHAIN LABOUR PRACTICE</b>		
I. Committed compliance to enforce critical suppliers within Frontken supply chain towards zero tolerance approach to any child labour and/or modern slavery and/or forced labour of any kind;	compliance	Yes
II. Committed compliance to ensure critical suppliers within the group's supply chain, uphold the human rights of workers, and to treat them with dignity and respect as understood by the international community; including non-discrimination and non-harassment.	compliance	Yes

# SUSTAINABILITY REPORT (CONT'D)

In the reporting period of FY2023, we achieved the following: (cont'd)

SUPPLY CHAIN INDICATORS	UNIT OF MEASURE	FY2023
<b>SUPPLY CHAIN RESPONSIBLE SOURCING</b>		
I. Committed to 100% compliance to adhere to all applicable laws, regulations, and customer requirements regarding the prohibition or restriction of specific substances in products and manufacturing, including labelling for recycling and disposal;	compliance	100%
II. Committed to responsible sourcing of minerals with full compliance and adoption of a policy and exercise due diligence on the source and chain of custody consistent with the organisation for economic co-operation and development guidance for responsible supply chains of minerals from conflict affected and high-risk areas or an equivalent and recognised due diligence framework.	compliance	Yes

## RESPONSIBLE CLIMATE CHANGE

The climate change challenges we are currently grappling with represent a global threat to humanity. Tackling these challenges requires an extraordinary level of understanding, sacrifice, and execution. Carbon dioxide (CO<sub>2</sub>), a global pollutant, defies containment within specific locations, making it a pervasive reality. The consequences of global indecision in the face of climate change will inevitably lead to dangerously elevated heat levels, widespread droughts, floods, and severe hardships for millions of people worldwide.

The impacts of climate change are far-reaching and have extensive, disastrous effects on our environment. These include, but are not limited to, the increasing frequency and intensity of extreme weather events, such as floods and famines. Additionally, climate change contributes to alterations in sea temperature, ocean acidity, and the eventual rise in sea levels. These changes collectively pose significant threats to the delicate balance of our ecosystems and the well-being of communities across the globe.

### CLIMATE RESILIENCE

Response with high urgency and commitment to mitigate climate change and protect Frontken Group from its Effects.

### RESOURCE RESILIENCE

Secure Frontken Group Critical Resources, such as utilities, water, materials, chemicals, manpower, and supply chain through optimisation, recycle and recovery of treasure from waste.

### PRODUCTION RESILIENCE

Ensure our Frontken Group can thrive in the future economy in the face of climate change and growing resource constraints.

# SUSTAINABILITY REPORT

## (CONT'D)

Addressing climate change requires a united global effort, where nations, industries, and individuals must come together to implement sustainable practices, reduce carbon emissions, and develop innovative solutions. The urgency of this issue demands a commitment to understanding, adapting, and mitigating the impact of climate change to ensure a sustainable and secure future for generations to come.

Frontken Group is responding to the urgent challenge of climate change with a strong commitment and a comprehensive approach. Our strategy centres around a meticulous climate change materiality assessment, which identifies critical issues and assesses the greatest impact. This assessment serves as a foundational framework for our initiatives across three strategic pillars: climate resilience, resources resilience, and production resilience.

- (a) **Climate Resilience:** We prioritise building climate resilience within our operations and processes. This involves adopting measures to mitigate and adapt to the impacts of climate change. This may include investments in renewable energy sources, energy efficiency improvements, and other initiatives to reduce our carbon footprint.
- (b) **Resources Resilience:** Ensuring the resilience of resources is a key focus. This entails responsible management of resources, including water, raw materials, and energy. We work towards optimising resource usage, minimising waste, and promoting circular economy principles to contribute to the sustainability of resources.
- (c) **Production Resilience:** Our commitment extends to building resilience in our production systems. We strive to enhance the efficiency of our production processes while minimising environmental impact. This involves incorporating sustainable practices, adopting green innovation, and aligning production with circular economy principles.

By addressing these three pillars, we aim to execute meaningful changes that contribute to a reduction in our environmental footprint. We understand the importance of aligning our business operations with sustainable practices to actively contribute to global efforts in mitigating climate change. Through a combination of strategic planning, innovative solutions, and continuous improvement, we are dedicated to making a positive impact on the environment and ensuring the long-term sustainability of our business.

Frontken Group is committed to a comprehensive set of measures outlined in our environmental policy to address and combat climate change. Our dedicated efforts align with sustainability goals and prioritise reducing environmental impact across various operational aspects. The key commitments include:

- (a) **Energy Efficiency:** Frontken Group is dedicated to reducing energy consumption in our operations. This involves implementing measures to enhance energy efficiency in buildings, facilities, equipment, and tooling, ensuring responsible and sustainable energy practices.
- (b) **Water Impact Reduction:** We actively work towards minimising water impacts associated with manufacturing operations, services, and overall facility management. Our commitment extends to adopting water-efficient technologies and practices to reduce our water footprint.
- (c) **Renewable Energy Technologies:** Frontken Group explores and implements alternative or renewable energy technologies, such as solar panels, wherever practical. This initiative contributes to the generation of sustainable energy for our facilities, promoting a shift towards cleaner and more environmentally friendly energy sources.
- (d) **Stakeholder Engagement:** Engagement with stakeholders, including supply chain partners, is a priority. We collaborate with all stakeholders to collectively combat climate change, fostering a shared commitment to sustainability across the entire value chain.
- (e) **Carbon Reduction in Supply Chain:** Frontken Group actively collaborates with suppliers and partners to minimise carbon emissions embedded in consumables like chemicals and packaging materials. Additionally, efforts are directed towards reducing the carbon footprint of equipment and supply chain suppliers to mitigate overall carbon impacts.

# SUSTAINABILITY REPORT (CONT'D)

- (f) **Green Chemistry Innovation:** The integration of green chemistry innovation into process design and production is a core aspect of our environmental strategy. This includes the removal of harmful chemicals that pose risks to human health or the environment, ensuring responsible and sustainable practices.
- (g) **Carbon Emission Targets:** Frontken Group sets specific targets to reduce carbon emissions across all scopes, including scope 1, scope 2, and scope 3. These targets serve as benchmarks for our ongoing efforts to mitigate climate impact.
- (h) **Transparent Reporting:** Our commitment to transparency is demonstrated through the reporting of GHG emissions, targets, results, and activities. We adhere to the GHG Protocol, providing open and accountable reporting on our environmental initiatives.

Through these commitments, Frontken Group strives to be at the forefront of sustainable and responsible business practices, actively contributing to global efforts in combatting climate change.

Frontken Group's commitment to climate change responsibility is reinforced through annual reporting in the Sustainability Report. This comprehensive report serves as a platform to communicate progress and achievements in the ongoing efforts to enhance transparency, set ambitious targets, and integrate climate change responsibility across all business units. The Sustainability Report highlights a steadfast commitment to the following key objectives:

- (a) **Transparency:** Frontken Group emphasises transparency in reporting on climate change initiatives. By providing detailed insights into the progress made, challenges faced, and achievements unlocked, the Sustainability Report serves as a valuable resource for stakeholders seeking a comprehensive understanding of the organisation's climate change strategies.
- (b) **Ambitious Targets:** The organisation sets ambitious targets to continuously reduce its carbon footprint and mitigate the impact on climate change. These targets serve as benchmarks that drive ongoing efforts to improve performance, drive innovation, and achieve measurable results in reducing GHG emissions.
- (c) **Integration Across Business Units:** Climate change responsibility is not confined to a specific department but is seamlessly integrated across all business units. This holistic approach ensures that every facet of Frontken Group contributes to the overarching goal of minimising environmental impact and fostering sustainability.
- (d) **Specific Initiatives:** Frontken Group pledges to introduce specific initiatives aimed at significantly reducing GHG emissions. These initiatives are carefully designed and implemented to address key areas of impact, embracing innovation and sustainable practices to drive meaningful change.
- (e) **Continuous Improvement:** The organisation is committed to a continuous improvement mindset, acknowledging the dynamic nature of sustainability challenges. By consistently evaluating and refining strategies, Frontken Group remains agile in adapting to evolving climate change dynamics and emerging best practices.
- (f) **Decreasing GHG Emissions and Improving Energy Efficiency:** Frontken Group's overarching target is to decrease GHG emissions while concurrently enhancing energy efficiency. This dual-focus strategy aligns with global sustainability goals and positions the organisation as a responsible steward in the fight against climate change.

Frontken Group's commitment to reducing its environmental footprint and combatting climate change is evident through its proactive reporting, ambitious targets, and strategic initiatives. This dedication reinforces the organisation's role as a leader in sustainable business practices and contributes positively to global environmental stewardship.

# SUSTAINABILITY REPORT (CONT'D)



Frontken's compliance with the Task Force on Climate-related Financial Disclosures ("TCFD") framework underscores its commitment to understanding, assessing, and mitigating climate change risks and leveraging climate opportunities across its operations. The corporation has systematically categorised potential financial impacts associated with climate change into distinct categories:

- (a) **Transition Risks:** Transition risks encompass the financial impacts arising from Frontken's initiatives to reduce carbon emissions and transition towards achieving Net Zero Emissions by 2050. These risks may include significant costs associated with the development and implementation of energy-saving and carbon reduction technologies, expenses related to application projects, investments in green energy sources, and the procurement of carbon credits to offset emissions. Understanding and mitigating these transition risks are crucial for Frontken to navigate the evolving regulatory landscape and transition towards a low-carbon economy effectively.
- (b) **Physical Risks:** Physical risks refer to the financial impacts stemming from the direct consequences of climate change on Frontken's operations and infrastructure. These risks may manifest as increased electricity costs due to higher energy consumption for air conditioning as global temperatures rise gradually. Additionally, Frontken may incur expenses related to adapting to climate-related changes and mitigating the impacts of climate-related disasters. Assessing and addressing physical risks are imperative for Frontken to enhance its resilience and adaptability in the face of changing climate patterns and extreme weather events.
- (c) **Regulatory Risks:** Regulatory risks pertain to the financial implications associated with compliance with evolving climate-related regulations and policies imposed by local governments. These risks may include estimating potential future carbon fees or taxes imposed by regulatory authorities as part of efforts to mitigate climate change. Frontken must stay abreast of regulatory developments and proactively engage with policymakers to navigate regulatory risks effectively and ensure compliance with emerging climate-related mandates.
- (d) **Climate Opportunities:** Climate opportunities represent potential financial benefits arising from Frontken's proactive engagement in climate-related initiatives and the transition to a low-carbon economy. These opportunities may include investments in renewable energy sources, the development of innovative climate solutions, and the expansion of environmentally sustainable products and services. Embracing climate opportunities allows Frontken to unlock new revenue streams, enhance its competitive position, and contribute positively to environmental sustainability.

By systematically identifying and assessing climate change risks and opportunities in alignment with the TCFD framework, Frontken demonstrates its commitment to proactively managing climate-related financial impacts, fostering resilience, and capitalising on emerging opportunities in a rapidly evolving global landscape shaped by climate change.

# SUSTAINABILITY REPORT (CONT'D)

- Specific actions:** Strongly support the initiatives of the international organisations on climate change, and abide by public policies and local laws and regulations;
- Improve energy efficiency to reduce the energy used in our operations;
- Work with related associations and government agencies to implement green energy technologies such as solar panels and purchase green energy;
- Engage with all the stakeholders including the supply chain to minimise the carbon impacts;
- Continue carrying out GHG reduction actions and set targets to reduce our carbon emissions;
- Continue investing in R&D for sustainable innovation;
- Insist on responsible green production and green innovations and use transparent disclosure to enhance the company's green reputation;
- Each business unit evaluates the risk level for drought and flood every year and come out risk mitigation measures accordingly;
- Implement business continuity plan and update it regularly.

Innovation projects	Y2018	Y2019	Y2020	Y2021	Y2022	Y2023
Green power project (KW)	268,242	384,128	368,924	320,640	935,661	906,036
Accumulative green power project (KW) since 2018	268,242	652,370	1,021,294	1,341,934	2,277,595	3,183,631
DIW recycling project (Tonne)	55,907	54,443	49,090	67,675	80,508	86,894
Accumulative DIW recycling project since 2018 (Tonne)	55,907	110,350	159,440	227,115	307,623	394,517
Waste recycling project (Kg)	8,337	54,872	71,380	171,570	75,037	79,611
Accumulative waste recycling project since 2018 (Kg)	8,337	63,209	134,589	306,159	381,196	460,807

## CONCLUSION

As we move forward, we anticipate a business environment characterised by increased volatility, uncertainty, and complexity, with emerging threats and challenges. However, within these challenges lie significant opportunities for Frontken Group to effect meaningful change – both for our business and our stakeholders.

We are heartened by the collaboration and dedication of our customers and partners across our value chain. Frontken Group remains steadfast in its commitment to transform into an exceptional organisation, delivering value to all stakeholders by fostering sustainable growth in our businesses, preserving the environment, enriching lives, and supporting communities where we operate.

# SUSTAINABILITY REPORT (CONT'D)

In our pursuit of technological advancements, we continuously reshape our products, services, and technology portfolio with a strong foundation in sustainability development. Our focus is on driving growth, addressing global challenges, and simultaneously delivering sustainable returns over the long-term to benefit all our stakeholders.

Frontken Group remains committed to building upon a strong foundation rooted in responsible management, innovative practices, and environmental stewardship. Our core values — integrity, commitment, innovation, and customer trust — guide us in upholding the highest standards of corporate governance. We recognise our employees as invaluable assets and actively foster a collaborative team with a shared vision, balanced culture, and positive values.

Our commitment extends to providing customers with cutting-edge and comprehensive process technologies and services. Through continuous innovation, green production methods, and sustainable supply chains, we aim to contribute to an environmentally friendly future. Additionally, we take affirmative action to give back to society, aligning our business practices with a broader commitment to social responsibility.

Our report showcases the Group's dedication to supporting our customers' sustainability objectives through various products and services. These include precision recycled cleaning, refurbishment, and re-coatings for critical parts, which significantly extend their lifespan. Additionally, our offerings feature products designed to prevent corrosion, conserve natural resources, and enhance the performance of our customer products and processes.

Furthermore, we emphasise our commitment to conducting business in a socially responsible manner throughout our entire value chain. From the procurement of materials to the methods employed in production, we prioritise sustainability and ethical practices. By aligning our operations with these principles, we strive to minimise our environmental footprint and contribute positively to the communities we serve.

Our employees play a pivotal role in the continuous development and production of our products and services. Collaborating closely with our customers, they strive to optimise the utilisation of our cutting-edge technology. Recognising that our employees are central to our sustained success, our report elaborates on the measures taken to ensure their health, safety, and overall job satisfaction.

Our commitment extends beyond the workplace, acknowledging the significance of the communities where our employees reside and work. We are dedicated to upholding stringent environmental standards in our production facilities, safeguarding the well-being of the surrounding communities. By prioritising the health and safety of our employees and promoting environmentally responsible practices, we aim to contribute positively to both our internal workforce and the external communities we are a part of.

On behalf of the Board and Management of the Group, we extend our heartfelt gratitude to all our employees, partners, and stakeholders who have accompanied us on our sustainability journey, especially during the challenging period this year. Your dedication, collaboration, and support are invaluable.

We eagerly anticipate your continued engagement, partnership, and support as we navigate the path forward. This report aims to provide you with new insights into our business and how we integrate sustainability into our operations. Our commitment is not only to sustainable business practices but also to addressing climate change and fostering a greener economy through collaboration with all stakeholders and industry alliances.

For a comprehensive overview of our corporate responsibility initiatives, please visit the Frontken Sustainability website, which also includes additional sustainability-related information. To learn more about our business, refer to the "About Frontken" section in Investor Relations on our website.



# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by the Companies Act 2016 (“the Act”) to prepare financial statements in accordance with the applicable approved accounting standards set out by Malaysian Accounting Standards Board, and the provisions of the Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and to lay these before the Company at its Annual General Meeting.

The Directors are responsible for ensuring that the financial statements provide a true and fair view of the financial position of the Group and the Company as at 31 December 2023 and of their financial performance and cash flows for the financial year ended 31 December 2023.

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Frontken Corporation Berhad ("Company") implements high standard of corporate governance in the Company for the purpose of safeguarding the interest of its stakeholders including the Company's assets. In applying corporate governance best practices, the Board is mindful that the same should reflect transparency, accountability, ethical culture, sustainability and financial performance of the Group.

As such, the Board has embedded in the Group, a culture aimed at delivering a balance between conformance requirements and the need to deliver long-term strategic imperatives through performance, without compromising on personal or corporate ethics and integrity.

This Statement, which is issued pursuant to Paragraph 15.25(1) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), provides an overview of the Company's application of the 3 Principles set out in the Malaysian Code on Corporate Governance ("MCCG") for the financial year under review and up to the date of this report. Specific details on how the Company has applied each of the 48 Practices set out in the MCCG are disclosed in the Corporate Governance Report, which is available for viewing on the Company's website at [www.frontken.com](http://www.frontken.com).

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

### I. BOARD RESPONSIBILITIES

The Board is collectively responsible to the Company's shareholders for the long-term success of the Group in terms of strategic direction, values and governance. The Board is led by experienced and knowledgeable Directors who provide the Company with the core competencies and the leadership necessary for the Group to meet its business objectives.

The Directors are aware of their responsibility to take decisions objectively which promote the success of the Group for the benefits of its stakeholders. The role and responsibilities of the Board, which are delineated in the Board Charter is available on the Company's website at [www.frontken.com](http://www.frontken.com) and are summarised as follows:

- Set the strategic direction of the Group and monitor the implementation of strategies by Management;
- Oversee the conduct of the Company's business;
- Identify principal risks and ensure the implementation of appropriate internal controls and mitigation measures;
- Succession planning;
- Oversee the development and implementation of shareholders' communications policy for the Company; and
- Review the adequacy and integrity of the management information and internal control system of the Company.

The Board Charter and Fit and Proper Policy both were brought up for review at the Board of Directors' Meeting held in August 2023 and March 2024 respectively and only the latter required to be amended to ensure that it is in line with the Principles and Practices of the MCCG 2021.

In discharging its stewardship role effectively, the Board has delegated and conferred some of its authority and powers to its Committees, namely the Audit Committee, Nomination Committee ("NC") and Remuneration Committee ("RC") ("Board Committees"). The Board Committees are entrusted with responsibilities to oversee specific aspects of the Company's affairs according to their respective terms of reference, approved by the Board, and to report to the Board their findings and recommendations. The decision to act on such recommendation lies solely with the Board.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### I. BOARD RESPONSIBILITIES (CONT'D)

The Chairman of the Board, leads the Board in fulfilling its fiduciary and stewardship roles. The Board Charter sets out the Chairman's responsibilities as follows:

- Lead the Board in deliberating the business and affairs of the Company and its oversight on Management;
- Oversee the Board in discharging of its supervisory and stewardship role;
- Oversee an efficient organisation and conduct of Board's function and meetings;
- Facilitate the effective contribution by all Directors;
- Brief Directors in relation to issues arising at meetings;
- Promote constructive and respectful relations among Board members and between the Board and Management;
- Commit the time necessary to discharge effectively the designated Chairman roles; and
- Ensure regular and effective evaluation of the Board's performance.

In carrying out his role, the Chairman works with Senior Management, leads the Board, and promotes effective relations with stakeholders and the public.

The role of day-to-day management of the Group's business development and operations, including implementation of Board's policies and decisions, is helmed by the Chief Executive Officer, assisted by his fellow Executive Director. The Board is mindful of the dual role held by Mr Ng Wai Pin as the Board Chairman and Chief Executive Officer which is a departure from Practice 1.3 of the MCCG that states that the positions of Chairman and the Chief Executive Officer are to be held by different individuals. The Board is of the view that there is no concentration of power and authority, and that no one individual has unfettered powers for decision making, especially when the Board comprises a majority of Non-Executive Directors. Furthermore, such Non-Executive Directors are individuals of calibre, credibility and are free from any relationship which could materially interfere with the exercise of their objective judgement. These four (4) Non-Executive Directors (three (3) of whom are Independent Non-Executive) are capable of exercising objective and unbiased judgement to ensure fair and objective deliberations at Board meetings.

To enhance accountability, the Board has established clear functions reserved for itself and those delegated to the Management. There is a formal schedule of matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Company are in its hands. Key matters reserved for the Board include the approval of annual budgets, quarterly and annual financial statements for announcement, investment, and divestiture, as well as monitoring of the Group's financial and operating performance. Such delineation of roles is clearly set out in the Board Charter. Delegation of authorities has also been formalised to ensure a balance between operational efficiency and control over corporate and financial governance.

The Company has a Code of Conduct for its Directors and employees, available on the Company's website. The Board has also formalised in writing its Whistle Blowing Policies and Procedures and Anti Bribery and Corruption Policy ("ABC Policy"), for employees to raise genuine concerns, without fear of reprisal, about possible improprieties on matters pertaining to financial reporting, compliance, fraud, corruption, malpractices, and unethical business conduct within the Group. The Whistle Blowing Policies and Procedures and the ABC Policy can be found on the Company's website at [www.frontken.com](http://www.frontken.com).

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### I. BOARD RESPONSIBILITIES (CONT'D)

Directors have full access to the Company Secretaries, who are all members of the Malaysian Institute of Chartered Secretaries and Administrators, a division of Chartered Governance Institute, United Kingdom, to provide advisory services to the Board, particularly on corporate governance issues and compliance with the relevant policies and procedures, laws and regulatory requirements, in addition to the administrative matters on meetings of the Board, Board Committees and shareholders.

As stipulated in the Board Charter and Fit and Proper Policy, the Directors are required to devote sufficient time to carry out their responsibilities. The Board obtains this commitment from Directors at the time of appointment. Each Director is expected to commit time as and when required to discharge the relevant duties and responsibilities, besides attending meetings of the Board and/or Board Committees.

#### Continuous Professional Development

The Board encourages its members to enrol in appropriate continuing education programme to equip them to serve the interests of the Company. The Directors are updated by way of circulars on matters relating to changes to the MMLR and briefing by the Company Secretary(ies) at the Board Meeting following the changes.

All Directors have completed the Mandatory Accreditation Programme as required by the Main Listing Requirements of Bursa Securities. During the financial year under review, the trainings attended by the Directors included briefings, seminars, workshops and conferences conducted by the relevant regulatory authorities and professional bodies. Details of the training programmes attended or participated by the Directors are as follows:

Directors	Training/Seminar/Conference/Workshop
Ng Wai Pin	<ul style="list-style-type: none"> <li>• ASEAN Tech Ecosystem - Diversification Plays Conference</li> <li>• The Board Agender: Bursa Malaysia Immersive Session</li> <li>• Malaysia's Economy - Current Challenges and Direction Forward (Trident Analytics)</li> <li>• JP Morgan ASEAN TMT and Fintech Forum</li> <li>• UBS OneASEAN Conference (Singapore)</li> <li>• Future-Now APAC Conference (HK)</li> <li>• EPF Sustainable Investment Policy Briefing: Technology and Telecommunication Sector</li> <li>• Introduction of Bursa Carbon Exchange &amp; Centralised Sustainability Intelligence Platform Confirmation</li> <li>• Macquarie ASEAN Conference 2023 (Singapore)</li> <li>• 30th CITIC CLSA Investors' Forum</li> </ul>
Dr Tay Kiang Meng	<ul style="list-style-type: none"> <li>• A*STAR SIMTech, Be Ready for the World of Digital Transformation and Sustainability</li> <li>• ASM Sustainability &amp; Resiliency Supplier Expectations Webinars</li> <li>• ASM International CDP Supplier Support Webinar</li> <li>• EPF Sustainable Investment Policy Briefing: Technology and Telecommunication Sector</li> <li>• A*STAR First Low Carbon Energy Research Phase 2 Emerging Technology Grant Call</li> <li>• Industrial Transformation ASIA-PACIFIC 2023</li> </ul>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### I. BOARD RESPONSIBILITIES (CONT'D)

#### Continuous Professional Development (Cont'd)

Directors	Training/Seminar/Conference/Workshop
Ng Chee Whye	<ul style="list-style-type: none"> <li>Bursa Immersive Session: The Board "Agender"</li> <li>Bursa Webinar: Cyber Threats &amp; Risks Post Pandemic</li> <li>SC Audit Oversight Board - Conversation with Audit Committee</li> </ul>
Gerald Chiu Yoong Chian	<ul style="list-style-type: none"> <li>Anti Money Laundering (22/23)</li> <li>2023 Advanced AML compliance training for senior management / board of directors</li> </ul>
Koh Huey Min	<ul style="list-style-type: none"> <li>International Women's Day Coffee Talk by AICPA &amp; CIMA: Innovation And Technology For Gender Equality</li> <li>SRI 2023 Conference: Revving Up The Race For Sustainability</li> <li>Bursa Academy: Conflict Of Interest And Governance Of Conflict of Interest</li> <li>Bursa Webinar on Management Of Cyber Risk</li> <li>Mandatory Accreditation Programme Part II: Leading For Impact</li> </ul>
YM Raja Jastina Adlina Binti Raja Arshad	<ul style="list-style-type: none"> <li>Mandatory Accreditation Programme</li> </ul>

### II. BOARD COMPOSITION

The Board currently consists of six (6) members, comprising two (2) Executive Directors, one (1) Non-Independent Non-Executive Director and three (3) Independent Non-Executive Directors, the composition of which accords with MMLR of Bursa Securities, which stipulate that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, must be independent.

The Non-Executive Directors, which comprise majority of Board members, provide the necessary checks and balances in the Board's exercise of its functions by providing an objective and unbiased evaluation of the Board's decisions and decision-making process.

The Executive Directors are complemented by the experience and independent views of the Non-Executive Directors who are professionals in the field of finance, accounting, administration, strategic and business management, and research and development. The Board members possess a fair range of business, finance, administration, research and development, and legal experience. Mixed skills and experience are pivotal in directing and supervising the Group's overall business activities in light of the increasingly challenging economic and operating environment in which the Group operates. The profile of each Director is set out on pages 20 to 22 of the Company's 2023 Annual Report.

The NC is entrusted to assess the adequacy and appropriateness of the Board composition, identifying and recommending suitable candidates for Board membership and also to assess annually the performance of the Directors, succession plans and Board diversity, covering gender, age and ethnicity diversity, training courses for Directors and other qualities of the Board, including core-competencies which the Independent Non-Executive Directors should bring to the Board. The Board has the ultimate responsibility to decide on the appointment. This process ensures that the Board membership accurately reflects the long-term strategic direction and needs of the Company and determines the skill matrix to support the strategic direction and needs of the Company.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### II. BOARD COMPOSITION (CONT'D)

The Board has conducted a Board effectiveness evaluation including questions on Environmental, Social and Governance (“ESG”) and test on Fit and Proper for Directors standing for re-election at the forthcoming 20th Annual General Meeting (“AGM”), in February 2024 to assess the effectiveness of the Board, Board Committees and Individual Directors. The carefully designed and independently conducted Board evaluation process identified the strengths of the Board as well as areas for improvements. A detailed self-assessment is undertaken to assess the effectiveness of the Board as a whole and the Board Committees as well as the contribution, performance and time commitment of each individual Director. The Board evaluation process was conducted via a set of questionnaires containing both quantitative and open-ended questions, based on self and peer-rating by the Chairman of the Board and respective Chairmen of the Board Committees, and the outcome of the evaluation was tabled to the NC for discussion and matters that required attention of the Board were escalated to the Board Meetings for further deliberations and actions.

Based on the evaluation conducted, the NC was satisfied with the existing Board composition and concluded that each Director has the requisite competence and capability to serve on the Board and had sufficiently demonstrated their commitment to the Group in terms of time and participation during the financial year under review and recommended to the Board for the re-election of the retiring Directors at the Company’s AGM. All assessments and evaluations carried by the NC in discharge of its functions were duly documented.

The NC has assessed the independence of the three (3) Independent Non-Executive Directors, namely Mr Ng Chee Whye, Ms Koh Huey Min and YM Raja Jastina Adlina Binti Raja Arshad. Following the recommendation of the NC, the Board is of the opinion that the independence of the Independent Non-Executive Directors remained unimpaired and their judgement over business dealings of the Company were not influenced by the interest of the other Directors or substantial shareholders.

The Company has established a policy for setting targets for gender, ethnic or age composition in the Board. However, the Board believes that more importantly, the suitability of candidates should be evaluated based on the candidates’ competency, character, time availability, integrity, and experience in meeting the Company’s needs. The Board constantly advocates fair and equal participation and opportunity for all individuals of the right calibre.

A summary of key activities undertaken by the NC in discharging its duties during the financial year under review and up to the date of this Statement is set out below:

- Reviewed and assessed the independence of Independent Non-Executive Directors;
- Reviewed and recommended the re-election of retiring Directors, including the “Fit and Proper” test as set out in the policy, the continuance of which requires shareholders’ approval to be determined at the forthcoming Annual General Meeting;
- Assessed the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director;
- Considered the training undertaken by the Directors; and
- Reviewed and assessed the term of office and performance of the Audit Committee and each of its members.

### III. REMUNERATION

The RC currently consists of three (3) members all are Independent Non-Executive Directors. The RC is entrusted by the Board to implement the policies and procedures on matters relating to the remuneration of the Board and Senior Management and making recommendations on the same to the Board for approval.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### III. REMUNERATION (CONT'D)

The Board has adopted the said policies as deliberated by the RC to determine the remuneration of Directors and Senior Management, which is aligned with the business strategy and long-term objectives of the Company. The Executive Directors and Senior Management are paid salaries, allowance, performance-based incentive, including bonus, and other customary benefits, as appropriate. The remuneration is set based on relevant market relativities, performance, qualifications, experience, and geographic location where the personnel is based. The salary level for Executive Directors and Senior Management takes into account, among others, the nature of the role, performance of the business and the individual and market positioning and their respective Key Performance Indicators which include ESG and sustainability considerations.

The remuneration of Independent Non-Executive Directors comprises fees only. The Board ensures that the remuneration for Independent Non-Executive Directors do not conflict with their obligation to bring objectivity and independent judgement on matters discussed at Board meetings.

The respective Directors are required to abstain from deliberation and voting on their own remuneration at Board Meetings.

Pursuant to the MMLR of Bursa Securities, the Company is required to disclose the remuneration received by its directors, on a named basis, for the financial year under review from the Company and the Group, covering fees, salaries, bonuses, benefits-in-kind and others. Full details of such remuneration received by the Directors on a named basis are disclosed under Practice 8.1 of the Corporate Governance Report of the Company which is uploaded on the corporate website at [www.frontken.com](http://www.frontken.com).

#### **Meetings of the Board and Board Committees**

During the financial year under review, the Board convened five (5) meetings whilst the Audit Committee, NC and RC held five (5), three (3) and one (1) meetings respectively. The attendance of the members at the said meetings is set out below:

Name of Director	Board	Audit Committee	NC	RC
Ng Wai Pin – Chairman of Board and Chief Executive Officer	5/5	N/A	N/A	1/1
Dr Tay Kiang Meng – Executive Director	5/5	N/A	N/A	N/A
Ng Chee Whye – Independent Non-Executive Director and Chairman of Audit Committee and RC	5/5	5/5	3/3	1/1
Gerald Chiu Yoong Chian – Non-Independent Non-Executive Director	5/5	5/5	3/3	N/A
Koh Huey Min – Independent Non-Executive Director	5/5	5/5	3/3	1/1
YM Raja Jastina Adlina Binti Raja Arshad – Independent Non-Executive Director and Chairman of NC (appointed as a Director w.e.f. 15 August 2023 and Chairman of NC w.e.f. 24 October 2023)	1/1	N/A	N/A	N/A

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

### I. AUDIT COMMITTEE

To assist in the discharge of its duties on financial reporting, the Board has established an Audit Committee, comprising three (3) Non-Executive Directors, with Mr Ng Chee Whye, an Independent Non-Executive Director, as the Committee Chairman. The Committee's composition, including its roles and responsibilities as well as a summary of its activities carried out during the financial year under review, are set out in the Audit Committee Report on pages 67 to 69 of this Annual Report. One of the key responsibilities of the Audit Committee is to ensure that the financial statements of the Group and Company comply with Malaysian Financial Reporting Standards, International Financial Reporting Standards and provisions of the Companies Act 2016. Such financial statements comprise the quarterly financial report announced to Bursa Securities and the annual statutory financial statements.

The Board understands its role in upholding the integrity of financial reporting by the Company. Accordingly, the Audit Committee, which assists the Board in this aspect, has adopted a policy for the types of non-audit services permitted to be provided by the external auditors and/or their affiliates, including the need for obtaining the Audit Committee's approval for such services.

To enhance transparency and governance, the Audit Committee has also formalised the Policies And Procedures To Assess The Suitability, Objectivity And Independence Of External Auditors that requires a former audit partner to observe a cooling-off period of at least three (3) years if this person is sought to be appointed as an Audit Committee member. This applies to all partners of the external audit firm and/or its affiliate firm. The cooling off period safeguards the independence of the audit by avoiding the potential threats which may arise when a former partner of the external audit firm is in position to exert significant influence over the audit and preparation of the Company's financial statements.

### II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board has overall responsibility for maintaining a sound system of risk management and internal control of the Group that provides reasonable assurance on efficient business operations, compliance with laws and regulations as well as internal procedures and guidelines to achieve corporate objectives.

The Audit Committee assists the Board in reviewing the adequacy and operating effectiveness of the system of risk management and internal control in the Group. The Audit Committee does this by deploying an independent outsourced internal audit function as well as an in-house internal audit function that conduct internal audit, with findings presented to the Audit Committee, including the remedial measures and action plans agreed by Management to address the matters so highlighted. For more details of Internal Audit, both for the outsourced and in-house functions, refer to the Statement on Risk Management and Internal Control which is included in the Company's 2023 Annual Report as well as the Corporate Governance Report that is made available on the Company's website at [www.frontken.com](http://www.frontken.com).

The Audit Committee is responsible for overseeing the risk management framework and policies while Management of the respective business units and subsidiaries is tasked to manage business risks, including developing, implementing and monitoring mitigating measures to manage such risks to acceptable levels. Details of the Group's Risk Management framework, activities carried out for the financial year under review and reporting processes are set out in the Statement on Risk Management and Internal Control included in this Annual Report.

The Board is of the opinion that thus far, the existing risk management framework and policies are effective in monitoring and mitigating the present risks of the Group to acceptable levels in safeguarding the interest of shareholders, customers, employees and other stakeholders and the Group's assets but would continually to review and update the framework and policies to meet new and/or changing risks affecting the Group on an on-going basis.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

### I. COMMUNICATION WITH STAKEHOLDERS

The Board recognises the importance of being transparent and accountable to the Company's stakeholders and acknowledges that continuous communication between the Company and its stakeholders facilitates mutual understanding of each other's objectives and expectations. As such, the Board ensures the supply of clear, comprehensive, and timely information to stakeholders by way of various disclosures and announcements, including quarterly and annual financial results which provide investors with up-to-date financial information of the Group. All these announcements and other information about the Company, which are disseminated according to the Company's Corporate Disclosure Policy, are available on the Company's website at [www.frontken.com](http://www.frontken.com) where shareholders, investors and the general public may access.

During the year, the Chairman has been actively engaging with institutional investors, analysts and fund managers (both locally and overseas) and carried out investors relations programme to keep the stakeholders abreast of the developments of the Group and answering their questions on the performance of the Group.

In addition, the Directors also ensure that engagement with shareholders occurs at least once a year during the AGM to better understand their needs and obtain their feedback.

### II. CONDUCT OF GENERAL MEETINGS

The AGM is the principal forum for shareholder dialogue, allowing shareholders to review the Group's performance through the Company's Annual Report and pose questions to the Board for clarification.

The 19th AGM of the Company was held virtually at the Broadcast venue Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia on Friday, 2 June 2023. The Company has appointed Tricor Investor & Issuing House Services Sdn Bhd as Poll Administrator to conduct the polling process and Scrutineer Solutions Sdn Bhd as Scrutineers to verify the poll results.

There was active participation by the shareholders and all Directors were present to engage with shareholders. Moreover, Management and external auditors were also in attendance to respond to shareholders' queries. A total of 25 questions covering the Company's financial and non-financial performance were posed by the shareholders prior and during the AGM and they were all answered. The completed list of questions together with the answers were posted on Bursa Securities' website on 27 June 2023 together with the minutes of the AGM.

For a heads up and to manage the shareholders' expectation, the Chairman before he opened to the floor to ask question, he told all present that he would use his best endeavour to deal with as many questions as possible that day. In the event if there were too many questions or if there is any question that needs further elaboration or the answer is factual in nature and could not be answered or provided that day, the answers would be posted on the Company's website. The Chairman did manage to answer all the questions save for a few which were included in the Appendix B of the Minutes of the 19th AGM which was posted in Bursa's website as well the Company's own website for all to access.

The Board has set up the corporate website at [www.frontken.com](http://www.frontken.com) to encourage shareholders and investors to pose questions and queries to the Company. Questions and queries, if any, are attended to by the Company's Senior Management. In addition, the Board also encourages shareholders and other stakeholders to communicate with the Company through other channels, via post at Suite 301, Block F, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor, Malaysia, fax at (03) 7968 3316 or e-mail at [ir@frontken.com](mailto:ir@frontken.com).

This Statement is dated 27 March 2024.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## PURPOSE OF STATEMENT

Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) states that a listed issuer must ensure that its Board of Directors issues a statement (“Statement on Risk Management and Internal Control” or “Statement”) about the state of risk management and internal control of the listed issuer as a group. The Statement must include adequate and meaningful information to enable shareholders and other stakeholders to make an informed assessment of the main features and adequacy of the listed issuer’s risk management and internal control system as a group.

Accordingly, the Board of Directors (“Board”) of Frontken Corporation Berhad (“Company”) furnishes this Statement, which outlines the nature and scope of the system of risk management and internal control of the Group (comprising the Company and its subsidiaries) for the financial year ended 31 December 2023 and up to the date of approval of this Statement for inclusion in the Company’s Annual Report. For purpose of disclosure, this Statement has considered and, where pertinent, including the mandatory contents outlined in the “Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers”, a publication of Bursa Securities, which sets out guidance to listed issuers in drafting the Statement.

## BOARD’S RESPONSIBILITY ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board affirms its overall responsibility for the Group’s system of risk management and internal control to safeguard shareholders’ investment and the Group’s assets as well as review the adequacy, integrity and operating effectiveness of this system in meeting the Group’s corporate objectives. The Board is mindful of the need to establish clear roles and responsibilities in discharging its fiduciary and leadership functions in line with the Principles, Practices and Guidance of the Malaysian Code on Corporate Governance (“MCCG”).

In view of the inherent limitations in any system of risk management and internal control (“System”), the System is designed to manage, rather than eliminate, the risk of not adhering to the Group’s policies and achieving goals and objectives within the risk tolerance established by the Board and Management. The System can, therefore, only provide reasonable, but not absolute, assurance against any material misstatement, financial loss or fraud.

The Board has formalised an Enterprise Risk Management framework (“ERM Framework”) that encompasses relevant policies and guidelines to streamline the Group’s risk management imperatives in a structured and comprehensive manner to safeguard shareholders’ investment and the Group’s assets. This ERM Framework accords largely with the ISO31000:2018 Risk Management – Guidelines, which set out the key principles, framework and process of risk management. With this ERM Framework, the Board has established an on-going process to identify, evaluate, control, report and monitor significant business risks faced by the Group on an ongoing basis.

The Board, through its Audit Committee, reviews the outcome of this risk management process, including actions taken and mitigating measures implemented by Management to address the key risks as identified. This process has been in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report of the Company.

## RISK MANAGEMENT FRAMEWORK – EXTENT OF COVERAGE

Risk management is embodied in the Group’s key business processes through the ERM Framework, which sets out, among others, an easy-to-understand step-by-step approach to identify and evaluate risks faced by business units and, by extension, the Group. To harmonise risk management initiatives and activities, the Board has formalised in writing relevant risk management policies and guidelines for adherence by business units across the Group. The ERM Framework comprises a structured assessment process, culminating in the compilation of specific risk profiles of key business units and companies in the Group by Risk Management Units (“RMUs”), including the semi-annual update of risk profiles to consider the vagaries of evolving business environment as well as emerging risks.

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

## RISK MANAGEMENT FRAMEWORK – EXTENT OF COVERAGE (CONT'D)

The individual risks are scored for their likelihood of occurrence and the impact thereof based on a '5 by 5' risk matrix, deploying parameters established for each key business unit or company in the Group. The risk parameters comprise relevant financial and non-financial metrics for risks to be evaluated or quantified, as the case may be, in terms of the likelihood of their occurrence and the impact thereof. The use of such metrics essentially articulates the Board's risk appetite, i.e. the extent of risk the Group is prepared to take or seek in achieving its business objectives.

Details of specific risks are documented in individual risk registers, covering the risk description, root causes, risk consequences, internal controls implemented by Management to address the root causes, Management's assessment of the effectiveness of internal controls and the residual risk rating, i.e. the balance of risk after considering the effects of internal controls deployed to manage the exposure. The action plans that Management has taken and/or is taking to mitigate the risks to acceptable levels are reported by the RMUs to the Audit Committee and the outcome is documented in the Audit Committee meeting minutes, including any comments that the Audit Committee may have and such meeting minutes were also presented to the Board. The Audit Committee is tasked to brief the Board on the outcome of the risk update and mitigating measures deployed, including any significant issues therefrom. For each of the business risks identified, a risk owner is entrusted to ensure appropriate actions are taken to mitigate the risk to an acceptable level within specified timeline. The Risk Coordinator of the Group, when reviewing the risk update carried out by business units, enquires into the status of action plans undertaken by the Management of the business units concerned before reporting to the Audit Committee.

During the financial year under review, additional risks identified by the business units together with the actions taken or being taken by Management to mitigate or reduce these additional risks were reported by the Risk Coordinator to the Audit Committee and only those that warranted the attention of the Board were recommended by the Audit Committee to the Board for its deliberation and approval. Whereas matters or decisions made within the purview of the Audit Committee were only escalated to the Board for its information and notation.

## INTERNAL CONTROL SYSTEM – THE KEY FEATURES

Besides those internal controls implemented by Management to mitigate the risks as mentioned above, the Group's internal control system also covers the following salient elements:

- an organisation structure with clearly defined lines of responsibilities and appropriate levels of delegation and authority, including financial limits of authority in approving transactions and activities as well as mandate to operate bank accounts. This structure also sets out clear reporting lines and segregation of duties for key processes like strategic management, operations, sales and collections, procurement and payment, human resource management, capital expenditure, research and development, financial reporting, corporate affairs and investments;
- a process of hierarchical reporting which provides a documented and auditable trail of accountability, with appropriate sign-off by personnel entrusted with the responsibilities;
- an annual budgetary exercise that requires all business units and companies in the Group to formulate financial budgets which are then consolidated into a Group budget, presented to the Board for comments and ultimate approval. Quarterly reviews of the Group's performance against budget are carried out at Board meetings where explanations on significant variances or unusual fluctuations are furnished by Management. Management meetings at the operational level are conducted to review financial performance against business plans and monitor the respective business unit's performance against budget;
- significant changes in business development are reported by Management to the Board at scheduled meetings. This oversight review enables the Board to evaluate and monitor the Group's business performance vis-à-vis its strategic objectives;

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

## INTERNAL CONTROL SYSTEM – THE KEY FEATURES (CONT'D)

Besides those internal controls implemented by Management to mitigate the risks as mentioned above, the Group's internal control system also covers the following salient elements: (cont'd)

- the Audit Committee, which is entrusted by the Board to oversee, among others, the Company's financial reporting process, in particular the quarterly and annual announcements of the Group's financial performance, meets at least quarterly to review the announcements, seeks clarification and explanations from Management before recommending the announcements to the Board for approval;
- internal policies and procedures on key business processes are formalised in writing for application by personnel across the Group. These policies and procedures provide the necessary guidance to personnel on complying with internal control requirements and applicable laws and regulations;
- structured whistle-blower policies and procedures are formalised in writing to enable employees of the Group to raise genuine concerns about suspected improprieties on matters of financial reporting, non-compliance with laws and regulations, malpractices or unethical business conduct within the Group at the earliest opportunity and in an appropriate way without fear of reprisal. Mr Ng Chee Whye, the Independent Non-Executive Director, with his contact details uploaded to the website of the Company is the person to contact on such concerns; and
- where issues arise that affect the reliability and integrity of financial information of any business unit, special audits would be commissioned by the Audit Committee or Senior Management, as the case may be to assist the Board in fulfilling its oversight responsibilities.

## INTERNAL AUDIT FUNCTION – ITS COMPOSITION AND SCOPE OF COVERAGE

The Group has two (2) groups of internal auditors, i.e. one covering the operations of the Group (save for Taiwan operations), and the other covering solely the Taiwan operations. The internal audit function of the Group (save for Taiwan operations) is outsourced to an independent professional firm, namely Sterling Business Alignment Consulting Sdn Bhd. The internal audit function for the Taiwan operations is an in-house function, i.e. the internal audit personnel are employees of the subsidiary in Taiwan, namely Ares Green Technology Corporation ("AGTC").

The appointment of the outsourced internal audit service provider followed an assessment of its suitability and capability by the Audit Committee of the Company whilst the performance of the in-house internal audit function is under the oversight of AGTC's Board.

### **Outsourced internal audit coverage – Group (save for Taiwan operations)**

The outsourced internal audit team is helmed by an average of four (4) professionals from the firm, a corporate member of the Institute of Internal Auditor Malaysia. The team is led by Ms So Hsien Ying, a Certified Internal Control Professional, was to conduct an assessment of the Group's system of internal control during the financial year under review, focusing on selected significant business units and reporting its observations, including Management's response and action plans thereto, directly to the Audit Committee. The internal audit function also conducted a follow-up on the status of implementation of action plans by Management on the recommendations highlighted, as deemed relevant. The Audit Committee took note of the recommended improvement actions and questions were posed to Management on the timeliness of measures to address the issues as reported.

The internal audit plan for the financial year was prepared based largely on the Group's financial information and the relative risks of the business units to the achievement of the Group's business objectives. This approach deployed aligns with the International Professional Practices Framework of the Institute of Internal Auditors Inc. ("IIA"), which encompasses, inter-alia, the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards for the Professional Practice of Internal Auditing, and the IIA Risk Based Internal Auditing Guidance.

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

## INTERNAL AUDIT FUNCTION – ITS COMPOSITION AND SCOPE OF COVERAGE (CONT'D)

### Outsourced internal audit coverage – Group (save for Taiwan operations) (cont'd)

For the financial year ended 31 December 2023, Sterling has carried out internal audit reviews of two (2) business units, namely, Frontken Philippines Inc. with the scope of the audit covering Procurement and Sourcing, Engineering Services and Project Management, Billing Process, and Safety, Health, and Environment functions and Frontken Malaysia Sdn Bhd, covering Finance & Accounts functions which include the following:

- Billing processes and procedures
- Collection processes and procedures
- Credit application and evaluation processes and procedures
- Cash flow management
- Banking facilities management
- Limits of authority
- Staff claims processes and procedures
- Debit notes and credit notes
- Intercompany billing
- Capital asset management
- Revenue recognition process
- Trade debtors and trade creditors aging
- Costing preparation and computation
- Compliance with transfer pricing documentation requirements
- Procedures for the related party transactions / recurrent related party transactions

Sterling also carried out two (2) follow-up status reviews for the financial year to update the Audit Committee on the status of management actions for previously reported audit findings.

Internal audit tests were carried out by the internal audit function to assess the adequacy and operating effectiveness of the business units' system of internal controls in achieving corporate objectives. Transactions and activities were selected for testing on a sample basis.

Observations on systems weakness and areas for improvement, including recommended mitigating measures to address the concerns raised, were highlighted in the internal audit reports presented to the Audit Committee during the financial year under review.

### In-house internal audit coverage (only Taiwan operations)

The in-house internal auditor, Miss Kelly Huang, who is an accounting graduate, has a working experience of not less than 20 years covering internal audit, external audit and finance function. Independent of the activities she audits, the in-house internal auditor is tasked to assess the adequacy and operating effectiveness of the system of internal control of AGTC, the Company's subsidiary helming the Taiwan operation. In carrying out her work, she adopted the internal audit guidelines from the Regulations Governing Establishment of Internal Control Systems by Public Companies issued by Taiwan Financial Supervisory Commission. The in-house internal auditor has conducted an assessment of AGTC's system of internal control during the financial year under review, focusing on selected significant areas as approved by the Board of AGTC and reported her observations, including Management's response and action plans thereto, directly to the Board of AGTC. The in-house internal auditor also conducted a follow-up on the status of implementation of action plans by Management on the recommendations highlighted in previous reports. The Board of AGTC took note of the issues raised and questions were posed to Management on the timeliness of measures to address the concerns as reported.

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

## INTERNAL AUDIT FUNCTION – ITS COMPOSITION AND SCOPE OF COVERAGE (CONT'D)

### In-house internal audit coverage (only Taiwan operations) (cont'd)

The in-house internal audit plan for the financial year under review was prepared based largely on AGTC's financial information and the relative risks to the achievement of AGTC's business objectives. The in-house internal auditor adopted a process life cycle approach in identifying the auditable areas in AGTC. For the financial year ended 31 December 2023, as per the audit plan for year 2023, a review of internal controls on the following key business processes and related controls was carried out:

- Sale and receipt cycle;
- Investment cycle;
- Purchase and payment cycle;
- Liabilities, commitments, and contingencies;
- Implementation of authorisation;
- Research and development cycle;
- Property, plant and equipment cycle;
- Sales and receipt cycle;
- Management of the use of seals;
- Receipt and use of negotiable instruments;
- Production cycle; and
- Computerised information processing system.

The internal audit plan and a summary of the findings of the in-house internal auditor were shared with the Audit Committee of the Company for information and comments, if any.

For the financial year ended 31 December 2023, the Audit Committee of the Company as well as Board of AGTC reviewed the work of the internal audit functions, outsourced and in-house, as the case may be, their observations and recommendations in order to obtain assurance on the adequacy and operating effectiveness of the Group's risk management and internal control system. The total cost incurred by the Group for the internal audit functions (both in-house and outsourced) for the financial year under review amounted to approximately RM244,000 (2022: RM246,000).

### External Auditors

The external auditors, in the course of their statutory audit of the Group's financial statements, reviewed the Group's system of internal control to the extent of their planned reliance as laid out in their audit planning memorandum. Any significant deficiencies in internal controls identified during the audit, together with the improvement measures to strengthen internal controls, were reported in writing to the Audit Committee by the external auditors vide their presentation deck.

In assisting the Board to assess the adequacy and operating effectiveness of the Group's risk management and internal control system, the Audit Committee reviewed the observations raised by the internal and external auditors, as well as actions taken by Management to address the areas of concern for the financial year ended 31 December 2023. The Audit Committee reported to the Board the outcome of its engagement with the internal and external auditors concerning the adequacy and operating effectiveness of the Group's system of risk management and internal control.

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

## BOARD'S COMMENTS ON THE ADEQUACY AND OPERATING EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board, assisted by its Audit Committee, has reviewed the adequacy and operating effectiveness of the Group's risk management and internal control system, and that relevant actions have been or were being taken, as the case may be, to remedy the internal control weaknesses identified from the review.

The Board is of the view that the system of risk management and internal control, in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report of the Company, is sound and sufficient to safeguard the interest of shareholders, customers, employees and the Group's assets. Whilst the Board is of the view that there were no material losses incurred during the financial year as a result of weaknesses in the risk management and internal control system, the Board believes that this system must continuously evolve to meet the changing business landscape and environment the Group operates in. Therefore, the Board continues to put in place action plans, as deemed appropriate, to strengthen the system of risk management and internal control from time to time towards achieving the Group's corporate objectives.

## ASSURANCE BY THE GROUP CHIEF EXECUTIVE OFFICER AND THE GROUP CHIEF FINANCIAL OFFICER ON THE ADEQUACY AND OPERATING EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board has received assurance in writing from the Group Chief Executive Officer and the Group Chief Financial Officer stating that the Group's risk management and internal control system operated adequately and effectively, in all material aspects, for the financial year under review and up to the date of this Statement.

## REVIEW OF STATEMENT BY THE EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of Bursa Securities' Main Market Listing Requirements, the external auditors have reviewed this Statement for inclusion in the Company's Annual Report for the financial year ended 31 December 2023. The external auditors have reported to the Board that, based on their review procedures performed and evidence obtained, nothing has come to their attention that caused them to believe that this Statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issues to be set out, nor is the Statement factually inaccurate.

This Statement is made in accordance with the resolution of the Board of Directors dated 27 March 2024.

# AUDIT COMMITTEE REPORT

## (A) COMPOSITION AND ATTENDANCE

Pursuant to Paragraph 15.09(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company has established an Audit Committee, comprising the following members:

Name	Director	Position
Ng Chee Whye	Independent Non-Executive	Chairman of Audit Committee
Koh Huey Min	Independent Non-Executive	Member
YM Raja Jastina Adlina Binti Raja Arshad	Independent Non-Executive	Member

Members of the Audit Committee are appointed by the Board of Directors from among the Directors who fulfil the following requirements:

- (a) the Audit Committee must comprise not less than three (3) members who are financially literate;
- (b) all the Audit Committee members must be Non-Executive Directors, with a majority of them being Independent Non-Executive Directors; and
- (c) at least one (1) member of the Audit Committee:
  - (i) must be a member of the Malaysian Institute of Accountants;
  - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years of working experience; and
    - (aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    - (bb) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
  - (iii) fulfils such other requirements as prescribed or approved by Bursa Securities.

The Board assesses the performance of the Audit Committee in terms of its effectiveness and contribution of Audit Committee members on an annual basis to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference. The meeting attendance of the Audit Committee members is provided in the Corporate Governance Overview Statement in this Annual Report.

## (B) MEETINGS

There were altogether five (5) meetings held during the financial year under review.

Meetings of the Audit Committee are planned ahead so that the members can make the necessary arrangement to attend the meetings. The notice for the meetings, together with meeting papers, is normally served at least one (1) week before each meeting to enable Audit Committee members to read, including an opportunity for them to inquire into the agenda items as well as to seek more information before the meeting.

At each Board meeting, the Audit Committee Chairman briefs the Board pertaining to matters discussed at the Audit Committee meeting held earlier. A copy of the minutes of the Audit Committee meeting is circulated to the Board for notation.

# AUDIT COMMITTEE REPORT (CONT'D)

## (C) ROLES AND RESPONSIBILITIES

The roles and responsibilities of the members of the Audit Committee as contained in the Audit Committee's terms of reference which have been uploaded on the Company's website at [www.frontken.com](http://www.frontken.com).

## (D) AUTHORITY

The Audit Committee has the authority to:

- Investigate any matter within its terms of reference;
- Have the resources which are required to perform its duties;
- Have full and unrestricted access to any information pertaining to the Group which it requires in the course of performing its duties;
- Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activities;
- Obtain independent professional or other advice, if deemed necessary; and
- Convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Group, whenever deemed necessary.

## (E) SUMMARY OF ACTIVITIES CARRIED OUT DURING THE FINANCIAL YEAR

The principal activities undertaken by the Audit Committee during the financial year under review are summarised as follows:

- Reviewed the unaudited quarterly and year-end financial statements prior to recommending the same for the Board's approval, focusing particularly on significant and unusual events and compliance with applicable approved accounting standards and other legal requirements. To assist the Audit Committee in this process, the Chief Financial Officer of the Company then has provided charts and explanations to elucidate on the fluctuations in Group's financial performance over the four financial quarters, including the financial position of the Group in terms of its cash flows for the quarters concerned;
- Reviewed the Audit Committee Report, Corporate Governance Overview Statement, Corporate Governance Report and the Statement on Risk Management and Internal Control prior to recommending the same for Board's approval for inclusion in the Company's Annual Report;
- Reviewed the appointment of the External and Internal auditors, their independence and effectiveness, including their fees. The amount of fees paid or payable to the External Auditors of the Company or a firm or company affiliated to the External Auditors for the financial year under review in respect of non-audit services rendered to the Company and the Group amounted to approximately RM5,000 and RM11,000 respectively;
- Reviewed with the External Auditors their audit planning memorandum, comprising the scope of audit, areas of audit emphasis, audit approach and timetable;
- Met with the External Auditors on their audit report, Audit Review Memorandum and key audit matters;
- Reviewed the issues raised by the External Auditors pertaining to the audit carried out on the financial statements, including opportunities for improvement to internal controls based on observations made in the course of the audit;

# AUDIT COMMITTEE REPORT

## (CONT'D)

### (E) SUMMARY OF ACTIVITIES CARRIED OUT DURING THE FINANCIAL YEAR (CONT'D)

The principal activities undertaken by the Audit Committee during the financial year under review are summarised as follows: (cont'd)

- Reviewed the adequacy of the scope, functions, competency and resources of the Internal Audit Function, and that it has the necessary authority to carry out its work;
- Reviewed and approved the Internal Audit Plan tabled by the outsourced independent Internal Audit Function, reviewed the scope of work coverage by the outsourced Internal Audit Function for the financial year under review, including the results of evaluation of adequacy of the internal control system, as well as Management's response to recommendations for improvement, on the reports from the outsourced Internal Audit Function;
- Noted the outcome of internal audit work and issues raised by the in-house Internal Auditor covering the Taiwan operations, including Management action plans;
- Briefed the Board the outcome of the meetings of the Audit Committee, covering largely the work and results of the External Auditors and Internal Audit Function, recurrent related party transactions, quarterly announcements and year-end financial statements as well as the risk management update of the Group;
- Reviewed the related party transactions within the Group;
- Reviewed if any conflict of interest situation has arose, persist or may arise within the listed issuer or group including any transaction, procedure or course of conduct that raises questions of management integrity, and the measures taken to resolve, eliminate, or mitigate such conflicts;
- Reviewed the summary reports on risk management of the Group as presented by the Risk Management Units on the status of risks faced by the Group, including emerging risks, and action plans deployed to manage the risks concerned to acceptable levels; and
- Guided by the Policies and Procedures to assess the suitability, objectivity and independence of external auditors, evaluated the performance of the External Auditors in meeting the requirements of the Company before recommending to the Board for the tabling of their re-appointment at the Annual General Meeting for approval by shareholders.

The dates of Audit Committee meetings are pre-planned and communicated to the auditors in advance for them to prepare the Audit Review Memorandum, Audit Planning Memorandum, Internal Audit Plan and Internal Audit Reports for presentation to the Audit Committee to meet the respective deadlines. The Audit Committee also noted the internal control deficiencies and/or areas of improvement identified by the Internal Audit Function and action plan for corrective actions or improvement by Management.

The Group has an in-house Internal Auditor who is based at the Company's subsidiary in Taiwan, namely Ares Green Technology Corporation, who conducts internal audit covering solely the Taiwanese operations. As for the Company and other subsidiaries, the Internal Audit Function is outsourced to an independent internal audit service provider, namely Sterling Business Alignment Consulting Sdn Bhd. The principal function of internal audit is to undertake systematic reviews of the internal control system within the Group in accordance with approved internal audit plan, so as to provide assurance that such a system is adequate and operating effectively as intended. The Internal Audit Function's responsibilities are to provide independent and objective reports on the state of internal controls of the various operating units within the Group to the Audit Committee and provide recommendations for the improvement of the control procedures, so that remedial actions are taken to mitigate weaknesses noted in the system and controls of the respective operating units.

Details of internal audit activities, scope of coverage and cost incurred on the combined Internal Audit Function for the financial year under review, are set out in the Statement on Risk Management and Internal Control included in this Annual Report.

This Report is dated 27 March 2024.

# ADDITIONAL DISCLOSURE

## 1. AUDIT FEES AND NON-AUDIT FEES

During the financial year, the audit fees paid or payable by the Company and the Group to our external auditors in respect of audit of the financial statements for the financial year ended 31 December 2023 amounted to approximately RM143,000 and RM625,000 respectively.

The non-audit fees paid or payable to a member firm of external auditors, Crowe Malaysia PLT by the Company and the Group during the financial year ended 31 December 2023 amounted to approximately RM5,000 and RM11,000 respectively.

## 2. MATERIAL CONTRACT

There were no material contracts entered into by the Company and its subsidiaries involving the interest of the Directors and/or major shareholders of the Company, either still subsisting at the end of the financial year, or which were entered into since the end of the previous financial year.



## FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

The directors of FRONTKEN CORPORATION BERHAD have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2023.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

## FINANCIAL RESULTS

	The Group RM	The Company RM
Profit after taxation for the financial year	124,339,100	51,144,154
<b>Attributable to:</b>		
Owners of the Company	111,950,507	51,144,154
Non-controlling interests	12,388,593	-
	124,339,100	51,144,154

## DIVIDENDS

The dividends on ordinary shares paid or declared by the Company are as follows:

	RM
<u>In respect of the financial year ended 31 December 2022</u>	
- Second interim single-tier dividend of 2.6 sen per ordinary share on 1,570,951,425 ordinary shares, paid on 13 July 2023	40,844,736

On 22 February 2024, the Company announced a first interim single-tier dividend of 2.2 sen per ordinary share in respect of the financial year ended 31 December 2023. The financial statements for the current financial year do not reflect this interim dividend. Such dividend will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2024.

## RESERVES AND PROVISIONS

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

# DIRECTORS' REPORT (CONT'D)

## ISSUES OF SHARES AND DEBENTURES

During the financial year:

- (a) there were no changes in the issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

## TREASURY SHARES

During the financial year, the Company did not purchase its issued ordinary shares from the open market. The shares purchased are being held as treasury shares in accordance with Section 127(6) of the Companies Act 2016 and are presented as a deduction from total equity.

On 5 December 2023, the Company transferred 1,955,000 of its treasury shares for the settlement of shares granted to employees and directors of the Group under the Share Grant Plan approved by the shareholders at an Extraordinary General Meeting held on 10 June 2022.

As at 31 December 2023, the Company held 7,246,250 treasury shares at a carrying amount of RM3,739,069. The details on the treasury shares are disclosed in Note 22 to the financial statements.

## OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

## SHARE GRANT PLAN

The Share Grant Plan ("SGP") of the Company is governed by the SGP By-Laws and was approved by shareholders on 10 June 2022. The SGP is to be in force for a period of 5 years effective from 17 June 2022.

On 5 December 2023, the Company transferred 1,955,000 of its treasury shares for the settlement of shares granted to employees and directors of the Group under the SGP.

The details of the SGP are disclosed in Note 23 to the financial statements.

## WARRANTS

On 4 May 2021, the Company issued 524,137,195 warrants pursuant to bonus issue of warrants to all the entitled shareholders of the Company on the basis of one (1) warrant for every two (2) existing ordinary shares held in the Company.

The warrants were constituted under a Deed Poll dated 14 April 2021 and each warrant entitled the registered holder the right at any time during the exercise period from 4 May 2021 to 3 May 2026 to subscribe in cash for one new ordinary share of the Company at an exercise price of RM4.00 each.

# DIRECTORS' REPORT (CONT'D)

## WARRANTS (CONT'D)

The new ordinary shares allotted and issued upon exercise of the warrants shall rank equally in all respects with the existing ordinary shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the new ordinary shares arising from the exercise of the warrants.

As at 31 December 2023, the total number of warrants that remain unexercised were 524,137,195 units. The details of the warrants are disclosed in Note 23 to the financial statements.

## OTHER FINANCIAL INFORMATION

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that there are no known bad debts and that adequate allowance had been made for impairment losses on receivables; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

- (a) which would require the writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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 substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

# DIRECTORS' REPORT (CONT'D)

## DIRECTORS

The following names of directors who served on the Board of the Company during the financial year and up to the date of this report:

Ng Wai Pin  
Ng Chee Whye  
Chiu Yoong Chian Gerald  
Dr. Tay Kiang Meng  
Koh Huey Min  
Raja Jastina Adlina Binti Raja Arshad (Appointed on 15 August 2023)

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:

Hee Kok Hiong  
Sia Chiok Meng  
Lee Boon Tian  
Mohd. Shukri Bin Hitam  
Fauziah Binti Hamlawi  
George I.Lagos  
Andres Seno, Jr.  
Glenn A.Lagos  
Jolene Chay  
Wong Chee Wai

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares of the Company and its related corporations during the financial year are as follows:

	Number of Ordinary Shares			
	At 1.1.2023	Bought	Sold	At 31.12.2023
<b>Shares in the Company</b>				
<b>Direct Interests</b>				
Ng Wai Pin	10,149,350	1,860,000 <sup>3</sup>	-	12,009,350
Dr. Tay Kiang Meng	14,107,212	20,000 <sup>3</sup>	-	14,127,212
Ng Chee Whye	125,000	-	-	125,000
<b>Indirect Interests</b>				
Ng Wai Pin <sup>1</sup>	264,037,209	-	-	264,037,209
Ng Chee Whye <sup>2</sup>	188,580	-	(20,000)	168,580
Koh Huey Min <sup>2</sup>	3,000	-	-	3,000

# DIRECTORS' REPORT (CONT'D)

## DIRECTORS' INTERESTS (CONT'D)

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares of the Company and its related corporations during the financial year are as follows: (Cont'd)

	At	Number of Warrants		At
	1.1.2023	Granted	Sold	31.12.2023
<b>Warrants in the Company</b>				
<b>Direct Interests</b>				
Ng Wai Pin	3,356,450	-	-	3,356,450
Dr. Tay Kiang Meng	4,702,404	-	-	4,702,404
Ng Chee Whye	10,000	-	-	10,000
<b>Indirect Interests</b>				
Ng Wai Pin <sup>1</sup>	105,690,736	-	-	105,690,736
Ng Chee Whye <sup>2</sup>	62,860	-	-	62,860

<sup>1</sup> Deem interested by virtue of his direct substantial shareholding in Dazzle Clean Ltd.

<sup>2</sup> Deem interested through spouse's shareholding in the Company.

<sup>3</sup> Transferred from the Company's treasury shares for the settlement of SGP.

By virtue of his shareholdings in the Company, Ng Wai Pin is deemed to have interests in shares in its related corporations during the financial year to the extent of the Company's interests, in accordance with Section 8 of the Companies Act 2016.

Save as disclosed above, the other directors holding office at the end of the financial year had no interest in the shares of the Company or its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than directors' remuneration as disclosed in the "Directors' Remuneration" of this report) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 14 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements 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 other than the share granted to certain directors pursuant to the SGP of the Company.

# DIRECTORS' REPORT (CONT'D)

## DIRECTORS' REMUNERATION

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

	The Group RM	The Company RM
Fees	293,103	293,103
Salaries and other emoluments	11,949,170	5,827,193
Defined contribution plan	1,187,508	1,107,022
	13,429,781	7,227,318

## INDEMNITY AND INSURANCE COST

During the financial year, there was no indemnity given to or professional indemnity insurance effected for directors, officers or auditors of the Company.

## SUBSIDIARIES

The details of the subsidiary name, place of incorporation, principal activities and percentage of issued share capital held by the Company in each subsidiary are disclosed in Note 13 to the financial statements.

The available auditors' reports on the financial statements of the subsidiaries did not contain any qualification.

## AUDITORS

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

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

	The Group RM	The Company RM
Audit fees	624,900	142,500
Non-audit fees	10,500	5,000
	635,400	147,500



# DIRECTORS' REPORT (CONT'D)

## AUDITORS (CONT'D)

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

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NG WAI PIN

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NG CHEE WHYE

27 March 2024

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FRONTKEN CORPORATION BERHAD

(Incorporated in Malaysia)

Registration No: 200401012517 (651020 - T)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Frontken Corporation Berhad, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 83 to 161.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

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

#### *Independence and Other Ethical Responsibilities*

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

### Key Audit Matters

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

We have determined the matters described below to be the key audit matters to be communicated in our report.

<p><b>Impairment of Goodwill on Consolidation</b></p> <p>Refer to Note 15 to the financial statements.</p>	
<p><b>Key Audit Matter</b></p> <p>The Group has goodwill of approximately RM33.8 million comprised within the 3 cash-generating units ("CGU").</p> <p>For the CGUs which comprised goodwill, the determination of recoverable amount, being the higher of fair value less costs to sell and value-in-use, requires judgement on the part of management in identifying and then valuing the relevant CGUs.</p> <p>The value-in-use models used to assess the risk of impairment are based on assumptions including revenue forecasts, gross and operating margins and discount rates, all of which are country-specific.</p> <p>We focused on this area because of the inherent judgement involved in determining key assumptions such as future sales growth, profit margins, discount rates and terminal value.</p>	<p><b>How our audit addressed the Key Audit Matter</b></p> <p>Our procedures included, among others:</p> <ul style="list-style-type: none"> <li>a) Making enquiries of and challenging the management on the key assumptions made, including: <ul style="list-style-type: none"> <li>i. the achievement of the business plan; and</li> <li>ii. sales growth, operating margin, discount rates and long-term growth rates;</li> </ul> </li> <li>b) Performing sensitivity analysis on key assumptions and agreeing with management's conclusion to ascertain the extent of change that individually, or in combination, would be required for the goodwill to be impaired; and</li> <li>c) Assessing the adequacy of disclosure of goodwill in the financial statements.</li> </ul>

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FRONTKEN CORPORATION BERHAD (CONT'D)

(Incorporated in Malaysia)

Registration No: 200401012517 (651020 - T)

## Key Audit Matters (Cont'd)

<p><b>Recoverability of Trade Receivables</b></p> <p>Refer to Note 14 to the financial statements.</p>	
<p><b>Key Audit Matter</b></p>	<p><b>How our audit addressed the Key Audit Matter</b></p>
<p>The trade receivables of the Group amounted to approximately RM119 million and it constituted 21% of the total current assets of the Group.</p> <p>We focused on this area due to the outstanding receivable balances which exceeded the credit term granted by the Group. The total outstanding balances which exceeded the credit term amounted to approximately RM22 million is considered to be of a higher credit risk.</p> <p>The assessment of recoverability of these outstanding receivables involved judgement and estimation of uncertainty by Management.</p>	<p>Our procedures included, among others:</p> <ul style="list-style-type: none"> <li>a) Testing the adequacy of the Group's allowance for impairment losses on trade receivables by assessing the Group's policy and historical data from the Group's previous collection experience;</li> <li>b) Reviewing the Group's subsequent collection after the financial year for major receivables;</li> <li>c) Reviewing the expected credit loss assessment by challenging whether the historic experience is representative of the current circumstances and of recent losses incurred in the receivables and assessing the reasonableness of forward-looking adjustments; and</li> <li>d) Assessing the adequacy of disclosure in the financial statements.</li> </ul>

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

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

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

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

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

## Responsibilities of the Directors for the Financial Statements

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

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

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FRONTKEN CORPORATION BERHAD (CONT'D)

(Incorporated in Malaysia)

Registration No: 200401012517 (651020 - T)

## Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FRONTKEN CORPORATION BERHAD (CONT'D)

(Incorporated in Malaysia)

Registration No: 200401012517 (651020 - T)

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 13 to the financial statements.

## OTHER MATTERS

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

**Crowe Malaysia PLT**  
201906000005 (LLP0018817-LCA) & AF 1018  
Chartered Accountants

**Elvina Tay Choon Choon**  
03329/10/2025 J  
Chartered Accountant

Kuala Lumpur

27 March 2024

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	The Group		The Company	
		2023 RM	2022 RM	2023 RM	2022 RM
Revenue	5	500,149,397	517,182,574	64,925,945	26,940,268
Cost of sales		(268,274,379)	(267,592,120)	-	-
<b>Gross profit</b>		<b>231,875,018</b>	<b>249,590,454</b>	<b>64,925,945</b>	<b>26,940,268</b>
Other income		9,290,325	8,146,902	688,704	807,837
Administrative expenses		(61,537,238)	(69,159,753)	(8,586,939)	(10,174,046)
Other operating expenses		(12,004,295)	(12,196,603)	(151,084)	(84,522)
Finance costs	6	(1,050,224)	(830,861)	-	-
Net impairment losses on financial assets	7	492,662	(759,650)	-	-
<b>Profit before tax</b>	8	<b>167,066,248</b>	<b>174,790,489</b>	<b>56,876,626</b>	<b>17,489,537</b>
Income tax expense	9	(42,727,148)	(39,622,948)	(5,732,472)	(2,253,154)
<b>Profit after tax</b>		<b>124,339,100</b>	<b>135,167,541</b>	<b>51,144,154</b>	<b>15,236,383</b>
<b>Other comprehensive income, net of tax</b>					
<b>Items that Will Not be Reclassified Subsequently to Profit or Loss</b>					
Actuarial gain		105,846	1,557,645	-	-
<b>Items that Will be Reclassified Subsequently to Profit or Loss</b>					
Foreign currency translation differences		23,040,539	(16,008,540)	-	-
<b>Total comprehensive income for the financial year</b>		<b>147,485,485</b>	<b>120,716,646</b>	<b>51,144,154</b>	<b>15,236,383</b>
<b>Profit after tax attributable to:</b>					
Owners of the Company		111,950,507	123,291,868	51,144,154	15,236,383
Non-controlling interests		12,388,593	11,875,673	-	-
		124,339,100	135,167,541	51,144,154	15,236,383
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		133,672,969	110,082,519	51,144,154	15,236,383
Non-controlling interests		13,812,516	10,634,127	-	-
		147,485,485	120,716,646	51,144,154	15,236,383
<b>Earnings per ordinary share attributable to owners of the Company</b>					
Basic (sen)	10	7.12	7.84		
Diluted (sen)	10	7.12	7.84		

The accompanying Notes form an integral part of these Financial Statements.

# STATEMENTS OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2023

	Note	The Group		The Company	
		2023 RM	2022 RM	2023 RM	2022 RM
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	11	236,222,624	229,265,006	13,982	12,742
Right-of-use assets	12	35,218,177	35,561,443	-	-
Investments in subsidiaries	13	-	-	153,591,487	153,530,654
Other receivables	14	991,941	160,447	-	-
Goodwill on consolidation	15	33,760,856	33,760,856	-	-
Deferred tax assets	16	1,344,363	1,447,198	-	-
<b>Total Non-Current Assets</b>		<b>307,537,961</b>	<b>300,194,950</b>	<b>153,605,469</b>	<b>153,543,396</b>
<b>Current Assets</b>					
Inventories	17	22,330,210	21,282,240	-	-
Trade receivables	14	118,974,970	124,086,038	-	-
Other receivables, deposits and prepaid expenses	14	16,921,130	17,752,015	492,474	63,689
Amount owing by subsidiaries	18	-	-	1,800,000	1,350,000
Short-term investments	19	32,647,658	11,985,670	17,369,607	7,501,407
Fixed deposits with licensed banks	20	70,840,138	13,161,038	4,458,381	-
Cash and bank balances		316,172,678	317,358,590	738,468	2,775,298
<b>Total Current Assets</b>		<b>577,886,784</b>	<b>505,625,591</b>	<b>24,858,930</b>	<b>11,690,394</b>
<b>Total Assets</b>		<b>885,424,745</b>	<b>805,820,541</b>	<b>178,464,399</b>	<b>165,233,790</b>

# STATEMENTS OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2023 (CONT'D)

	Note	The Group		The Company	
		2023 RM	2022 RM	2023 RM	2022 RM
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	21	118,441,045	118,441,045	118,441,045	118,441,045
Treasury shares	22	(3,739,069)	(4,747,849)	(3,739,069)	(4,747,849)
Reserves	23	526,464,714	434,775,435	56,466,865	47,176,227
Equity attributable to owners of the company		641,166,690	548,468,631	171,168,841	160,869,423
Non-controlling interests	13	46,735,468	39,454,018	-	-
<b>Total Equity</b>		<b>687,902,158</b>	<b>587,922,649</b>	<b>171,168,841</b>	<b>160,869,423</b>
<b>Non-Current Liabilities</b>					
Bank borrowing	24	49,047	-	-	-
Lease liabilities	25	29,797,197	30,030,466	-	-
Other payables	26	350,732	826,453	-	-
Deferred tax liabilities	16	911,647	1,141,550	-	-
<b>Total Non-Current Liabilities</b>		<b>31,108,623</b>	<b>31,998,469</b>	<b>-</b>	<b>-</b>
<b>Current Liabilities</b>					
Trade payables	26	22,989,378	27,660,857	-	-
Other payables and accrued expenses	26	119,332,778	111,668,241	7,278,474	4,349,367
Bank borrowing	24	32,656	19,719,600	-	-
Lease liabilities	25	3,248,775	2,886,103	-	-
Current tax liabilities		20,810,377	23,964,622	17,084	15,000
<b>Total Current Liabilities</b>		<b>166,413,964</b>	<b>185,899,423</b>	<b>7,295,558</b>	<b>4,364,367</b>
<b>Total Liabilities</b>		<b>197,522,587</b>	<b>217,897,892</b>	<b>7,295,558</b>	<b>4,364,367</b>
<b>Total Equity and Liabilities</b>		<b>885,424,745</b>	<b>805,820,541</b>	<b>178,464,399</b>	<b>165,233,790</b>

The accompanying Notes form an integral part of these Financial Statements.

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

The Group	Non-distributable				Distributable		Attributable to owners of the Company RM	Non-controlling interests RM	Total equity RM
	Share capital RM	Treasury shares RM	Foreign currency translation reserve RM	Statutory reserve RM	Share grant plan reserve RM	Retained earnings RM			
Balance at 1 January 2022	118,441,045	(4,747,849)	54,276,576	24,517,262	-	308,368,319	500,855,353	34,225,280	535,080,633
Other comprehensive income recognised for the financial year:									
- defined benefit plan actuarial gain	-	-	-	-	-	1,443,045	1,443,045	114,600	1,557,645
- foreign currency translation differences	-	-	(14,652,394)	-	-	-	(14,652,394)	(1,356,146)	(16,008,540)
Profit after tax for the financial year	-	-	-	-	-	123,291,868	123,291,868	11,875,673	135,167,541
Total comprehensive income for the financial year	-	-	(14,652,394)	-	-	124,734,913	110,082,519	10,634,127	120,716,646
Contributions by and distributions to owners of the Company:									
- Share grant plan	-	-	-	-	4,183,700	-	4,183,700	-	4,183,700
- Dividends:									
- by the Company	-	-	-	-	-	(64,409,007)	(64,409,007)	-	(64,409,007)
- by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(2,909,942)	(2,909,942)
- Transfer to statutory reserve	-	-	-	9,344,997	-	(9,344,997)	-	-	-
- Changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	-	-	-	(2,243,934)	(2,243,934)	(2,495,447)	(4,739,381)
Balance at 31 December 2022	118,441,045	(4,747,849)	39,624,182	33,862,259	4,183,700	357,105,294	548,468,631	39,454,018	587,922,649

The accompanying Notes form an integral part of these Financial Statements.

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

The Group	Non-distributable				Distributable		Attributable to owners of the Company RM	Non-controlling interests RM	Total equity RM
	Share capital RM	Treasury shares RM	Foreign currency translation reserve RM	Statutory reserve RM	Share grant plan reserve RM	Retained earnings RM			
Balance at 1 January 2023	118,441,045	(4,747,849)	39,624,182	33,862,259	4,183,700	357,105,294	548,468,631	39,454,018	587,922,649
Other comprehensive income recognised for the financial year:									
- defined benefit plan actuarial gain	-	-	-	-	-	96,355	96,355	9,491	105,846
- foreign currency translation differences	-	-	21,626,107	-	-	-	21,626,107	1,414,432	23,040,539
Profit after tax for the financial year	-	-	-	-	-	111,950,507	111,950,507	12,388,593	124,339,100
Total comprehensive income for the financial year	-	-	21,626,107	-	-	112,046,862	133,672,969	13,812,516	147,485,485
Contributions by and distributions to owners of the Company:									
- Settlement of share grant plan	-	1,008,780	-	-	(4,183,700)	3,174,920	-	-	-
- Dividends:									
- by the Company	-	-	-	-	-	(40,844,736)	(40,844,736)	-	(40,844,736)
- by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(6,382,127)	(6,382,127)
- Transfer to statutory reserve	-	-	-	11,680,314	-	(11,680,314)	-	-	-
- Changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	-	-	-	(130,174)	(130,174)	(148,939)	(279,113)
Balance at 31 December 2023	118,441,045	(3,739,069)	61,250,289	45,542,573	-	419,671,852	641,166,690	46,735,468	687,902,158

The accompanying Notes form an integral part of these Financial Statements.

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

The Company	Shares capital RM	Treasury shares RM	Share grant plan reserve RM	Distributable Retained earnings RM	Total equity RM
Balance at 1 January 2022	118,441,045	(4,747,849)	-	92,165,151	205,858,347
Profit after taxation/Total comprehensive income for the financial year	-	-	-	15,236,383	15,236,383
Contribution by and distributions to owners of the Company:					
- Share grant plan	-	-	4,183,700	-	4,183,700
- Dividend	-	-	-	(64,409,007)	(64,409,007)
Balance at 31 December 2022	118,441,045	(4,747,849)	4,183,700	42,992,527	160,869,423
Balance at 1 January 2023	118,441,045	(4,747,849)	4,183,700	42,992,527	160,869,423
Profit after taxation/Total comprehensive income for the financial year	-	-	-	51,144,154	51,144,154
Contribution by and distributions to owners of the Company:					
- Settlement of share grant plan	-	1,008,780	(4,183,700)	3,174,920	-
- Dividend	-	-	-	(40,844,736)	(40,844,736)
Balance at 31 December 2023	118,441,045	(3,739,069)	-	56,466,865	171,168,841

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
<b>CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES</b>				
Profit before tax	167,066,248	174,790,489	56,876,626	17,489,537
Adjustments for:				
Depreciation of property, plant and equipment	16,597,733	14,332,080	6,009	3,344
Depreciation of right-of-use assets	3,643,919	3,259,024	-	-
Interest expense	1,050,224	830,861	-	-
Unrealised loss/(gain) on foreign exchange	1,514,307	(1,602,546)	61,193	(19,700)
Allowance for impairment losses on trade receivables	-	759,650	-	-
Inventories written down	358,167	144,513	-	-
Property, plant and equipment written off	45,991	45,054	-	-
Share grant plan	-	4,183,700	-	3,965,420
Interest income	(4,521,453)	(1,247,179)	(454,958)	(207,699)
Fair value gain on short-term investments	(633,344)	(76,694)	-	-
Gain on disposal of property, plant and equipment	(928,886)	(34,057)	-	-
Gain on disposal of short-term investments	(175,649)	-	-	-
Reversal of allowance for impairment losses on trade receivables	(492,662)	-	-	-
Reversal of inventories previously written down	(8,375)	(5,719)	-	-
Dividend income from subsidiaries	-	-	(64,895,945)	(26,890,468)
Operating Profit/(Loss) Before Working Capital Changes	183,516,220	195,379,176	(8,407,075)	(5,659,566)
(Increase)/Decrease in:				
Inventories	(683,579)	(2,509,576)	-	-
Trade receivables	10,029,167	(11,716,329)	-	-
Other receivables and prepaid expenses	684,501	(8,099,538)	(428,785)	5,453
(Decrease)/Increase in:				
Trade payables	(5,500,130)	6,755,491	-	-
Other payables and accrued expenses	2,767,326	(888,183)	2,929,107	(1,095,757)
Cash Generated From/(For) Operations	190,813,505	178,921,041	(5,906,753)	(6,749,870)
Taxes paid	(46,814,668)	(36,057,594)	(116,643)	(295,595)
Net Cash From/(For) Operating Activities	143,998,837	142,863,447	(6,023,396)	(7,045,465)

The accompanying Notes form an integral part of these Financial Statements.

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
<b>CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment (Note 30(a))	(15,144,018)	(52,660,343)	(7,249)	(10,779)
Dividend received from subsidiaries	-	-	58,832,200	27,772,909
Additional investment in an existing subsidiary (Note 13)	(279,113)	(4,739,381)	(279,113)	(4,739,381)
Short-term investments	-	(2,914,353)	-	-
Proceeds from disposal of property, plant and equipment	1,035,503	34,883	-	-
Proceeds from disposal of short-term investments	1,158,537	-	-	-
Repayment from subsidiaries for share grant plan	-	-	218,280	-
Net (placement)/withdrawal of fixed deposits with licensed banks	(539)	347,076	-	-
Interest received	4,521,453	1,247,179	454,958	207,699
<b>Net Cash (For)/From Investing Activities</b>	<b>(8,708,177)</b>	<b>(58,684,939)</b>	<b>59,219,076</b>	<b>23,230,448</b>
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>				
Drawdown of loan (Note 30(b))	-	19,719,600	-	-
Interest paid (Note 30(b))	(1,050,224)	(830,861)	-	-
Dividend paid by the Company (Note 27)	(40,844,736)	(64,409,007)	(40,844,736)	(64,409,007)
Dividend paid by a subsidiary to non-controlling interests	(5,832,127)	(2,084,943)	-	-
Payment of lease liabilities (Note 30(b))	(3,183,189)	(3,023,873)	-	-
Repayment of bank borrowing (Note 30(b))	(20,890,498)	-	-	-
<b>Net Cash For Financing Activities</b>	<b>(71,800,774)</b>	<b>(50,629,084)</b>	<b>(40,844,736)</b>	<b>(64,409,007)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	63,489,886	33,549,424	12,350,944	(48,224,024)
Effect of exchange rate changes	13,440,442	(8,467,395)	(61,193)	19,700
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
	327,441,027	302,358,998	10,276,705	58,481,029
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 30(c))</b>				
	404,371,355	327,441,027	22,566,456	10,276,705

The accompanying Notes form an integral part of these Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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

The principal activities of the Company are that of investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

The registered office of the Company is located at B-11-10, Level 11, Megan Avenue II, Jalan Yap Kwan Seng, 50450 Kuala Lumpur, Malaysia.

The principal place of business of the Company is located at Suite 301, 3rd Floor, Block F, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 27 March 2024.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

2.1 During the current financial year, the Group and the Company have adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):

### **MFRSs and/or IC Interpretations (Including The Consequential Amendments)**

MFRS 17 Insurance Contracts

Amendments to MFRS 17 Insurance Contracts

Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information

Amendments to MFRS 101: Disclosure of Accounting Policies

Amendments to MFRS 108: Definition of Accounting Estimates

Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to MFRS 112: International Tax Reform – Pillar Two Model Rules

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the financial statements of the Group and of the Company.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

- 2.2 The Group and the Company have not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:

<b>MFRSs and/or IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective Date</b>
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 121: Lack of Exchangeability	1 January 2025

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group and of the Company upon their initial application.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION

### Critical Accounting Estimates And Judgements

#### *Key Sources of Estimation Uncertainty*

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:

- (i) Impairment of Goodwill on Consolidation

The assessment of whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill on consolidation as at the reporting date is disclosed in Note 15 to the financial statements.

- (ii) Impairment of Property, Plant and Equipment and Right-Of-Use Assets

The Group determines whether an item of its property, plant and equipment and right-of-use assets is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. The carrying amounts of property, plant and equipment and right-of-use assets as at the reporting date are disclosed in Notes 11 and 12 to the financial statements respectively.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

### Critical Accounting Estimates And Judgements (Cont'd)

#### Key Sources of Estimation Uncertainty (Cont'd)

#### (iii) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment is based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 11 to the financial statements.

#### (iv) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group and the Company recognise tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made. The carrying amounts of current tax liabilities of the Group and of the Company as at the reporting date are:

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Current tax liabilities	(20,810,377)	(23,964,622)	(17,084)	(15,000)

#### (v) Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances could be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the assessment of the probability of the future taxable profits. The carrying amount of deferred tax assets as at the reporting date is disclosed in Note 16 to the financial statements.

#### (vi) Impairment of Trade Receivables

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables. The carrying amount of trade receivables as at the reporting date is disclosed in Note 14 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

### Critical Accounting Estimates And Judgements (Cont'd)

#### *Key Sources of Estimation Uncertainty (Cont'd)*

##### (vii) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 17 to the financial statements.

##### (viii) Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default (probability of default) and expected loss if a default happens (loss given default). It also requires the Group to assess whether there is a significant increase in credit risk of the non-trade financial asset at the reporting date. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions and forward-looking information. The carrying amounts of other receivables and amount owing by subsidiaries as at the reporting date are disclosed in Notes 14 and 18 to the financial statements respectively.

#### *Critical Judgements Made in Applying Accounting Policies*

Management believes that there are no instances of application of critical judgement in applying the accounting policies of the Group and of the Company which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:

##### (i) Lease Terms

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

##### (ii) Share-based Payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity investments at the date at which they are granted. The estimating of the fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

### Government Grants

The Group presents government grants related to an asset by setting up the grants as deferred income and are amortised to profit or loss on a systematic basis over the expected useful life of the relevant asset.

### Goodwill

Goodwill is initially measured at cost. Subsequent to the initial recognition, the goodwill is measured at cost less accumulated impairment losses, if any. A bargain purchase gain is recognised in profit or loss immediately.

### Financial Instruments

#### (i) Financial Assets

##### Financial Assets Through Profit or Loss

The financial assets are initially measured at fair value. Subsequent to the initial recognition, the financial assets are remeasured to their fair values at the reporting date with fair value changes recognised in profit or loss. The fair value changes do not include interest and dividend income.

##### Financial Assets at Amortised Cost

The financial assets are initially measured at fair value plus transaction costs except for trade receivables without significant financing component which are measured at transaction price only. Subsequent to the initial recognition, all financial assets are measured at amortised cost less any impairment losses.

##### Financial Assets Through Other Comprehensive Income

The financial assets are initially measured at fair value plus transaction costs. Subsequent to the initial recognition, the financial assets are remeasured to their fair values at the reporting date with fair value changes taken up in other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference of a debt instrument which are recognised directly in profit or loss. The fair value changes do not include interest and dividend income.

#### (ii) Financial Liabilities

##### Financial Liabilities Through Profit or Loss

The financial liabilities are initially measured at fair value. Subsequent to the initial recognition, the financial liabilities are remeasured to their fair values at the reporting date with fair value changes recognised in profit or loss. The fair value changes do not include interest expense.

##### Financial Liabilities at Amortised Cost

The financial liabilities are initially measured at fair value less transaction costs. Subsequent to the initial recognition, the financial liabilities are measured at amortised cost.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

### Financial Instruments (Cont'd)

#### (iii) Equity

##### Ordinary Shares

Ordinary shares are recorded on initial recognition at the proceeds received less directly attributable transaction costs incurred. The ordinary shares are not remeasured subsequently.

##### Treasury Shares

Treasury shares are recorded on initial recognition at the consideration paid less directly attributable transaction costs incurred. The treasury shares are not remeasured subsequently.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the treasury shares. If such shares are issued by resale, any difference between the sales consideration received and the carrying amount of the treasury shares is recognised in equity. Where treasury shares are cancelled, their carrying amounts are shown as a movement in retained profits.

#### (iv) Financial Guarantee Contracts

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to the initial recognition, the financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and Group, as the issuer, is required to reimburse the holder for the associated loss, the reimbursement is recognised as a liability and measured at the higher of the amount of loss allowance determined using the expected credit loss model and the amount of financial guarantee initially recognised less cumulative amortisation.

### Property, Plant and Equipment

All items of property, plant and equipment are initially measured at cost.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any impairment losses.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over the estimated useful lives. The principal annual depreciation rates are:

Freehold buildings	25 - 50 years
Long-term leasehold buildings	60 years
Land improvement	14%
Factory and office renovation	5% - 10%
Plant and machinery	10% - 20%
Workshop tools	10% - 20%
Office equipment	10% - 33.3%
Furniture and fittings	10% - 33.3%
Motor vehicles	10% - 20%
Computers	33.3%

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

### Investments in Subsidiaries

Investments in subsidiaries including the share options granted to employees of the subsidiaries, which are eliminated on consolidation, are stated in the separate financial statements of the Company at cost less impairment losses, if any.

### Right-of-use Assets and Lease Liabilities

#### (i) Short-term Leases and Leases of Low-value Assets

The Group and the Company apply the "short-term lease" and "lease of low-value assets" recognition exemption. For these leases, the Group and the Company recognise the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more appropriate.

#### (ii) Right-of-use Assets

Right-of-use assets are initially measured at cost. Subsequent to the initial recognition, the right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of lease liabilities.

The right-of-use assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the estimated useful lives of the right-of-use assets or the end of the lease term.

#### (iii) Lease Liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the entities' incremental borrowing rate. Subsequent to the initial recognition, the lease liabilities are measured at amortised cost and adjusted for any lease reassessment or modifications.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out method and comprises all costs of purchase plus other costs incurred in bringing the inventories to their present location and condition.

## 4. OPERATING SEGMENTS

The Group has one reportable segment as the Group is principally engaged in one business segment which is the provision of engineering services.

The Group Chief Executive Officer (the chief operating decision maker) review internal management report at least on a quarterly basis.

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

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The Group is organised into the following geographical segments:

- Malaysia
- Singapore
- Philippines
- Taiwan
- Indonesia



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 4. OPERATING SEGMENTS (CONT'D)

The Group 2023	Geographical segment					Reportable segment Total RM
	Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	Indonesia RM	
<b>Assets</b>						
Non-current assets						
- Property, plant and equipment	17,195,634	20,806,610	1,561,442	195,991,767	667,171	236,222,624
- Right-of-use assets	4,151,853	6,924,780	2,326,066	21,026,916	788,562	35,218,177
- Deferred tax assets	-	-	14,714	1,329,649	-	1,344,363
- Goodwill	33,760,856	-	-	-	-	33,760,856
- Other receivables	-	-	-	991,941	-	991,941
Current assets	44,553,987	40,444,257	22,797,021	441,828,534	607,865	577,886,784
Consolidated total assets						885,424,745
<b>Liabilities</b>						
Tax liabilities	1,816,123	2,448,424	19,926	17,437,551	-	21,722,024
Segment liabilities	27,464,160	18,349,747	5,283,217	129,989,882	9,772,624	175,800,563
Consolidated total liabilities						197,522,587
<b>Other Information</b>						
Capital expenditure	2,780,169	3,144,749	104,343	9,214,757	-	15,244,018
Depreciation	2,298,142	3,910,821	1,526,954	12,449,050	56,685	20,241,652
Other non-cash items						
- income	111,027	57,584	-	1,283,792	913,030	2,365,433
- expenses	61,195	-	19,687	1,614,308	-	1,695,190

## 4. OPERATING SEGMENTS (CONT'D)

The Group 2022	Geographical segment					Elimination RM	Reportable segment Total RM
	Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	Indonesia RM		
<b>Revenue</b>							
External revenue	88,848,274	66,508,823	13,906,549	347,367,978	550,950	-	517,182,574
Inter-companies revenue	7,215,210	49,401	89,614	598,378	-	(7,952,603)	-
Total revenue	96,063,484	66,558,224	13,996,163	347,966,356	550,950	(7,952,603)	517,182,574
<b>Results</b>							
Segment profit/(loss) before interest and tax	38,995,989	16,278,571	1,973,921	145,007,778	(992,798)	(26,889,290)	174,374,171
Interest income							1,247,179
Finance costs							(830,861)
Profit before tax							174,790,489
Income tax expense							(39,622,948)
Profit after tax							135,167,541

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 4. OPERATING SEGMENTS (CONT'D)

The Group 2022	Geographical segment					Elimination RM	Reportable segment Total RM
	Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	Indonesia RM		
<b>Assets</b>							
Non-current assets							
- Property, plant and equipment	16,002,549	19,747,401	1,654,685	191,155,356	705,015	-	229,265,006
- Right-of-use assets	4,367,563	7,014,433	3,430,187	20,003,037	746,223	-	35,561,443
- Deferred tax assets	-	-	10,771	1,436,427	-	-	1,447,198
- Goodwill	33,760,856	-	-	-	-	-	33,760,856
- Other receivables	-	-	-	160,447	-	-	160,447
Current assets	27,549,136	59,020,668	21,461,134	370,881,931	271,580	26,441,142	505,625,591
Consolidated total assets							805,820,541
<b>Liabilities</b>							
Tax liabilities	1,604,252	3,468,695	22,332	20,010,893	-	-	25,106,172
Segment liabilities	24,939,809	37,578,515	7,630,653	128,779,246	9,820,865	(15,957,368)	192,791,720
Consolidated total liabilities							217,897,892
<b>Other Information</b>							
Capital expenditure	1,329,553	2,727,996	1,204,431	47,398,363	-	-	52,660,343
Depreciation	2,317,266	3,277,076	1,319,566	10,574,343	102,853	-	17,591,104
Other non-cash items							
- income	67,223	14,383	-	2,756,472	-	-	2,838,078
- expenses	6,833	481,476	27,116	759,650	654,410	-	1,929,485

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 4. OPERATING SEGMENTS (CONT'D)

Other significant non-cash expenses/(income) consists of the following:

	The Group	
	2023 RM	2022 RM
Allowance for impairment losses on receivables	-	759,650
Unrealised loss on foreign exchange	1,649,199	1,124,781
Property, plant and equipment written off	45,991	45,054
	1,695,190	1,929,485
Reversal of allowance for impairment losses on trade receivables	(492,662)	-
Gain on disposal of property, plant and equipment	(928,886)	(34,057)
Gain on disposal of short-term investments	(175,649)	-
Unrealised gain on foreign exchange	(134,892)	(2,727,327)
Fair value gain on short-term investments	(633,344)	(76,694)
	(2,365,433)	(2,838,078)

Major customers

The major customers with revenue equal to or more than 10% of the Group's total revenue are as follows:

	Revenue		Segment
	2023 RM	2022 RM	
Customer 1	160,816,101	182,625,418	Taiwan

## 5. REVENUE

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
<b>Revenue from Contracts with Customers</b>				
<u>Recognised at a point in time</u>				
Provision of services	463,420,064	484,589,645	-	-
Sale of goods	36,729,333	32,592,929	-	-
	500,149,397	517,182,574	-	-

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 5. REVENUE (CONT'D)

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
<b>Revenue from Other Sources</b>				
Dividend income from subsidiaries	-	-	64,895,945	26,890,468
Management fee from subsidiaries	-	-	30,000	49,800
	-	-	64,925,945	26,940,268

(a) The information on the disaggregation of revenue by geographical market is disclosed in Note 4 to the financial statements.

(b) The information about the performance obligations in contracts with customers is summarised below:

### Provision of services

Revenue from services is recognised at a point in time upon completion of the service and acceptance by the customer.

The credit period range from 30 to 180 days from the invoice date. There is no significant financing component in the selling price as the sales are made on the normal credit terms not exceeding 12 months.

### Sale of goods

Revenue from sale of goods is recognised at a point in time when goods have been transferred and accepted by customers, net of discount.

There is no material right of return and warranty provided to the customers on the sale of goods.

There is no significant financing component in the selling price as the sales are made on the normal credit terms not exceeding 12 months.

(c) The information of the revenue from other sources is summarised below:

### Dividend income

Dividend income is recognised when the right to receive dividend payment is established.

### Management fees

Management fees are recognised in the period in which the services are rendered.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 6. FINANCE COSTS

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Interest expense on:				
Bank borrowing	134,186	26,034	-	-
Lease liabilities	916,038	804,827	-	-
	1,050,224	830,861	-	-

## 7. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Impairment losses:				
- trade receivables	-	(759,650)	-	-
Reversal of impairment losses:				
- trade receivables	492,662	-	-	-
	492,662	(759,650)	-	-

## 8. PROFIT BEFORE TAX

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

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Interest income from:				
- subsidiaries	-	-	-	29,204
- third parties	4,521,453	1,247,179	454,958	178,495
Fair value gain on short-term investments	713,018	76,694	-	-
Gain on disposal of short-term investments	383,797	339,293	188,513	323,785
Gain on disposal of property, plant and equipment	928,886	34,057	-	-
Lease income from property, plant and equipment	1,261,065	1,135,617	-	-

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 8. PROFIT BEFORE TAX (CONT'D)

Profit before tax is arrived at after crediting/(charging) the following: (Cont'd)

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Auditors' remuneration:				
- audit fee				
- current financial year				
- auditors of the Company	(211,104)	(209,500)	(142,500)	(137,500)
- other auditors	(413,796)	(418,670)	-	-
- over/(under)provision in the previous financial year				
- auditors of the Company	-	1,000	-	1,000
- other auditors	167	(1,000)	-	-
- non-audit fee				
- auditors of the Company	(5,000)	(5,000)	(5,000)	(5,000)
- member firms of the auditors of the Company	(5,500)	(5,500)	-	-
Depreciation of property, plant and equipment	(16,597,733)	(14,332,080)	(6,009)	(3,344)
Depreciation of right-of-use assets	(3,643,919)	(3,259,024)	-	-
Directors' remuneration:				
- directors of the Company:				
- fees	(293,103)	(274,006)	(293,103)	(274,006)
- salaries and other emoluments	(11,949,170)	(13,389,862)	(5,827,193)	(7,312,374)
- defined contribution plan	(1,187,508)	(707,690)	(1,107,022)	(646,368)
- directors of the Subsidiaries:				
- salaries and other emoluments	(2,388,945)	(2,280,500)	-	-
Net (loss)/gain on foreign exchange:				
- unrealised	(1,514,307)	1,602,546	(61,193)	19,700
- realised	102,429	784,062	45,233	256,653
Lease expenses:				
- short-term leases	(2,266,682)	(2,036,629)	(102,120)	(102,120)
- low value assets	(65,919)	(92,514)	-	-
Property, plant and equipment written off	(45,991)	(45,054)	-	-
Staff costs	(141,648,171)	(142,116,753)	(659,339)	(1,047,160)

### (a) Staff costs

Staff costs include salaries, bonuses, contributions to statutory defined contribution plan, defined benefits plan and all other staff related expenses. Contributions to statutory defined contribution plan and defined benefits plan, included in staff costs, made by the Group and by the Company during the financial year are as follows:

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Defined contribution plan	5,625,479	5,437,272	81,569	110,137
Defined benefits plan	(921,666)	110,514	-	-

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 8. PROFIT BEFORE TAX (CONT'D)

### (b) Key management personnel compensation

The remuneration of the members of key management are as follows:

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Directors of the Company	13,429,781	14,371,558	7,227,318	8,232,748
Directors of the Subsidiaries	2,388,945	2,280,500	-	-
Other Key Management Personnel	5,341,680	5,336,660	353,390	292,435
	21,160,406	21,988,718	7,580,708	8,525,183

In addition to the above disclosure, there is an unallocated provision of director fees in a subsidiary amounting to RM4,277,770 (2022: RM4,558,758).

### (c) Directors' remuneration

Contributions to provident fund, included in directors' remuneration, made by the Group and by the Company during the current financial year are as follows:

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Contributions to provident funds:				
Directors of the Company	1,187,508	707,690	1,107,022	646,368
Directors of the Subsidiaries	203,201	181,822	-	-
	1,390,709	889,512	1,107,022	646,368

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 9. INCOME TAX EXPENSE

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Estimated current tax payable:				
Malaysian:				
- Current year	6,005,366	5,257,235	70,000	45,000
- Underprovision in prior years	85,931	272,704	48,729	265,595
	6,091,297	5,529,939	118,729	310,595
Foreign:				
- Current year	30,434,759	31,957,423	-	-
- Under/(Over)provision in prior years	726,834	(374,434)	-	-
	31,161,593	31,582,989	-	-
Withholding tax	5,613,743	1,942,559	5,613,743	1,942,559
	42,866,633	39,055,487	5,732,472	2,253,154
Deferred tax (Note 16):				
- Current year	(139,485)	567,461	-	-
	42,727,148	39,622,948	5,732,472	2,253,154

A reconciliation of income tax expense applicable to the profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Profit before tax	167,066,248	174,790,489	56,876,626	17,489,537
Tax at the applicable tax rate of 24%	40,095,900	41,949,717	13,650,390	4,197,489
Effect of different tax rates of other tax jurisdictions	(6,611,389)	(7,288,296)	-	-
Tax effects of:				
Non-deductible expenses	3,085,782	3,237,427	2,077,733	2,385,441
Income not subject to tax	(267,287)	(65,797)	(15,658,123)	(6,537,930)
Utilisation of deferred tax assets previously not recognised	(54,330)	(198,115)	-	-
Income tax exemption	(187,586)	(55,429)	-	-
Taxable income subjected at regular income tax rate	239,550	181,732	-	-
Deferred tax assets not recognised for the year	-	20,880	-	-
Under/(Over)provision of current tax in prior years	812,765	(101,730)	48,729	265,595
Withholding tax	5,613,743	1,942,559	5,613,743	1,942,559
	42,727,148	39,622,948	5,732,472	2,253,154

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2022: 24%) of the estimated assessable profit for the financial year. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 10. EARNINGS PER SHARE

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

	The Group	
	2023	2022
Profit after taxation attributable to owners of the Company (RM)	111,950,507	123,291,868
Weighted average number of ordinary shares in issue as of 1 January/31 December	1,572,906,425	1,571,899,466
Basic earnings per ordinary share attributable to equity holders of the Company (sen)	7.12	7.84

The potential conversion of warrants is anti-dilutive as its exercise price is higher than the average market price of the Company's ordinary shares during the current financial year and hence, the diluted earnings per share is equal to the basic earnings per share.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 11. PROPERTY, PLANT AND EQUIPMENT

The Group	COST							As at 31 December 2022 RM
	As at 1 January 2022 RM	Foreign currency translation differences RM	Transfer from right-of-use assets RM	Reclassifications RM	Additions RM	Write-offs RM	Disposals RM	
Freehold land	32,773,599	(1,305,302)	-	-	-	-	-	31,468,297
Land improvement	-	(8,702)	-	-	296,400	-	-	287,698
Freehold buildings	69,422,174	(4,662,507)	-	56,939,789	136,344	-	-	121,835,800
Long-term leasehold buildings	41,868,516	2,217,184	-	-	-	-	-	44,085,700
Factory and office renovation	28,954,743	861,334	-	-	47,715	-	-	29,863,792
Plant and machinery	216,629,266	(640,315)	-	37,243,413	8,346,448	-	(8,479,472)	253,099,340
Workshop tools	2,444,499	-	-	-	13,240	-	-	2,457,739
Office equipment	8,635,914	169,439	-	-	2,639,966	(175,780)	-	11,269,539
Furniture and fittings	931,829	(6,078)	-	-	8,825	(800)	-	933,776
Motor vehicles	9,631,414	(162,591)	444,613	1,542,513	1,169,045	(336,044)	(50,500)	12,238,450
Computers	1,667,041	(45,025)	-	-	122,928	(24,143)	-	1,720,801
Capital work-in-progress	68,011,574	(1,105,566)	-	(95,725,715)	39,879,432	-	-	11,059,725
<b>Total</b>	<b>480,970,569</b>	<b>(4,688,129)</b>	<b>444,613</b>	<b>-</b>	<b>52,660,343</b>	<b>(536,767)</b>	<b>(8,529,972)</b>	<b>520,320,657</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	COST							As at 31 December 2023 RM
	As at 1 January 2023 RM	Foreign currency translation differences RM	Reclassi- fications RM	Additions RM	Write-offs RM	Disposals RM		
Freehold land	31,468,297	1,086,523	-	-	-	-	-	32,554,820
Land improvement	287,698	10,906	-	-	-	-	-	298,604
Freehold buildings	121,835,800	4,724,764	5,710,150	671,686	(64,284)	-	-	132,878,116
Long-term leasehold buildings	44,085,700	2,225,239	-	-	-	-	-	46,310,939
Factory and office renovation	29,863,792	1,086,291	900,615	567,431	-	-	-	32,418,129
Plant and machinery	253,099,340	9,887,670	5,312,098	4,065,779	(3,724,408)	(2,129,846)	266,510,633	
Workshop tools	2,457,739	-	-	90,561	-	-	-	2,548,300
Office equipment	11,269,539	506,873	111,920	533,890	(34,693)	-	-	12,387,529
Furniture and fittings	933,776	8,249	-	-	-	-	-	942,025
Motor vehicles	12,238,450	375,666	-	763,649	-	(502,274)	-	12,875,491
Computers	1,720,801	42,703	-	136,671	(5,290)	-	-	1,894,885
Capital work-in-progress	11,059,725	273,848	(12,034,783)	8,414,351	-	-	-	7,713,141
<b>Total</b>	<b>520,320,657</b>	<b>20,228,732</b>	<b>-</b>	<b>15,244,018</b>	<b>(3,828,675)</b>	<b>(2,632,120)</b>	<b>549,332,612</b>	

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	ACCUMULATED DEPRECIATION						
	As at 1 January 2022 RM	Foreign currency translation differences RM	Transfer from right-of-use assets RM	Charges for the year RM	Write-offs RM	Disposals RM	As at 31 December 2022 RM
Freehold land	-	-	-	-	-	-	-
Land improvement	-	(1,140)	-	38,814	-	-	37,674
Freehold buildings	32,619,503	(1,510,888)	-	3,564,240	-	-	34,672,855
Long-term leasehold buildings	22,401,748	1,355,863	-	1,516,196	-	-	25,273,807
Factory and office renovation	24,720,296	772,341	-	950,725	-	-	26,443,362
Plant and machinery	180,397,308	1,641,439	-	7,141,475	-	(6,266,304)	182,913,918
Workshop tools	2,403,043	-	-	26,702	-	-	2,429,745
Office equipment	8,216,651	238,422	-	352,224	(175,780)	-	8,631,517
Furniture and fittings	915,619	(6,078)	-	4,836	(800)	-	913,577
Motor vehicles	7,778,878	(105,435)	221,189	618,139	(290,995)	(50,499)	8,171,277
Computers	1,458,953	(36,937)	-	118,729	(24,138)	-	1,516,607
Capital work-in-progress	-	-	-	-	-	-	-
<b>Total</b>	<b>280,911,999</b>	<b>2,347,587</b>	<b>221,189</b>	<b>14,332,080</b>	<b>(491,713)</b>	<b>(6,316,803)</b>	<b>291,004,339</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	ACCUMULATED DEPRECIATION					
	As at 1 January 2023 RM	Foreign currency translation differences RM	Charges for the year RM	Write-offs RM	Disposals RM	As at 31 December 2023 RM
Freehold land	-	-	-	-	-	-
Land improvement	37,674	2,343	41,743	-	-	81,760
Freehold buildings	34,672,855	1,387,800	4,019,716	(64,284)	-	40,016,087
Long-term leasehold buildings	25,273,807	1,424,443	1,605,130	-	-	28,303,380
Factory and office renovation	26,443,362	969,384	1,213,145	-	-	28,625,891
Plant and machinery	182,913,918	7,297,996	8,259,764	(3,678,419)	(2,023,230)	192,770,029
Workshop tools	2,429,745	-	27,282	-	-	2,457,027
Office equipment	8,631,517	403,851	514,589	(34,693)	-	9,515,264
Furniture and fittings	913,577	8,249	5,338	-	-	927,164
Motor vehicles	8,171,277	234,038	767,910	-	(502,273)	8,670,952
Computers	1,516,607	36,687	143,116	(5,288)	-	1,691,122
Capital work-in-progress	-	-	-	-	-	-
<b>Total</b>	<b>291,004,339</b>	<b>11,764,791</b>	<b>16,597,733</b>	<b>(3,782,684)</b>	<b>(2,525,503)</b>	<b>313,058,676</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	As at 1 January 2022		Disposal		As at 31 December 2022/ 1 January 2023		Foreign currency translation differences		As at 31 December 2023		As at 31 December 2022	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Freehold land	-	-	-	-	-	-	-	-	-	-	32,554,820	31,468,297
Land improvement	-	-	-	-	-	-	-	-	-	-	216,844	250,024
Freehold buildings	-	-	-	-	-	-	-	-	-	-	92,862,029	87,162,945
Long-term leasehold buildings	-	-	-	-	-	-	-	-	-	-	18,007,559	18,811,893
Factory and office renovation	-	-	-	-	-	-	-	-	-	-	3,792,238	3,420,430
Plant and machinery	2,263,655	-	(2,212,343)	51,312	-	51,312	-	-	51,312	-	73,689,292	70,134,110
Workshop tools	-	-	-	-	-	-	-	-	-	-	91,273	27,994
Office equipment	-	-	-	-	-	-	-	-	-	-	2,872,265	2,638,022
Furniture and fittings	-	-	-	-	-	-	-	-	-	-	14,861	20,199
Motor vehicles	-	-	-	-	-	-	-	-	-	-	4,204,539	4,067,173
Computers	-	-	-	-	-	-	-	-	-	-	203,763	204,194
Capital work-in-progress	-	-	-	-	-	-	-	-	-	-	7,713,141	11,059,725
<b>Total</b>	<b>2,263,655</b>	<b>-</b>	<b>(2,212,343)</b>	<b>51,312</b>	<b>-</b>	<b>51,312</b>	<b>-</b>	<b>-</b>	<b>51,312</b>	<b>-</b>	<b>236,222,624</b>	<b>229,265,006</b>



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (a) Certain plant and equipment and office space of the Group are leased to customers under operating leases with rentals payable monthly. Each of the leases contains an initial non-cancellable average period of 2 years and the subsequent renewals are negotiated separately on a contract by contract basis.

The Group does not require a financial guarantee on its lease arrangements.

The undiscounted operating lease receivable under the non-cancellable operating leases are as follows:

	The Group	
	2023 RM	2022 RM
Within 1 year	1,266,480	1,090,765
Between 1 and 2 years	1,223,767	-
	<hr/> 2,490,247	<hr/> 1,090,765

- (b) The long-term leasehold buildings of the Group with carrying amount of RM13,274,807 (2022: RM13,978,055) have been pledged as security for bank facilities granted to the Group.
- (c) The details of the Group's property, plant and equipment held under hire purchase arrangement are analysed as follows:

	2023 RM	2022 RM
Motor vehicles	188,234	100,380

These motor vehicles have had been pledged as security for the hire purchase payables of the Group as disclosed in Note 24 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 12. RIGHT-OF-USE ASSETS

The Group	CARRYING AMOUNT					
	As at 1 January 2022 RM	Transfer to property, plant and equipment RM	Additions RM	Depreciation charges RM	Foreign currency translation differences RM	As at 31 December 2022 RM
Leasehold land	21,954,443	-	10,604,812	(1,289,193)	(350,971)	30,919,091
Factories and buildings	1,894,305	-	4,066,346	(1,552,978)	(99,975)	4,307,698
Plant and machinery	69,895	-	-	(22,957)	(2,370)	44,568
Motor vehicles	552,464	(223,424)	364,181	(393,896)	(9,239)	290,086
	24,471,107	(223,424)	15,035,339	(3,259,024)	(462,555)	35,561,443

The Group	CARRYING AMOUNT					
	As at 1 January 2023 RM	Additions RM	Depreciation charges RM	Modification of lease liabilities RM	Foreign currency translation differences RM	As at 31 December 2023 RM
Leasehold land	30,919,091	152,374	(1,461,704)	187,517	1,177,306	30,974,584
Factories and buildings	4,307,698	1,520,112	(1,865,210)	-	167,990	4,130,590
Plant and machinery	44,568	-	(22,632)	-	1,193	23,129
Motor vehicles	290,086	89,804	(294,373)	-	4,357	89,874
	35,561,443	1,762,290	(3,643,919)	187,517	1,350,846	35,218,177

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 12. RIGHT-OF-USE ASSETS (CONT'D)

(a) The leasing activities of the remaining lease assets are summarised below:

- (i) Leasehold land      The Group has entered into 8 (2022: 7) non-cancellable operating lease agreements for the use of land. The leases are for a period ranging from 7 to 60 (2022: 7 to 60) years. The leases do not allow the Group to assign, transfer or sublease or create any charge, lien or trust in respect of or dispose of the whole or any part of the land. A tenancy is, however, allowed with the consent of the lessor.
- (ii) Factories and buildings and motor vehicles      The Group has leased a number of factories and buildings, and motor vehicles that run between 1 and 5 (2022: 1 and 5) years, with an option to renew the lease after that date.

(b) The leasehold land at carrying amount of RM6,924,781 (2022: RM7,014,433) is pledged as securities for the bank facilities granted to the Group.

## 13. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2023 RM	2022 RM
Unquoted shares, at cost:		
At 1 January	154,517,895	149,560,234
Addition during the year	279,113	4,739,381
Share grant plan granted to subsidiaries' employees	-	218,280
Repayment from subsidiaries for share grant plan	(218,280)	-
	154,578,728	154,517,895
Accumulated impairment losses	(987,241)	(987,241)
At 31 December	153,591,487	153,530,654

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 13. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:

Name of Subsidiaries	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2023 %	2022 %	
<b>Subsidiaries of the Company</b>				
Frontken Malaysia Sdn. Bhd. ("FMSB")	Malaysia	100	100	Provision of surface treatment technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken (Singapore) Pte. Ltd. ("FSPL") <sup>1</sup>	Singapore	100	100	Provision of surface treatment technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
PT Frontken Indonesia <sup>2</sup>	Indonesia	95	95	Provision of surface treatment technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
TTES Frontken Integrated Services Sdn. Bhd. ("TTES") <sup>1,3</sup>	Malaysia	45	45	Engaged in the business of turbo machinery technical engineering services.
Ares Green Technology Corporation ("AGTC") <sup>1</sup>	Taiwan	92.53	92.50	Provision of surface treatment and advanced precision cleaning for the TFT - LCD (Thin Film Transistor - Liquid Crystal Display) and semi-conductor industries.
<b>Subsidiaries of FMSB</b>				
Frontken (East Malaysia) Sdn. Bhd. ("FEM") <sup>1</sup>	Malaysia	100	100	Provision of surface treatment technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 13. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows: (Cont'd)

Name of Subsidiaries	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2023 %	2022 %	

### Subsidiaries of FMSB (Cont'd)

Frontken (Johor) Sdn. Bhd. <sup>1</sup>	Malaysia	100	100	Provision of surface treatment technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering services.
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### Subsidiaries of FSPL

Frontken Philippines Inc. <sup>1</sup>	Philippines	99.99	99.99	Provision of surface treatment technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
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<sup>1</sup> These subsidiaries were audited by other firms.

<sup>2</sup> Not required to be audited under the laws of the country of incorporation.

<sup>3</sup> TTES is considered a subsidiary of the Group as the Group has control over the operating and management policies of this subsidiary via the board of directors appointed by the Group.

The non-controlling interests at the end of the reporting period comprise the following:

	Effective Equity Interest		The Group	
	2023 %	2022 %	2023 RM	2022 RM
AGTC	7.47	7.5	38,376,481	32,613,529
TTES	55	55	8,744,439	7,245,391
Other individually immaterial subsidiaries			(385,452)	(404,902)
			46,735,468	39,454,018

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 13. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:

	AGTC	
	2023 RM	2022 RM
<u>At 31 December</u>		
Non-current assets	219,340,273	215,658,500
Current assets	441,828,534	367,978,699
Non-current liabilities	(20,963,219)	(20,400,444)
Current liabilities	(126,464,214)	(128,389,695)
<b>Net assets</b>	<b>513,741,374</b>	<b>434,847,060</b>
<u>Financial Year Ended 31 December</u>		
Revenue	327,943,403	347,966,356
Profit for the financial year	108,228,324	116,987,977
Total comprehensive income	127,517,171	100,174,854
Total comprehensive income attributable to non-controlling interests	9,544,018	7,513,114
Dividends paid to non-controlling interests	(3,632,127)	(1,259,942)
Net cash from operating activities	119,117,689	126,583,676
Net cash for investing activities	(9,421,671)	(52,467,393)
Net cash for financing activities	(48,417,965)	(17,917,981)
<u>At 31 December</u>		
Non-current assets	5,670,790	5,174,835
Current assets	26,320,667	24,208,100
Non-current liabilities	(775,401)	(598,656)
Current liabilities	(15,317,281)	(15,611,046)
<b>Net assets</b>	<b>15,898,775</b>	<b>13,173,233</b>
<u>Financial Year Ended 31 December</u>		
Revenue	61,627,710	59,379,479
Profit for the financial year	7,725,542	5,729,421
Total comprehensive income	7,725,542	5,729,421
Total comprehensive income attributable to non-controlling interests	4,249,048	3,151,181
Dividends paid to non-controlling interests	(2,750,000)	(1,650,000)
Net cash from operating activities	10,332,089	2,643,926
Net cash for investing activities	(904,537)	(1,048,543)
Net cash for financing activities	(4,533,986)	(2,035,888)

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 13. INVESTMENTS IN SUBSIDIARIES (CONT'D)

During the financial year, in the month of June 2023, the Company acquired 10,300 ordinary shares of NT\$10 each representing 0.03% of the issued and paid-up share capital of AGTC for a total cash consideration of NT\$1,854,000 (including incidental costs) (equivalent to RM279,113). Following the acquisition, the Group's interest in AGTC increased from 92.50% to 92.53%. The carrying amount of AGTC's net assets shared by the Group on the date of the acquisition was RM459,227,189. The Group recognised a decrease in non-controlling interests of RM148,939 and a decrease in retained earnings of RM130,174.

The following summarises the effect of changes in equity interest in AGTC that is attributable to owners of the Company:

	AGTC 2023 RM
Equity interest at 1 January 2023	402,233,531
Effect of increase in Company's ownership interest	148,939
Share of comprehensive income	72,982,423
<hr/>	
Equity interest at 31 December 2023	475,364,893

In the previous financial year, in the month of January 2022, the Company acquired 240,857 ordinary shares of NT\$10 each representing 0.71% of the issued and paid-up share capital of AGTC for a total cash consideration of NT\$31,311,410 (including incidental costs) (equivalent to RM4,739,381). Following the acquisition, the Group's interest in AGTC increased from 91.79% to 92.50%. The carrying amount of AGTC's net assets shared by the Group on the date of the acquisition was RM322,615,634. The Group recognised a decrease in non-controlling interests of RM2,495,447 and a decrease in retained earnings of RM2,243,934.

The following summarises the effect of changes in equity interest in AGTC that is attributable to owners of the Company:

	AGTC 2022 RM
Equity interest at 1 January 2022	322,615,634
Effect of increase in Company's ownership interest	2,495,447
Share of comprehensive income	77,122,450
<hr/>	
Equity interest at 31 December 2022	402,233,531

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 14. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

Trade receivables of the Group comprise amounts outstanding for the provision of services and sale of goods. The credit periods granted to the customers range from 30 to 180 days (2022: 30 to 180 days).

	The Group	
	2023 RM	2022 RM
Trade receivables	119,596,117	125,166,757
Allowance for impairment losses	(621,147)	(1,080,719)
	<b>118,974,970</b>	<b>124,086,038</b>

Movement in allowance for impairment losses on trade receivables is as follows:

	The Group	
	2023 RM	2022 RM
At 1 January	1,080,719	1,352,272
Allowance for impairment losses	-	759,650
Reversal of allowance for impairment losses	(492,662)	-
Allowance for impairment losses written off	-	(990,999)
Exchange difference	33,090	(40,204)
At 31 December	<b>621,147</b>	<b>1,080,719</b>

Included in trade receivables of the Group are the following amount owing by the related parties:

	The Group	
	2023 RM	2022 RM
AMT Engineering Sdn. Bhd.	6,180	6,505
A & I Engine Rebuilders Sdn. Bhd.	14,690	2,029
Tenaga-Tech (M) Sdn. Bhd.	16,186	6,885
	<b>37,056</b>	<b>15,419</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 14. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

The said amount, which arises mainly from trade transactions, is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

The related parties and their relationships with the Group are as follows:

Name of related parties	Relationship
A & I Engine Rebuilders Sdn. Bhd.	A company in which Sia Chiok Meng, a director of a subsidiary, is also a director and has a financial interest.
AMT Engineering Sdn. Bhd.	A company in which Sia Chiok Meng, a director of a subsidiary, is also a director and has a financial interest.
Tenaga-Tech (M) Sdn. Bhd.	A company in which Mohd Shukri Bin Hitam and Fauziah Binti Hamlawi, directors of a subsidiary, are also directors and have financial interest.

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

	The Group	
	2023 RM	2022 RM
<b>A &amp; I Engine Rebuilders Sdn. Bhd.</b>		
Sales	47,290	34,955
<b>AMT Engineering Sdn. Bhd.</b>		
Sales	26,195	35,969
Purchases	1,196	1,230
Rental expense	144,000	144,000
<b>Tenaga-Tech (M) Sdn. Bhd.</b>		
Sales	40,274	4,280
Purchases	74,417	165,762
<b>Director of a subsidiary</b>		
Rental expense	120,000	120,000

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 14. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

Other receivables, deposits and prepaid expenses consist of:

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Other receivables	2,685,217	11,201,074	16,405	38,319
Deposits	4,035,143	3,636,520	447,195	4,850
Prepayments	11,192,711	3,074,868	28,874	20,520
	17,913,071	17,912,462	492,474	63,689
Less: Other receivables (included under non-current assets)	(991,941)	(160,447)	-	-
Current assets	16,921,130	17,752,015	492,474	63,689

Included in other receivables of the Group is defined benefit plan of RM869,194. (2022: Nil). The detailed information is disclosed in Note 26(a) to the financial statements.

Included in prepayments of the Group is advance payments to suppliers of RM8,958,869 (2022: RM1,237,033) which will be netted-off against subsequent purchase.

## 15. GOODWILL ON CONSOLIDATION

	The Group	
	2023 RM	2022 RM
At 1 January/31 December	33,760,856	33,760,856

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit ("CGU") that is expected to benefit from that business combination.

The carrying amounts of the goodwill allocated to each CGU are as follows:

	The Group	
	2023 RM	2022 RM
FEM	805,812	805,812
AGTC	24,588,453	24,588,453
TTES	8,366,591	8,366,591
	33,760,856	33,760,856

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 15. GOODWILL ON CONSOLIDATION (CONT'D)

The recoverable amounts of the CGUs are determined using the value in use approach, and this is derived from the present value of the future cash flows from each CGU computed based on the projections of financial forecast covering a period of 5 years. The key assumptions used in the determination of the recoverable amounts are as follows:

	2023 %	2022 %
Budgeted gross margin	16 to 59	18 to 58
Growth rates		
- Year 1	3 to 5	3 to 10
- Year 2 to 5	3 to 8	3 to 11
Pre-tax discount rates	17 to 18	15 to 20

- (i) Budgeted gross margin Management determines budgeted gross margin based on past performance and its expectations of market development.
- (ii) Growth rates The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. These calculations use pre-tax cash flow projections based on financial budgets approved by management and extrapolated cash flows for a five-year period based on growth rates consistent with the long-term average growth rate for the industry.
- (iii) Discount rates Management estimates discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risk specific to the CGU. The rate used to discount the forecasted cash flows reflects specific risks and expected returns relating to the industry.
- (iv) Terminal value Terminal value is based on zero growth of projected present value of particular subsidiaries from year 2028 until infinity.

The management believes that there is no reasonable change in the above key assumptions which would cause the carrying amount of the goodwill to exceed its recoverable amounts.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 16. DEFERRED TAX ASSETS/LIABILITIES

	The Group	
	2023 RM	2022 RM
<b>Deferred tax assets</b>		
At 1 January	1,447,198	1,909,744
Transfer from profit or loss (Note 9)	(5,398)	(17,401)
Transfer to other comprehensive expenses	(148,994)	(373,515)
Foreign currency translation differences	51,557	(71,630)
<b>At 31 December</b>	<b>1,344,363</b>	<b>1,447,198</b>
<b>Deferred tax liabilities</b>		
At 1 January	1,141,550	615,155
Transfer (from)/to profit or loss (Note 9)	(144,883)	550,060
Transfer to other comprehensive expenses	(117,230)	-
Foreign currency translation differences	32,210	(23,665)
<b>At 31 December</b>	<b>911,647</b>	<b>1,141,550</b>

The net deferred tax liabilities and assets are in respect of the tax effects of the following:

	The Group Deferred Tax (Assets)/Liabilities	
	2023 RM	2022 RM
Temporary differences arising from property, plant and equipment	237,706	129,775
Others	(670,422)	(435,423)
	<b>(432,716)</b>	<b>(305,648)</b>

As of 31 December 2023, the estimated amount of net deferred tax assets, calculated at the current tax rate which has not been recognised in the financial statements of the Group due to uncertainty of its realisation, is as follows:

	The Group Deferred Tax Assets	
	2023 RM	2022* RM
Temporary differences arising from property, plant and equipment	354,942	409,272

\* The comparative figure has been restated to reflect the revised temporary differences available to the Group.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 17. INVENTORIES

	The Group	
	2023 RM	2022 RM
Raw materials	5,880,002	5,185,582
Work-in-progress	11,116,002	8,479,907
Finished goods	5,334,206	7,616,751
	22,330,210	21,282,240
Recognised in profit or loss:		
Inventories recognised as cost of sales	32,081,756	26,674,613
Inventories written down	358,167	144,513
Reversal of inventories previously written down	(8,375)	(5,719)

The reversal of write-down was in respect of inventories sold above their carrying amounts during the financial year.

## 18. AMOUNT OWING BY SUBSIDIARIES

	The Company	
	2023 RM	2022 RM
Amount owing by:		
Advances	2,989,079	2,989,079
Dividend receivable	1,800,000	1,350,000
	4,789,079	4,339,079
Allowance for impairment losses	(2,989,079)	(2,989,079)
	1,800,000	1,350,000

The amount owing arose from dividend receivable. The amount owing is to be settled in cash.

## 19. SHORT-TERM INVESTMENTS

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Unit trust	29,991,575	9,082,437	17,369,607	7,501,407
Quoted shares	2,656,083	2,903,233	-	-
	32,647,658	11,985,670	17,369,607	7,501,407
Fair value	32,647,658	11,985,670	17,369,607	7,501,407

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 20. FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits with licensed banks of the Group and of the Company at the end of the reporting period bore effective interest rates ranging from 0.86% to 4.8% (2022: 0.10% to 2.50%) and 4.8% (2022: Nil) per annum respectively. The fixed deposits have maturity periods ranging from 2 to 365 days (2022: 90 to 365 days) and 2 days (2022: Nil) for the Group and the Company respectively.

The fixed deposits of the Group amounting to RM539,574 (2022: RM509,269) are pledged to licensed banks as security for bank guarantee facility granted to the Group.

## 21. SHARE CAPITAL

	The Group/The Company			
	2023	2022	2023	2022
	Number of Shares		RM	
<b>Issued and fully paid-up</b>				
At 1 January/At 31 December	1,580,152,675	1,580,152,675	118,441,045	118,441,045

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

## 22. TREASURY SHARES

	The Group/The Company			
	2023	2022	2023	2022
	Number of Shares		RM	
At 1 January	9,201,250	9,201,250	4,747,849	4,747,849
Distribution	(1,955,000)	-	(1,008,780)	-
At 31 December	7,246,250	9,201,250	3,739,069	4,747,849

On 5 December 2023, the Company transferred 1,955,000 of its treasury shares for the settlement of shares granted to employees and directors of the Group under the Share Grant Plan approved by the shareholders at an Extraordinary General Meeting held on 10 June 2022.

As at 31 December 2023, the number of outstanding ordinary shares in issue after the set-off of 7,246,250 (2022: 9,201,250) treasury shares held by the Company is 1,572,906,425 (2022: 1,570,951,425) ordinary shares.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 23. RESERVES

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Non-distributable:				
Foreign currency translation reserve	61,250,289	39,624,182	-	-
Statutory reserve	45,542,573	33,862,259	-	-
Share grant plan reserve	-	4,183,700	-	4,183,700
Distributable:				
Retained earnings	419,671,852	357,105,294	56,466,865	42,992,527
	526,464,714	434,775,435	56,466,865	47,176,227

### Foreign currency translation reserve

The foreign currency translation reserve arose from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the Group's presentation currency.

### Statutory reserve

The statutory reserve is maintained by the Group's subsidiary in Taiwan in accordance with the regulations in that country.

### Share grant plan reserve

The share grant plan ("SGP") reserve represents the equity-settled share granted to eligible person at discretion of SGP committee. The reserve is made up of cumulative value of services received from directors and employees recorded as at grant date of equity-settled share grant and is to be satisfied by the transfer of the Company's treasury shares. The transfer of the treasury shares is to be recognised directly in equity.

The SGP of the Company is governed by the SGP By-Laws and was approved by the shareholders at an Extraordinary General Meeting held on 10 June 2022. The SGP is to be in force for a period of 5 years effective from 17 June 2022.

The main features of SGP are as follows:

- (i) Eligible persons are employees and/or directors of the Group, save for companies which are dormant, who have been confirmed in the employment of the Group and have served for at least 1 year before the date of the offer.
- (ii) The maximum number of new ordinary shares of the Company, which may be available under the scheme, shall not exceed in aggregate 5%, of the total number of issued shares (excluding treasury shares) at any point of time during the SGP period.
- (iii) The SGP price shall be determined by the SGP Committee based on the 5-day volume weighted average market price of ordinary shares of the Company immediately preceding the offer date of the SGP.
- (iv) SGP Committee has made the determination that the stipulated conditions has been fulfilled pursuant to the offer, the SGP Committee shall notify the Grantee of the number of SGP Shares vested/which will be vested in him/her on the Vesting Date. The SGP Committee shall also have the sole and absolute discretion to settle the vesting of the Shares by way of cash to a Grantee.
- (v) The treasury shares are to be transferred upon the vesting of any SGP shares under SGP. The treasury shares shall be transferred together with all dividends, rights, allotments and/or other distributions declared, the entitlement date of which is on or after to the date the treasury shares are credited into the CDS Account of the relevant Grantee.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 23. RESERVES (CONT'D)

The expenses recognised for employee services received were as follows:

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Expenses arising from equity-settled share-based payment transaction	-	4,183,700	-	3,965,420

The details in the movement of the SGP were as follows:

Grant Date	Number of SGP		
	At 1.1.2023	Settled	At 31.12.2023
8 July 2022	1,955,000	(1,955,000)	-

Grant Date	Number of SGP		
	At 1.1.2022	Granted	At 31.12.2022
8 July 2022	-	1,955,000	1,955,000

On 5 December 2023, the 1,955,000 units of SGP were settled by the transfer of 1,955,000 units of treasury shares.

### Warrants

On 4 May 2021, the Company issued 524,137,195 warrants pursuant to bonus issue of warrants to all the entitled shareholders of the Company on the basis of one (1) warrant for every two (2) existing ordinary shares held in the Company.

The warrants are constituted under a Deed Poll dated 14 April 2021 and each warrant entitles the registered holder the right at any time during the exercise period from 4 May 2021 to 3 May 2026 to subscribe in cash for one new ordinary share of the Company at an exercise price of RM4 each. These warrants were listed on the Bursa Malaysia Securities Berhad on 7 May 2021.

As at 31 December 2023, the total number of warrants that remain unexercised were 524,137,195 units.

Salient features of the Warrants 2021/2026 are as follows:

- (i) Each warrant will entitle the registered holder to subscribe for 1 new ordinary share in the Company at an exercise price of RM4 each subject to adjustment in accordance with the conditions stipulated in the Deed Poll;
- (ii) The warrants may be exercised at any time on or before the maturity date falling five years (2021/2026) from the date of issue of the warrants on 4 May 2021. Warrants not exercised after the exercise period will thereafter lapse and cease to be valid;
- (iii) The new shares pursuant to the exercise of the warrants shall, upon allotment issue, rank equally in all respects with the existing ordinary shares of the Company in issue except that they will not be entitled to any dividend, rights, allotments and/or any other forms of distributions that may be declared, made or paid to shareholders, the entitlement date of which is before the allotment and issuance of the new ordinary shares; and
- (iv) The persons to whom the warrants have been granted have no rights to participate in any distribution and/or offer of further securities in the Company until/and unless warrants holders exercise their warrants for new ordinary shares.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 24. BANK BORROWING

	The Group	
	2023 RM	2022 RM
<b>Non-current</b>		
Hire purchase payable	49,047	-
<b>Current</b>		
Hire purchase payable	32,656	-
Money market loan	-	19,719,600
	32,656	19,719,600

In the previous financial year, the short-term borrowings represented money market loan facility obtained by a subsidiary incorporated in Singapore which are rolled over every month. The money market loan facility was secured by legal mortgages over the Group's right-of-use assets as disclosed in Note 12 to the financial statements and a corporate guarantee of the Company.

The interest rate profile of the borrowings of the Group are summarised below:-

	Effective Interest Rate The Group	
	2023 RM	2022 RM
Hire purchase payable	2.51%	-
Money market loan	-	5.50%

## 25. LEASE LIABILITIES

	The Group	
	2023 RM	2022 RM
At 1 January	32,916,569	21,308,831
Interest expense recognised in profit and loss	916,038	804,827
Changes due to reassessment of lease term	-	9,858,908
Changes due to lease modification	187,517	-
Repayment of principal	(3,183,189)	(3,023,873)
Repayment of interest expense	(916,038)	(804,827)
Additions	1,762,290	5,176,431
Exchange difference	1,362,785	(403,728)
At 31 December	33,045,972	32,916,569
Analysed by:		
Current liabilities	3,248,775	2,886,103
Non-current liabilities	29,797,197	30,030,466
At 31 December	33,045,972	32,916,569

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 26. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables of the Group comprise amounts outstanding for trade purchases. The credit periods granted to the Group for trade purchases range from 30 to 90 days (2022: 30 to 90 days).

Other payables and accrued expenses consist of:

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Other payables	86,232,682	55,801,650	13,120	2,400
Accrued expenses	33,450,828	56,693,044	7,265,354	4,346,967
	119,683,510	112,494,694	7,278,474	4,349,367
Less: Other payables (included under non-current liabilities)	(350,732)	(826,453)	-	-
Current liabilities	119,332,778	111,668,241	7,278,474	4,349,367

Included in (other receivables)/other payables are defined benefit plan as detailed below:

	The Group	
	2023 RM	2022 RM
Defined benefit plan (Overseas subsidiaries)		
- Taiwan	(869,194)	47,308
- Philippines	350,732	287,626
- Indonesia	-	491,519
	(518,462)	826,453

(a) Defined benefit plan – Taiwan

	The Group	
	2023 RM	2022 RM
Fair value of plan assets	(883,759)	(7,899,654)
Present value of plan obligations	14,565	7,946,962
	(869,194)	47,308

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 26. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

### (a) Defined benefit plan – Taiwan (Cont'd)

The Group contributes to a defined benefit plan that provides retirement benefits for employees upon retirement based on the following:

- i) 2 months average salary for each year for the first 15 years of working; and
- ii) 1 month average salary for each year subsequent to 15 years of working.

A maximum entitlement for a retired employee is 45 months average salary. The average salary of a retired employee is calculated based on the average 6 months' salary prior to his retirement date.

Plan assets comprise:

	The Group	
	2023 RM	2022 RM
Cash at bank	138,043	1,290,803
Short-term investments	42,332	324,676
Debentures	67,077	512,688
Fixed income investments	133,713	1,237,086
Equity securities	410,064	3,685,188
Others	92,530	849,213
	<b>883,759</b>	<b>7,899,654</b>

Movement in the present value of defined benefit obligations:

	The Group	
	2023 RM	2022 RM
At 1 January	7,946,962	9,630,217
Current service costs and interest	121,070	47,447
Gain on settlement	(690,993)	-
Actuarial gain in other comprehensive income	(163,437)	(1,279,508)
Defined benefit paid	(7,323,706)	-
Defined plan payable	-	(69,953)
Exchange difference	124,669	(381,241)
At 31 December	<b>14,565</b>	<b>7,946,962</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 26. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

### (a) Defined benefit plan – Taiwan (Cont'd)

Movement in the fair value of plan assets:

	The Group	
	2023 RM	2022 RM
At 1 January	7,899,654	7,497,560
Return on plan assets	120,468	37,419
Actuarial (loss)/gain in other comprehensive income	(4,619)	588,065
Contribution paid into the plan	49,392	195,176
Defined benefit paid	(7,323,706)	-
Defined plan payable	-	(69,953)
Exchange difference	142,570	(348,613)
<b>At 31 December</b>	<b>883,759</b>	<b>7,899,654</b>

Expenses recognised in profit or loss:

	The Group	
	2023 RM	2022 RM
Current service costs and interests	121,070	47,447
Gain on settlement	(690,993)	-
Return on plan assets	(120,468)	(37,419)
<b>Net benefit expense</b>	<b>(690,391)</b>	<b>10,028</b>

Actuarial gains recognised directly in other comprehensive income:

	The Group	
	2023 RM	2022 RM
<b>Actuarial gains recognised during the year</b>	<b>127,054</b>	<b>1,494,058</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 26. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

### (a) Defined benefit plan – Taiwan (Cont'd)

The Group's defined benefit plan based on the actuarial valuation performed by an independent actuary adopting the Projected Unit Credit With Service Increment method, with the following principal actuarial assumptions:

	The Group	
	2023	2022
i) Retirement age	65	65
ii) Disability rate (per annum)	10% of mortality rate	10% of mortality rate
iii) Discount rate (per annum)	1.50%	1.50%
iv) Expected rate of salary increases (per annum)	2.75%	2.75%

	The Group	
	2023 (Decrease)/ Increase RM	2022 (Decrease)/ Increase RM
<b>Effect on defined benefit obligations</b>		
Discount rate (per annum)		
- strengthened by 0.25%	(1,172)	(253,917)
- weakened by 0.25%	1,291	265,139
Expected rate of salary increases (per annum)		
- strengthened by 0.25%	1,263	257,561
- weakened by 0.25%	(1,154)	(247,997)

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 26. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

### (b) Defined benefit plan – Philippines

The Group conforms to the minimum regulatory benefit under prevailing law and regulations which is of the defined benefit type.

The normal retirement age is 60. The plan provides a benefit equal to 22.5 days' salary for every year of credited service. The regulatory benefits are paid in lump sum upon retirement.

Movement in the present value of defined benefit obligations:

	The Group	
	2023 RM	2022 RM
At 1 January	287,626	300,063
Current service costs and interest	42,403	36,765
Actuarial loss/(gain) in other comprehensive income	21,208	(12,662)
Defined plan payable	(14,954)	(26,277)
Exchange difference	14,449	(10,263)
<b>At 31 December</b>	<b>350,732</b>	<b>287,626</b>

Expenses recognised in profit or loss:

	The Group	
	2023 RM	2022 RM
Current service costs and interests	42,403	36,765

Actuarial losses and gains recognised directly in other comprehensive income:

	The Group	
	2023 RM	2022 RM
Actuarial (loss)/gain recognised during the year	(21,208)	12,662

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 26. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

### (b) Defined benefit plan – Philippines (Cont'd)

The Group defined benefit plan based on the actuarial valuation performed by an independent actuary adopting the Projected Unit Credit method, with the following principal actuarial assumptions:

	The Group	
	2023	2022
i) Retirement age	60	60
ii) Discount rate (per annum)	5.96%	6.96%
iii) Expected rate of salary increases (per annum)	2.00%	2.00%

	The Group	
	2023 (Decrease)/ Increase RM	2022 (Decrease)/ Increase RM
<b>Effect on defined benefit obligations</b>		
Discount rate (per annum)		
- strengthened by 1%	(8,538)	(4,782)
- weakened by 1%	9,411	5,140
Expected rate of salary increases (per annum)		
- strengthened by 1%	9,695	5,346
- weakened by 1%	(8,937)	(5,054)

### (c) Defined benefit plan – Indonesia

The Group conforms to the obligations relating to the employee benefits due under the prevailing law and regulations.

Movement in the present value of defined benefit obligations:

	The Group	
	2023 RM	2022 RM
At 1 January	491,519	498,194
Current service costs and interest	4,302	63,721
Actuarial gain in other comprehensive income	-	(50,925)
Defined benefit paid	(249,214)	-
Gain on settlement	(277,980)	-
Exchange difference	31,373	(19,471)
At 31 December	-	491,519

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 26. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

### (c) Defined benefit plan – Indonesia (Cont'd)

Expenses recognised in profit or loss:

	The Group	
	2023 RM	2022 RM
Current service costs and interests	4,302	63,721
Gain on settlement	(277,980)	-
	(273,678)	63,721

Actuarial gains recognised directly in other comprehensive income:

	The Group	
	2023 RM	2022 RM
Actuarial gain recognised during the year	-	50,925

The Group defined benefit plan based on the actuarial valuation performed by an independent actuary adopting the Projected Unit Credit method, with the following principal actuarial assumptions:

	The Group	
	2023	2022
i) Retirement age	Not applicable	55
ii) Disability rate (per annum)	Not applicable	1% of mortality rate
iii) Discount rate (per annum)	Not applicable	6.70%
iv) Expected rate of salary increases (per annum)	Not applicable	8.00%

	The Group	
	2023 (Decrease)/ Increase RM	2022 (Decrease)/ Increase RM
<b>Effect on defined benefit obligations</b>		
Discount rate (per annum)		
- strengthened by 1%	-	(12,598)
- weakened by 1%	-	14,155
Expected rate of salary increases (per annum)		
- strengthened by 1%	-	17,391
- weakened by 1%	-	(15,428)

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 27. DIVIDENDS

	The Group/The Company	
	2023	2022
	RM	RM
Second interim single-tier dividend of 2.5 sen per ordinary share in respect of the financial year ended 31 December 2021, paid on 13 April 2022	-	39,273,785
First interim single-tier dividend of 1.6 sen per ordinary share in respect of the financial year ended 31 December 2022, paid on 20 September 2022	-	25,135,222
Second interim single-tier dividend of 2.6 sen per ordinary share in respect of the financial year ended 31 December 2022, paid on 13 July 2023	40,844,736	-
	40,844,736	64,409,007

On 22 February 2024, the Company announced a first interim single-tier dividend of 2.2 sen per ordinary share in respect of the financial year ended 31 December 2023. The financial statements for the current financial year do not reflect this interim dividend. Such dividend will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2024.

## 28. FINANCIAL INSTRUMENTS

The activities of the Group and of the Company are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group and of the Company.

### (a) Financial Risk Management Policies

The policies in respect of the major areas of treasury activity are as follows:

#### Market Risk

##### (i) Foreign currency risk

The Group and the Company are exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar, Singapore Dollar, and others. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### (a) Financial Risk Management Policies (Cont'd)

#### Market Risk (Cont'd)

#### (i) Foreign currency risk (Cont'd)

The exposure to foreign currency risk is as follows:

The Group 2023	Singapore Dollar RM	Ringgit Malaysia RM	United States Dollar RM	Philippine Peso RM	New Taiwan Dollar RM	Others* RM	Total RM
<b>Financial assets</b>							
Trade receivables	12,229,026	16,109,753	13,897,624	12,585,889	64,152,678	-	118,974,970
Other receivables	-	34,285	-	344,452	1,701,878	49,000	2,129,615
Fixed deposits with licensed banks	539,575	-	4,458,381	-	65,842,182	-	70,840,138
Cash and bank balances	38,015,181	9,949,032	71,555,003	1,679,529	194,448,868	525,065	316,172,678
	50,783,782	26,093,070	89,911,008	14,609,870	326,145,606	574,065	508,117,401
<b>Financial liabilities</b>							
Trade payables	3,898,767	3,400,223	4,227,937	384,504	11,007,610	70,337	22,989,378
Other payables and accrued expenses	4,999,431	14,081,271	27,719	105,152	72,518,981	7,652	91,740,206
	8,898,198	17,481,494	4,255,656	489,656	83,526,591	77,989	114,729,584
Net financial assets	41,885,584	8,611,576	85,655,352	14,120,214	242,619,015	496,076	393,387,817
Less: Net financial assets denominated in the respective entities' functional currencies	(10,983,058)	(8,611,576)	-	(14,120,214)	(242,619,015)	(564,677)	(276,898,540)
Currency exposure	30,902,526	-	85,655,352	-	-	(68,601)	116,489,277

\* Denominated in Euro, Great Britain Pound, Indonesian Rupiah and Chinese Renminbi.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### (a) Financial Risk Management Policies (Cont'd)

#### Market Risk (Cont'd)

#### (i) Foreign currency risk (Cont'd)

The exposure to foreign currency risk is as follows: (Cont'd)

The Group 2022	Singapore Dollar RM	Ringgit Malaysia RM	United States Dollar RM	Philippine Peso RM	New Taiwan Dollar RM	Others* RM	Total RM
<b>Financial assets</b>							
Trade receivables	12,238,498	26,883,992	16,065,989	10,968,961	57,879,454	49,144	124,086,038
Other receivables	-	176,104	-	672,139	9,853,048	45,946	10,747,237
Fixed deposits with licensed banks	509,269	1,000,000	-	-	11,651,769	-	13,161,038
Cash and bank balances	10,817,476	13,364,152	64,722,956	1,544,791	226,801,955	107,260	317,358,590
	23,565,243	41,424,248	80,788,945	13,185,891	306,186,226	202,350	465,352,903
<b>Financial liabilities</b>							
Trade payables	3,183,104	7,761,842	923,042	823,108	14,751,288	218,473	27,660,857
Other payables and accrued expenses	5,153,671	10,012,288	226,408	157,844	65,597,390	33,834	81,181,435
	8,336,775	17,774,130	1,149,450	980,952	80,348,678	252,307	108,842,292
Net financial assets/(liability)	15,228,468	23,650,118	79,639,495	12,204,939	225,837,548	(49,957)	356,510,611
Less: Net financial assets/(liability) denominated in the respective entities' functional currencies	(15,258,239)	(23,650,118)	-	(12,204,939)	(225,837,548)	(115,842)	(277,066,686)
Currency exposure	(29,771)	-	79,639,495	-	-	(165,799)	79,443,925

\* Denominated in Euro, Great Britain Pound, Indonesian Rupiah and Japanese Yen.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### (a) Financial Risk Management Policies (Cont'd)

#### Market Risk (Cont'd)

#### (i) Foreign currency risk (Cont'd)

The Company 2023	United States Dollar RM	Ringgit Malaysia RM	Total RM
<u>Financial assets</u>			
Fixed deposits with licensed banks	4,458,381	-	4,458,381
Cash and bank balances	-	738,468	738,468
	4,458,381	738,468	5,196,849
Less: Net financial asset denominated in the entity's functional currency	-	(738,468)	(738,468)
Currency exposure	4,458,381	-	4,458,381

The Company 2022	Singapore Dollar RM	Ringgit Malaysia RM	Total RM
<u>Financial asset</u>			
Cash and bank balances	308,851	2,466,447	2,775,298
	308,851	2,466,447	2,775,298
Less: Net financial asset denominated in the entity's functional currency	-	(2,466,447)	(2,466,447)
Currency exposure	308,851	-	308,851

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### (a) Financial Risk Management Policies (Cont'd)

#### Market Risk (Cont'd)

#### (i) Foreign currency risk (Cont'd)

##### Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
<b>Effects on profit after taxation/equity</b>				
Singapore Dollar:				
- strengthened by 5%	1,545,126	(1,489)	-	15,443
- weakened by 5%	(1,545,126)	1,489	-	(15,443)
United States Dollar:				
- strengthened by 5%	4,282,768	3,981,975	222,919	-
- weakened by 5%	(4,282,768)	(3,981,975)	(222,919)	-
Others*:				
- strengthened by 5%	(3,430)	(8,290)	-	-
- weakened by 5%	3,430	8,290	-	-

\* Denominated in Chinese Renminbi, Euro, Great Britain Pound, Indonesian Rupiah and Japanese Yen.

#### (ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The exposure to interest rate risk arises mainly from investments in fixed rate debt securities and short-term borrowing with variable rate. The Group and the Company adopt a policy of obtaining the most favourable interest rates available and by maintaining a balanced portfolio of mix of fixed and floating rate borrowings.

The fixed rate debt instruments of the Group and of the Company are not subject to interest rate risk since neither carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

##### Interest Rate Risk Sensitivity Analysis

The Group and the Company do not have any floating rate borrowings and hence, no sensitivity analysis is presented.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### (a) Financial Risk Management Policies (Cont'd)

#### Market Risk (Cont'd)

#### (iii) Equity price risk

The exposure to equity price risk arises mainly from changes in quoted investment prices of the Group. The Group manages its exposure to equity price risk by maintaining a portfolio of equities with different risk profiles.

#### Equity Price Risk Sensitivity Analysis

If prices for quoted investments at the end of the reporting period strengthened by 10% (2022: 10%) with all other variables being held constant, the Group's and the Company's profit after taxation would have increased by RM3,264,766 and RM1,736,961 (2022: RM1,198,567 and RM750,141) respectively. A 10% (2022: 10%) weakening in the quoted prices would have had an equal but opposite effect on the Group's and the Company's profit after taxation.

#### Credit Risk

The exposure to credit risk, or the risk of counterparties defaulting, arises mainly from receivables. The Group and the Company manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Also, the Company's exposure to credit risk includes loans and advances to subsidiaries, and corporate guarantee given to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the ability of the subsidiaries to serve their loans on an individual basis.

#### (i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by 2 (2022: 2) customers which constituted approximately 34% (2022: 27%) of its total trade receivables (including related parties) as at the end of the reporting period.

#### (ii) Maximum exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiaries as disclosed under the liquidity risk's 'Maturity Analysis' of item (i) below, representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition were not material.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### (a) Financial Risk Management Policies (Cont'd)

#### Credit Risk (Cont'd)

#### (iii) Assessment of impairment losses

The Group has an informal credit policy in place and the exposure to credit risk is monitored on an ongoing basis through periodic review of the ageing of the receivables. The Group closely monitors the receivables' financial strength to reduce the risk of loss.

At each reporting date, the Group assesses whether any of the financial assets at amortised cost are credit impaired.

The gross carrying amount of financial asset is written off against the associated impairment, if any, when there is no reasonable expectation of recovery-despite the fact that they are still subject to enforcement activities.

A financial asset is credit impaired when any of following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:

- Significant financial difficulty of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty; and
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

The Group considers a receivable to be in default when the receivable is unlikely to repay its debt to the Group in full or is more than 365 days past due. The Group uses a more lagging past due criterion for certain trade receivables when it is more appropriate to reflect their loss patterns.

- Trade receivables

The Group applies the simplified approach to measure expected credit losses which using a lifetime expected credit loss allowance for all trade receivables.

#### *Inputs, Assumptions and Techniques used for Estimating Impairment Losses*

To measure the expected credit losses, trade receivables (including related parties) have been grouped based on shared credit risk characteristics and the days past due.

The Group measures the expected credit losses of certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

The expected loss rates are based on the payment profiles of sales over 60 months (2022: 48 months) before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the trade receivables to settle their debts using the linear regressive analysis. The Group has identified the Gross Domestic Product as the key macroeconomic factor of the forward-looking information.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

Credit Risk (Cont'd)

(iii) Assessment of impairment losses (Cont'd)

- Trade receivables (Cont'd)

Allowance for Impairment Losses

The Group	Gross Amount RM	Lifetime Individual Impairment RM	Lifetime Collective Impairment RM	Carrying Amount RM
<b>2023</b>				
Not past due	96,838,682	-	-	96,838,682
Past due:				
- less than 1 month	14,165,909	-	-	14,165,909
- 1 to 9 months	8,226,218	-	(266,668)	7,959,550
- over 9 months	365,308	(209,315)	(145,164)	10,829
<b>Trade receivables</b>	<b>119,596,117</b>	<b>(209,315)</b>	<b>(411,832)</b>	<b>118,974,970</b>
<b>2022</b>				
Not past due	96,183,959	-	-	96,183,959
Past due:				
- less than 1 month	16,255,621	-	-	16,255,621
- 1 to 9 months	12,140,080	-	(493,622)	11,646,458
- over 9 months	587,097	(224,883)	(362,214)	-
<b>Trade receivables</b>	<b>125,166,757</b>	<b>(224,883)</b>	<b>(855,836)</b>	<b>124,086,038</b>

The movements in the loss allowances in respect of trade receivables is disclosed in Note 14 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### (a) Financial Risk Management Policies (Cont'd)

#### Credit Risk (Cont'd)

#### (iii) Assessment of impairment losses (Cont'd)

- Other receivables

The Group and the Company apply the 3-stage general approach to measuring expected credit losses for its other receivables.

#### *Inputs, Assumptions and Techniques used for Estimating Impairment Losses*

Under this approach, the Group and the Company assess whether there is a significant increase in credit risk for receivables by comparing the risk of a default as at the reporting date with the risk of default as at the date of initial recognition. The Group and the Company consider there has been a significant increase in credit risk when there are changes in contractual terms or delay in payment. Regardless of the assessment, a significant increase in credit risk is presumed if a receivable is more than 30 days past due in making a contractual payment.

The Group and the Company use 3 categories to reflect their credit risk and how the loss allowance is determined for each category:

Category	Definition of Category	Loss Allowance
Performing:	Receivables have a low risk of default and a strong capacity to meet contractual cash flows	12-months expected credit losses
Underperforming:	Receivables for which there is a significant increase in credit risk	Lifetime expected credit losses
Not performing:	There is evidence indicating the receivable is credit impaired or more than 90 days past due	Lifetime expected credit losses

The Group and the Company measure the expected credit losses of receivables having significant balances, receivables that are credit impaired and receivables with a high risk of default on individual basis. Other receivables are grouped based on shared credit risk characteristics and assessed on collective basis.

Loss allowance is measured on either 12-month expected credit losses or lifetime expected credit losses, by considering the likelihood that the receivable would not be able to repay during the contractual period (probability of default, PD), the percentage of contractual cash flows that will not be collected if default happens (loss given default, LGD) and the outstanding amount that is exposed to default risk (exposure at default).

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### (a) Financial Risk Management Policies (Cont'd)

#### Credit Risk (Cont'd)

#### (iii) Assessment of impairment losses (Cont'd)

- Other receivables (Cont'd)

#### *Inputs, Assumptions and Techniques used for Estimating Impairment Losses (Cont'd)*

In deriving the PD and LGD, the Group and the Company consider the receivable's past payment status and its financial condition as at the reporting date. The PD is adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the receivable to settle its debts using the linear regressive analysis. The Group and the Company have identified the Gross Domestic Product as the key macroeconomic factor of the forward-looking information.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year.

#### *Allowance for Impairment Losses*

Based on the assessment performed, the identified impairment loss was immaterial and hence, it is not provided for.

- Fixed deposits with licensed banks, cash and bank balances

The Group and the Company consider the licensed banks have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group and the Company are of the view that the loss allowance is immaterial and hence, it is not provided for.

- Amount owing by subsidiaries

The Company applies the 3-stage general approach to measuring expected credit losses for amount owing by subsidiaries.

#### *Inputs, Assumptions and Techniques used for Estimating Impairment Losses*

The Company measures the expected credit losses on individual basis, which is aligned with its credit risk management practices on the inter-company balances.

The Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded.

For loans and advances that are repayable on demand, impairment loss is assessed based on the assumption that repayment of the outstanding balances is demanded at the reporting date. If the subsidiary does not have sufficient highly liquid resources when the loans and advances are demanded, the Company will consider the expected manner of recovery to measure the impairment loss; the recovery manner could be either through 'repayable over time' or a fire sale of less liquid assets by the subsidiary.

For loans and advances that are not repayable on demand, impairment loss is measured using techniques that are similar for estimating the impairment losses of other receivables as disclosed above.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### (a) Financial Risk Management Policies (Cont'd)

#### Credit Risk (Cont'd)

#### (iii) Assessment of impairment losses (Cont'd)

- Amount owing by subsidiaries (Cont'd)

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year.

#### *Allowance for Impairment Losses*

The Company	Gross Amount RM	Lifetime Loss Allowance RM	Carrying Amount RM
<b>2023</b>			
Low credit risk	4,789,079	(2,989,079)	1,800,000
<b>2022</b>			
Low credit risk	4,339,079	(2,989,079)	1,350,000

The movements in the loss allowances are disclosed in Note 18 to the financial statements.

- Financial Guarantee Contracts

Corporate guarantees for borrowing facilities granted to subsidiaries are financial guarantee contract.

#### *Inputs, Assumptions and Techniques used for Estimating Impairment Losses*

The Company closely monitors the subsidiaries' financial strength to reduce the risk of loss.

The Company considers there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. A financial guarantee contract is credit impaired when:

- The subsidiary is unlikely to repay its obligation to the bank in full; or
- The subsidiary is having a deficit in equity and is continuously loss making.

The Company determines the probability of default of the guaranteed amounts individually using internal information available.

#### *Allowance for Impairment Losses*

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### (a) Financial Risk Management Policies (Cont'd)

#### Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Group and the Company practise prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

#### (i) Maturity analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

The Group 2023	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 year RM	1 - 5 years RM	Over 5 years RM
<u>Non-derivative financial liabilities</u>						
Lease liabilities	1.25 - 6.70	33,045,972	41,731,193	4,044,102	8,745,138	28,941,953
Trade payables	-	22,989,378	22,989,378	22,989,378	-	-
Other payables and accrued expenses	-	91,740,206	91,740,206	91,740,206	-	-
Bank borrowing	2.51	81,703	86,621	35,844	50,777	-
		147,857,259	156,547,398	118,809,530	8,795,915	28,941,953

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### (a) Financial Risk Management Policies (Cont'd)

#### Liquidity risk (Cont'd)

#### (i) Maturity analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period): (Cont'd)

The Group 2022	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 year RM	1 - 5 years RM	Over 5 years RM
Non-derivative financial liabilities						
Lease liabilities	4.53 - 5.70	32,916,569	43,041,620	3,745,427	10,103,467	29,192,726
Trade payables	-	27,660,857	27,660,857	27,660,857	-	-
Other payables and accrued expenses	-	81,181,435	81,181,435	81,181,435	-	-
Bank borrowing	5.5	19,719,600	19,719,600	19,719,600	-	-
		161,478,461	171,603,512	132,307,319	10,103,467	29,192,726

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

Liquidity risk (Cont'd)

(i) Maturity analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period): (Cont'd)

The Company 2023	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 year RM
<u>Non-derivative financial liabilities</u>			
Other payables and accrued expenses	7,278,474	7,278,474	7,278,474

The Company 2022	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 year RM
<u>Non-derivative financial liabilities</u>			
Other payables and accrued expenses	4,349,367	4,349,367	4,349,367
Financial guarantee contracts in relation to corporate guarantee given to subsidiaries	-	19,719,600	19,719,600
	4,349,367	24,068,967	24,068,967

The contractual undiscounted cash flows of the financial guarantee contracts represent the outstanding credit facilities of the subsidiaries at the end of the reporting period. The financial guarantees have not been recognised in the financial statements since their fair value on initial recognition were not material.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### (b) Capital Risk Management

The Group and the Company manage their capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group and the Company may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group and the Company manage their capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as external borrowings less cash and bank balances and fixed deposits with licensed banks.

There was no change in the approach to capital management during the financial year.

The debt-to-equity ratio is not disclosed in the financial statements as the external borrowing is insignificant.

### (c) Classification of Financial Instruments

	The Group 2023 RM	The Company 2023 RM
<b>Financial Assets</b>		
<u>Fair Value through Profit or Loss</u>		
Short-term investments	32,647,658	17,369,607
<u>Amortised Cost</u>		
Trade receivables	118,974,970	-
Other receivables	2,129,615	16,405
Amount owing by subsidiaries	-	1,800,000
Fixed deposits with licensed banks	70,840,138	4,458,381
Cash and bank balances	316,172,678	738,468
	508,117,401	7,013,254
<b>Financial Liability</b>		
<u>Amortised Cost</u>		
Trade payables	22,989,378	-
Other payables and accrued expenses	91,740,206	7,278,474
Bank borrowing	81,703	-
	114,811,287	7,278,474

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### (c) Classification of Financial Instruments (Cont'd)

	The Group 2022 RM	The Company 2022 RM
<b>Financial Assets</b>		
<u>Fair Value through Profit or Loss</u>		
Short-term investments	11,985,670	7,501,407
<u>Amortised Cost</u>		
Trade receivables	124,086,038	-
Other receivables	10,747,237	38,319
Amount owing by subsidiaries	-	1,350,000
Fixed deposits with licensed banks	13,161,038	-
Cash and bank balances	317,358,590	2,775,298
	465,352,903	4,163,617
<b>Financial Liability</b>		
<u>Amortised Cost</u>		
Trade payables	27,660,857	-
Other payables and accrued expenses	81,181,435	4,349,367
Bank borrowing	19,719,600	-
	128,561,892	4,349,367

### (d) Gains or Losses Arising from Financial Instruments

	The Group 2023 RM	The Company 2023 RM
<b>Financial Assets</b>		
<u>Fair Value through Profit or Loss</u>		
Net gains recognised in profit or loss	1,298,037	346,232
<u>Amortised Cost</u>		
Net gains recognised in profit or loss	3,280,206	236,045
<b>Financial Liability</b>		
<u>Amortised Cost</u>		
Net losses recognised in profit or loss	(115,806)	-

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

(d) Gains or Losses Arising from Financial Instruments (Cont'd)

	The Group 2022 RM	The Company 2022 RM
<b>Financial Assets</b>		
<u>Fair Value through Profit or Loss</u>		
Net gains recognised in profit or loss	498,708	350,908
<hr/>		
<u>Amortised Cost</u>		
Net gains recognised in profit or loss	1,982,835	200,276
<hr/>		
<b>Financial Liability</b>		
<u>Amortised Cost</u>		
Net gains recognised in profit or loss	44,431	-
<hr/>		

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### (e) Fair Value Information

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:

The Group	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
<b>2023</b>								
<u>Financial Asset</u>								
Short-term investments:								
- quoted share	2,656,083	-	-	-	-	-	2,656,083	2,656,083
- unit trusts	-	29,991,575	-	-	-	-	29,991,575	29,991,575
<u>Financial liability</u>								
Bank borrowing	-	-	-	-	81,703	-	81,754	81,703
<b>2022</b>								
<u>Financial Asset</u>								
Short-term investments:								
- quoted share	2,903,233	-	-	-	-	-	2,903,233	2,903,233
- unit trusts	-	9,082,437	-	-	-	-	9,082,437	9,082,437
<u>Financial liability</u>								
Bank borrowing	-	-	-	-	19,719,600	-	19,719,600	19,719,600

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### (e) Fair Value Information (Cont'd)

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period: (Cont'd)

The Company	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
	RM	RM	RM	RM	RM	RM	RM	RM
<b>2023</b>								
<u>Financial Asset</u>								
Short-term investments	-	17,369,607	-	-	-	-	17,369,607	17,369,607
<b>2022</b>								
<u>Financial Asset</u>								
Short-term investments	-	7,501,407	-	-	-	-	7,501,407	7,501,407

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### (e) Fair Value Information (Cont'd)

#### (i) Fair Value of Financial Instruments Carried at Fair Value

- The fair value of unit trusts is determined by reference to statements provided by the respective financial institutions, with which the investments were entered into.
- The fair value of quoted share is determined at their quoted closing bid prices at the end of the reporting period.
- There were no transfers between level 1 and level 2 during the financial year.

#### (ii) Fair Value of Financial Instruments Not Carried at Fair Value

- The fair value of bank borrowing that carries fixed interest rate is determined by discounting the relevant future contractual cash flows using current market interest rate for similar instrument at the end of the reporting period. The interest rate used to discount the estimated cash flows is as follows:

	The Group		The Company	
	2023 %	2022 %	2023 %	2022 %
Hire purchase payable	2.62	-	-	-
Bank borrowing	-	5.50	-	-

## 29. COMMITMENTS

As of financial year end, the Group has the following capital commitments:

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Purchase of property, plant and equipment	12,459,095	1,718,241	3,981,825	-

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 30. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property, plant and equipment is as follows:

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Cost of property, plant and equipment purchased	15,244,018	52,660,343	7,249	10,779
Less: Acquired through hire purchase arrangements	(100,000)	-	-	-
	15,144,018	52,660,343	7,249	10,779

(b) The reconciliations of liabilities arising from financing activities are as follows:

The Group 2023	Bank Borrowings RM	Lease Liabilities RM	Total RM
At 1 January	19,719,600	32,916,569	52,636,169
<u>Changes in Financing Cash Flows</u>			
Repayment of borrowing principal	(20,890,498)	(3,183,189)	(24,073,687)
Repayment of borrowing interests	(134,186)	(916,038)	(1,050,224)
<u>Other changes</u>			
Interest expense recognised in profit or loss	134,186	916,038	1,050,224
Drawdown of hire purchase	100,000	-	100,000
Additions	-	1,762,290	1,762,290
Changes due to lease modification	-	187,517	187,517
Foreign exchange adjustment	1,152,601	1,362,785	2,515,386
	1,386,787	4,228,630	5,615,417
At 31 December	81,703	33,045,972	33,127,675

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 30. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):

The Group 2022	Bank Borrowing RM	Lease Liabilities RM	Total RM
At 1 January	-	21,308,831	21,308,831
<u>Changes in Financing Cash Flows</u>			
Drawdown	19,719,600	-	19,719,600
Repayment of borrowing principal	-	(3,023,873)	(3,023,873)
Repayment of borrowing interests	(26,034)	(804,827)	(830,861)
<u>Other changes</u>			
Interest expense recognised in profit or loss	26,034	804,827	830,861
Additions	-	5,176,431	5,176,431
Changes due to reassessment of lease term	-	9,858,908	9,858,908
Foreign exchange adjustment	-	(403,728)	(403,728)
	26,034	15,436,438	15,462,472
At 31 December	19,719,600	32,916,569	52,636,169

(c) The cash and cash equivalents comprise the following:

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Cash and bank balances	316,172,678	317,358,590	738,468	2,775,298
Fixed deposits with licensed banks	70,840,138	13,161,038	4,458,381	-
Short-term investments - unit trust	29,991,575	9,082,437	17,369,607	7,501,407
	417,004,391	339,602,065	22,566,456	10,276,705
Less: Fixed deposits pledged with licensed banks	(539,574)	(509,269)	-	-
Less: Fixed deposits with maturity period more than 3 months	(12,093,462)	(11,651,769)	-	-
Cash and cash equivalents	404,371,355	327,441,027	22,566,456	10,276,705

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 30. CASH FLOW INFORMATION (CONT'D)

(d) The total cash outflows for leases as a lessee are as follows:

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Payment of short-term leases	2,266,682	2,036,629	102,120	102,120
Payment of low value assets	65,919	92,514	-	-
Interest paid on lease liabilities	916,038	804,827	-	-
Payment of lease liabilities	3,183,189	3,023,873	-	-
	<b>6,431,828</b>	<b>5,957,843</b>	<b>102,120</b>	<b>102,120</b>

## STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, **NG WAI PIN** and **NG CHEE WHYE**, being two of the directors of **FRONTKEN CORPORATION BERHAD**, state that, in the opinion of the directors, the financial statements set out on pages 83 to 161 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2023 and of their financial performance and cash flows for the financial year ended on that date.

Signed on behalf of the Board in accordance  
with a resolution of the directors,

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**NG WAI PIN**

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**NG CHEE WHYE**

27 March 2024

## DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, **WONG CHEE WAI**, MIA Membership Number: 25505, being the officer primarily responsible for the financial management of **FRONTKEN CORPORATION BERHAD**, do solemnly and sincerely declare that the financial statements of the Group and of the Company set out on pages 83 to 161 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.

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**WONG CHEE WAI**

Subscribed and solemnly declared by the  
abovementioned **WONG CHEE WAI** at  
**KUALA LUMPUR** this 27th day of March 2024.

Before me,  
Shaiful Hilmi Bin Halim (No. W-804)  
COMMISSIONER FOR OATHS

# LIST OF PROPERTIES

Address	Description/ Existing use	Land area/ Built-up area sq m	Approximate age of building	Tenure	Audited net book value as at 31.12.2023 RM'000	Date of acquisition
<b>Frontken (Singapore) Pte Ltd (FS)</b>						
Pte Lot A12843 (to be known as Pte Lot A21020)	2 factory buildings with mezzanine office and a 4-storey factory to house production facilities	11,154/ 11,213	27 years, 37 years & 13 years	Leasehold expiring on 19.07.2039	12,697	01.08.2001
Bearing postal address: 156A Gul Circle Singapore 629614						
<b>FS</b>						
Pte Lot A22490 (to be known as Pte Lot A1355601)	4-storey factory building to house production facilities and R&D activities	4,877/ 3,147	22 years	Leasehold expiring on 30.04.2026	578	18.03.2005
Bearing postal address: 15 Gul Drive Singapore 629466						
<b>Frontken Malaysia Sdn Bhd (FM)</b>						
177296 Lot 38206 Pekan Baru Hicom Daerah Petaling Selangor Darul Ehsan	1½-storey detached factory building to house production facilities	2,023/ 1,006	27 years	Freehold	1,799	17.03.2003
Bearing postal address: Lot 2-46 Jalan Subang Utama 7 Taman Perindustrian Subang Utama Seksyen 22 40300 Shah Alam Selangor Darul Ehsan						
<b>FM</b>						
177293 Lot 38196 Pekan Baru Hicom Daerah Petaling Selangor Darul Ehsan	Vacant industrial land	2,177/ -	N/A	Freehold	1,500	04.07.2007
Bearing postal address: Lot 2-47 Jalan Subang Utama 8 Taman Perindustrian Subang Utama Seksyen 22 40300 Shah Alam Selangor Darul Ehsan						

# LIST OF PROPERTIES (CONT'D)

Address	Description/ Existing use	Land area/ Built-up area sq m	Approximate age of building	Tenure	Audited net book value as at 31.12.2023 RM'000	Date of acquisition
<b>FM</b>						
GRN 210078 Lot 4494 Seksyen 39 Bandar Kulim Daerah Kulim Kedah Darul Aman	Single-storey detached factory building to house production facilities and R&D activities	12,141/ 3,299	18 years	Leasehold expiring on 08.05.2066	5,403	23.12.2005
Bearing postal address: PT1923, Jalan Hi Tech 2/3 Industrial Zone Phase 1 Kulim Hi-Tech Industrial Park, 09090 Kulim Kedah Darul Aman						
<b>FM</b>						
GRN 210078 Lot 4494 Seksyen 39 Bandar Kulim Daerah Kulim Kedah Darul Aman	Vacant industrial land	15,419/ -	N/A	Leasehold expiring on 08.05.2066	1,516	09.11.2007
Bearing postal address: PT 1923 Jalan Hi Tech 2/3 Industrial Zone Phase 1 Kulim Hi-Tech Industrial Park, 09090 Kulim Kedah Darul Aman						
<b>Ares Green Technology Corporation (AGTC)</b>						
0273-0000, 0276-0000 & 0277-0000	A single-storey factory building and a 2-storey factory building to house production facilities and R&D activities and a 2-storey office building	16,966/ 17,371	23 years	Freehold	50,311	14.06.2004
Bearing postal address: No. 17, Bade Road Xinying Dist. Tainan City 730014 Taiwan, R.O.C.						
<b>AGTC</b>						
0007-0000, 0022-0000, 0027-0000 & 0027-0004 ~ 0027-0025	Storage area	2,308/ -	N/A	Freehold	10,810	29.12.2021
Bearing postal address: Taizi Road, Xinying Dist. Tainan City, Taiwan R.O.C.						

# LIST OF PROPERTIES (CONT'D)

Address	Description/ Existing use	Land area/ Built-up area sq m	Approximate age of building	Tenure	Audited net book value as at 31.12.2023 RM'000	Date of acquisition
<b>AGTC</b>						
0132-0000	A single-storey factory building to house production facilities and R&D activities	18,767/ 10,972	9 years	Leasehold expiring on 07.07.2041	61,214	13.07.2021
Bearing postal address: No. 6-2, Luke 3rd Road Luzhu Dist. Kaohsiung City 821011, Taiwan R.O.C.						
<b>PT Frontken Indonesia</b>						
NIB No. 28.04.02.19.00499 28.04.02.19.00497 28.04.02.19.00495 28.04.02.19.00493 28.04.02.19.00492 28.04.02.19.00490	A single-storey factory building to house production facilities and office	5,385/ 3,222	39 years	Leasehold expiring on 17.10.2039 & 19.05.2041	1,226	12.12.2011
Bearing postal address: Jl. Raya Serang KM.13 RT.003/RW.002 Kp. Cirewed Sukadamai - Cikupa Tangerang Banten Indonesia 15710						
<b>TTES Frontken Integrated Services Sdn Bhd</b>						
Lot 3687 & 3688 Kawasan Perindustrian Teluk Kalong 24000 Terengganu	Vacant industrial land	4,133/ -	N/A	Leasehold expiring on 22.08.2057	209	08.12.2009
Bearing postal address: Lot 3687 & 3688 Kawasan Perindustrian Teluk Kalong 24000 Terengganu						

# SHAREHOLDINGS STATISTICS

## AS AT 29 MARCH 2024

Issued and Paid-up Share Capital : RM118,441,045 comprising 1,580,152,675 ordinary shares  
 Class of shares : Ordinary shares  
 Voting rights : One vote per share

### DISTRIBUTION OF SHAREHOLDINGS AS AT 29 MARCH 2024

Size of holdings	No. of shareholders	% of shareholders	*No. of shares	*% of issued capital
Less than 100	654	7.6	30,530	~
100 – 1,000	2,330	26.9	1,381,912	0.1
1,001 – 10,000	3,876	44.8	14,704,779	0.9
10,001 – 100,000	1,135	13.1	37,987,624	2.4
100,001 to less than 5% of issued shares	655	7.6	1,254,764,371	79.8
5% and above of issued shares	2	~	264,037,209	16.8
<b>Total</b>	<b>8,652</b>	<b>100.0</b>	<b>1,572,906,425</b>	<b>100.0</b>

Notes:

~ Negligible

\* Excluding 7,246,250 shares held as treasury shares as at 29 March 2024

Distribution of shareholdings based on Record of Depositors

### DIRECTORS' SHAREHOLDINGS AS AT 29 MARCH 2024

The shareholdings of the directors of the Company and the number of shares held by them as recorded in the Register of Director Shareholdings at the date of this statement are as follows:

No.	Name	Direct		Indirect	
		No. of shares	*%	No. of shares	*%
1.	Ng Wai Pin	12,009,350	0.8	264,037,209	16.8
2.	Dr Tay Kiang Meng	14,127,212	0.9	-	-
3.	Ng Chee Whye	125,000	~	168,580	~
4.	Gerald Chiu Yoong Chian	-	-	-	-
5.	Koh Huey Min	-	-	3,000	~
6.	YM Raja Jastina Adlina Binti Raja Arshad	-	-	-	-

Notes:

~ Negligible

\* Excluding 7,246,250 shares held as treasury shares as at 29 March 2024

# SHAREHOLDINGS STATISTICS

## AS AT 29 MARCH 2024 (CONT'D)

### SUBSTANTIAL SHAREHOLDERS AS AT 29 MARCH 2024

No.	Name	Direct		Indirect	
		No. of shares	%	No. of shares	%
1.	Dazzle Clean Ltd	264,037,209	16.8	-	-
2.	Employees Provident Fund Board	140,640,034	8.9	-	-

#### Notes:

\* Excluding 7,246,250 shares held as treasury shares as at 29 March 2024

Substantial shareholders based on Register of Substantial Shareholders

### THIRTY LARGEST SHAREHOLDERS

(As extracted from the Record of Depositors as at 29 March 2024)

No.	Shareholders	No. of shares	% of issued capital
1	RHB Capital Nominees (Asing) Sdn Bhd <i>Dazzle Clean Ltd</i>	149,702,326	9.52
2	Dazzle Clean Ltd	114,334,883	7.27
3	Citigroup Nominees (Tempatan) Sdn Bhd <i>Exempt An For AIA Bhd.</i>	59,940,150	3.81
4	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board</i>	30,933,623	1.97
5	Citigroup Nominees (Asing) Sdn Bhd <i>Exempt An For Citibank New York (Norges Bank 19)</i>	30,479,067	1.94
6	Amanahraya Trustees Berhad <i>Public Islamic Opportunities Fund</i>	27,086,700	1.72
7	Kumpulan Wang Persaraan (Diperbadankan)	23,495,500	1.49
8	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (Nomura)</i>	23,000,000	1.46
9	Amanahraya Trustees Berhad <i>Public Islamic Dividend Fund</i>	22,198,750	1.41
10	Amanahraya Trustees Berhad <i>Public Islamic Select Treasures Fund</i>	21,958,500	1.40
11	CIMB Group Nominees (Tempatan) Sdn Bhd <i>CIMB Commerce Trustee Berhad - Kenanga Growth Fund</i>	21,480,000	1.37
12	Citigroup Nominees (Asing) Sdn Bhd <i>CBHK For Kuwait Investment Authority (Fund 208)</i>	17,854,000	1.14
13	CIMB Group Nominees (Tempatan) Sdn Bhd <i>CIMB Commerce Trustee Berhad For Kenanga Shariah Growth Opportunities Fund (50156 TR01)</i>	17,566,700	1.12
14	HSBC Nominees (Asing) Sdn Bhd <i>JPMCB NA For Vanguard Total International Stock Index Fund</i>	17,182,250	1.09

# SHAREHOLDINGS STATISTICS

## AS AT 29 MARCH 2024 (CONT'D)

### THIRTY LARGEST SHAREHOLDERS (CONT'D)

(As extracted from the Record of Depositors as at 29 March 2024)

No. Shareholders	No. of shares	*% of issued capital
15 Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (AHAM AM)</i>	16,941,200	1.08
16 Citigroup Nominees (Asing) Sdn Bhd <i>UBS AG</i>	16,840,756	1.07
17 HSBC Nominees (Asing) Sdn Bhd <i>JPMCB NA For Vanguard Emerging Markets Stock Index Fund</i>	16,409,550	1.04
18 Tay Kiang Meng	14,127,212	0.90
19 Cartaban Nominees (Asing) Sdn Bhd <i>Exempt An For State Street Bank &amp; Trust Company (West CLT OD67)</i>	13,541,650	0.86
20 Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (ASIANISLAMIC)</i>	12,440,100	0.79
21 Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (CIMB PRIN)</i>	12,041,125	0.77
22 Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Ooi Keng Thye (E-PPG)</i>	11,544,000	0.73
23 Citigroup Nominees (Asing) Sdn Bhd <i>Exempt An For Citibank New York (Norges Bank 14)</i>	10,507,600	0.67
24 Cartaban Nominees (Asing) Sdn Bhd <i>BNYM SA/NV For Blackrock Frontiers Investment Trust PLC</i>	10,251,800	0.65
25 HSBC Nominees (Asing) Sdn Bhd <i>JPMSE Lux For Stichting Depositary APG Emerging Markets Equity Pool</i>	10,232,511	0.65
26 Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (F Templeton)</i>	10,206,300	0.65
27 Citigroup Nominees (Tempatan) Sdn Bhd <i>UBS AG Singapore For Ng Wai Pin</i>	9,964,350	0.63
28 Cartaban Nominees (Tempatan) Sdn Bhd <i>PBTB For Takafulink Dana Ekuiti</i>	9,816,650	0.62
29 CIMB Islamic Nominees (Tempatan) Sdn Bhd <i>CIMB Islamic Trustee Berhad - Kenanga Syariah Growth Fund</i>	9,804,800	0.62
30 HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd For Principal DALI Equity Growth Fund</i>	9,722,450	0.62

Note:

\* Excluding 7,246,250 shares held as treasury shares as at 29 March 2024

# WARRANT HOLDINGS STATISTICS

## AS AT 29 MARCH 2024

Type of Securities	: Warrants B
Total Warrants B issued but not exercised	: 524,137,195
Voting rights	: The holder of warrant is not entitled to any voting rights

### DISTRIBUTION OF WARRANT HOLDINGS AS AT 29 MARCH 2024

Size of holdings	No. of warrant holders	% of warrant holders	No. of warrants	% of warrants
Less than 100	891	12.6	38,679	~
100 – 1,000	1,949	27.6	1,003,770	0.2
1,001 – 10,000	2,117	30.0	10,296,670	2.0
10,001 – 100,000	1,624	23.0	59,379,687	11.3
100,001 to less than 5% of issued warrants	480	6.8	302,307,853	57.7
5% and above of issued warrants	3	~	151,110,536	28.8
<b>Total</b>	<b>7,064</b>	<b>100.0</b>	<b>524,137,195</b>	<b>100.0</b>

Note:  
~ Negligible

### DIRECTORS' WARRANT HOLDINGS AS AT 29 MARCH 2024

The number of warrants held by the directors of the Company as at the date of this statement is as follows:

No.	Name	Direct		Indirect	
		No. of warrants	%	No. of warrants	%
1.	Ng Wai Pin	3,356,450	0.6	105,690,736	20.2
2.	Dr Tay Kiang Meng	4,702,404	0.9	-	-
3.	Ng Chee Whye	10,000	~	62,860	~
4.	Gerald Chiu Yoong Chian	-	-	-	-
5.	Koh Huey Min	-	-	-	-
6.	YM Raja Jastina Adlina Binti Raja Arshad	-	-	-	-

Note:  
~ Negligible

# WARRANT HOLDINGS STATISTICS

## AS AT 29 MARCH 2024 (CONT'D)

### THIRTY LARGEST WARRANT HOLDERS

(As extracted from the Record of Depositors as at 29 March 2024)

No.	Warrant holders	No. of warrants	% of warrants
1	RHB Capital Nominees (Asing) Sdn Bhd <i>Dazzle Clean Ltd</i>	63,414,442	12.10
2	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Ooi Keng Thye</i>	45,419,800	8.67
3	Dazzle Clean Ltd	42,276,294	8.07
4	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Cheng Chew Giap</i>	15,071,467	2.88
5	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Ooi Keng Thye (6000009)</i>	11,081,250	2.11
6	Ooi Keng Thye	9,884,350	1.89
7	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Tan Boon Ping (KLC/PIV)</i>	7,200,000	1.37
8	Amanahraya Trustees Berhad <i>Public Islamic Select Treasures Fund</i>	6,209,500	1.18
9	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Tan Boon Ping (7004677)</i>	6,100,000	1.16
10	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Ooi Keng Thye (E-PPG)</i>	5,997,800	1.14
11	Universal Trustee (Malaysia) Berhad <i>TA Dana Fokus</i>	5,718,950	1.09
12	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Cheng Chew Giap</i>	5,579,100	1.06
13	Tay Kiang Meng	4,702,404	0.90
14	Koh Kok Choon	4,500,000	0.86
15	Affin Hwang Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Ooi Keng Thye</i>	4,275,500	0.82
16	Anas Bin Ahmad Faris	4,179,100	0.80
17	Nabilah Binti Zainul	3,980,900	0.76
18	HSBC Nominees (Asing) Sdn Bhd <i>TNTC For Barings ASEAN Frontiers Fund</i>	3,772,550	0.72
19	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Lee Chin Yuen (7003308)</i>	3,520,000	0.67
20	Kenanga Nominees (Asing) Sdn Bhd <i>Exempt An For Phillip Securities Pte Ltd (Client Account)</i>	3,354,100	0.64

# WARRANT HOLDINGS STATISTICS

## AS AT 29 MARCH 2024 (CONT'D)

### THIRTY LARGEST WARRANT HOLDERS (CONT'D)

(As extracted from the Record of Depositors as at 29 March 2024)

No. Warrant holders	No. of warrants	% of warrants
21 Citigroup Nominees (Tempatan) Sdn Bhd <i>UBS AG Singapore For Ng Wai Pin</i>	3,321,450	0.63
22 Maybank Securities Nominees (Asing) Sdn Bhd <i>Maybank Securities Pte Ltd For Lim Chuan Seng</i>	3,000,000	0.57
23 CIMB Islamic Nominees (Tempatan) Sdn Bhd <i>CIMB Islamic Trustee Berhad - Kenanga Syariah Growth Fund</i>	2,897,000	0.55
24 Cheng Chew Giap	2,689,150	0.51
25 Loo Lai Ming	2,500,000	0.48
26 CGS International Nominees Malaysia (Tempatan) Sdn Bhd <i>Pledged Securities Account For Tey Yao Dong (MY4293)</i>	2,492,300	0.48
27 Yeoh Yew Choo	2,376,500	0.45
28 Public Invest Nominees (Tempatan) Sdn Bhd <i>Exempt An For Phillip Securities Pte Ltd (Clients)</i>	2,336,600	0.45
29 CGS International Nominees Malaysia (Tempatan) Sdn Bhd <i>Pledged Securities Account For Tay Moy Koh (Segamat-CL)</i>	2,100,000	0.40
30 CGS International Nominees Malaysia (Tempatan) Sdn Bhd <i>Pledged Securities Account For Tay Moy Koh (MY3164)</i>	2,100,000	0.40

# NOTICE OF TWENTIETH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Twentieth Annual General Meeting of the Company ("20th AGM") will be held entirely on a fully virtual basis at the broadcast venue at Suite 301, Block F, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia through the online meeting platform of TIIH Online website at <https://tiih.online> (Domain registration number with MYNIC: D1A282781) provided by Tricor Investor & Issuing House Services Sdn Bhd, Malaysia on Friday, 14 June 2024 at 10.00 a.m. for the transaction of the following businesses:

## AGENDA

### As Ordinary Business:

1. To receive the Audited Financial Statements for the year ended 31 December 2023 together with the Reports of the Directors and the Auditors thereon. (Please refer to Explanatory Note 1)
2. To re-elect the following Directors:
  - (a) Mr Ng Wai Pin who will be retiring pursuant to Clause 75(2) of the Company's Constitution; (Ordinary Resolution 1)
  - (b) Mr Gerald Chiu Yoong Chian who will be retiring pursuant to Clause 75(2) of the Company's Constitution; and (Ordinary Resolution 2)
  - (c) YM Raja Jastina Adlina Binti Raja Arshad who will be retiring pursuant to Clause 77 of the Company's Constitution. (Ordinary Resolution 3)
3. To approve the payment of Directors' fees and Benefits of up to RM600,000.00 for the financial year ending 31 December 2024 up to the following next Annual General Meeting. (Ordinary Resolution 4)
4. To re-appoint Messrs Crowe Malaysia PLT as Auditors of the Company for the financial year ending 31 December 2024 and to authorise the Directors to fix their remuneration. (Ordinary Resolution 5)

### As Special Business:

To consider and if thought fit, to pass the following Resolutions:

5. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 ("ACT")** (Ordinary Resolution 6)

THAT subject always to the Act, the Constitution of the Company and the approvals of Bursa Malaysia Securities Berhad ("Bursa Securities") and the relevant regulatory authorities where such approval is necessary, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Act, to issue shares of the Company at any time until the conclusion of the next Annual General Meeting ("AGM") or any adjournment thereof and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares of the Company (excluding treasury shares) at the time of issue until the conclusion of the next AGM of the Company ("General Mandate");

AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities and that such authority shall continue to be in force until the conclusion of the next AGM of the Company.

# NOTICE OF TWENTIETH ANNUAL GENERAL MEETING (CONT'D)

## 6. PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES ("PROPOSED RENEWAL OF SHARE BUY-BACK MANDATE") (Ordinary Resolution 7)

THAT subject to the provisions under the Act, the Constitution of the Company, the Listing Requirements and any other applicable laws, rules, regulations and guidelines for the time being in force, the Company be and is hereby authorised to purchase such number of ordinary shares in the Company ("Shares") as may be determined by the Directors from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of Shares purchased pursuant to this resolution shall not exceed 10% of the total number of issued shares of the Company.

THAT the maximum amount of funds to be allocated for the purpose of purchasing the Shares shall not exceed the retained profits of the Company or RM50 million, whichever is the lower.

THAT authority be and is hereby given to the Directors to decide at their discretion, as may be permitted and prescribed by the Act and/or any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities for the time being in force to deal with any of the Shares so purchased by the Company in the following manner:

- (i) the Shares so purchased could be cancelled or transferred; or
- (ii) the Shares so purchased could be retained as treasury shares for distribution as dividends or bonus shares to the shareholders of the Company and/or be resold through Bursa Securities in accordance with the relevant rules of Bursa Securities and/or transferred to employees under an employees' share scheme and/or as purchase consideration for any acquisition; or
- (iii) combination of (i) and (ii) above.

THAT the authority conferred by this resolution will be effective immediately from the passing of this ordinary resolution and shall continue to be in force until:

- (i) the conclusion of the next AGM or any adjournment thereof of the Company, at which time the said authority would lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM is required by law to be held; or
- (iii) the authority is revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting,

whichever occurs first.

AND THAT the Directors be and are hereby authorised to take such steps as are necessary or expedient to implement or to effect the purchase(s) of the Shares with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and to take such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto.

# NOTICE OF TWENTIETH ANNUAL GENERAL MEETING (CONT'D)

7. To transact any other business of which due notice shall be given.

## BY ORDER OF THE BOARD

Mah Li Chen (MAICSA 7022751) (PC No. 202008002006)

Chew Mei Ling (MAICSA 7019175) (PC No. 201908003178)

Company Secretaries

Kuala Lumpur

29 April 2024

## Notes:

1. Remote Participation and Voting ("RPV")  
This 20th AGM will be conducted fully virtually through live streaming and online remote voting via RPV facilities. Please follow the procedures provided in the Administrative Guide in order to register, participate and vote remotely via the RPV facilities. No member/proxy is to be physically present at the broadcast venue on the day of the meeting.
2. A Member entitled to attend and vote at this meeting is entitled to appoint a proxy/proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
4. Where the appointer is a corporation, this form must be executed under its common seal, if any or under the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy/proxies must be deposited at the office of the Share Registrar of the Company situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or via TIIH Online at <https://tiih.online> not less than forty-eight (48) hours before the time fixed for convening the 20th AGM or any adjournment thereof. Please refer to the Administrative Guide for further information on submission via TIIH Online.
6. For the purpose of determining a member who shall be entitled to attend the 20th AGM or any adjournment thereof, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 7 June 2024. Only a depositor whose name appears on the Record of the Depositors as at 7 June 2024 shall be entitled to attend and vote at this 20th AGM or any adjournment thereof or appoint proxies to attend and/or vote on his/her behalf.

## Explanatory Notes on Ordinary Business:

### 1. Item 1 of the Agenda

This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item is not put forward to shareholders for voting.

### 2. Item 2 of the Agenda

The Nomination Committee has evaluated Mr Ng Wai Pin, Mr Gerald Chiu Yoong Chian and YM Raja Jastina Adlina Binti Raja Arshad based on the Board Effectiveness Evaluation carried out in-house including the "Fit and Proper Test" to assess them and they were found to have met the Board's expectation in discharging their duties and responsibilities and recommended to the Board for their re-election. In turn, the Board recommends to the shareholders to re-elect Mr Ng Wai Pin, Mr Gerald Chiu Yoong Chian and YM Raja Jastina Adlina Binti Raja Arshad at the 20th AGM or any adjournment thereof.

# NOTICE OF TWENTIETH ANNUAL GENERAL MEETING (CONT'D)

## 3. Item 3 of the Agenda

Section 230(1) of the Act requires that the fees of the directors and any benefits payable to the directors be approved at a general meeting. The benefits comprised of travelling allowance.

### Explanatory Notes on Special Business:

## 4. Item 5 of the Agenda

The proposed Ordinary Resolution 6, if passed, will empower the Directors from the conclusion of this AGM, to allot and issue up to a maximum of 10% of the total number of issued shares of the Company (excluding treasury shares) at the time of issue (other than bonus or rights issue) until the conclusion of the next AGM of the Company without the need to convene a general meeting and for such purposes as they consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of next AGM of the Company. The Board is of the view that the 10% general mandate is in the best interest of the Company and its shareholders as it would provide the flexibility to the Company for any possible fundraising activities that the Company may undertake for working capital and/or any investment or acquisition purposes in an expeditious and efficient manner. At this juncture, there is no decision to issue any additional share. If there should be a decision to issue any new share after the general mandate is sought, the Company will make an announcement in respect thereof.

The proposed Ordinary Resolution 6 is a renewal of the general mandate for issuance of shares pursuant to Sections 75 and 76 of the Act obtained at the 19th AGM held on 2 June 2023 which will lapse at the conclusion of this 20th AGM. As at the date of this notice, the Company did not issue any share pursuant to the said general mandate.

## 5. Item 6 of the Agenda

The proposed Ordinary Resolution 7, if passed, will give the Directors of the Company the authority to take all such steps as are necessary or expedient to implement, finalise, complete and/or effect the purchase(s) of Shares by the Company as the Directors may deem fit and expedient in the best interest of the Company. This authority will, unless renewed or revoked or varied by the Company at a general meeting, continue to be in force until the conclusion of the next AGM or any adjournment thereof of the Company or the expiry of the period within which the next AGM of the Company following the 20th AGM is required by the law to be held. Please refer to the Share Buy-Back Statement dated 29 April 2024 which is circulated together with this Notice for more information.

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# FRONTKEN

**FRONTKEN CORPORATION BERHAD**  
200401012517 (651020-T)  
(Incorporated in Malaysia under the Companies Act 2016)

# PROXY FORM

CDS Account No.
No. of shares held

I/We \_\_\_\_\_ Tel. No.: \_\_\_\_\_  
[Full name in block, NRIC No./Company No.]  
of \_\_\_\_\_  
[Address]

being a member/members of **Frontken Corporation Berhad**, hereby appoint:

Full Name (in Block)	NRIC/Passport/Company No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and / or (delete as appropriate)

Full Name (in Block)	NRIC/Passport/Company No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting as my/our proxy to attend and to vote for me/us and on my/our behalf at the Twentieth Annual General Meeting ("20th AGM") of the Company to be held entirely on a fully virtual basis at the broadcast venue at Suite 301, Block F, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia through the online meeting platform of TIH Online website at <https://tiah.online> (Domain registration number with MYNIC: D1A282781) provided by Tricor Investor & Issuing House Services Sdn Bhd, Malaysia on Friday, 14 June 2024 at 10.00 a.m. or any adjournment thereof, and to vote as indicated below:

Item	Agenda	Resolution	For	Against
1.	Re-election of Mr Ng Wai Pin	Ordinary Resolution 1		
2.	Re-election of Mr Gerald Chiu Yoong Chian	Ordinary Resolution 2		
3.	Re-election of YM Raja Jastina Adlina Binti Raja Arshad	Ordinary Resolution 3		
4.	Payment of Directors' fees and Benefits	Ordinary Resolution 4		
5.	Re-appointment of auditors	Ordinary Resolution 5		
6.	Authority to issue shares	Ordinary Resolution 6		
7.	Proposed Renewal of Share Buy-Back Mandate	Ordinary Resolution 7		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy may vote or abstain as he/she thinks fit.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

Notes:

\_\_\_\_\_  
Signature of Shareholder(s)/Common Seal

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- Where the appointer is a corporation, this form must be executed under its common seal, if any or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy/proxies must be deposited at the office of the Share Registrar of the Company situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or via TIH Online at <https://tiah.online> not less than forty-eight (48) hours before the time fixed for convening the 20th AGM or any adjournment thereof. Please refer to the Administrative Guide for further information on submission via TIH Online.
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Affix  
stamp

**FRONTKEN CORPORATION BERHAD**

200401012517 (651020-T)

c/o Tricor Investor & Issuing House Services Sdn Bhd

Unit 32-01, Level 32, Tower A

Vertical Business Suite, Avenue 3

Bangsar South, No. 8, Jalan Kerinchi

59200 Kuala Lumpur

MALAYSIA

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**Frontken Corporation Berhad** 200401012517 (651020-T)

Suite 301, Block F, Pusat Dagangan Phileo Damansara 1,  
No. 9, Jalan 16/11, Off Jalan Damansara,  
46350 Petaling Jaya,  
Selangor, Malaysia.

601D, Level 6, Tower D, Uptown 5,  
No. 5, Jalan SS21/39,  
Damansara Uptown,  
47400 Petaling Jaya,  
Selangor, Malaysia.  
*(From July 2024 onwards)*

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[www.frontken.com](http://www.frontken.com)