FURNIWEB HOLDINGS LIMITED
飛霓控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8480

2022

Annual Report

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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*This report, for which the directors (the "**Directors**") of FURNIWEB HOLDINGS LIMITED (the "**Company**" together with its subsidiaries, the "**Group**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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Corporate Information

BOARD OF DIRECTORS

Chairman and Non-Executive Director

Dato' Lim Heen Peok

Non-Executive Director

Mr. Ng Tzee Penn

Executive Directors

Mr. Cheah Eng Chuan
Dato' Lua Choon Hann
Mr. Cheah Hannon

Independent Non-Executive Directors

Mr. Ho Ming Hon
Dato' Sri Dr. Hou Kok Chung
Dato' Lee Chee Leong

BOARD COMMITTEES

Audit Committee

Mr. Ho Ming Hon *(chairman)*
Dato' Sri Dr. Hou Kok Chung
Dato' Lee Chee Leong

Remuneration Committee

Dato' Lee Chee Leong *(chairman)*
Mr. Ho Ming Hon
Dato' Sri Dr. Hou Kok Chung
Dato' Lua Choon Hann

Nomination Committee

Dato' Sri Dr. Hou Kok Chung *(chairman)*
Mr. Ho Ming Hon
Dato' Lee Chee Leong
Mr. Cheah Eng Chuan

Risk Management Committee

Mr. Ho Ming Hon *(chairman)*
Dato' Lee Chee Leong
Mr. Cheah Hannon

COMPLIANCE OFFICER

Mr. Cheah Hannon

AUTHORISED REPRESENTATIVE

(for the purpose of the GEM Listing Rules)
Dato' Lua Choon Hann
Mr. Cheah Hannon

PRINCIPAL BANKERS

Bank of Communications (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
Hong Leong Bank Berhad
Industrial and Commercial Bank of China Limited
Maybank Islamic Berhad
Maybank Singapore Limited
Public Bank Berhad
Public Bank Vietnam
United Overseas Bank Limited
Vietcombank

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681 Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS

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Kg. Bharu Balakong
43300 Seri Kembangan
Selangor
Malaysia

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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North Point
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Corporate Information

AUDITOR

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
23/F, Tower 2, Enterprise Square Five
38 Wang Chiu Road
Kowloon Bay, Kowloon
Hong Kong

COMPANY SECRETARY

Ms. Cheng Lucy
(Associate member of The Hong Kong Institute of Chartered Secretaries)
Mr. Au Yeung Yiu Chung
(Associate member of The Hong Kong Institute of Chartered Secretaries)

LEGAL ADVISER

Chiu & Partners
Solicitors, Hong Kong
40th Floor, Jardine House
1 Connaught Place
Hong Kong

COMPANY WEBSITE

www.furniweb.com.my

GEM STOCK CODE

8480

Chairman's Statement

Dear Shareholders,

It has been a tumultuous year for the world and even as the pandemic tapered off, geopolitical conflicts continue to rattle the world with inflation and resultant measures of high interest rates.

Despite the upheavals and disruptions that we had to face, the Group performed remarkably well and we achieved a significant growth in revenue, chalking up RM162.2 million, a rise of 22.0% from the previous year. The Group also recorded a profit of RM18.2 million, a significant surge of 250.0% from last year profit of RM5.2 million.

The benefits of the strong government support for the green economy and the implementation of ESG policies in many institutions have been instrumental in fostering growth within the energy efficiency sector. Many countries in pursuing carbon neutral policies putting forward measures such as tax incentives for companies that adopt clean energy solutions, funding for research and development of new technologies, and encouraging consumer demand for environmentally conscious products and services. As a result, the energy efficiency sector has seen significant growth and development, positioning itself as a significant contributor in promoting a more sustainable future. Our focus is on expanding our market presence in Malaysia by leveraging the experience and expertise of our team in Singapore. This approach will help us to build our position as a key player in the industry and strengthen our revenue and profitability base.

While we remain optimistic about the prospects of the energy efficiency sector, we approach the outlook of the manufacturing sector with prudent caution as the global economy is expected to soften in the coming year. The increasing uncertainty and volatility on so many fronts and the consequential risks call on us to be more cautious in the utilisation of our manufacturing assets both current and new. Nevertheless we are engaging closely with our customers and suppliers to ensure we operate as leanly as possible with minimal disruptions.

I am confident of the future prospects of the Group and despite the many challenges posed by the recent events, we are committed to drive growth and returns for our shareholders. We also wish to work with all stakeholders for better sustainable world.

Thank you for continued support.

Dato' Lim Heen Peok
Chairman

Management Discussion and Analysis

BUSINESS REVIEW

(a) Manufacturing Division

The Group is a long-established elastic textile and webbing manufacturer in Malaysia and Vietnam. The products are manufactured and sold in Malaysia and Vietnam, and also exported to over 30 countries including the United States, United Kingdom, India, Indonesia, Australia, Sri Lanka and Pakistan.

The Group ventured into manufacture and sale of PVC related products in 2019 by acquiring the entire issued share capital of a company whose subsidiaries in Hong Kong and the People's Republic of China ("**PRC**") are mainly engaged in the manufacture and sale of PVC related products.

During the year ended 31 December 2022 (the "**Financial Year**"), domestic sales and export sales accounted for approximately 41.1% and 58.9% (2021: 46.7% and 53.3%) of the total revenue from the Manufacturing Division, respectively. Asia Pacific region, Europe and North America continued to be the major export countries of the Group during both years.

Revenue generated from the sale of elastic textile, webbing and other manufacturing products accounted for approximately 32.9%, 38.5% and 28.6% (2021: 24.4%, 40.6% and 35.0%) of the total revenue from the Manufacturing Division respectively during the Financial Year.

The revenue from the Manufacturing Division for the Financial Year was approximately RM112.1 million (2021: RM115.9 million), decreased by approximately RM3.8 million or 3.3% as compared to 2021.

The performance by products is stated as below:

(i) Elastic textile

For the Financial Year, the revenue of elastic textile was approximately RM36.9 million (2021: RM28.3 million), increased by approximately RM8.6 million or 30.4% as compared to 2021, mainly due to an increase in sales volume from customers in Asia Pacific region, North America and Europe during the Financial Year.

(ii) Webbing

For the Financial Year, the revenue of webbing was approximately RM43.2 million (2021: RM47.1 million), decreased by approximately RM3.9 million or 8.3% as compared to 2021. This was mainly attributable to a lower demand for furniture webbing from customers in Asia Pacific region during the Financial Year as the customers have not resumed production capacity to pre-pandemic level. Nonetheless, the revenue of seatbelt webbing increased by RM3.2 million as a result of an increase in sales volume.

(iii) Other manufacturing products

During the Financial Year, the revenue of other manufacturing products was approximately RM32.0 million (2021: RM40.5 million), decreased by approximately RM8.5 million or 21.0% as compared to 2021, mainly due to a decrease in revenue contributed by both PVC related products and rubber tape products as compared to 2021.

(b) Energy Efficiency Division

The Group ventured into energy efficiency business in December 2021 by acquiring 37.25% issued share capital of Energy Solution Global Limited ("**ESGL**"), whose subsidiaries in Singapore and Malaysia mainly provide smart energy saving solution by designing and installing energy-efficient heating, ventilation and air conditioning systems which aims to achieve optimal energy consumption, lower greenhouse gas emissions, and reduction in energy cost.

Subsequently, the board of Directors of the Company (the "**Board**") was of the view that the energy efficiency business has great potential in the future, therefore, the Company further acquired the remaining 62.75% issued share capital of ESGL. Upon completion on 29 August 2022, ESGL and its subsidiaries became wholly-owned subsidiaries of the Company. For details, please refer to the announcements of the Company dated 8 June 2022, 13 June 2022, 8 August 2022 and 29 August 2022, and the circular dated 30 June 2022.

During the Financial Year, the revenue of the Energy Efficiency Division, comprising energy solution contracts and maintenance service contracts, was approximately RM49.8 million (2021: RMNil).

The Energy Efficiency Division recorded a strong revenue during the Financial Year by securing a few major projects, in particular, Singapore Changi Airport Terminal 2 and data centres projects.

(c) Retail Division

No revenue was generated from the Retail Division since the second quarter of 2021 when the Group closed the retail store in Singapore due to the difficulties in operations given the prolonged COVID-19 pandemic and closure of borders. Disclosures in relation to the Retail Division for the year ended 31 December 2021 remained for comparative purpose.

(d) Others

The decrease in revenue by RM15.0 million in 2022 was mainly due to the disposal of security brokerage business which contributed one-off revenue of RM15.0 million for 2021 (2022: RMNil).

FINANCIAL REVIEW

Revenue

The Group's revenue for the Financial Year amounted to approximately RM162.2 million (2021: RM132.9 million), representing an increase of RM29.3 million or 22.0% as compared to 2021. The increase of revenue was mainly due to the revenue contributed by the new Energy Efficiency Division which was amounted to approximately RM49.8 million during the Financial Year (2021: RMNil) offsetting with the disposal of security brokerage business which contributed one-off revenue of RM15.0 million for 2021 (2022: RMNil) and lower sales for Manufacturing Division during the Financial Year.

A majority of the Group's revenue was contributed by the Manufacturing Division, which accounted for approximately 69.2% (2021: 87.2%) of the total revenue for the Financial Year.

Management Discussion and Analysis

Cost of Sales

For the Financial Year, the cost of sales of the Group amounted to approximately RM120.8 million (2021: RM86.7 million), representing an increase of approximately RM34.1 million or 39.3% as compared to 2021. The increase in cost of sales was mainly contributed by the increase in revenue of the new Energy Efficiency Division, which the Group completed its acquisition in August 2022.

Gross Profit and Gross Profit Margin

For the Financial Year, the Group achieved gross profit of approximately RM41.4 million (2021: RM46.2 million), representing a decrease of approximately RM4.8 million or 10.4% as compared to 2021, mainly due to (i) disposal of security brokerage business, which contributed gross profit of RM15.0 million for 2021 (2022: RMNil), and (ii) lower gross profit contributed by the Manufacturing Division during the Financial Year, offsetting with gross profit generated by new Energy Efficiency Division of RM11.8 million.

The gross profit margin of the Group decreased from 34.8% to 25.5%, mainly due to the disposal of security brokerage business, which contributed higher gross profit margin for 2021 and the closure of the Retail Division. By excluding the impact of the disposal and the closure of the Retail Division, the gross profit margin was 26.6% for 2021. The gross profit margin was still lower mainly due to lower gross profit margin from the Energy Efficiency Division and also lower gross profit margin from the Manufacturing Division resulted from an increase in labour costs and manufacturing overhead costs during the Financial Year.

Other Income, net

For the Financial Year, the net other income of the Group amounted to approximately RM2.2 million (2021: net other expenses of RM8.3 million), representing an increase of RM10.5 million or 126.5% as compared to 2021. The increase in net other income was mainly due to (i) gain on deemed disposal of an associate of RM2.1 million in 2022, (ii) other expenses of RM4.2 million from security brokerage business disposed off in 2021, and (iii) one-off impairment loss on assets of RM15.7 million in 2021. These amounts were offset by other income of RM10.4 million for reversal of expenses in 2021, contributed by the Retail Division which ceased operation in 2021.

Selling and Distribution Costs

For the Financial Year, the selling and distribution costs of the Group amounted to RM3.3 million (2021: RM6.9 million), representing a decrease of approximately RM3.6 million or 52.2% as compared to 2021. The decrease was mainly due to closure of retail store in Singapore in the second quarter of 2021 and the disposal of its security brokerage business in March 2021. Hence, there was no selling and distribution costs incurred by the Retail Division and security brokerage business during the Financial Year.

Administrative Expenses

The administrative expenses mainly included salaries for management and administrative staff, depreciation of property, plant and equipment not directly used for production, and other miscellaneous expenses.

For the Financial Year, the administrative expenses of the Group amounted to RM23.3 million (2021: RM24.1 million), representing a decrease of RM0.8 million or 3.3% as compared to 2021. The decrease was mainly due to the administrative expenses of RM2.7 million incurred by the disposal of security brokerage business in March 2021 (2022: RMNil) and lower impairment loss on trade receivables. The decrease was offset by the administrative expenses from the new Energy Efficiency Division.

Management Discussion and Analysis

Profit for the Financial Year

Profit for the Financial Year amounted to RM18.2 million (2021: RM5.2 million), representing an increase of approximately RM13.0 million or 250.0% as compared to 2021. The increase was mainly due to profit contributed by the new Energy Efficiency Division which amounted to approximately RM11.8 million during the Financial Year (including the share of profit of associates, net of tax of RM3.7 million (2021: RM0.5 million)) and improvement in profit for certain subsidiaries in the Manufacturing Division during the Financial Year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's primary uses of cash are to satisfy our working capital and capital expenditure needs. Since our establishment, our working capital needs and capital expenditure requirements have been principally financed through a combination of shareholders' equity, cash generated from operations, trade facilities and bank loans.

The Group adopts a prudent cash and financial management policy. The Group's cash, mainly denominated in USD, RM, Hong Kong Dollar ("**HK$**"), Vietnamese Dong ("**VND**"), Singapore Dollar ("**SGD**") and Renminbi ("**RMB**"), are generally deposited with certain financial institutions such as bank. The Group's borrowings are mainly denominated in USD, RM and SGD.

As at 31 December 2022, the Group's total equity attributable to owners of the Company amounted to approximately RM124.7 million (2021: RM99.3 million).

As at 31 December 2022, the Group's net current assets were approximately RM105.7 million (2021: RM75.3 million) and the Group had cash and cash equivalents of approximately RM48.2 million (2021: RM27.8 million). The Group had bank borrowings of approximately RM29.6 million (2021: RM9.2 million).

The interest rates of the Group's term loans, bank overdraft and trust receipts as at 31 December 2022 and 2021 ranged from 2.50% to 8.64% per annum and 3.47% to 7.64% per annum respectively.

As at 31 December 2022, the Group's current ratio (calculated by dividing current assets by current liabilities as at the end of the year) was approximately 2.8 times (2021: 4.3 times). The Group was in a net cash position as at 31 December 2022 and 2021, therefore gearing ratio was not applicable.

Based on the Group's existing cash and cash equivalents and banking facilities available to the Group, the Group has adequate financial resources to fund the working capital required for its business operations in the coming year.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the Financial Year. The share capital of the Company only comprises ordinary shares.

DIVIDEND

The Board does not recommend the payment of a final dividend for the Financial Year.

SIGNIFICANT INVESTMENT HELD BY THE GROUP

As at 31 December 2022, there was no significant investment held by the Group (2021: Nil).

Management Discussion and Analysis

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 8 June 2022, the Company conditionally agreed to acquire the remaining 62.75% interest in ESGL from Dato' Ng Yan Cheng (the "**Vendor**") by entering into a sale and purchase agreement with the Vendor, which was supplemented by a supplemental agreement dated 13 June 2022 for a total consideration of HK$58,191,840.00 (equivalent to approximately RM31,423,594.00). The acquisition is a connected transaction under Chapter 20 of the GEM Listing Rules as the Vendor is a connected person of the Company for being the father of Mr. Ng Tzee Penn, a non-executive Director. Upon completion on 29 August 2022, ESGL and its subsidiaries became wholly-owned subsidiaries of the Company, and the results of operation and financial position of ESGL and its subsidiaries will be consolidated into the financial statements of the Group.

For details, please refer to the announcements of the Company dated 8 June 2022, 13 June 2022, 8 August 2022 and 29 August 2022, and the circular dated 30 June 2022.

Other than as disclosed above, the Group does not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Financial Year.

PLEDGE OF ASSETS

As at 31 December 2022 and 2021, freehold land, buildings and right-of-use assets of the Group with carrying amount of RM15.6 million and RM15.8 million respectively were pledged to licensed banks as security for credit facilities granted to the Group.

FUTURE PLAN FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

The Group does not have other plans for material investments and capital assets for the year ending 31 December 2023 as at the date of this report.

CONTINGENT LIABILITY

As at 31 December 2022, the contingent liabilities of the Group for the guarantees given to third parties in respect of trade and contract amounted to RM14.2 million (As at 31 December 2021: RMNil).

CAPITAL COMMITMENTS

As at 31 December 2022, capital commitments of the Group approximately RM3.9 million related to acquisition of property, plant and equipment (As at 31 December 2021: RM4.1 million).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group employed 623 employees (2021: 515 employees). Employee costs amounted to approximately RM33.7 million for the Financial Year (2021: approximately RM27.8 million). The Group will endeavor to ensure that the employees' salary levels are in line with industry practice and prevailing market conditions and that employees' remuneration is determined based on their performance. The Company has also adopted a share option scheme (the "**Share Option Scheme**") with the primary purpose to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Company.

The Group aspires to develop and grow with our employees and is willing to invest in both work-related training and personal development of our employees. In general, the Group provides diversified on-the-job trainings based on the needs of respective positions, talents and interests of employees. The Group provides both internal and external trainings for employees, including specialised trainings for different departments on management skills as well as soft skills. Moreover, the Group established guidelines to assess the performance of our employees and implements development programs for our employees.

Management Discussion and Analysis

SHARE OPTION SCHEME

As at 31 December 2022, no share options had been granted under the Share Option Scheme. The number of options available for grant under the Share Option Scheme mandate at the beginning and the end of the Financial Year was 50,400,000.

CHANGE IN AUDITORS

With effect from 5 November 2019, BDO Limited ("**BDO**") has resigned as the Company's auditor and with effect from 25 November 2019, ZHONGHUI ANDA CPA Limited has been appointed to fill the vacancy following the resignation of BDO and to hold office until the conclusion of the coming annual general meeting of the Company.

Save as disclosed above, there is no change in auditors of the Company in the preceding three years.

FOREIGN CURRENCY RISK

For Manufacturing Division, the Group derives a significant portion of its revenue in USD from the business with its international counterparts. The Group had a net USD exposure arising from the income after settling the purchases. While the Group adopted RM as the reporting currency, some of the assets and liabilities such as trade receivables and payables were denominated in other currencies, such as USD. From time to time, the Group has a net position in such currencies. These foreign currency balances are revalued at each accounting year or period end with the then prevailing exchange rate and may give rise to translational foreign currency exchange gain or loss. The Directors will consult the bankers from time to time for the upcoming trends of foreign currencies. As the USD fluctuates against RM and VND, the Group is cautiously monitoring the foreign currency trends and may consider taking steps to hedge the foreign currency exposures, including entering into hedging with financial instruments. The Group may also negotiate with customers to increase the price of products to reduce the impact on the Group's profitability.

SUBSEQUENT EVENT

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2022 and up to the date of this report.

COMPARISON OF BUSINESS OBJECTIVES AND STRATEGIES WITH ACTUAL BUSINESS PROGRESS

The principal business objective of the Group as set out in the prospectus (the "**Prospectus**") of the Company dated 29 September 2017 in connection with the listing of the shares of the Company on GEM (the "**Listing**") is to enhance our market share in the elastic textile and webbing industry and continue to strengthen our competitive strengths.

On 17 December 2019, the Board has resolved to change the use of approximately HK$13.5 million (equivalent to approximately RM7.3 million) out of the unutilised Listing Proceeds (as defined below) amounting to approximately RM12.8 million (equivalent to approximately HK$23.6 million) (the "**Unutilised Listing Proceeds**") for (i) acquiring the entire issued shares of West Bull Securities Limited ("**West Bull**") at a cash consideration of HK$8.5 million (equivalent to RM4.5 million); and (ii) granting a term loan facility in the amount up to HK$5.0 million (equivalent to RM2.8 million) to West Bull. Further details in relation to the acquisition of West Bull were disclosed in the announcement of the Company dated 17 December 2019.

Management Discussion and Analysis

The global economies have been facing substantial and unprecedented challenges, particularly those resulted from trade wars and COVID-19 pandemic. In view of these unforeseen situations, the Board has taken a number of measures trying to safeguard the assets and liquidity resources of the Group as well as enhancing its return to shareholders by strengthening our businesses and/or disposing of unsustainable businesses. Notwithstanding the Board has been exercising its due care, diligence and duty in pursuing the aforesaid business plans, the global political, social and economic adversities have been proliferating to every industry sector rapidly. After careful evaluation with the current market conditions and our risk appetite, the Board has approved the disposal of the newly ventured security brokerage business to two independent third party purchasers for a total consideration of HK$8.5 million (equivalent to approximately RM4.5 million) on 23 March 2021. The Board believes the disposal allows the Group to focus on its existing businesses and conserve the funds and resources amid the economic uncertainties.

An analysis comparing the aforesaid business objectives and the intended application of the net proceeds raised from the share offer in October 2017 (the "**Listing Proceeds**") with the Group's actual business progress for the period from the date of the Listing to 31 December 2022 is set out below:

Business strategies	Implementation plans	Sources of funding	Actual business progress up to 31 December 2022
(i) Expand our production capacity	Expand the production capacity for narrow elastic fabrics, covered elastic yarn and seat belt webbing to cater for the growing demand for these products by constructing a new factory in Vietnam and acquiring new machines.	Listing Proceeds of approximately RM10.3 million (equivalent to HK$18.9 million)	— In previous years, the Group had acquired machineries for narrow elastic fabric, covered elastic yarn and seat belt webbing of RM6.5 million. Further, the Group has also upgraded certain machines for rubber tape, fire protection and lighting system of RM0.8 million. During the Financial Year, the Group has upgraded and/or replaced the seatbelt weaving machines, webbing machines and rubber tape machines of RM6.8 million. — Due to disposal of PEWAV(VN) in year 2020, the portion of the Unutilised Listing Proceeds that was initially intended for the use of expanding the production capacity of PEWAV(VN) shall be reallocated to other investment opportunities and/or other production capacity. — The Group planned to upgrade the dyeing machine to cater for rising demand of seatbelt webbing. The Directors have resolved to reallocate the Unutilised Listing Proceeds from (ii) & (iii) to increase our production capacity. — The Unutilised Listing Proceeds was fully utilised during the Financial Year.

Management Discussion and Analysis

Business strategies		Implementation plans	Sources of funding	Actual business progress up to 31 December 2022
(ii)	Upgrade our information technology systems	Upgrade enterprise resource planning ("**ERP**") system	Listing Proceeds of approximately RM1.1 million (equivalent to HK$2.0 million)	— Acquired a Manufacturing Execution System ("**MES**") software to improve the operation and control over our production system. The management is evaluating the performance of the MES software and may extend its application to other operations of the Group. — After due consideration, the management decided to reallocate the balance of Unutilised Listing Proceeds towards expanding our production capacity.
(iii)	Acquisition of West Bull and granting of the credit facility *(Note)*	Acquisition of the entire issued shares of West Bull; and the Company to grant a term loan facility in the amount up to HK$5.0 million (equivalent to approximately RM2.8 million) to West Bull which shall be applied by it as its working capital	Listing Proceeds of approximately HK$13.5 million (equivalent to approximately RM7.3 million)	— The Acquisition of West Bull was completed on 15 October 2020 and it was subsequently disposed off in March 2021. The Unutilised Listing Proceeds that was initially intended for the granting of the credit facility will be reallocated to expand our production capacity accordingly.

Note: Business strategies undertaken which were not stated in the Prospectus.

Apart from the foregoing business objectives, the Group also ventured into retail business in 2018, manufacture of PVC related products in 2019 and energy efficiency business in 2022. Details of the Group's segmental performances and business plans are set out in the paragraphs headed "**Business Review**" in this section.

In the event that any part of the business strategies of our Group does not materialise or proceed as planned, our Directors will carefully evaluate the situation and may reallocate the intended funding to other business plans and/or to new projects of our Group and/or to hold the funds as short-term interest bearing deposits so long as our Directors consider it to be in the best interest of our Company and our shareholders taken as a whole.

Management Discussion and Analysis

USE OF PROCEEDS

The Listing Proceeds, after deducting underwriting fees and other expenses payable by the Group in connection thereto, were approximately HK$35.6 million (or RM19.3 million at the exchange rate of approximately RM1.00 to HK$1.84). The intended application of these proceeds as stated in the Prospectus (and the revised application as announced in the announcement of the Company dated 17 December 2019) and their actual application from the date of the Listing up to 31 December 2022 were set out below:

	Planned use of Listing Proceeds as stated in the Prospectus	Reallocation of use of Listing Proceeds on 17 December 2019 *(Note (a))*	Reallocation of use of Listing Proceeds on 31 December 2021	Actual use of Listing Proceeds up to 31 December 2022 *(Note (b))*	Unutilised amount as at 31 December 2022
	RM'million	RM'million	RM'million	RM'million	RM'million
Expand our production capacity	17.6	(7.3)	3.8	(14.1)	–
Upgrade our information technology systems	1.1	–	(1.0)	(0.1)	–
Funding of our working capital and general corporate purposes	0.6	–	–	(0.6)	–
Acquisition of West Bull and granting of the credit facility *(Note (c))*	–	7.3	(2.8)	(4.5)	–
	19.3	–	–	(19.3)	–

Notes:

(a) On 17 December 2019, the Board has resolved to change the use of approximately HK$13.5 million (equivalent to approximately RM7.3 million) out of the Unutilised Listing Proceeds for (i) the Acquisition of West Bull; and (ii) to grant a term loan facility in the amount up to HK$5.0 million (equivalent to approximately RM2.8 million) to West Bull which shall be applied by it as its working capital.

(b) Please refer to the section headed "**Comparison of business objectives and strategies with actual business progress**" in this report for the update of the actual business progress up to 31 December 2022.

(c) The Acquisition of West Bull was completed on 15 October 2020 and on 23 March 2021, the Board has resolved the disposal of Rich Day, the holding company of West Bull, through a wholly-owned subsidiary of the Company, Delightful Grace Holdings Limited, to two independent third party purchasers for a total consideration of HK$8.5 million (equivalent to approximately RM4.5 million). The Unutilised Listing Proceeds that were initially intended for the granting of the credit facility was reallocated to expansion of our production capacity.

FUTURE PROSPECTS AND OUTLOOK

Higher-than-expected inflation, especially in the United States and major European economies, is triggering a tightening of global financial conditions. China's slowdown has been worse than anticipated amid COVID-19 outbreaks and lockdowns, and there have been further negative spillovers from the war in Ukraine. As a result, global economy is expected to have a soft landing in year 2023.

The supply chain disruption coupled with the rising costs of material and slow demand remain the major challenges that affect manufacturing operations. In view of the uncertainty of global economy, the Group will continue to operate within the constraints, revisit the market demand, pricing strategies as well as rationalise the cost structure in order to stay competitive in the market.

Global energy consumption is expected to continue growing in 2023 amid a slowing economy. The energy prices remaining high and possible contraction in gas and oil supplies from Russia have driven the needs and urgency to reduce energy consumption globally. The Group is of the view that governments will move towards the direction of reducing greenhouse gas emissions, establishing climate change mitigation policies and promoting energy efficiency initiatives. With the support from government policies, rising energy costs and the global push for environmental, social and governance initiatives, the Group believes the energy efficiency business will contribute positively to the Group's results.

Directors and Senior Management

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Dato' Lim Heen Peok ("**Dato' Lim**"), aged 74, chairman and non-executive Director.

The biography of Dato' Lim is summarised as follows:

Date of joining the Group	:	November 2004 (as an independent non-executive chairman of PRG Holdings Berhad ("**PRG Holdings**"))
Roles and responsibilities within the Group	:	Giving guidance on the long term strategic planning of the Group
Position held in other members of the Group	:	None
Directorship in public companies	:	None
Experience	:	More than 30 years of experience in the automotive industry with rich experience in production, distribution and retail
	:	Assumed offices, among others, in the following entities:

- Director, Otomobil Sejahtera Sdn. Bhd. (1988–1999)
- Director, KYB — UMW Malaysia Sdn. Bhd. (1988–2004)
- Director, UMW Toyota Motor Sdn. Bhd. (1998–2004)
- Director, Seat Industries (Malaysia) Sdn. Bhd. (1988–2004)
- Director, Assembly Services Sdn. Bhd. (1988–2004)
- Director (appointed as the chairman in 2004), Automotive Industries Sdn. Bhd. (1988–2004)
- Chairman, JTEKT Automative (Malaysia) Sdn. Bhd. (formerly known as T&K Autoparts Sdn. Bhd.) (1990–2004)
- Director, Toyota Capital Malaysia Sdn. Bhd. (2002–2004)
- Chairman, Toyota Boshoku UMW Sdn. Bhd. (2003 –2004)
- Independent non-executive director, Alliance Bank Malaysia Berhad (2005 –2008)

- Independent non-executive director, PROTON Holdings Berhad (2006–2012)
- Independent non-executive director, Liberty Insurance Berhad (since 2016–Present)
- Independent non-executive director, Assunta Hospital (since 2019–Present)
- Independent non-executive director, Amgeneral Insurance Berhad (since February 2023-Present)

Other qualifications and major appointments	:	Obtained Bachelor of Science in Mechanical Engineering from University of Strathclyde, the United Kingdom in June 1975
	:	Vice president of the Malaysian Automotive Association from January 2000 to March 2003
	:	Appointed on the Board of Governors of the Japanese Chamber of Trade & Industry Malaysia Foundation since 2015 to Present

NON-EXECUTIVE DIRECTOR

Mr. Ng Tzee Penn ("**Mr. Ng**"), aged 46, non-executive Director.

The biography of Mr. Ng is summarised as follows:

Date of joining the Group	:	28 December 2020
Roles and responsibilities within the Group	:	Advising the management on the long term strategic planning of the Group
Position held in other members of the Group	:	None
Directorship in public companies	:	A non-independent director of PRG Holdings, the controlling shareholder of the Company ("**Controlling Shareholder**") from 8 May 2020 to 10 June 2020, and was redesignated as an executive director of PRG Holdings on 11 June 2020
Experience	:	Chief operating officer of Tessa Therapeutics Ltd. since March 2016
Other qualifications and major appointments	:	Obtained Bachelor of Engineering (major in electrical engineering) from National University of Singapore in July 2001
Others	:	Son of Ng Yan Cheng, the major shareholder of PRG Holdings

Directors and Senior Management

CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR

Mr. Cheah Eng Chuan ("**Mr. Cheah**"), aged 76, chief executive officer and executive Director.

The biography of Mr. Cheah is summarised as follows:

Date of joining the Group	:	October 1987
Roles and responsibilities within the Group	:	Overseeing strategic planning and business development of the Group
	:	Overseeing operational management of the Manufacturing Division (Malaysia and Vietnam)
	:	Overseeing the compliance of the internal policies and legal requirements of the Manufacturing Division (Malaysia and Vietnam)
	:	Leading and maintaining the management team and overseeing future succession planning
	:	Appointed as a member of the Nomination Committee (the "**Nomination Committee**") of the Board on 20 September 2017
Position held in other members of the Group	:	Director, Webtex Trading Sdn. Bhd. ("**WTSB (MY)**")
	:	Director, Furniweb Manufacturing Sdn. Bhd. ("**FMSB (MY)**")
	:	Director, Texstrip Manufacturing Sdn. Bhd. ("**TMSB (MY)**")
	:	Director, Syarikat Sri Kepong Sdn. Bhd. ("**SSKSB (MY)**")
	:	Director, Furniweb Safety Webbing Sdn. Bhd. ("**FSWSB (MY)**")
	:	Chairman of board of management, Furniweb (Vietnam) Shareholding Company ("**FVSC (VN)**")
	:	Director, TS Meditape Sdn. Bhd. ("**TSMSB (MY)**")
	:	Director, FIPB International Limited ("**FIPB**")
Directorship in public companies	:	None

Experience	:	More than 30 years of experience in the rubber threads and furniture webbing industries, in particular in the field of sales and marketing and management
	:	Founder member of FMSB (MY), WTSB (MY) and TMSB (MY)
	:	Being in charge of all aspects of the operations in the Group, from developing growth policies for the Group to managing the day-to-day operations of the subsidiaries in Malaysia and Vietnam
	:	Attended secondary school education in Malaysia
Other qualifications and major appointments	:	Appointed as the vice president of Malaysian Textile Manufacturers Association in 2011

EXECUTIVE DIRECTOR

Dato' Lua Choon Hann ("**Dato' Lua**"), aged 46, executive Director.

The biography of Dato' Lua is summarised as follows:

Date of joining the Group	:	November 2013 (as an executive director of PRG Holdings)
Roles and responsibilities within the Group	:	Overseeing strategic planning and business development of the Group
	:	Overseeing operational management of the Manufacturing Division (China) and Energy Efficiency Division
	:	Appointed as a member of the Remuneration Committee (the "**Remuneration Committee**") of the Board on 20 September 2017
Position held in other members of the Group	:	Director, FMSB (MY), Delightful Grace Holdings Limited and Energy Solution Global Limited ("**ESGL**")
Directorship in public companies	:	An executive director of PRG Holdings, the Controlling Shareholder, from 1 November 2013, was redesignated as group managing director on 11 April 2016, and was redesignated as group executive vice chairman on 1 May 2019
Experience	:	Started his professional career in legal practice as an assistant public prosecutor with the Attorney General's Chambers in Singapore during June 2001 to June 2002
	:	Was a director of WG Capital Pte. Ltd., a Singaporean private equity firm that provided business management and consultancy services, from July 2005 to December 2011. He was also appointed as a director of WG Capital (M) Sdn Bhd, a Malaysian company that provides business consultancy services since July 2009

Other qualifications and major appointments	:	Obtained Bachelor of Law from the University of Cardiff in the United Kingdom in July 1999
	:	Assistant public prosecutor of the Attorney General's Chambers in Singapore from June 2001 to June 2002
	:	Director of Malaysia Investment Development Authority from October 2017 to September 2018

EXECUTIVE DIRECTOR

Mr. Cheah Hannon ("**Mr. Hannon**"), aged 51, executive Director.

The biography of Mr. Hannon is summarised as follows:

Date of joining the Group	:	November 2019
Roles and responsibilities within the Group	:	Monitoring and implementing strategic planning, business development and operational management (other than the Manufacturing) of the Group
	:	Appointed as the compliance officer and a member of the risk management committee (the "**Risk Management Committee**") of the Board on 6 November 2019
Position held in other members of the Group	:	None
Directorship in public companies	:	An independent non-executive director of Minetech Resources Berhad whose shares are listed on Bursa Malaysia Securities Berhad from January 2020 to June 2020
	:	An independent non-executive director of XL Holdings Berhad (formerly known as Xian Leng Holdings Berhad), a company whose shares are listed on Bursa Malaysia Securities Berhad since January 2021
	:	An independent non-executive director of Southern Score Builders Berhad (formerly known as G Neptune Berhad), a company whose shares are listed on Bursa Malaysia Securities Berhad from April 2018 to January 2023
Experience	:	Associate Director of Equity Sales, UOB Kay Hian Securities Singapore (1999–2004)
	:	Assistant General Manager of Equity Sales, RHB Securities (2004–2008)
	:	Associate Director of Institutional Sales, Ambank Securities (2008–2009)
	:	Director of Corporate Finance, Amanie Corporate Advisors (2012–2016)
	:	Director of Corporate Affairs, PRG Holdings (since 2016)
Other qualifications and major appointments	:	Obtained Bachelor of Science from Purdue University in May 1995

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Ming Hon ("**Mr. Ho**"), aged 47, independent non-executive Director.

The biography of Mr. Ho is summarised as follows:

Date of joining the Group	:	20 September 2017
Roles and responsibilities within the Group	:	Overseeing management independently
	:	Appointed as the chairman of the audit committee (the "**Audit Committee**") and the Risk Management Committee and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board on 20 September 2017
Directorship in public companies	:	None
Experience	:	Joined PricewaterhouseCoopers from April 1998 to February 2002 with his last position as an assistant manager. He then subsequently worked at an investment bank, AmInvestment Bank Berhad, from February 2002 until November 2007, with his last position as an associate director, where he specialised in corporate finance and had undertaken various corporate exercises such as mergers and acquisitions, restructuring, fund raising and also initial public offerings
:		Joined Pelikan International Corporation Bhd. ("**Pelikan International**") in November 2007, a company whose shares are listed on Bursa Malaysia Securities Berhad and currently, he holds office as the senior vice-president and Head of Group Finance and Corporate Services of Pelikan International. He is mainly responsible for the overall management of the operations, financial management including treasury and reporting, corporate, secretarial and legal functions of Pelikan International
Other qualifications and major appointments	:	Obtained Bachelor of Accounting from The National University of Malaysia 1998
	:	Certified Public Accountant and a member of The Malaysian Institute of Certified Public Accountants

Directors and Senior Management

Dato' Sri Dr. Hou Kok Chung ("**Dato' Sri Dr. Hou**"), aged 60, independent non-executive Director.

The biography of Dato' Sri Dr. Hou is summarised as follows:

Date of joining the Group	:	20 September 2017
Roles and responsibilities within the Group	:	Overseeing management independently
	:	Appointed as the chairman of the Nomination Committee and a member of the Audit Committee, the Remuneration Committee, the Nomination Committee of the Board on 20 September 2017
Directorship in public companies	:	A non-executive director of Parkson Retail Group Limited, a company listed on the Main Board of the Stock Exchange since 2014
Experience	:	An expert in East Asian and China studies. He served at University of Malaya from 1990 to 2008 as a lecturer and lastly as Associate Professor. During his tenure in University of Malaya, he had been appointed and held positions as Head of Department of East Asian Studies, and director of Institute of China Studies. He attended various conferences and seminars and worked on a handful of publications relating to economy, political environment and culture of East Asian countries and China. His vast experience, knowledge and understanding on this subject will enable him to contribute to the Group by bringing his insights in enhancing the future marketing strategies and positioning in East Asian market
Other qualifications and major appointments	:	Obtained Bachelor and Master of Arts from University of Malaya in August 1987 and August 1990, respectively
	:	Obtained Doctor of Philosophy from the School of Oriental and African Studies, the University of London in January 1998
	:	Member of Parliament and the Deputy Minister of Higher Education Malaysia from 2008 to 2013
	:	Vice-president of the Malaysian Chinese Association (2013–2018)
	:	Chairman of the Institute of Strategic Analysis & Policy Research (2014–2018)
	:	Chairman of Melaka Port Authority in Malaysia (2017–2018)
	:	Member of the Senate in the Parliament of Malaysia (2014–2018)
	:	Member of Board of Governors of Tunku Abdul Rahman University College (2008–2022)
	:	Council member of Tunku Abdul Rahman University (2008–Present)
	:	Guest professor at Xiamen University China (2014–Present)
	:	Adjunct Professor, University of Malaya (March 2021–Present)
	:	Deputy Chairman, Board of Governors, Tunku Abdul Rahman University of Management & Technology (January 2023–Present)

Directors and Senior Management

Dato' Lee Chee Leong ("**Dato' Lee**"), aged 65, independent non-executive Director.

The biography of Dato' Lee is summarised as follows:

Date of joining the Group	:	25 March 2020
Roles and responsibilities within the Group	:	Overseeing management independently
	:	Appointed as the chairman of the Remuneration Committee and a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Management Committee of the Board on 25 March 2020
Directorship in public companies	:	None
Experience	:	Held a long and distinguished career in politics in Malaysia and is a member of the Malaysian Chinese Association
	:	Served as State Assemblyman for Tualang, Perak from 1990 to 1995, and as State Assemblyman for Malim Nawar from 1995 to 2008
Other qualifications and major appointments	:	Obtained Bachelor of Arts majoring in accounting and finance from Bristol Polytechnic (with honours) in England in 1981
	:	Member of the Youth Central Committee in 1996
	:	Kampar Division Chairman (2005)
	:	Perak State Liaison Vice Chairman (2005)
	:	Perak State Liaison secretary and central committee member (2008)
	:	Presidential council member and central committee member (2009–2013)
	:	Vice president and Kedah State liaison chairman (2013 to 2018)
	:	Treasurer and Kampar division chairman (since 2018)

Directors and Senior Management

SENIOR MANAGEMENT

Mr. Tan Chuan Dyi ("**Mr. Tan**"), aged 51, chief operating officer.

The biography of Mr. Tan is summarised as follows:

Date of joining the Group	:	January 2014
Roles and responsibilities within the Group	:	Implementing strategic planning, business development and operational management of the Manufacturing Division (Malaysia and Vietnam)
Position held in other members of the Group	:	Director, FMSB (MY), FSWSB (MY), TSMSB (MY), TMSB (MY), WTSB (MY), SSKSB (MY) and FIPB
Directorship in public companies	:	An independent non-executive director of Naim Holdings Berhad, a company whose shares are listed on Bursa Malaysia Securities Berhad
Experience	:	More than 20 years of experience in the financial services industry, particularly in the areas of fund management, institutional broking, investment banking and capital markets
	:	Prior to joining PRG Holdings, Mr. Tan served as a portfolio management officer at AMMB Asset Management Sdn. Bhd. from January 1995 to June 2000 where he provided analysis on securities and portfolio management. Later, he took up the role as a senior vice-president at Institutional Sales Department of Affin-UOB Securities Sdn. Bhd. from July 2000 to February 2006. In February 2006, he joined another securities firm, CIMB Securities Sdn. Bhd., also as the senior vice-president of its Institutional Sales Department until December 2006. In these two securities firms, he was involved in equity sales and placements in both domestic and international placements. Subsequently, he joined RHB Investment Bank Bhd. from January 2007 to June 2011 as the Head of Equity Capital Market Department. He was a director, Head of Equity Syndication of Group Investment Banking, Kenanga Investment Bank Bhd. from September 2011 to December 2013. During his employment with both banks, he was involved in researching, marketing and placement of equity and equity linked products.
Other qualifications and major appointments	:	Obtained Bachelor of Science in Business Administration (Major in Finance) from California State University, Fresno in the United States in May 1993

Directors and Senior Management

Ms. Ho Phei Suan ("**Ms. Ho**"), aged 43, chief financial officer.

The biography of Ms. Ho is summarised as follows:

Date of joining the Group	:	May 2014
Roles and responsibilities within the Group	:	Overseeing the financial management of the Group
	:	Primarily responsible for daily accounting, budgeting, financial reporting and financial planning of the Group
Position held in other members of the Group	:	Director, ESGL, FMSB (MY), FSWSB (MY), TSMSB (MY), TMSB (MY) and WTSB (MY)
Directorship in public companies	:	None
Experience	:	Over 15 years of experience in financial management and auditing
	:	Prior to joining the Group, Ms. Ho worked in Ernst & Young Malaysia from August 2002 to February 2008 with her last position as a manager, and later joined KPMG China from March 2008 to October 2010 with her last position as a manager. In both positions, she was involved in audit and other assurance services to clients. She also worked in Encorp Berhad, a property development company in Malaysia, from April 2012 to April 2014 as a senior manager of their corporate finance department, where she was involved in corporate finance matters of Encorp Berhad including evaluation of projects or companies, performance analysis and financial modelling.
Other qualifications and major appointments	:	Obtained Bachelor of Accounting from The University of Malaya in September 2002
	:	Certified Public Accountant and a member of The Malaysian Institute of Certified Public Accountants

Report of the Directors

The Directors submit their report together with the consolidated financial statements of the Group for the Financial Year.

BUSINESS REVIEW

The business review, analysis of key financial performance indicator and business development of the Group for the Financial Year are set out in the "**Chairman's Statement**" and "**Management Discussion and Analysis**" of this report.

An analysis of the Group's performance during the Financial Year, using financial performance indicators are provided in the section headed "**Management Discussion and Analysis**" in this report.

A review on the Group's environmental policies and performance, compliance with relevant laws and regulations and key relationships with the major stakeholders to the Group (including its employees, customers and suppliers) are provided in the sections headed "**Environmental Policy and Performance**", "**Compliance with Relevant Laws and Regulations**" and "**Key Relationships**" respectively.

A review on the principal risks and uncertainties of the Group is provided in this section headed "**Principal Risks and Uncertainties**".

CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 3 March 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its ordinary shares in issue have been listed on GEM since 16 October 2017 (the "**Listing Date**").

The ultimate holding company of the Company is PRG Holdings, which is a public limited liability company incorporated in Malaysia and the issued shares of which are listed on the Main Market of Bursa Malaysia Securities Berhad.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally a manufacturer of elastic textile, webbing, rubber tape and polyvinyl chloride ("**PVC**") related products, and energy efficiency business. The principal activities of the subsidiaries of the Company are set out in Note 33 to the consolidated financial statements of this report.

FINANCIAL RESULTS

The results of the Group for the Financial Year and the financial position of the Group as at 31 December 2022 are set forth in the consolidated financial statements on pages 77 to 79 of this report.

DIVIDEND

The Board does not recommend the payment of a final dividend for the Financial Year.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years, as extracted from the published consolidated financial statements is set out on page 142 of this report. The summary does not form part of the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Financial Year are set out in Note 29 to the consolidated financial statements.

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Financial Year are set out in Note 15 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the Financial Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association ("**Articles of Association**") and there was no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RESERVES

Movements in the reserves of the Group and the Company during the Financial Year are set out in the consolidated statement of changes in equity and Note 30 to the consolidated financial statements on page 80 and page 132 of this report, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company was incorporated in the Cayman Islands on 3 March 2017 as an investment holding company. As at 31 December 2022, the Company's reserves available for distribution amounted to RM92.1 million (2021: RM69.0 million).

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") on 20 September 2017. Summary of the Share Option Scheme disclosed in accordance with the GEM Listing Rules is as follows:

(i) Purposes of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group.

(ii) Who may join

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for shares:

(a) any employee (whether full-time or part-time including any executive Director but excluding any non-executive Director) of the Company or any of its subsidiaries or any entity ("**Invested Entity**") in which any member of the Group holds an equity interest;

(b) any non-executive Directors (including independent non-executive Directors) of the Company or any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity;

(h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

(iii) Maximum number of shares available for issue

The total number of shares available for issue under the Share Option Scheme is 50,400,000 Shares, representing 10% and 8.38% of the Company's issued share capital on the Listing Date and as at the date of this report respectively.

(iv) Maximum entitlement of each participant

The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other Share Option Scheme of the Company (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the number of the shares in issue for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by the shareholders in general meeting of the Company with such grantee and his close associates abstaining from voting.

(v) Time of acceptance and exercise of option

An offer of grant of the option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised by the grantee in accordance with the terms of the Share Option Scheme at any time during a period as determined by the board of Directors and not exceeding 10 years from the date of grant of option under the Share Option Scheme.

(vi) Minimum period for which an option must be held before it can be exercised

There is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee.

(vii) Vesting period of options granted

As at 31 December 2022, no share options had ever been granted under the Share Option Scheme.

(viii) Consideration for the option

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

Report of the Directors

(ix) Subscription price for the shares

The subscription price for the shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of share as stated in the Stock Exchange's daily quotations sheet on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

(x) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing from 20 September 2017, being the date of its adoption. The remaining life of the Share Option Scheme is approximately 4.5 years as at the date of this report.

As at 31 December 2022, no share options had ever been granted under the Share Option Scheme. The number of options available for grant under the Share Option Scheme mandate at the beginning and the end of the Financial Year was 50,400,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the Financial Year, the five largest suppliers of the Group accounted for less than 30% of the Group's total cost of sales.

During the Financial Year, the five largest customers of the Group accounted for about 44.7% of the Group's total revenue and the largest customer accounted for about 11.8% of the total revenue.

Based on the information publicly available to the Company and to the best knowledge of the Directors, during the Financial Year, none of the Directors, their respective close associates (as defined in the GEM Listing Rules) or any shareholders (which to the knowledge of the Directors, own more than 5% of the Company's shares) had an interest in any of the Group's five largest customers or suppliers referred to above.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group understands the importance of environmental sustainability and protection. We are committed to protecting the environment, minimising the environmental impact brought by our business operations and complying with applicable environmental legislative and regulatory requirements. We have an environmental policy that guides our daily operations to achieve higher environmental standards. The Environmental, Social and Governance (the "**ESG**") Report for the Financial Year containing all information required by the GEM Listing Rules is set out on pages 58 to 73 of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are aware that the Group is exposed to various types of risks, including operational risks, market risks, liquidity risks, credit risks and regulatory risks. The Directors have established a set of risk management policies and measures to identify, evaluate and manage risks arising from its operations. The following are the primary risks that may materially and adversely affect the Group's business, financial condition and results of operation as well as the corresponding risk management measures.

Key risks related to the Group's businesses and to the industries in which the Group operates include:

1. **Global economic conditions and geopolitical risks**

   For the Manufacturing Division, our products are typically used to serve our end customers which are manufacturers in, among others, the textile and apparel, furniture, automotive, food packaging, agriculture, medical and construction industries. Our products are also exported to various geographical locations such as the United States, the United Kingdom, India, Indonesia, Australia, Sri Lanka and Pakistan. The performance and growth of such industries depend, to a certain extent, on the global economic, geopolitical and market conditions. The outbreak of the Novel Coronavirus Disease-2019 ("**COVID-19**") has affected the global supply chain. The uncertainty of the global economies, unresolved trade war, volatility in currency, disruption of global supply chain, and the intensifying regional business competition have made our operating environment very challenging. The recent Russia-Ukraine crisis has further disrupted the supply of commodities, added the cost to raw materials, energy as well as transportation. The uncertainty of the global economies and geopolitical risks have made our operating environment very challenging.

2. **Risks relating to conducting business in Malaysia, Vietnam, Singapore, Hong Kong and People's Republic of China ("PRC")**

   All of our operating assets are situated in Malaysia, Vietnam, Singapore, Hong Kong and PRC. As such, our business, financial conditions and results of operations whether presently or in the future, depend to a certain extent on the economic, political and regulatory developments of local governments and authorities. Such developments and future uncertainties include, but not limited to, changes in political leadership, risks of war, expropriation and changes in laws and regulations. In particular, any unfavourable changes in government policies on import and export duties and tariffs, foreign exchange controls, restrictions on production, price controls, taxation, environmental protection, employment and health and safety, could materially and adversely impact our business operations, financial conditions and international competitiveness.

3. **Risks relating to renewal of licenses**

   We are subject to various laws and regulations in jurisdictions in which we operate. In respect of our business operations in Malaysia, we are required to maintain business license and various licenses, permits and registrations in relation to, among other things, manufacturing, purchase and storage of certain materials, wastewater treatment plant operation and fitness of plant and machinery. In accordance with the laws and regulations of Vietnam and PRC, we are required to maintain various approvals, licenses and permits in order to operate our manufacturing business in both countries. Most of these licenses are subject to examinations or verifications by relevant authorities and are valid only for a fixed period of time subject to renewal and accreditation. Compliance with the relevant laws and regulations may require substantial expense, and any non-compliance may expose us to liabilities. In case of any non-compliance, we may have to incur significant expenses and divert substantial management time to remedy any deficiencies. We may also experience adverse publicity arising from such non-compliance with any laws and regulations that negatively impacts our brand.

4. **Risks relating to foreign labour supply**

   The supply of foreign workers in Malaysia are subject to the policies of the Malaysian governments. Any future changes to employment policies, visa restrictions and reductions in work permit quotas may impact the supply of foreign workers in Malaysia. Should any of the above occurs, the labour supply will also be effectively reduced and consequently competition for foreign workers may also cause the general cost of labour across the nation to increase. This could adversely affect the cost of labour and ability to employ foreign workers or to renew our employees' work permits to support our production process. As such, the business operations and financial condition could be materially and adversely affected.

5. **Risk relating to foreign currency**

   The Group derives a significant portion of its revenue in USD from the business with its international counterparts. The Group had a net USD exposure arising from the income after settling the purchases. While the Group adopted RM as the reporting currency, some of the assets and liabilities such as trade receivables and payables were denominated in other currencies, such as USD. From time to time, the Group has a net position in such currencies. These foreign currency balances are revalued at each accounting year or period end with the then prevailing exchange rate and may give rise to translational foreign currency exchange gain or loss.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group and its activities are subject to requirements under various laws in Malaysia, Vietnam, Cayman Islands, British Virgin Islands, Hong Kong, Singapore and PRC and all applicable regulations, guidelines, policies and license terms issued or promulgated under or in connection with these statutes. In addition, the GEM Listing Rules also apply to the Company. The Company seeks to ensure compliance with these requirements through various measures such as internal controls and approval procedures, training and oversight of various business units with the designated resources at different levels of the Group.

The Group has compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements. During the Financial Year, the Group had compiled with, and was not aware of any material non-compliance with the relevant laws and regulations that have significant impact on the business of the Group.

KEY RELATIONSHIPS

The Group is committed to operating in a sustainable manner while balancing the interests of its various stakeholders including employees, customers and suppliers.

Employees

Employees are important assets and we strive to provide our employees with a fair and diverse working environment. We encourage communication between management and employees; the periodic review provides an opportunity for management and employees to discuss opportunities for career advancement. The Group ensures all employees are reasonably remunerated, continues to improve the regular review and updates its policies on remuneration and benefits, training, occupational health and safety.

Report of the Directors

Suppliers

The Group has developed long-standing relationships with a number of suppliers which commit to high quality business ethics from time to time. The Group carefully assesses and selects its suppliers on various criteria including history, experience, financial strength, reputation and quality standards.

Customers

Relationship is the fundamentals of business. The Group fully understands this principle and thus maintains close relationship with the customers to fulfil their immediate and long-term need. For the Manufacturing Division, the Group enhances the service quality by assisting customers to develop their products samples and eventually secure our close and long-term business relationships with them. Further, the Group's ability to supply products of high and consistent quality to cater the changing product specifications required by our customers has been instrumental in establishing our broad clientele.

DIRECTORS

The Directors during the Financial Year and up to the date of this report were as follows:

Chairman and Non-Executive Director

Dato' Lim Heen Peok

Non-Executive Director

Mr. Ng Tzee Penn

Executive Directors

Mr. Cheah Eng Chuan *(Chief Executive Officer)*
Dato' Lua Choon Hann
Mr. Cheah Hannon

Independent Non-Executive Directors

Mr. Ho Ming Hon
Dato' Sri Dr. Hou Kok Chung
Dato' Lee Chee Leong

Pursuant to article 105(A) of the Company's Articles of Association, one-third of the Directors will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company ("**AGM**").

By virtue of article 105(A) of Articles of Association, Dato' Lim Heen Peok, Dato' Lee Chee Leong and Mr. Ho Ming Hon will each retire and all being eligible, offer themselves for re-election at AGM.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years, subject to review by the Board and upon the recommendation of its Remuneration Committee. The appointment of each of the executive Director may be terminated by either party by giving not less than three months' notice in writing to the other.

Each of the non-executive Directors and the independent non-executive Directors was appointed for an initial term of two years, provided that either party may terminate the appointment at any time by giving at least two months' notice in writing to the other. All the non-executive Directors and independent non-executive Directors are currently not appointed for a specific term after expiration of their initial two-year appointment, but they are subject to retirement by rotation in accordance with the Articles. None of the independent non-executive Directors has served more than nine years during the year ended 31 December 2022.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Save as disclosed in Note 34 to the consolidated financial statements and the paragraph headed "**Management Discussion and Analysis — Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures**" in this report, no contracts of significance in relation to the business of the Group to which the Company, any of its holding companies, any of its subsidiaries or any of its fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Financial Year or at any time during the Financial Year.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 under the GEM Listing Rules. The Board considers all of the independent non-executive Directors are independent and met the independence guidelines set out in Rule 5.09 of the GEM Listing Rules since their respective dates of appointment and up to the date of this report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Financial Year.

EMOLUMENT POLICY

The Company has established a Remuneration Committee in compliance with the GEM Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the remuneration policy and other remuneration related matters, including benefits-in-kind and other compensation payable to the Directors and senior management of the Company.

Under the remuneration policy of the Company, the Remuneration Committee will consider factors such as corporate and individual performance, salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group in assessing the amount of remuneration payable to the Directors and senior management. The Company has adopted a Share Option Scheme as an incentive to selected participants.

DEED OF NON-COMPETITION

As disclosed in the section "**Relationship With Our Controlling Shareholder — Competition — Undertakings given by our Controlling Shareholder**" in the Prospectus, the Controlling Shareholder has entered into a Deed of Non-Competition dated 28 September 2017, which contains certain non-compete undertakings (the "**Non-Compete Undertakings**") in favour of the Company (for itself and as trustee for each member of the Group).

Pursuant to these Non-Compete Undertakings, the Controlling Shareholder has, among other matters, irrevocably undertaken to the Company that at any time during the Relevant Period*, the Controlling Shareholder shall, and shall procure that its close associates and/or companies controlled by it (other than the Group) shall not, directly or indirectly, be interested or involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete with the businesses of the Group (including but not limited to the manufacturing of elastic textile, webbing and other products including rubber tape and metal components for furniture) in Malaysia, Vietnam and/or any other country or jurisdiction in or to which the Group sells its products and/or in which any member of the Group carries out the abovementioned business from time to time.

* the "**Relevant Period**" means the period commencing from the date of Listing and shall expire on the earlier of the dates below:

(a) the date on which the Controlling Shareholder and its close associates (as defined under the GEM Listing Rules)(whether individually or taken as a whole) cease to own 30% of the then issued share capital of the Company (whether directly or indirectly) or cease to be the Controlling Shareholder of the Company for the purpose of the GEM Listing Rules; and

(b) the date on which the shares of the Company cease to be listed on GEM or (if applicable) other stock exchange.

The Controlling Shareholder has provided a written confirmation to the Company that it has complied with the Deed of Non-Competition for the Financial Year and there is no matter in relation to their compliance with or enforcement of the Deed of Non-Competition that needs to be brought to the attention of the Stock Exchange, the Company and/or the shareholders of the Company.

The independent non-executive Directors have also confirmed to the Company that, having made such reasonable enquiries with the Controlling Shareholder and reviewed the annual confirmation from the Controlling Shareholder and/or such documents as they considered appropriate, nothing has come to their attention that causes them to believe that the terms of the Deed of Non- Competition had not been complied with by the Controlling Shareholder during the Financial Year.

Report of the Directors

COMPETING INTERESTS OF DIRECTORS, CONTROLLING SHAREHOLDER AND THEIR RESPECTIVE CLOSE ASSOCIATES

None of the Directors or the Controlling Shareholder or any of their respective close associates (as defined under the GEM Listing Rules) had any business or interests in any business, apart from the business operated by members of the Group, which competes or is likely to compete, directly or indirectly, with the business of the Group and/or has or is likely to have other conflict of interest with the Group during the Financial Year and up to the date of this report.

COMMERCIAL ACTIVITIES IN SANCTIONED COUNTRIES

During the Financial Year, the Group did not enter into any transactions in countries or territories which are targeted with certain economic sanctions under the laws of the United States, the European Union, the United Nations and Australia (the "**Sanctioned Countries**") or with certain person(s) and entity(ies) listed on the Office of Foreign Assets Control of the United States Department of Treasury's sanctions lists including the Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the United States, the European Union, the United Nations or Australia (the "**Sanctioned Persons**") that the Group believes would put the Group or its investors at risk of violating or becoming the target of sanction-related laws and regulations in the United States, the European Union, the United Nations and Australia (the "**International Sanctions**").

To continuously monitor and evaluate the Group's business and take measures to comply with the Group's continuing undertakings to the Stock Exchange as disclosed in the Prospectus, and to protect the interests of the Group and the shareholders of the Company, the Group has undertaken the following measures and efforts to monitor and evaluate its business activities in connection with possible International Sanctions risks as at the date of this report:

(i) the Group has set up a Risk Management Committee, comprising two independent non-executive Directors and one executive Director, whose responsibilities include, among others, overseeing the Group's management activities in managing key risks, ensuring the risk management process is functioning effectively and reviewing risk management strategies, policies, risk appetite and risk tolerance;

(ii) the Group will evaluate sanctions risks prior to determining whether the Group should embark on any business opportunities in a Sanctioned Country or with Sanctioned Persons; and

(iii) as and when the Risk Management Committee considers necessary, the Group will retain an external International Sanctions legal adviser with necessary expertise and experience in International Sanctions matters for recommendations and advice. Since the date of Listing and up to the date of this report, the Risk Management Committee did not identify any exposure to sanctions risks by the Group which it considered necessary for the Group to retain an external International Sanctions legal adviser.

The Directors are of the view that such risk management measures and efforts provided a reasonably adequate and effective framework to assist the Group in identifying and monitoring any material International Sanctions risk so as to protect the interests of the Company and its shareholders as a whole.

DISCLOSURE OF INTEREST

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SECURITIES OF THE COMPANY AND/ OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2022, the interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "**SFO**")) held by the Directors and chief executive of the Company as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) Long positions in the ordinary shares of HK$0.10 of the Company (the "Shares")

Name of Director	Capacity/Nature of interest	Number of securities *(Note 1)*	Approximate percentage of shareholding *(Note 2)*
Dato' Lua Choon Hann	Beneficial owner	260,000 Shares (L)	0.04%

Notes:

1. The letter "L" denotes the long position of the Director in the Shares.

2. The percentage of shareholding is calculated on the basis of 601,565,600 Shares in issue as at 31 December 2022.

(ii) Long positions in the ordinary shares in the associated corporation of the Company

Name of Director	Name of the associated corporation	Capacity/ Nature of interest	Number of securities *(Note 2)*	Approximate percentage of shareholding *(Note 4)*
Dato' Lim Heen Peok	PRG Holdings *(Note 1)*	Beneficial owner	108,800 shares (L)	0.03%
Dato' Lua Choon Hann	PRG Holdings *(Note 1)*	Beneficial owner	32,322,800 shares (L)	7.52%
		Interest of spouse	300,000 shares (L) *(Note 3)*	0.07%
Cheah Eng Chuan	PRG Holdings *(Note 1)*	Beneficial owner	1,000,000 shares (L)	0.23%

Notes:

1. PRG Holdings is the holding company and the associated corporation of the Company within the meaning under Part XV of the SFO.

2. The letter "L" denotes the long position of the Director in the shares in PRG Holdings.

3. Dato' Lua Choon Hann was deemed to be interested in the shares in PRG Holdings held directly by his spouse under Part XV of the SFO.

4. The percentage of shareholding is calculated on the basis of 429,857,221 shares in PRG Holdings in issue as at 31 December 2022.

Save as disclosed above, none of the Directors or chief executive of the Company had, or was deemed to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2022.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 31 December 2022, so far as are known to the Directors, the following persons (other than the Directors or chief executive of the Company) were recorded in the register kept by the Company under Section 336 of the SFO; or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Interests and short positions in the ordinary shares of HK$0.10 each of the Company (the "Shares")

Name of Shareholder	Capacity/ Nature of interest	Number of securities *(Note 1)*	Approximate percentage of shareholding *(Note 7)*
PRG Holdings *(Notes 2 and 3)*	Beneficial owner	303,468,000 Shares (L)	50.45%
Jim Ka Man	Beneficial owner	53,572,000 Shares (L) *(Note 4)*	8.91%
	Interest of spouse	5,192,000 Shares (L) *(Note 5)*	0.86%
Ng Yan Cheng	Beneficial owner	66,977,600 Shares (L) *(Note 6)*	11.13%

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. PRG Holdings is a company incorporated in Malaysia and whose issued shares are listed on the Main Market of Bursa Malaysia Securities Berhad.
3. Dato' Lua Choon Hann, an executive Director, is the group executive vice chairman of PRG Holdings.
4. According to the disclosure of interest form filed by Jim Ka Man, Jim Ka Man had acquired up to 53,572,000 Shares on 29 August 2022.
5. According to the disclosure of interest form filed by Jim Ka Man, Jim Ka Man was deemed to be interested in the Shares held directly by her spouse under Part XV of the SFO.
6. According to the disclosure of interest form filed by Ng Yan Cheng, Ng Yan Cheng had acquired up to 66,977,600 Shares on 29 August 2022.
7. The percentage of shareholding is calculated on the basis of 601,565,600 Shares in issue as at 31 December 2022.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "**Share Option Scheme**", no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or their associates to acquire benefits by means of acquisition of shares in, or debenture of, the Company or any body corporate during the Financial Year.

AUDIT COMMITTEE

The Company had established its Audit Committee on 20 September 2017 with written terms of reference in compliance with the GEM Listing Rules and the CG Code. The primary duties of the Audit Committee are to assist the Board in providing an oversight of the financial reporting and disclosure processes, internal control and risk management systems of our Company, and to oversee the audit process.

The Audit Committee currently comprises of three independent non-executive Directors, namely, Mr. Ho Ming Hon, Dato' Sri Dr. Hou Kok Chung and Dato' Lee Chee Leong. Mr. Ho Ming Hon is the chairman of the Audit Committee.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Associations and subject to the applicable laws, the Directors shall be indemnified out of the Company's assets from and against all actions, costs, charges, losses, damages and expenses which they may incur in the execution of their duties, except for those incurred through their own fraud or dishonesty. The above indemnity provision was in force during the course of the Financial Year and remained in force as of the date of this report.

RELATED PARTY TRANSACTIONS

Related party transactions of the Group during the Financial Year are disclosed in Note 35 to the consolidated financial statements. Those related party transactions which also constitute connected transactions are fully exempted connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

Save as disclosed in the paragraph "**Connected Transaction**" below in this section, none of these related party transactions constituted connected transaction and/or continuing connected transaction (as the case may be) as defined under Chapter 20 of the GEM Listing Rules. Please refer to Note 35 to the consolidated financial statements for further details.

CONNECTED TRANSACTIONS

The related party transactions with PRG Asset Holdings Sdn. Bhd. and a Director as disclosed in Note 35 to the consolidated financial statements also constituted connected transactions for the Company under Chapter 20 of the GEM Listing Rules. These connected transactions are de minimis transactions fully exempted from the annual reviews, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As disclosed in the section headed "**Management Discussion and Analysis — Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures**" in this report, on 8 June 2022, the Company conditionally agreed to acquire the remaining 62.75% interest in ESGL from Dato' Ng Yan Cheng (the "**Vendor**") by entering into a sale and purchase agreement with the Vendor, which was supplemented by a supplemental agreement dated 13 June 2022 for a total consideration of HK$58,191,840.00 (equivalent to approximately RM31,423,594.00). which was partly payable by the Company in cash and partly satisfied by the allotment and issue of new shares of the Company. The Board was of the view that the energy efficiency business has great potential in the future. The acquisition is a connected transaction under Chapter 20 of the GEM Listing Rules as the Vendor is a connected person of the Company for being the father of Mr. Ng Tzee Penn, a non-executive Director. Upon completion on 29 August 2022, ESGL and its subsidiaries became wholly-owned subsidiaries of the Company, and the results of operation and financial position of ESGL and its subsidiaries will be consolidated into the financial statements of the Group. For details, please refer to the announcements of the Company dated 8 June 2022, 13 June 2022, 8 August 2022 and 29 August 2022, and the circular dated on 30 June 2022. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

Report of the Directors

On 11 November 2022, the Company as lender entered into a loan agreement (the "**Loan Agreement**") with PRG Holdings as borrower, pursuant to which the Company has agreed to provide a loan in the principal amount of up to RM5 million (equivalent to approximately HK$8.334 million) (the "**Loan**") to PRG Holdings. The Loan Agreement together with the Loan contemplated thereunder constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules as PRG Holdings is a connected person of the Company for being a controlling shareholder of the Company directly interested in 50.45% of the Shares in issue. The Board considered that by entering into the Loan Agreement and advancing the Loan, the Group can utilize its surplus cash resources more efficiently and generate interest income from the Loan at an interest rate of 6% per annum which is better than as may be earned from deposit with banks and thereby maximizing the Group's return on its surplus cash reserves. As at the date of this report, RM5,000,000 was advanced to PRG Holdings under the Loan Agreement. For details, please refer to the announcements of the Company dated 11 November 2022. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the GEM Listing Rules.

EVENT AFTER REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2022 and up to the date of this report.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming AGM will be held on Wednesday, 28 June 2023. A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner required by the GEM Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 23 June 2023 to Wednesday, 28 June 2023, both days inclusive, during which period no transfer of Shares in the Company will be effected. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Wednesday, 21 June 2023.

INDEPENDENT AUDITOR

The consolidated financial statements for the Financial Year were audited by ZHONGHUI ANDA CPA Limited, the independent auditor, who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution will be proposed at the forthcoming AGM to re-appoint ZHONGHUI ANDA CPA Limited as auditor and to authorise the Directors to fix its remuneration.

The consolidated financial statements for each of the three years ended 31 December 2019, 2020 and 2021 were audited by ZHONGHUI ANDA CPA Limited.

On behalf of the Board
FURNIWEB HOLDINGS LIMITED
Dato' Lua Choon Hann
Director

Malaysia, 23 March 2023

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company's corporate governance practices are based on the principles of good corporate governance as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules (the "**CG Code**") and in relation to, among others, the Directors, chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with the shareholders of the Company.

To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code for the Financial Year.

CORPORATE CULTURE AND STRATEGY

By recognising the importance of stakeholders at the Board level and throughout the Group, we strive to create values to the stakeholders through sustainable growth and continuous development. The Board has set out the core values to provide guidance on employees' conduct and behaviours as well as the business activities, and to ensure they are embedded throughout the Company's vision, mission, policies and business strategies.

Our Vision

To be a premier company of choice for our stakeholders both locally and internationally.

Our Mission

- Customer oriented

- Innovative products

- Creating values for customers and stakeholders

Our Core Values

- Integrity — We act with professionalism in all our dealings and always deliver on our promise.

- Commitment — We are fully committed to what we do, constantly challenging ourselves to serve better and to excel in every opportunity.

- Competency — We drive efficiency by always looking for the ways to better ourselves and our team performances, effectiveness and productivity.

- Teamwork — We value team spirit and place communication and sharing information as the key to our goals.

- Respect — We advocate the assimilation of difference in our cultures in acknowledging differences of opinions, cultures and contributions, treating everyone with respect and create an environment for mutual respect.

- Innovation — We promote and recognise creative thinking as key to creating the best value to our stakeholders.

- Customer — We aspire to maximise values and satisfaction to our customer by creating quality products, excellent service, value added and concept that give our customer a better quality of life.

Corporate Governance Report

The Group recognises that a healthy corporate culture across the Group is vital for the Group to achieve its vision and mission towards sustainable growth, and has gradually developed a corporate culture emphasising on lawful, ethical and responsible business conduct over the years, which has been reflected in the overall operations and management of the Group. It is the Board's role to foster a healthy corporate culture and ensure that the Company's vision, values and business strategies are aligned to it. The Group will continuously review and adjust, if necessary, its business strategies and keep track of the changing market conditions to ensure prompt and proactive measures will be taken to respond to the changes and meet the market needs to foster the sustainability of the Group.

In order to promote open communication in the workplace and high ethical standards among staff and management of the Group, the Group has established its Anti-Bribery and Corruption Policy and Whistleblowing Policy and Guidelines on 6 November 2020, to provide guidance on identifying relevant breaches or improper behaviour, reporting procedures and consequences of violations of such policies. For further details on the Group's Anti-Bribery and Corruption Policy and Whistleblowing Policy and Guidelines, please see page 69 of the Environmental, Social and Governance report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of GEM Listing Rules, as its own securities dealing code, with terms no less exacting than the code of conduct regarding Directors' securities transactions in securities of the Company. Having made specific enquiry to the Directors, all Directors have confirmed that they have complied with the required standard of dealings and there is no event of non-compliance for the Financial Year.

BOARD OF DIRECTORS

Board Composition

The Directors who held office during the year ended 31 December 2022 and as at the date of this report are as follows:

Non-Executive Directors
Dato' Lim Heen Peok *(Chairman)*
Mr. Ng Tzee Penn

Executive Directors
Mr. Cheah Eng Chuan *(Chief Executive Officer)*
Dato' Lua Choon Hann
Mr. Cheah Hannon

*Independent Non-Executive Directors ("**INEDs**")*
Mr. Ho Ming Hon
Dato' Sri Dr. Hou Kok Chung
Dato' Lee Chee Leong

The biographical details of the Directors of the Company are set out under the section headed "**Directors and Senior Management**" in this report.

Corporate Governance Report

Functions, Roles and Responsibilities of the Board

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's mission and standards and ensures that the requisite financial and human resources support are in place for the Group to achieve its objectives.

The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference which are published on the respective websites of the GEM and the Company. The Board may from time to time delegate certain functions to senior management of the Group if and when considered appropriate. The management of day to-day operation of the Group's businesses and implementation of the business plans, strategies and policies adopted by the Board has been delegated to the senior management of the Group.

The functions performed by the Board include but are not limited to the following matters:

- formulating the Group's strategy and direction and monitoring the implementation thereof;
- deciding all material contracts, acquisitions, investments, divestments, disposals of assets or any significant capital expenditure;
- approving of the Group's financial statements, published reports, price sensitive announcement and other disclosure required under the GEM Listing Rules;
- developing, monitoring and reviewing the Group's corporate governance practices and the effectiveness of the Group's financial controls, internal control and risk management systems;
- Board appointment and other major appointments or removal; and
- monitoring the performance of the management.

The Directors have full and timely access to information and accounts of the Group and are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

The non-executive Directors do not involve in general management and day-to-day operation of the Group. However, they will provide advice on strategic direction for the Group in the Board meetings.

All Directors, including the non-executive Directors and independent non-executive Directors bring a wide range of business and financial expertise, experience and independent judgement to the Board, on issues of strategic direction, policies, development, performance and risk management. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, they scrutinize the Company's performance in achieving corporate goals and objectives and monitor performance reporting. By doing so, they are able to contribute positively to the development of the Company's strategy and policies through independent, constructive and informed comments at Board and committee meetings.

Each Director has confirmed that he can give sufficient time and attention to the Company's affairs and has regularly provided information on the number and nature of offices held in public companies or organisations and other significant commitments, including the identity of such companies or organisations and an indication of the time involved.

The Company has received written annual confirmation from each independent non-executive Directors of his independence pursuant to the requirements of the GEM Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the GEM Listing Rules.

The Board members have no financial, business, family or other material/relevant relationship with each other.

The Company has arranged appropriate insurance cover for Directors' liabilities in respect of legal actions against them for corporate activities.

Chairman and Chief Executive

The position for the chairman of the Board and chief executive is held by different individuals. The roles and responsibilities of the chairman of the Board and chief executive have been clearly defined in writing in order to ensure the accountability and division of their responsibilities.

Dato' Lim Heen Peok, is the chairman and non-executive Director, who is giving guidance on the long term strategic planning for the Group.

Mr. Cheah Eng Chuan ("**Mr. Cheah**"), is the chief executive officer and the executive Director of the Group. Mr. Cheah is overseeing strategic planning, business development and operational management of the Group. Mr. Cheah is also leading and maintaining the management team and overseeing future succession planning and the compliance of the internal policies and legal requirement within the Group.

Non-Executive Directors

Each of the non-executive Directors and the independent non-executive Directors signed a letter of appointment with the Company for an initial term of two years, provided that either the Company or the non-executive Directors and the independent non-executive Directors may terminate such appointment at any time by giving at least two months' notice in writing to the other.

Independence of Independent Non-Executive Directors

The Board is committed to reviewing and assessing the independence of the independent non-executive Directors. The Group has established a policy on 10 November 2022 regarding mechanisms to ensure independent views and input are available to the Board and such policy will be reviewed annually by the Board. Key mechanisms as set out in the policy include, but not limited to, the following:

a. At least three (3) Directors or one-third (1/3) of the Board, whichever is the higher, are INEDs.

b. Apart from complying with the requirements prescribed by the GEM Listing Rules as to the composition of certain Board committees, INEDs will be appointed to all Board committees as far as possible to ensure independent views are available.

c. The Nomination Committee must strictly adhere to the Nomination Policy and the independence assessment criteria as set out in the GEM Listing Rules with regard to the nomination and appointment of INEDs.

d. Each INED is also required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may materially affect his/her independence and must provide an annual confirmation of his independence to the Company.

e. The Nomination Committee is mandated to assess annually the independence of all INEDs by reference to the independence criteria as set out in the GEM Listing Rules to ensure that they can continually exercise independent judgement.

f. The Board have full and unrestricted access to the advice and services of the Senior Management personnel and/or the Company Secretaries in the discharge of the Board's duties and responsibilities. The Board is also allowed to seek advice from independent professional advisers when necessary at the expense of the Company to allow them to discharge their duties effectively. All Independent Non-Executive Directors have access to the Executive Directors and/or Senior Management personnel should there be any explanation or clarification needed on any aspects of the Group's operations and/or management issues.

g. The Director shall not vote or be counted in the quorum on any board resolution approving any contract or arrangement in which such Director or any of his/her close associates has a material interest.

h. The Chairman of the Board shall at least annually hold meetings with the INEDs without the presence of other Directors to discuss major issues and any concerns.

Board Meetings

Directors' resolutions were passed by physical meetings during the year.

The Board is expected to meet regularly and at least four times a year. The Board meets regularly to discuss the overall strategy as well as the operations and financial performance of the Group, and to review and to approve the Company's annual reports and accounts, summary of financial reports, half-year and quarterly reports and circular to shareholders.

The Directors are allowed to include any other matters in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at the Board meetings and to make informed decisions, an agenda and the accompanying Board papers together with all appropriate and relevant information in relation to the matters of the meetings are sent to all Directors at least three days before the intended date of each regular Board meeting and three days or such other period as agreed before each other Board meeting. All Directors should have access to the advice and services of the company secretary of the Company (the "**Company Secretary**") with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Company Secretary is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record within a reasonable time after each meeting and the final version is open for the Directors' inspection.

The Company has to comply with the CG Code provisions with regard to the conduct of meetings, have notices of each meeting made available to Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is required to be given.

According to the GEM Listing Rules, any Directors and their close associates with a material interest in the transactions to be discussed at the Board meetings will abstain from voting on resolutions approving such transactions and are not counted in the quorum of the meetings.

During the Financial Year, five Board meetings were held, an AGM of the Company was held on 30 June 2022 (the "**2022 AGM**"), and an extraordinary general meeting of the Company was held on 8 August 2022 (the "**2022 EGM**"). The attendance of each Director at the Board meetings, 2022 AGM and 2022 EGM is set out as follows:

	Number of attendance/ Number of Meetings		
Name of Director	**Board Meeting**	**2022 AGM**	**2022 EGM**
Dato' Lim Heen Peok	5/5	1/1	1/1
Mr. Ng Tzee Penn	4/5	0/1	0/1
Mr. Cheah Eng Chuan *(Chief Executive Officer)*	5/5	1/1	1/1
Dato' Lua Choon Hann	5/5	1/1	1/1
Mr. Cheah Hannon	5/5	1/1	1/1
Mr. Ho Ming Hon	5/5	1/1	1/1
Dato' Sri Dr. Hou Kok Chung	5/5	1/1	1/1
Dato' Lee Chee Leong	5/5	1/1	1/1

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

According to code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding suitable training placing an appropriate emphasis on the roles, functions and duties of a listed company director as per the GEM Listing Rules.

All Directors, that are, Dato' Lim Heen Peok, Mr. Ng Tzee Penn, Mr. Cheah Eng Chuan, Dato' Lua Choon Hann, Mr. Cheah Hannon, Mr. Ho Ming Hon, Dato' Sri Dr. Hou Kok Chung and Dato' Lee Chee Leong, have confirmed that they had participated in continuous professional development by attending seminars and reading materials during the Financial Year and have provided a record of their training to the Company, in compliance with code provision C.1.4 of the CG Code.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee, to oversee particular aspects of the Company's affairs. The Audit Committee, Remuneration Committee and Nomination Committee are established with written terms of reference, which have complied with the CG Code and are available on the Stock Exchange website at www.hkexnews.hk and the Company's website at www.furniweb.com.my and are available to shareholders upon request.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense. The Board committees will report back to the Board on their decisions or recommendations.

Audit Committee

The Company has established an Audit Committee on 20 September 2017 with written terms of reference in compliance with the GEM Listing Rules. The Board has adopted a revised terms of reference of the Audit Committee effective on 20 March 2019. The primary duties of the Audit Committee are to assist our Board in providing an oversight of the financial reporting and disclosure processes, internal control and risk management systems of our Company, and to oversee the audit process.

The Audit Committee currently comprises of three independent non-executive Directors, namely, Mr. Ho Ming Hon, Dato' Sri Dr. Hou Kok Chung and Dato' Lee Chee Leong. Mr. Ho Ming Hon is the chairman of the Audit Committee.

The Audit Committee shall meet at least four times a year. During the Financial Year, four Audit Committee meetings were held and attendance of each Director at the Audit Committee meeting is set out as follows:

Name of Director	Number of attendance/Number of meetings
Mr. Ho Ming Hon	4/4
Dato' Sri Dr. Hou Kok Chung	4/4
Dato' Lee Chee Leong	3/4

The summary of work of the Audit Committee during the Financial Year is as follows:

— reviewed the terms of reference of Audit Committee;

— reviewed the Company's quarterly and interim results announcement and report, annual results and the annual reports and made recommendations for the Board's approval;

— recommended the re-appointment of ZHONGHUI ANDA CPA Limited ("**ZHONGHUI**") as auditors, subject to the shareholders' approval at the AGM;

— reviewed audit fee proposals the audit planning for the year ended 31 December 2022; and

— reviewed the Group's quarterly internal control reports and risk management reports.

Nomination Committee

The Company has established a Nomination Committee on 20 September 2017 with written terms of reference in compliance with the GEM Listing Rules. The Board has adopted a revised terms of reference of the Nomination Committee effective on 20 March 2019. The primary duties of the Nomination Committee are to review the structure, size and composition of our Board, assess the independence of the independent non-executive Directors and to make recommendations to our Board on the appointment and removal of Directors.

The Nomination Committee currently comprises of three independent non-executive Directors, namely, Dato' Sri Dr. Hou Kok Chung, Mr. Ho Ming Hon and Dato' Lee Chee Leong, and one executive Director, namely, Mr. Cheah Eng Chuan. Dato' Sri Dr. Hou Kok Chung is the chairman of the Nomination Committee.

The members of the Nomination Committee should meet at least once a year. During the Financial Year, two Nomination Committee meetings were held and attendance of each Director at the Nomination Committee meeting is set out as follows:

Name of Director	Number of attendance/Number of meetings
Dato' Sri Dr. Hou Kok Chung	2/2
Mr. Ho Ming Hon	2/2
Dato' Lee Chee Leong	2/2
Mr. Cheah Eng Chuan	2/2

Corporate Governance Report

The Board adopted a board diversity policy ("**Board Diversity Policy**") effective on 13 October 2017 and reviews the implementation and effectiveness of the Board Diversity Policy on an annual basis. The Company recognises and embraces the benefits of a diverse Board to enhance the quality of its performance. The Board Diversity Policy states that the selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service, which are the measurable objectives for implementing the Board Diversity Policy. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. For the year ended 31 December 2022, the Company has achieved the following measurable objectives that the Board has set for implementing the Board Diversity Policy:

a. To ensure at least one member of the Board shall have obtained accounting or other professional qualification;

b. To ensure at least 50% of the members of the Board shall have attained bachelor's degree or higher level of education;

c. To ensure the Board has members coming from different cultural backgrounds; and

d. To ensure the age distribution of the members of the Board comprised of people from at least two decades.

In terms of gender diversity, while the Board is currently a single gender board, the Nomination Committee and the Board recognises the importance and benefits of gender diversity at the Board level and are committed to identify female candidates and appoint at least one female director on the Board no later than 31 December 2024.

As at 31 December 2022, the Group had 422 male employees (31 December 2021: 323 male employees) and 206 female employees (31 December 2021: 196 female employees) and the male-to-female ratio in the workforce, including the senior management, was approximately 67.2%:32.8% (31 December 2021: 62.2%:37.8%), which is regarded by the Board as satisfactory and in line with the industry which the Group operates its businesses in.

The Company will continue to take gender diversity into consideration during recruitment and increase the female proportion at all levels over time with the ultimate goal of achieving gender parity, such that there is a pipeline of female senior management and potential successors to the Board in the future. The Board will periodically monitor the gender composition of the workforce and set targets if and as needed.

On 20 March 2019, the Board also adopted the nomination policy. The Nomination Committee shall endeavor to select individuals of high integrity who have a solid record of accomplishment in their chosen fields and who possess the qualifications, qualities and skills to effectively represent the best interests of the Group and the shareholders. Candidates will be selected for their ability to exercise good judgment, and to provide practical insights and diverse perspectives. Candidates also will be assessed in the context of the then-current composition of the Board, the operating requirements of the Group. In conducting this assessment, the Nomination Committee will, in connection with its assessment and recommendation of candidates for director, consider diversity (including, but not limited to, gender, race, ethnicity, age, experience and skills) and such other factors as it deems appropriate given the current and anticipated future needs of the Board and the Company, and to maintain a balance of perspectives, qualifications, qualities and skills on the Board.

The nomination procedures and the process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship are contained in the nomination policy, which is reproduced as follows:

SELECTION OF CANDIDATE

I. Selection Process

The Nomination Committee shall:

a. proactively exchange views with Board members to study the needs of the Company for new Directors;

b. request nominations from the Board, as well as to seek suggestions for possible nominees from other sources actively. The Nomination Committee may consider using executive search firms to assist with finding candidates with the required skills and background;

c. make recommendation(s) to the Board in writing, describing the experience, expertise and background of the proposed nominee(s), and how he or she will complement the skills and backgrounds represented by the continuing members of the Board;

d. ensure ample time is given to the Board to consider the Nomination Committee's recommendations in light of the importance of the decision; and

e. instruct management to conduct an orientation programme for new Board member(s), and periodically review the programme for quality and scope in order to assist new Board member(s) to understand the Company's organisation and businesses as well as to be able to discharge his or her duties effectively as soon as possible.

II. Selection Criteria

The Nomination Committee will evaluate all recommended candidate(s) based on the following criteria:

For Director

a. The candidate must possess high standards of ethics, integrity and professionalism, display independent and sound judgment and have meaningful experience and expertise in business, corporate, accountancy, law, finance or other relevant endeavors;

b. The qualifications of a candidate will be considered by the Nomination Committee in addition to other factors it deems appropriate based on the current needs and requirements of the Board, including specific desired business and financial expertise, experience as a director of public listed company, age, gender and ethnic diversity; and

c. The candidate must possess the necessary technical skills and knowledge relating to particular business areas or the general industry of the Company.

For Independent non-executive Director

a. In addition to the criteria set forth above, the nominee for an independent non-executive director's vacancy must fulfil the independence guidelines under the GEM Listing Rules.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee may also consider such other factors as it may see fit which are in the best interest of the Company and its shareholders as a whole.

ASSESSMENT OF CANDIDATE

I. Assessment Process

a. The Nomination Committee shall gather all relevant information of the candidate such as academic achievements, professional titles, detailed work experience, etc for evaluation. It may seek the help of the company secretary or human resource department of the Company to assist in such information gathering as well as background verification;

b. The Nomination Committee shall assess the experience, expertise and business relationships represented by the continuing Board members in light of the existing and planned businesses to determine the skills and background of the new Board member(s) in order to complement those of the continuing Board members; and

c. The Nomination Committee shall interview shortlisted candidate(s) and provide an opportunity for the Chairman or President/Chief Executive Officer to interview the prospective candidate(s), to assess the suitability of the candidate(s), if required.

NOMINATION PROCEDURES

The secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from members of the Board if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by members of the Board.

For filling a casual vacancy or appointing an additional member to the Board, the Nomination Committee shall make recommendations for the Board's consideration and approval.

For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

A circular will be sent to the shareholders of the Company to provide them with the name, brief biography, proposed remuneration, (where an independent non-executive Director is to be nominated) independency and other information of the proposing candidate in accordance with the requirements of the applicable laws, rules and regulations including those of the GEM Listing Rules.

A shareholder can serve a written notice to the Company for the attention of the Company Secretary of his/her intention to propose a certain person for election as a Director. This written notice, together with (i) the information of the candidate as required to be disclosed under Rule 17.50(2) of the GEM Listing Rules and such other information as may be considered relevant to his/her proposed election; and (ii) the written consent by that person to the publication of his/her personal data provided pursuant to (i) immediately above, by the Company in its corporation communication documents in compliance with the GEM Listing Rules or as may be required by the Stock Exchange at the headquarters and principal place of business in Hong Kong of the Company or at the office of the Company's branch share registrar and transfer office in Hong Kong at least seven (7) clear days before the date of the general meeting and the period for lodgement of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and shall be at least seven (7) clear days in length.

The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The summary of work of Nomination Committee during the Financial Year is as follows:

— reviewed the terms of reference of Nomination Committee and the nomination policy;

— reviewed the structure, size and composition of the Board;

— assessed the independence of the independent non-executive directors;

— reviewed the Board Diversity Policy;

— made recommendation to the Board for consideration the re-appointment of all the retiring Directors at the AGM;

— reviewed the renewal of service contract of executive directors and made recommendation to Board for approval; and

— reviewed the renewal of re-appointment of non-executive directors and made recommendation to the Board for approval.

Remuneration Committee

The Company has established a Remuneration Committee on 20 September 2017 with written terms of reference in compliance with the GEM Listing Rules. The Board has adopted a revised terms of reference of the Remuneration Committee effective on 30 December 2022. The primary duties of the Remuneration Committee are to determine the policy for the remuneration of executive Directors, review the terms of the remuneration package of our Directors and members of our senior management to make recommendations to our Board on our Company's policy and structure for all remuneration of Directors and our senior management. The Remuneration Committee is also responsible for assessing performance of executive Directors and approving the terms of executive Directors' service contracts.

The Remuneration Committee currently comprises of three independent non-executive Directors, namely, Dato' Lee Chee Leong, Mr. Ho Ming Hon and Dato' Sri Dr. Hou Kok Chung, and one executive Director, Dato' Lua Choon Hann. Dato' Lee Chee Leong is the chairman of the Remuneration Committee.

The members of the Remuneration Committee should meet at least once a year. During the Financial Year, two Remuneration Committee meetings were held and attendance of each Director at the Remuneration Committee meeting is set out as follows:

Name of Director	Number of attendance/Number of meetings
Dato' Lee Chee Leong	2/2
Mr. Ho Ming Hon	2/2
Dato' Sri Dr. Hou Kok Chung	2/2
Dato' Lua Choon Hann	2/2

The summary of work of Remuneration Committee during the Financial Year is as follows:

— reviewed the terms of reference of Remuneration Committee;

— reviewed and recommended to the Board on the directors' remuneration policy and structure;

— reviewed the remuneration packages and bonuses (if any) of the executive directors and senior management and made recommendation to Board for approval; and

— reviewed and recommended to the Board on the directors' fee of non-executive directors.

Risk Management Committee

The Company has established a Risk Management Committee on 20 September 2017. The primary duties of the Risk Management Committee are to oversee the management's activities in managing key risks, ensure the risk management process is functioning effectively and review risk management strategies, policies, risk appetite and risk tolerance.

The Risk Management Committee currently comprises of two independent non-executive Directors, namely, Mr. Ho Ming Hon and Dato' Lee Chee Leong, and an executive Director, Mr. Cheah Hannon. Mr. Ho Ming Hon is the chairman of the Risk Management Committee.

During the Financial Year, four Risk Management Committee meetings were held and attendance of each Director at the Risk Management Committee meeting is set out as follows:

Name of Director	Number of attendance/Number of meetings
Mr. Ho Ming Hon	4/4
Dato' Lee Chee Leong	3/4
Mr. Cheah Hannon	4/4

During the Financial Year, the Risk Management Committee has reviewed the Company's risk management report, internal control systems and the effectiveness of the Company's internal audit function and report to Audit Committee.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee of the Company has been established. The Board as a whole is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The terms of reference for performing the corporate governance functions in compliance with the CG Code set out in Appendix 15 to the GEM Listing Rules were approved by the Board for adoption on 20 September 2017.

ACCOUNTABILITY AND AUDIT

The Board is committed to provide a balanced, clear and comprehensive assessment of the Group's performance, position and prospects in annual, interim and quarterly reports, and other financial disclosures required by the GEM Listing Rules. The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group which give a true and fair view of the state of affairs of the Group's results and cash flows for the Financial Year and are properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards.

The Management provides the Board with quarterly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 5.01 and Chapter 17 of the GEM Listing Rules.

The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The responsibility of the Company's auditor, ZHONGHUI ANDA CPA Limited, is set out in the section headed "**Independent Auditor's Report**" on pages 74 to 76 of this report.

SENIOR MANAGEMENT'S REMUNERATION

The remuneration payment of the senior management of the Group (excluding the Directors) for the Financial Year falls within the following bands:

	Number of individuals
HK$Nil to HK$1,000,000	2
HK$1,500,001 to HK$2,000,000	1

AUDITOR'S REMUNERATION

The Audit Committee is responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal.

The remunerations paid or payable to ZHONGHUI ANDA CPA Limited ("**ZHONGHUI**") and other external auditors for the services rendered for the Financial Year was as follows:

Category of services	**Amount** (RM'000)
Audit services — Annual audit	
— ZHONGHUI	310
— Others	151
Non-audit services	
— ZHONGHUI	225

COMPANY SECRETARY

Mr. Au Yeung Yiu Chung ("**Mr. Au Yeung**") was appointed as joint Company Secretary on 11 March 2019. Mr. Au Yeung is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Au Yeung is an International Certified Valuation Specialist holder and a Certified M&A Dealmaker issued by the China Mergers & Acquisitions Association and the Museum of Mergers and Acquisitions in the People's Republic of China. Mr. Au Yeung is currently a company secretary of Jiading International Group Holdings Limited (formerly known as Farnova Group Holdings Limited) (stock code: 8153), the issued shares of which are listed on GEM.

Ms. Cheng Lucy ("**Ms. Cheng**") has been appointed as a Joint Company Secretary and a process for the acceptance of services of process and notices on behalf of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) with effect from 6 November 2020. Ms. Cheng is a senior corporate secretarial manager of Boardroom. She is a Chartered Secretary, a Chartered Governance Professional and an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. Ms. Cheng has over 15 years of experience in the corporate secretarial field.

Mr. Au Yeung and Ms. Cheng have complied with the relevant professional training for the Financial Year, in compliance with Rule 5.15 of the GEM Listing Rules. The primary person of the Company with whom Mr. Au Yeung and Ms. Cheng have been contacting in respect of company secretarial matters is Ms. Ho Phei Suan, the chief financial officer.

Rights to convene an extraordinary general meeting and procedures to putting forward and proposals at shareholders' meeting

The following procedures for shareholders to convene a general meeting (the "**EGM**") other than an annual general meeting of the Company are subject to the Company's Articles of Association, the Companies Law (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and applicable legislation and regulation:

1. One or more shareholders (the "**Requisitionist(s)**") holding, at the date of deposit of the requisition (the "**Requisition**"), not less than one tenth of the paid up capital of the Company having the right of voting at general meetings of the Company, shall have the right, by written notice, to require an EGM to be called by the Directors for the transaction of any business specified in such Requisition.

2. The Requisition must state the general nature of the business to be dealt with at the EGM and may include the text of a resolution that may properly be moved and is intended to be moved at the EGM.

3. The Requisition may consist of several documents in like form which may be sent to the Board or the Company Secretary of the Company in hard copy form or in electronic form (and must be authenticated by the Requisitionist(s)) in the following manner:

   Address: Lot 1883, Jalan KPB 9
Kg. Bharu Balakong
43300 Seri Kembangan
Selangor
Malaysia
   Email: ir@furniweb.com.my
   Attention: The Board of Directors/Company Secretary

4. The Directors must call the EGM within 21 days after the date of the deposit of the Requisition and the EGM must be held within two months after the date of the deposit of the Requisition.

5. If the Directors are required under paragraph (1) immediately above to call an EGM and fail to do so pursuant to paragraph (4) immediately above, the Requisitionist(s) may themselves call the EGM. Any reasonable expenses incurred by the Requisitionist(s) by reason of the failure of the Directors duly to call the EGM must be reimbursed by the Company.

Right to Put Enquiries to the Board

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar and transfer office in Hong Kong whose contact details are as follows:

Tricor Investor Services Limited
Address: 17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Tel: (852) 2980 1333
Fax: (852) 2810 8185

Shareholders may at any time raise any enquiry in respect of the Company at the following designated contacts, correspondence addresses, email addresses and enquiry hotlines of the Company:

Address: Lot 1883, Jalan KPB 9
Kg. Bharu Balakong
43300 Seri Kembangan
Selangor
Malaysia
Email: ir@furniweb.com.my
Attention: The Board of Directors/Company Secretary

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for establishing the internal control system and reviewing its effectiveness. The Group has an in-house audit department that carries out regular reviews of the Group's operations and system of internal control by examining and evaluating business processes to determine the adequacy and efficiency of financial and operating controls, and highlighting significant risks and non-compliance impacting the Group. In accordance with the applicable laws and regulations, the Group has established an internal control system, covering areas such as corporate governance, risk management, operations, management, legal matters, finance and audit. The Group believes that our internal control system is sufficient in terms of comprehensiveness, practicability and effectiveness. The objective of internal control is to safeguard the Group's assets and ensure its accounting records are properly maintained, so that all the financial information is accurate and reliable. It should be acknowledged that the internal control systems in place are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement of loss.

The Group has adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving the objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Mr. Cheah Hannon, our executive Director, will be responsible for overseeing our internal control system in general and will act as the chief coordinator of matters relating to legal, regulatory and financial reporting compliance. Upon receipt of any query or report relating to legal, regulatory, financial reporting compliance and other material internal control defects, Mr. Cheah Hannon will look into the matter and, if considered necessary or appropriate, seek advice, guidance or recommendation from professional advisers and report to our Board. All employees are committed to continually enhancing the risk management measures to ensure that these measures work in line with the growth of our business strategies and integrated into day-to-day operation of the business.

The Board convened meetings quarterly to discuss business risks, financial risks, compliance risks and operation and other risks. The Board, as supported by the Audit Committee and the in-house audit department, has conducted a review of the effectiveness of the risk management and internal control system of the Group, covering all material controls such as financial, operational and compliance controls and risk management functions, and considered that the risk management and internal control system and procedures of the Group, including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programs and budget, are adequate and effective and have complied with the provisions of the CG Code for the Financial Year.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An AGM of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an AGM, shall be called an extraordinary general meeting. To ensure compliance with the CG Code, the notice of the AGM, the annual report and the circular containing information on the proposed resolutions will be sent to shareholders at least 20 clear business days before the AGM. Voting at the AGM will be by way of a poll. An explanation of the detailed procedures of conducting a poll will be provided to the shareholders at the commencement of the AGM to ensure that the shareholders are familiar with such procedures.

Poll results will be counted by the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, and will be posted on the websites of the Company and of the Stock Exchange on the day the shareholders' meeting is held. The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The chairman of the Board as well as the chairman of the Remuneration Committee, Nomination Committee and Audit Committee, or in their absence, other members of the respective committees, are available to answer questions at the shareholders' meetings. The Company will also arrange for the external auditors of the Company to attend the AGM to answer relevant questions if necessary.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors.

Corporate Governance Report

DIVIDEND POLICY

The Board has approved and adopted a dividend policy on 20 March 2019 (the "**Dividend Policy**"). It is the policy of the Board, in considering the payment of dividends, to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth.

The dividend payout ratio shall be determined or recommended, as appropriate, by the Board at its absolute discretion after taking into account the Company's financial results, future prospects and other factors, and subject to:

(a) the Articles of Association of the Company;

(b) the applicable restrictions and requirements under the laws of the Cayman Islands;

(c) the Company's actual and expected financial performance;

(d) the Group's liquidity position;

(e) retained earnings and distributable reserves of the Company and each of the members of the Group;

(f) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;

(g) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(h) the Group's expected working capital requirements and future expansion plans;

(i) general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

(j) any other factors that the Board deem appropriate.

SHAREHOLDERS' COMMUNICATION POLICY AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The shareholders' communication policy was adopted on 13 October 2017. It sets out the Group's commitment of and channels for maintaining an effective ongoing dialogue with shareholders. The shareholders' communication policy is reviewed by the Board on a regular basis.

The general meetings of the Company provide a forum for dialogue and interaction between the Board and the shareholders. The Board encourages and welcomes participation from shareholders to ask questions regarding the resolution being proposed at the meeting and also other matters pertaining to the business activities of the Group. The Directors are present during the meeting to respond to questions raised by shareholders.

The Company has established a range of communication channels between itself and the shareholders, its investors and other stakeholders. These include AGMs, the annual, interim and quarterly reports, notices, announcements and circulars and the Company's website at www.furniweb.com.my.

The Board has reviewed the implementation of the shareholders' communications policy and is satisfied that it is effective for the Board to understand the views and opinion of the shareholders through the available channels during the Financial Year. The Company continues to enhance the communication and relationship with its investors. Enquiries from investors are dealt with in an informative and timely manner.

Handling and Dissemination of Inside Information

The Company has established and maintained the procedures and internal controls for the handling and dissemination of inside information. The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. The Group has strictly prohibited unauthorised use of confidential or insider information or any use of such information for the advantage of himself or others. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and for the Board to decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the GEM Listing Rules will be announced on the respective websites of GEM and the Company in due course.

CONSTITUTIONAL DOCUMENTS

There had been no change in the Company's constitutional documents during the Financial Year.

Environmental, Social and Governance Report

ABOUT THIS REPORT

This Environmental, Social and Governance Report ("**ESG Report**") intends to give insight into the approaches adopted and actions taken by the Group regarding its operations and sustainability that have implication for the Group and the interest to stakeholders.

The Group understands the importance of ESG Report and is committed to making continuous improvements in corporate social responsibility into our business in order to better meet the changing needs of an advancing society. The Group endeavours to improve its sustainability performance and continue to optimise and improve the disclosure requirements.

REPORTING FRAMEWORK

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide ("**ESG Reporting Guide**") set out in Appendix 20 of the GEM Listing Rules and has complied with "**comply or explain**" provision set out in the ESG Reporting Guide. A complete list of index in compliance with the ESG Reporting Guide is also available at the end of this ESG Report for an easier reference.

REPORTING PRINCIPLES

We have applied the following reporting principles in preparing the ESG Report:

1. Materiality — The Group made a consensus on the material topics through internal discussion and also analysed key stakeholders' concerns through regular communication, industry associations, customer audits and seminars.

2. Quantitative — To ensure that the effectiveness of environmental, social and governance ("**ESG**") policies and management systems can be evaluated and validated, we presented our ESG performance with the aid of environmental and social key performance indicators ("**KPIs**"), with reference to the ESG Reporting Guide.

3. Balance — The ESG Report provides an objective, unbiased picture of the Group's performance. The ESG Report avoids selections, omissions or presentation formats that might inappropriately influence a decision of or judgment by the report reader.

4. Consistency — The ESG Report has been prepared based on the same methodologies, standard and reporting scope as compared to previous year.

REPORTING SCOPE AND REPORTING PERIOD

This ESG Report mainly focuses on the ESG performance for the Manufacturing Division and the new Energy Efficiency Division which the Group completed its acquisition in August 2022, representing the core business and main sources of revenue of the Group from 1 January 2022 to 31 December 2022 ("**Financial Year**").

GOVERNANCE STRUCTURE

The Board is responsible for, among other things, the development of the Group's long-term corporate strategies. As such, the Board has oversight of and overall responsibility for, and is engaged in, the Group's sustainability strategy and reporting, including identifying, evaluating and managing ESG-related risks, and ensuring appropriate and effective ESG risk management and internal control systems are in place. The management provides confirmation to the Board of the effectiveness of these systems.

The management is delegated by the Board to identify, evaluate, prioritise, manage and mitigate material ESG related issues that might adversely affect business of the Group. The Board will discuss and review the Group's ESG risks and opportunities, performance, progress, goals and targets regularly with the assistance of the management, with reference to the applicable environmental-related targets set by the local governments and compare our outcomes with these targets.

Environmental, Social and Governance Report

APPROVAL OF THIS REPORT

This ESG Report was reviewed and approved by the Board on 23 March 2023.

STAKEHOLDER ENGAGEMENT

Due to their considerable influence and impact on our business, the Group values the relationships with our stakeholders. High emphasis is placed on two-way communication with all stakeholders who are impacted by or have the ability to influence our business. The Group strives to continuously engage with these stakeholders to address their needs and concerns on issues related to the business operations through various channels as follows:

Stakeholder	Key Areas of Concern	Engagement Platform
Employees	• Performance and talent retention • Training and career development • Employee welfare • Occupational health and safety	• Appraisal systems, remuneration and rewards packages • Training programmes • Circulation of internal memos/ Email communications, yearly feedback from employees • Employee engagement activities • Team building activities
Customers	• Products and services quality • Delivery schedule • Data privacy	• Official website • Dedicated sales and marketing personnel to liaise with customers to follow up with customers' feedback
Regulatory authorities	• Compliance with laws, regulations and national policies • Occupational health and safety	• Dialogues with authorities • Workshops and trainings organised by the relevant regulatory authorities
Shareholders and investors	• Financial performance • Business strategies and directions • Compliance with regulations • Corporate governance and transparency • Ethics and integrity	• Annual, interim and quarterly reports/results announcements • Annual general meeting/ Extraordinary general meeting • Announcements to the Stock Exchange • Company's website (investor relations) • Press release and coverage
Vendors/suppliers	• Development of vendor and supplier long-term relationship • Stable quality supply and on time delivery	• Negotiations with vendors/ suppliers • Supplier periodical performance evaluation • New vendor evaluation and registration

With regards to sustainable development, we believe stakeholders' inputs are essential in shaping our roadmap and strategy to strengthen our ESG management and we will actively engage in different platforms to communicate with our stakeholders.

ENVIRONMENTAL

The Group understands the importance of environmental sustainability and protection. The Group takes measures to protect the environment in which we operate through the implementation of an environmental management system at our factories.

The Group is committed to operating in compliance with applicable environmental laws and regulations in all material respects and protecting environment by minimising the negative impact of the Group's operation on the environment. A subsidiary of the Group has been certified with the ISO 14001:2015 Certification for Environmental Management Systems issued by SGS (Malaysia) Sdn. Bhd. and SGS United Kingdom Limited. For the other subsidiaries, we have put in place our own environmental management system that identifies and manages our environmental risks concerning our businesses. We are able to identify environmental opportunities, enforce programs, promote awareness among our employees and stakeholders and seek continuous improvement.

During the Financial Year, the Group has strictly complied with relevant environmental laws and regulations relating to air, greenhouse gas ("**GHG**") emissions, discharges into water and land, and generation of hazardous and non-hazardous waste in Malaysia and Vietnam. The Group is not aware of any material non-compliance of the relevant environmental laws and regulations that have a significant impact on the Group.

Emission

During the Financial Year, the Group's total emissions are summarised in table below:

Emission category	Item	Unit	Amount 2022	Intensity (per tonne production volume) 2022
GHG	Scope 1 (Direct Emission)	tonnes CO_{2e}	**22**	**0.00**
	Scope 2 (Energy Indirect Emission)	tonnes CO_{2e}	**4,566**	**0.74**
	Total (Scope 1 & 2)	tonnes CO_{2e}	**4,588**	**0.74**
Hazardous waste	Industrial wastage	tonnes	**48**	**0.01**
Non-hazardous waste	Wastewater	M^3	**22,340**	**3.62**
	Solid wastage	tonnes	**190**	**0.03**

The above KPI does not form part of the consolidated financial statements. The above data are not independently audited or verified.

The total emission of Scope 1 & 2 GHG in 2022 was consistent with that in 2021. However, the intensity for Scope 1 & 2 GHG increased by 35% in 2022. The hazardous industrial wastage and non-hazardous wastewater increased from 39 tonnes in 2021 to 48 tonnes in 2022 and 15,469 M^3 in 2021 to 22,340 M^3 in 2022 respectively, and the intensity for non-hazardous wastewater increased by 95% in 2022. These were mainly due to an increase in production volume for products requiring dyeing process and these products involved longer dyeing process and treatment in 2022. The solid wastage decreased by 3% from 195 tonnes in 2021 to 190 tonnes in 2022. The Company will continue to strive to lower emission of GHG, hazardous industrial waste and non-hazardous waste by closely monitoring the manufacturing activities and improving energy efficiency.

We are committed to abiding by all respective laws and regulations in the areas we operate in, the Group had obtained the registration books of hazardous waste generator for generating hazardous waste (such as waste oil, waste sludge, containers of chemicals) produced in the manufacturing activities. The non-hazardous waste, such as waste water from dyeing process, or other solid waste generated from the production process that require special treatment are under applicable environmental standards and measures in Malaysia and Vietnam.

The following environmental risk and mitigation measures are identified and addressed including engaged an independent and licensed pollutant treatment company to dispose our hazardous waste, and wastewater was centrally collected and treated before discharged. The non-hazardous wastes and hazardous wastes were collected and store separately, before being transferred to landfill for disposal. All disposals and handling of the non-hazardous wastes and hazardous wastes produced during the production from the Group are strictly in compliance to related laws and regulations in Malaysia and Vietnam.

Use of resources

The Group focuses on the use of resources such as energy, water and paper. By utilising them efficiently not only helps lowering the operating cost, but also reduces its carbon footprint. The Group believes that it relies on the efforts from all of the employees, therefore, we have to raise the environmental protection awareness among employees and proactively seeks opportunities for increasing operating efficiency in order to reduce the use of resources through key initiatives set up to achieve higher energy efficiency:

During the Financial Year, the Group's total use of resources are as follows:

Resource category	Item	Unit	Amount 2022	Intensity (per tonne production volume) 2022
Energy	Electricity	kwh'000	**6,443**	**1.04**
Water	Water	M^3	**69,304**	**11.23**
Paper	Office paper	tonnes	**2.2**	**0.00**
Packaging materials	Paper, box carton, plastic	tonnes	**195**	**0.03**

The above KPI does not form part of the consolidated financial statements. The above data are not independently audited or verified.

Electricity

The Group's electricity is mainly consumed by operations of machineries at factories and office daily use. Besides of upgrading our facilities with higher energy efficiency, the proper production planning was in place and monthly monitoring on the energy consumption are carried out to manage the use of energy. We also carried out the energy saving equipment enhancement where appropriate to achieve high energy efficiency. In the previous financial years, we have replaced the traditional light bulbs with electricity-savings light bulbs at our offices and factories to reduce energy consumption.

In addition, the Group has encouraged employees to use electricity efficiently and our lights would be switched off during lunch and after normal working hours. Employees are encouraged to turn off idle machines and office equipment when they are not in use. The temperature of the office will maintain between 24°C and 26°C and employees are encouraged to use natural ventilation instead of air-conditioning whenever the conditions are allowed. The Group would continually review the energy consumption and will seek to further reduce energy consumption and electricity consumption.

Apart from exploring opportunities to further improve energy efficiency, the Group has also taken green initiatives into account for our network related operations and production and we work closely with the energy consultant by exploring opportunities to apply energy-efficient solutions at our plants.

The new energy efficiency business of the Group is using energy efficiency management system to help our customers to optimise energy usage and contribute positively to environmentally-regenerative growth at the corporate and national levels, for the benefit of current and future generations.

The electricity consumption in 2022 was consistent with that in 2021 but the intensity increased by 35.1% mainly due to lower production volume for most of the products.

Water

Water is mainly consumed for dyeing process at factory and daily operations. The wastewater from dyeing process was treated in accordance to applicable environmental standards and measures before discharged. The Group strives to minimise the water pollution with monitoring the water use in all facilities. We have encouraged our employees to increase the awareness of environmental protection, water pollution as well as water conservation.

The Group has conducted regular inspection and maintenance on water tap, water pipe and water storage and reduced usage of bottled water in meeting rooms by employees to further improve the utilisation efficiency of water resources.

Even the water consumption has increased by 7,544 M^3 or 12%, the overall intensity was increased by 51.6%, mainly due to an increase in water consumption for dyeing process as noted in the "**Emission**" section. The Group did not encounter any problem in sourcing water that was fit for purpose.

Paper

The Group makes every effort to reduce the environmental impact of paper use. To achieve a paperless workflow across our operations, we have actively developed a variety of workflow systems that replaced traditional paper forms and physical documents by providing customers with electronic billing and electronic statements via email. In addition, we encourage employees to use double side printing and reuse paper on one side to reduce paper. We notify employees for any announcement or information through emails. Increase in paper consumption by 15.8% in 2022 as compared to 2021 was mainly due to inclusion of paper consumption by the new energy efficiency business in 2022.

Packaging materials

The Group uses carton box, paper and plastic as packaging material. Packaging material consumption has decreased by 2.0% in 2022 as compared to 2021, which was mainly due to the decreased in sales volume for certain products that require more packaging materials consumption. The Group continues exploring the use of alternative packaging method or use of recycle packaging materials in order to reduce the consumption of packaging materials.

The Group will continue to closely monitor the utilisation of resources and conduct regular assessment to seek better ways for contributing to environmental protection.

Environmental and natural resources

The Group is not involved in any activities that has direct or significant impact on the natural resources in the course of our business operation.

In consideration of the potential threats of climate change to the communities, the Group has made steady progress in reducing its carbon footprints across its businesses. Emissions of GHG by the Group were mainly contributed by the boiler steam, consumption of electricity of machineries and wastewater. Regular assessment was carried out on the wastewater, steam emission from boiler to ensure the Group's operation does not have negative impact to surrounding environment and in compliance with local government standards. Routine inspection on the machineries to minimise the breakdown of machineries, in order to reduce production wastage and consumption of electricity.

As part of Group's strategy to reduce the emissions, hazardous and non-hazardous wastes as well as electricity and water consumptions, a series of machine upgrade such as dyeing machine and water treatment plant has been planned. The intensity of emissions and electricity and water consumptions is targeted to be reduced by 0.5% and 3% respectively by year 2024 upon full commencement of the machines. The Group will also aim to maintain its hazardous and non-hazardous wastes disposal intensity on more or less the same level.

Climate change

Climate change is one of the biggest global challenges faced by the society nowadays. The Group adheres and responds to local government policies and initiatives in the identification and mitigation of significant climate-related issues. Extreme weather may cause physical damage to our assets or impact to our supply chain, increase our repair and maintenance costs, hence directly and indirectly affecting the Company's operational efficiency and financial performance. Although such events might be beyond control, the Group believes that all stakeholders could work together to address climate change.

Apart from the steps and actions as set out above, we employ multiple ways to reduce GHG. For instance, telephone conference is held where possible to avoid any unnecessary overseas business travel while direct flights are chosen to reduce carbon emission caused by any inevitable business travel. The Group will continue to target reducing our own operational GHG emissions, and support energy efficiency solutions and technologies.

SOCIAL

Employment

Employees are our greatest assets. Our business success is dependent on how well we can attract, retain and develop our talents. We offer our employees competitive remuneration incentives and ample opportunities to develop their career. The Group expects that all employees and contractors treat one another with respect and dignity. The Group has put in place human resources policies and guidelines in compliance with the relevant labour laws and regulations of the local governments. The policies covered issues relating to compensation and dismissal, recruitment and promotion, working hours, leaves, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

During the Financial Year, the Group has strictly complied with relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, leaves, equal opportunity, diversity anti-discrimination and other benefits and welfare in Malaysia, Singapore, Vietnam and PRC. The Group is not aware of any material non-compliance of the relevant employment laws and regulations that have a significant impact on the Group.

Ratio

The Group recruits its employees based on their industry experience and interpersonal skills. The Group reviews the performance of its employees and the review results will be taken into account in the salary review and promotion appraisal. The Group evaluates the development of competencies in the context of each person's role yearly.

The employees are one of the key stakeholders of the Group, the human resources policies are conducive to building a better working environment, with more development opportunities and attractive employee benefits have contributed to employees' satisfaction levels and retention level. We aim to provide an enriching environment of a professional and harassment-free working environment. As part of its human resources policies, the Group organises recreational activities, such as team building and training programs, celebration of festivals and annual dinners to strengthen the bond among the employees. The team building and/or celebration of festivals and annual dinners were not organised in years 2021 and 2022 due to the outbreak of COVID-19 as part of preventive measures of the Group. The Group is always adhering to the Standard Operating Procedures ("**SOPs**") in relation to COVID-19, maintaining social distancing and reducing physical interaction, to protect health and safety of our employees.

Employee profile

As at 31 December 2022, the Group employed 618 employees in the Manufacturing and Energy Efficiency Divisions and the employee turnover rate is about 17.8%. The employee compositions and employee turnover rate are as follows:

Employee compositions		**2022**
Total number of employees (person)		618
By gender (%)	Male	67.0%
	Female	33.0%
By age group (%)	Aged 30 or below	24.6%
	Aged 31 to 40	34.3%
	Aged 41 to 50	24.6%
	Aged 51 or above	16.5%
By geographical region (%)	Malaysia	23.9%
	Vietnam	43.9%
	PRC	5.7%
	Singapore	1.6%
	Nepal	3.7%
	Others	21.2%
By employment type (%)	Full time	99.7%
	Part time	0.3%
Employee turnover rate (%)		
Total*		17.8%
By gender	Male	15.9%
	Female	21.6%
By age group	Aged 30 or below	38.8%
	Aged 31 to 40	12.7%
	Aged 41 to 50	10.5%
	Aged 51 or above	7.8%
By geographical region	Malaysia	29.7%
	Vietnam	17.7%
	PRC	17.1%
	Singapore	20.0%
	Nepal	21.7%
	Others	13.1%

* *The turnover rate was calculated by dividing the employees in the specified category leaving employment by the number of employees at the end of the Financial Year.*

Health and Safety

The Group endeavours to ensure our employees are provided with a safe working environment. The Group has a safety and health policy and has implemented various measures at our production facilities to promote occupational health and safety and to ensure compliance with applicable laws and regulations. Health and safety on-the-job training will be conducted for all new employees as and when appropriate for continuous improvement. The Group also publishes bulletins with occupational health and safety guidelines, rules and procedures to remind and promote the importance of safety in the workplace at all times and maintain an internal record of workplace accidents.

As required by the relevant laws and regulations in Malaysia, we have set up an Occupational Safety and Health Committee ("**OSHC**") to review health and safety matters from time to time to oversee safety in the work environment and regular internal meetings to discuss safety issues, review any recent industrial accidents and to design any required remedial actions. Fire drills, gas leakage control and spillage control are conducted on a regular basis and briefings in relation to evacuation procedures are given to employees. An Emergency Response Team was set up under purview of the OSHC to ensure that a quick response will be available to our people in the event of an emergency. Members of the team are given training on the use of firefighting equipment, first aid, Cardiopulmonary Resuscitation (CPR) and other measures to be taken in the event of emergency.

The Group also provides the employees with proper personal protective equipment to prevent potential accidents at work and to minimise the impact of occupational hazards on the health of the employees at every job position. The Group provides supplies to the employees, where applicable, including but not limited to: ear plugs, goggles, dust respirators, masks, rubber gloves, boots, insulated shoes, safety belts, etc.

As part of our internal reporting protocol, any workplace accidents, identified cases of occupational diseases and health and safety incidents shall be first reported to the human resources department while cases such as industrial accidents or accidental spills or discharges of pollutants may be referred to local labour or environmental government authorities.

To curb COVID-19, the Group has proactively established a series of SOPs which strictly aligned with government's prevention and control strategies. The SOPs include:

i. all visitors must wear a face mask, temperature check and perform self-test before entering into office/factories;

ii. providing hands sanitizer for all employees and visitors;

iii. cleaning and disinfecting offices and factories regularly;

iv. employees must practice physical distancing at all time;

v. employees are advised not to come to work, however to see doctor immediately, if found any symptoms of the COVID-19;

vi. employees must notify the head of department or human resource, if he/she has close contact with a confirm or probable positive COVID-19 person;

vii. employees must perform self-test for COVID-19 twice a week before enter into office/factories; and

viii. leveraging on technology by providing the video conferencing tools to reduce or avoid face-to-face interactions.

The Group is striving to raise employees' safety and health awareness by providing training programs, anti-COVID-19 memos and guidelines to ensure the working environment is healthy, safe and congenial.

During the Financial Year, there was 132 work-days lost due to work-related injury. During the past three years including the current Financial Year, no serious work injury case and no work-related fatality was recorded. The Group has always put emphasis on the assessment of potential hazards in the plant, and according to the results of the assessment of safety executives, training to enhance occupational health and safety has been strengthened, thereby enhancing the safety awareness and operational skills of employees. The Group has stepped up training for all employees, in particular for the training of the new employees who may lack the awareness of occupational health and safety as well as experience, in order to minimise cases of work injuries.

During the Financial Year, the Group has strictly complied with relevant laws and regulations relating to safe working environment and protecting employees from occupational hazards. The Group is not aware of any material non-compliance of the relevant health and safety laws and regulations that have a significant impact on the Group. Also, the Group was not subject to any punishment by the government and was not involved in any lawsuit related to health and safety. In addition, the Group did not experience any strike or labour dispute with its employees which had caused significant disruption to the Group's business operations.

Development and Training

The Group aspires to develop and grow with our employees and is willing to invest in both work-related training and personal development of our human capital. Moreover, the Group's guidelines are established to assess the performance of employees so as to identify and implement development programs for employees. These include:

— briefing for new employees to familiarise with the company environment and departmental requirements;

— first aid training for proper and effective way to handle accidents related to injured employees at work, as well as to strengthen occupational health and safety to prevent unexpected occupational diseases or viruses;

— fire-fighting protection training to enhance the awareness of fire prevention, and fire drill in a proper and effective manner;

— on-the-job trainings based on the needs of respective positions and talents and interests of employees to enhance the employees' work skills and techniques in term of technical and management skills; and

— internal and external trainings for employees, including specialised trainings such as ISO trainings, tax and financial trainings, management trainings as well as soft skills trainings.

During the Financial Year, we have provided staff training for a total of 3,476 hours. The breakdown of training per employee is as follows:

	Average hours of training per employee#	Percentage of employees trained
By gender		
Male	5.75	74.2%
Female	5.38	73.0%
By position		
General manager and above	2.17	43.8%
Assistant manager and above	4.48	33.3%
Executive, assistant and operations staff	5.83	78.4%

\# *It is calculated by dividing the employees received training in the specified category by the number of employees in the specified category at the end of the Financial Year.*

Labour Standards

The Group prohibits child and forced labour. The Group has guidelines setting the procedures and standards on recruitment by the management and human resource team. It is to ensure employee employment strictly complies with local employment regulations. The guidelines are reviewed on a regular basis so as to ensure the consistency with any update of the relevant rules and regulations in all locations of our operations. Once any case that violates the relevant labour laws, regulations or standards is found, the relevant employment contract will be immediately terminated and the individuals responsible for the management of human resources will be disciplined accordingly.

During the Financial Year, the Group strictly complies with the local employment laws and regulations in all locations of our operations in preventing forced or child labour.

OPERATING PRACTICES

Supply Chain Management

The Group has a wide range of suppliers globally providing various products and services. Supply chain management is critical in facilitating our operations and we aim to build mutually beneficial relationships with our suppliers in the long run. Therefore, the Group engages with suppliers fairly, transparently and ethically. The Group will review the suppliers based on, among other things, price and payment terms, product and service quality, operation scale and geographical proximity to our production facilities. We will take all reasonable efforts to conduct appropriate evaluations and assess the background information of the potential suppliers and communicate our expectation to promote environmentally and socially responsible practices to our suppliers. To identify and manage environmental and social risks along the supply chain, we also perform tests on samples collected from potential suppliers and may engage them on trial basis. Quality evaluation reports for each of these potential suppliers are compiled and those who pass the evaluation procedures to our satisfaction will be admitted as our qualified suppliers. A qualified supplier list for our principal raw materials is maintained by our purchase and procurement department and all principal raw materials must be purchased from our qualified suppliers. We closely monitor the performance of our suppliers and quotations from different suppliers that are generally obtained prior to certain procurement to ensure the competitiveness of their pricing. Suppliers failing to keep up with our requirements on product and service quality or contribute to material product defects at any stage of production may be removed from the qualified supplier list.

During the Financial Year, the Group was not aware of any key suppliers and/or subcontractors that have any significant negative impact, either actual and/or potential on the business ethics, environmental protection and labour practices. At present, we have 16 major suppliers mainly located in Asia Pacific region and Europe. The aforementioned supplier policies and practices are being implemented on all of the Group's suppliers.

Product Responsibility

With the knowledge that reliable delivery of quality products to our customers is critical to our success, our Group has implemented quality control procedures throughout our production process. For instance, we only source raw materials from suppliers on our suppliers list and evaluate our qualified supplier from time to time and performs tests on samples collected from potential suppliers before engage them as our suppliers.

The Group ensures none of our products would harm the safety and health of our customers. Over the years, we have received a number of awards and certifications in recognition of our business development and quality standards including GB/T19001-2016/ISO 9001: 2015, GB/T24001-2016/ISO 14001: 2015, IATF 16949:2016, Oeko-Tex® Standard 100 Product Class I & II, ISO 13485: 2016 and BRC Global Standard for Packing Materials Issue 6: August 2019. As we are to supply to textile industry, the Oeko-Tex® Standard 100 is widely used in this industry as a uniform global standard of testing and certification. The Oeko-Tex® Standard 100 tests harmful substances at all stages of production, including raw materials, semi-finished products and finished products. Only manufacturers who comply with strict testing and inspection procedures and provide verifiable quality assurance are allowed to place the Oeko-Tex label on their products. The Group's management team members have equipped themselves with risk management knowledge by having attended risk management training, including understanding of ISO 9001 quality management system.

For any complaints from customers in relation to product quality, our quality control team will analyse the details of the complaints and the respective products and determine the reasons of and take safeguard measures to prevent it from happening in the future. The quality control team will identify reasons of defective products such as defective raw materials, errors in manufacturing process or improper loading/unloading during transportation. Our procurement team will communicate and verify with suppliers for the quality issues on raw materials. Suppliers shall bear the responsibility once identified and confirmed, such raw materials supplier will be removed from our qualified supplier list if defective raw materials are being identified repeatedly. If the errors are identified in manufacturing process, the quality control team will analyse the details including going through the manufacturing process with production team. Production team will take immediate assessment on the production process so as to improve the production process and avoid the occurrence of repeated mistakes. The procurement team will communicate and verify with carriers for the improper loading/unloading and carriers shall bear the responsibility once identified and confirmed. Defective products will be collected from customers and be replaced with new batch of products.

The Group secures its intellectual property by using trademarks, confidential information and other applicable forms of legal protection. The Group had registered seven trademarks and six domain names in Malaysia, Vietnam, Singapore and PRC which are material in relation to our business. In addition, the Group has set up customer services team that are in charge of handling customer complaints. We are also committed to protecting customer's personal data. Data is our valuable asset. The Group has developed a policy of information management system to provide guidance to employees on control and usage of company data and to restrict access or use where necessary to protect the interests of the Group. Data is classified into different levels according to its confidentiality as public, internal, and restricted/confidential data.

During the Financial Year, the Group has strictly complied with relevant laws and regulations relating to product responsibility, in particular the health and safety, advertising and labelling of our products. Also, the Group was not aware of any incidents of non-compliance with relevant laws and regulations regarding health and safety, advertising, labelling, and privacy matters relating to products and services provided and methods of redress that have significant impact on the Group.

During the Financial Year, there were no products sold or shipped that were subject to recalls for safety or health reasons; there were no written complaints related to product and service quality either.

ANTI-CORRUPTION

On 6 November 2020, the Group has adopted Anti-Bribery and Corruption Policy related to employees, contractors and suppliers of the Group to maintain high ethical standards and a workplace free from corruption. The Group has provided training on anti-corruption to all the directors and staff of the Group.

All employees are expected to discharge their duties with integrity and to follow relevant local laws and regulations. The Group monitors closely the conduct of its management staff to prevent wrong-doings among the Board, senior management and staff, such as prohibiting transfer of benefits while considering new customers, suppliers or any project investment.

The Group has also adopted the Whistleblowing Policy and Guidelines on 6 November 2020. Any person may report allegations of suspected serious misconduct or any breach or suspected breach of law or regulation that may adversely impact the Group, the Group's customers, shareholders, employees, investors or the public at large.

The key business associates, contractors, suppliers, vendors had made their integrity pledge to our Group during the Financial Year as part of our Group's effort to comply with Anti-Bribery and Corruption Policy.

During the Financial Year, the Group has strictly complied with relevant anti-corruption laws and regulations relating to bribery, extortion, fraud and money laundering and the Group was not aware of any incidents regarding corrupt practices brought against the Group or its employees.

The Group has provided training regarding Anti-Bribery and Corruption Policy to directors and staff during the Financial Year.

COMMUNITY

Community Involvement

For the continuous effort in giving back to the society, the Group would seek for opportunities to get involved in various community programs. The Group's approach towards community involvement is as follows:

- The Group would fulfill corporate social responsibility through the sustainable development strategy to expand its efforts in the areas of charity work.

- Assessment will be taken on how to give business activities to the interests of community.

- The Group is committed to the provision of career opportunities to the locals and promotes the development of the community's economy.

To our poor and disabled communities

Financial assistance is always a direct way to support the needy minorities such as disabled or orphan children. Apart from donations, we believe helping and serving the community through visits could demonstrate our love and care to the needy groups.

To our staff community

Work-life balance is one of the important elements in retaining employees in the Group. In this spirit, the Group has organised various activities to help relieve employees from work stress, as well as to foster employees' relationship, for example, the Group organised a weekly sports activities, annual dinners and team buildings activities. However, the weekly sports activities, annual dinners and team building were not organised in since year 2021 due to the outbreak of COVID-19 as part of preventive measures of the Group.

Environmental, Social and Governance Report

ESG Reporting Guide Content Index

Subject Areas, Aspects, General Disclosures and KPIs		Related Section
A. Environmental		
Aspect A1. Emissions		
General Disclosure	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	**Environmental**
KPI A1.1	The types of emissions and respective emission data.	**Emission**
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity	**Emission**
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	**Emission**
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	**Emission**
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	**Environmental and natural resources**
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	**Environmental and natural resources**
Aspect A2. Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	**Use of resources**
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	**Use of resources**
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	**Use of resources**
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	**Environmental and natural resources**
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	**Environmental and natural resources**
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	**Use of resources**

Subject Areas, Aspects, General Disclosures and KPIs		Related Section
Aspect A3. The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	**Environmental and natural resources**
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	**Environmental and natural resources**
Aspect A4: Climate Change		
General		
Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	**Climate Change**
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	**Climate Change**
B. Social		
Employment and Labour Practices		
Aspect B1. Employment		
General Disclosure	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	**Employment**
KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	**Employee profile**
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	**Employee profile**
Aspect B2. Health and Safety		
General Disclosure	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	**Health and Safety**
KPI B2.1	Number and rate of work- related fatalities occurred in each of the past three years including the reporting year.	**Health and Safety**
KPI B2.2	Lost days due to work injury.	**Health and Safety**
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	**Health and Safety**

Subject Areas, Aspects, General Disclosures and KPIs		Related Section
Aspect B3. Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	**Development and Training**
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	**Development and Training**
KPI B3.2	The average training hours completed per employee by gender and employee category.	**Development and Training**
Aspect B4. Labour Standards		
General Disclosure	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	**Labour Standards**
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	**Labour Standards**
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	**Labour Standards**
Operating Practices		
Aspect B5. Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	**Supply Chain Management**
KPI B5.1	Number of suppliers by geographical region.	**Supply Chain Management**
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	**Supply Chain Management**
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	**Supply Chain Management**
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	**Supply Chain Management**

Subject Areas, Aspects, General Disclosures and KPIs		Related Section
Aspect B6. Product Responsibility		
General Disclosure	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	**Product Responsibility**
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	**Product Responsibility**
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	**Product Responsibility**
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	**Product Responsibility**
KPI B6.4	Description of quality assurance process and recall procedures.	**Product Responsibility**
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	**Product Responsibility**
Aspect B7. Anti-corruption		
General Disclosure	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	**Anti-corruption**
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	**Anti-corruption**
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	**Anti-corruption**
KPI B7.3	Description of anti-corruption training provided to directors and staff.	**Anti-corruption**
Community		
Aspect B8. Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	**Community**
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	**Community**
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	**Community**

Independent Auditor's Report

中汇
ZHONGHUI

TO THE SHAREHOLDERS OF FURNIWEB HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Furniweb Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 77 to 141, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Trade and other receivables

Refer to Note 20 to the consolidated financial statements

The Group tested the amount of trade and other receivables for impairment. This impairment test is significant to our audit because the balance of trade and other receivables of RM50,952,000 as at 31 December 2022 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

KEY AUDIT MATTERS *(Continued)*

Trade and other receivables *(Continued)*

Refer to Note 20 to the consolidated financial statements (Continued)

Our audit procedures included, among others:

— Assessing the Group's procedures on granting credit limits and credit periods to customers;

— Assessing the Group's relationship and transaction history with the customers;

— Evaluating the Group's impairment assessment;

— Assessing ageing of the debts;

— Assessing creditworthiness of the customers;

— Checking subsequent settlements from the customers; and

— Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade and other receivables is supported by the available and necessary evidence.

Inventories

Refer to Note 23 to the consolidated financial statements

The Group tested the amount of inventories for impairment. This impairment test is significant to our audit because the balance of inventories of RM26,091,000 as at 31 December 2022 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

— Assessing the Group's procedures on ordering and holding of inventories;

— Evaluating the Group's impairment assessment;

— Assessing the marketability of the inventories;

— Assessing the ageing of the inventories;

— Assessing the net realisable values of the inventories; and

— Checking subsequent sales and usage of the inventories.

We consider that the Group's impairment test for inventories is supported by the available evidence.

Independent Auditor's Report

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:
https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre
This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Yeung Hong Chun
Audit Engagement Director
Practising Certificate Number P07374
Hong Kong, 23 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 RM'000	2021 RM'000
Revenue	6	**162,155**	132,902
Cost of sales		**(120,753)**	(86,676)
Gross profit		**41,402**	46,226
Other income/(expenses), net	7	**2,186**	(8,267)
Selling and distribution costs		**(3,313)**	(6,931)
Administrative expenses		**(23,273)**	(24,081)
Interest income	8	**758**	608
Finance costs	9	**(667)**	(1,074)
Share of profit of a joint venture, net of tax	19	**462**	490
Share of profit of associates, net of tax	18	**3,669**	518
Profit before income tax expense	10	**21,224**	7,489
Income tax expense	11	**(3,057)**	(2,308)
Profit for the year		**18,167**	5,181
Other comprehensive income/(expense), net of tax			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of foreign operations		**1,867**	3,371
— Realisation of reserves from deemed disposal of an associate		**(189)**	–
— Realisation of reserves from disposal of subsidiaries		**–**	(82)
— Share of other comprehensive income of a joint venture	19	**19**	61
— Share of other comprehensive income of associates	18	**138**	51
Total other comprehensive income, net of tax		**1,835**	3,401
Total comprehensive income for the year		**20,002**	8,582
Profit/(Loss) for the year attributable to:			
— Owners of the Company		**18,167**	(770)
— Non-controlling interests		**–**	5,951
		18,167	5,181
Total comprehensive income for the year attributable to:			
— Owners of the Company		**20,002**	2,440
— Non-controlling interests		**–**	6,142
		20,002	8,582
Earnings/(Loss) per share	14		
— Basic and diluted (cents)		**3.16**	(0.14)

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2022

	Notes	2022 RM'000	2021 RM'000
Non-current assets			
Property, plant and equipment	15	**19,554**	19,910
Right-of-use assets	16	**12,309**	8,093
Intangible assets	17	**15,618**	1,239
Interests in associates	18	**–**	6,383
Interest in a joint venture	19	**1,411**	930
Loan receivable	20	**5,000**	–
Deferred tax assets	22	**24**	10
		53,916	36,565
Current assets			
Inventories	23	**26,091**	30,211
Trade and other receivables	20	**50,952**	33,188
Contract assets and contract costs	26	**25,727**	–
Amount due from a joint venture	21	**82**	57
Current tax recoverable		**1,077**	406
Time deposits maturing over three months		**11,274**	6,094
Cash and bank balances	24	**48,517**	28,265
		163,720	98,221
Current liabilities			
Trade and other payables	25	**31,262**	16,990
Contract liabilities	26	**1,108**	2,270
Bank borrowings	27	**18,225**	875
Lease liabilities	28	**1,459**	304
Current tax liabilities		**5,985**	2,518
		58,039	22,957
Net current assets		**105,681**	75,264
Total assets less current liabilities		**159,597**	111,829
Non-current liabilities			
Other payable	25	**15,569**	–
Bank borrowings	27	**11,363**	8,311
Lease liabilities	28	**5,690**	3,028
Deferred tax liabilities	22	**2,252**	1,238
		34,874	12,577
Net assets		**124,723**	99,252

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2022

	Notes	2022 RM'000	2021 RM'000
Capital and reserves			
Share capital	29	**32,633**	30,255
Reserves	30	**92,090**	68,997
Total equity		**124,723**	99,252

The consolidated financial statements on pages 77 to 141 were approved and authorised for issue by Board of Directors on 23 March 2023 and are signed on behalf of by:

Dato' Lua Choon Hann
Director

Cheah Eng Chuan
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to owners of the Company							
	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Exchange translation reserve RM'000	Accumulated losses RM'000	Total RM'000	Non–controlling interests RM'000	Total equity RM'000
At 1 January 2021	30,255	80,824	39,433	(2,889)	(51,973)	95,650	–	95,650
(Loss)/Profit for the year	–	–	–	–	(770)	(770)	5,951	5,181
Exchange differences on translation of foreign operations	–	–	–	3,180	–	3,180	191	3,371
Realisation of reserves from disposal of subsidiaries	–	–	–	(82)	–	(82)	–	(82)
Share of other comprehensive income of a joint venture, net of tax	–	–	–	61	–	61	–	61
Share of other comprehensive income of associates, net of tax	–	–	–	51	–	51	–	51
Total comprehensive income/(expense) for the year	–	–	–	3,210	(770)	2,440	6,142	8,582
Transactions with owners								
Contribution by non-controlling interests (Note)	–	–	–	–	1,162	1,162	5,126	6,288
Disposal of subsidiaries	–	–	–	–	–	–	(11,268)	(11,268)
Total transactions with owners	–	–	–	–	1,162	1,162	(6,142)	(4,980)
At 31 December 2021	30,255	80,824	39,433	321	(51,581)	99,252	–	99,252
At 1 January 2022	**30,255**	**80,824**	**39,433**	**321**	**(51,581)**	**99,252**	**–**	**99,252**
Profit for the year	**–**	**–**	**–**	**–**	**18,167**	**18,167**	**–**	**18,167**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**1,867**	**–**	**1,867**	**–**	**1,867**
Realisation of reserves from deemed disposal of an associate	**–**	**–**	**–**	**(189)**	**–**	**(189)**	**–**	**(189)**
Share of other comprehensive income of a joint venture, net of tax	**–**	**–**	**–**	**19**	**–**	**19**	**–**	**19**
Share of other comprehensive income of associates, net of tax	**–**	**–**	**–**	**138**	**–**	**138**	**–**	**138**
Total comprehensive income for the year	**–**	**–**	**–**	**1,835**	**18,167**	**20,002**	**–**	**20,002**
Transactions with owners								
Issue of shares (Note 29)	**2,378**	**3,091**	**–**	**–**	**–**	**5,469**	**–**	**5,469**
At 31 December 2022	**32,633**	**83,915**	**39,433**	**2,156**	**(33,414)**	**124,723**	**–**	**124,723**

Note: During the year ended 31 December 2021, non-controlling shareholders acquired 60% interests in a subsidiary of the Group at a consideration of RM6,288,000.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 RM'000	2021 RM'000
Cash flows from operating activities		
Profit before income tax expense	**21,224**	7,489
Adjustment for:		
Amortisation of intangible assets	**240**	910
Deposit forfeited	**–**	(155)
Depreciation of property, plant and equipment	**1,584**	2,066
Depreciation of right-of-use assets	**859**	2,289
Fair value change of profit guarantee	**85**	–
Finance costs	**667**	1,074
Gain on bargain purchase of associates	**–**	(692)
Gain on deemed disposal of an associate	**(2,105)**	–
Gain on disposal of property, plant and equipment, net	**(33)**	(1)
(Reversal of)/Impairment losses on:		
— customer relationship	**–**	3,619
— goodwill	**–**	12,110
— trade receivables, net	**(65)**	2,572
Interest income	**(758)**	(608)
Lease concessions	**–**	(1,130)
Lease modification — early termination	**–**	(11,244)
Loss on disposal of an associate	**–**	130
Loss on disposal of subsidiaries	**–**	5,241
Reversal of inventories written down, net	**(274)**	(2,562)
Reversal of provision for restoration costs	**–**	(713)
Share of profit of a joint venture, net of tax	**(462)**	(490)
Share of profit of associates, net of tax	**(3,669)**	(518)
Waiver of debts by other payables	**–**	(26)
Written off of:		
— amount due from an associate	**–**	1,421
— intangible assets	**–**	22
— property, plant and equipment	**4**	115
— other receivable and deposit	**–**	224
Unrealised loss on foreign exchange, net	**243**	190
Operating profit before working capital changes	**17,540**	21,333
Change in inventories	**5,208**	(3,904)
Change in trade and other receivables	**(7,021)**	(10,069)
Change in contract assets and contract costs	**2,182**	–
Change in amounts due from associates	**–**	285
Change in bank balances held on behalf of clients	**–**	12,360
Change in trade and other payables	**(12,455)**	(12,071)
Change in contract liabilities	**(1,127)**	(228)
Cash generated from operations	**4,327**	7,706
Tax refunded	**–**	1
Tax paid	**(2,604)**	(941)
Net cash generated from operating activities	**1,723**	6,766

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 RM'000	2021 RM'000
Cash flows from investing activities		
Purchase of property, plant and equipment	**(2,722)**	(3,162)
Purchase of intangible assets	**(7)**	–
Purchase of right-of-use assets	**(160)**	–
Repayments from associate companies	**–**	6,095
Net cash inflow from acquisition of subsidiaries	**24,112**	–
Net cash outflow from acquisition of associates	**–**	(5,187)
Changes in amount due from a joint venture	**(25)**	(1)
Dividends received from a joint venture	**–**	1,035
Interest received	**729**	608
Loan to the ultimate holding company	**(5,000)**	–
Proceeds from disposal of property, plant and equipment	**37**	9
Net cash inflow from disposal of an associate	**–**	94
Net cash outflow from disposal of subsidiaries	**–**	(7,770)
Deposits (placed)/lifted with financial institutions with original maturity of more than three months	**(4,528)**	7,295
Net cash generated from/(used in) investing activities	**12,436**	(984)
Cash flows from financing activities		
Interest paid	**(667)**	(1,052)
Drawdown of bank borrowings	**6,206**	–
New lease	**1,896**	–
Repayment of bank borrowings	**(1,146)**	(2,028)
Repayment of lease liabilities	**(791)**	(989)
Consideration received from non-controlling interests	**–**	6,288
Net cash generated from financing activities	**5,498**	2,219
NET INCREASE IN CASH AND CASH EQUIVALENTS	**19,657**	8,001
Effect of foreign exchange rate changes	**759**	226
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**27,832**	19,605
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**48,248**	27,832
Analysis of cash and cash equivalents		
Cash and bank balances	**48,517**	28,265
Less: Bank overdraft	**(269)**	(433)
	48,248	27,832

1. GENERAL INFORMATION

Furniweb Holdings Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on 3 March 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its ordinary shares in issued have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 16 October 2017. The addresses of the Company's registered office and its headquarters are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Lot 1883, Jalan KPB9, Kg. Bharu Balakong, 43300 Seri Kembangan, Selangor, Malaysia, respectively. The principal place of business in Hong Kong is 31st Floor, 148 Electric Road, North Point, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are principally engaged in the manufacturing and sales of elastic textile, webbing, rubber tape and polyvinyl chloride ("**PVC**") related products, energy efficiency business and retail sale of garment products prior to the closure of retail store by the Group in the second quarter of the year ended 31 December 2021. The ultimate holding company of the Company is PRG Holdings Berhad ("**PRG Holdings**") which is a public limited liability company incorporated in Malaysia and the issued shares of which are listed on the Main Market of Bursa Malaysia Securities Berhad.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1 New and revised IFRSs adopted during the financial year

In the current year, the Company and its subsidiaries (collectively referred to as the "**Group**") adopted all the new and revised International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board that are relevant to its operations and effective for its accounting year beginning on 1 January 2022. IFRSs comprise International Financial Reporting Standards ("**IFRS**"); International Accounting Standards ("**IAS**"); and Interpretations. The following new and revised IFRSs that are effective for annual periods beginning on or after 1 January 2022:

New and revised IFRSs		Effective Date
Amendments to IFRS 3	*Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16	*Property, Plant and Equipment — Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022

Annual Improvements to IFRSs 2018–2020 Cycle		Effective Date
IFRS 1	*Subsidiary as a first-time adopter*	1 January 2022
IFRS 9	*Fees in the '10 per cent' test for derecognition of financial liabilities*	1 January 2022
IFRS 16	*Lease incentives*	1 January 2022
IAS 41	*Taxation in fair value measurements*	1 January 2022

The adoption of the above new and revised IFRSs did not result in significant changes to and material effect on the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

2.2 New and revised IFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2023

New and revised IFRSs		Effective Date
IFRS 17	*Insurance Contracts*	1 January 2023
IAS 1	*Amendments in relation to Disclosure of Accounting Policies*	1 January 2023
IAS 8	*Amendments in relation to Definition of Accounting Estimates*	1 January 2023
IAS 12	*Amendments in relation to Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
IFRIC-int 5	*Amendments in relation to Amendments to IAS 1*	1 January 2024
IFRS 16	*Amendments in relation to Lease Liability in a Sale and Leaseback*	1 January 2024
IAS 1	*Amendments in relation to Classification of Liabilities as Current or Non-current*	1 January 2024
IAS 1	*Amendments in relation to Non-current Liabilities with Covenants*	1 January 2024
IFRS 10 and IAS 28	*Amendments in relation to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost basis.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**functional currency**"). The consolidated financial statements are presented in Malaysian Ringgit ("**RM**"), which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group. The functional currency of the Company is Hong Kong dollars ("**HK$**"). The directors consider that is more appropriate to adopt RM as the Group's and the Company's presentation currency as the Group is a subsidiary of PRG Holdings which adopts RM as its reporting currency. All values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

(b) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investment at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates *(Continued)*

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements, its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly, in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint arrangements *(Continued)*

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Property, plant and equipment

Buildings comprise mainly factories and offices. Plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates and useful lives are as follows:

Buildings	2%–3%
Plant and machinery	10%–20%
Furniture, fittings and office equipment	10%–33.33%
Motor vehicles	10%–20%
Leasehold improvement	10%–33.33%

Freehold land has unlimited useful life and is not depreciated. Construction in progress representing machinery under installation and renovation in progress are stated at cost. Construction in progress is not depreciated until such time when the asset is available for use.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

The gain or loss on disposal of plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Leases

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The lease terms of right-of-use assets are as follows:

Land use rights	47–78 years
Land and buildings	2–5 years
Motor vehicles	5–7 years
Plant and machinery	10 years

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below United States Dollars ("**USD**") 5,000.

Amendment to IFRS 16 COVID-19-Related Rent Concessions

IFRS 16 has been amended to:

(a) Provide lessees with an exemption from the requirement to determine whether a COVID-19-related rent concession is a lease modification; and

(b) Require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

(i) The changes in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(ii) Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(iii) There is no substantive change to other terms and conditions of the lease.

The Group has adopted the Amendment to IFRS 16 with election to apply the practical expedient as mentioned above to all rent concessions received that meet the conditions as stated above where effectively the Group recognised the concession separately in profit or loss of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Computer software	2–5 years
Customer relationship	6.5–7 years

Both the period and method of amortisation are reviewed annually.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit ("**CGU**") level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis except for cost for other consumables of the energy efficiency business are determined using the first-in-first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under financial assets at amortised cost.

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

— the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

— the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("**lifetime expected credit losses**") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Derivative financial instruments

Derivatives (including contingent considerations under business combinations) are initially recognised and subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

— the customer simultaneously receives and consumes the benefits provided by the Group's performance;

— the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

— the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other revenue

Interest income is recognised using the effective interest method.

Employee benefits

(a) *Short-term employee benefits*

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) *Defined contribution plans*

The Company's subsidiaries incorporated in Malaysia, Vietnam and the Republic of Singapore ("**Singapore**") make contributions to their respective countries' statutory pension schemes which are defined contribution plans at statutory fixed rates gazetted by the respective countries from time to time. The contributions are recognised as a liability after deducting any contributions already paid and as an expense in the period in which the employees render their services.

For the Company's subsidiaries incorporated in the People's Republic of China ("**PRC**") and Hong Kong, the subsidiaries contribute to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the subsidiaries to the funds.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, deferred tax assets, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of trade and other receivables

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. The carrying amount of trade and other receivables at the end of the reporting period was RM50,952,000 (2021: RM33,188,000) after net reversal of impairment loss of RM65,000 (2021: net impairment loss of RM2,572,000) was recognised during the year ended 31 December 2022, as disclosed in Note 20.

(b) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. The carrying amount of inventories at the end of the reporting period was RM26,091,000 (2021: RM30,211,000) after net reversal of impairment loss of RM274,000 (2021: RM2,562,000) was recognised during the year ended 31 December 2022, as disclosed in Note 23.

(c) Impairment of goodwill on consolidation

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was RM10,838,000 (2021: RM1,233,000 after an impairment loss of RM12,110,000). Details of the impairment loss calculation are provided in Note 17 .

(d) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(e) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(f) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that future taxable profits would be available against which the losses and other deductible temporary differences could be utilised. Significant management judgement is required to determine the amount of deferred tax assets that could be recognised, based on the likely timing and extent of future taxable profits together with future tax planning strategies.

(g) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group is exposed to foreign exchange rate risk on sales and purchases that are denominated in a currency other than the functional currencies of the respective group companies. The Group holds cash and bank balances denominated in foreign currencies for working capital purposes. The currencies giving rise to this risk are primarily USD and Euro. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the foreign currency denominated monetary assets and liabilities in net position as at 31 December 2022 and 2021 are as follows:

	USD	**Euro**
	RM'000	RM'000
At 31 December 2022		
Trade and other receivables	**8,989**	**–**
Cash and bank balances	**11,512**	**1,114**
Trade and other payables	**(1,707)**	**–**
Lease liabilities	**(2,502)**	**–**
Overall net exposure	**16,292**	**1,114**
At 31 December 2021		
Trade and other receivables	6,122	–
Cash and bank balances	18,438	884
Trade and other payables	(2,821)	–
Lease liabilities	(2,443)	–
Overall net exposure	19,296	884

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Foreign currency risk *(Continued)*

The following table illustrates the approximate change in the Group's profit for the year and accumulated losses in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of each of the following years:

	2022 RM'000	2021 RM'000
USD appreciated by 10%	1,629	1,930
Euro appreciated by 10%	111	88

The change in exchange rates do not affect the Group's other component of equity. The same percentage depreciation in the foreign currencies against the functional currency of the respective group companies would have the same magnitude on profit and accumulated losses but of opposite effect.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of each of the reporting period and had been applied to each of the group entities; exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next reporting date.

(b) Credit risk

The carrying amount of trade and other receivables, amount due from a joint venture, time deposits maturing over three months and cash and bank balances included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentration of credit risk.

It has policies in place to ensure that sales and loans are made to customers with an appropriate credit history. Amount due from a joint venture is closely monitor by the directors.

The credit risk on time deposits maturing over three months and cash and bank balances are limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

— internal credit rating;

— actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

— actual or expected significant changes in the operating results of the borrower; and

— significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 365 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade loan receivables which reflect their risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12-month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

	Within 1 year or repayable on demand RM'000	More than 1 year but less than 2 years RM'000	More than 2 years but less than 5 years RM'000	More than 5 years RM'000	Total RM'000
At 31 December 2022					
Trade and other payables	**31,262**	**15,569**	**–**	**–**	**46,831**
Bank borrowings	**18,746**	**3,178**	**3,651**	**7,307**	**32,882**
Lease liabilities	**1,770**	**1,676**	**2,545**	**2,738**	**8,729**
	51,778	**20,423**	**6,196**	**10,045**	**88,442**
At 31 December 2021					
Trade and other payables	16,990	–	–	–	16,990
Bank borrowings	1,195	762	2,286	7,659	11,902
Lease liabilities	431	423	939	2,736	4,529
	18,616	1,185	3,225	10,395	33,421

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group will fluctuate because of changes in market interest rates. The exposure to market risk of the Group for changes in interest rates relates primarily to the bank overdraft, bills payable, term loans in floating rate and trust receipts of the Group. There is no formal hedging policy with respect to interest rate exposure.

The following details the interest rate profile of the Group's financial instruments at the end of each reporting period.

	2022		2021	
	Effective interest rate		Effective interest rate	
	%	**RM'000**	%	RM'000
Floating rate				
Bank overdraft	**8.39–8.64**	**269**	7.39–7.64	433
Bills payable	**–**	**–**	1.85–3.76	1,873
Term loans	**4.47–4.97**	**8,324**	3.47–3.97	8,753
Trust receipts	**5.13–6.35**	**15,299**	–	–
		23,892		11,059

Sensitivity analysis for interest rate risk

The following table illustrates the approximate change in the Group's profit for the year and accumulated losses in response to reasonably possible changes in interest rates at the end of each of the following years with all other variables held constant:

	2022	2021
	RM'000	RM'000
Increase by 0.5%	**(96)**	(42)
Decrease by 0.5%	**96**	42

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the years ended 31 December 2022 and 2021.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Categories of financial instruments

	2022 RM'000	2021 RM'000
Financial assets		
Financial assets at amortised cost	**110,949**	63,123
Financial liabilities		
Financial liabilities at amortised cost	**83,568**	29,508

(f) Fair value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(i) Disclosure of level in fair value hierarchy at 31 December

Description	2022 RM'000	2021 RM'000
Recurring fair value measurements using level 3:		
Profit guarantee	**93**	–

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Fair value *(Continued)*

Fair value measurements (Continued)

(ii) Reconciliation of assets and liabilities measured at fair value based on level 3

	Profit guarantee RM'000
At 1 January 2021, 31 December 2021 and 1 January 2022	–
Total gains or losses recognised in profit or loss (#)	**(85)**
Acquisition of subsidiaries (Note 34(a))	**180**
Translation adjustments	**(2)**
At 31 December 2022	**93**
(#) Include gains or losses for assets and liabilities held at the end of the reporting period	**(85)**

The total gains or losses recognised in profit or loss including those for assets and liabilities held at the end of the reporting period are presented in other income/(expenses), net in the consolidated statement of profit or loss and other comprehensive income.

(iii) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2022

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board of Directors at least once a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Description	**Valuation technique**	**Unobservable input**	**Range**	**Effect on fair value for increase of inputs**	**Fair value RM'000**
Profit guarantee	Probabilistic approach	Discount rate	20.18%	Decrease	**93**

6. REVENUE AND OPERATING SEGMENTS

The Company's subsidiaries are principally engaged in the manufacturing and sales of elastic textile, webbing, rubber tape and PVC related products, and retail sale of garment products prior to the closure of retail store by the Group in the second quarter of the year ended 31 December 2021. The business segment of the Group was diversified to include energy efficiency business following completion of the Company's acquisition of 37.25% and the remaining 62.75% interest in Energy Solution Global Limited ("**ESGL**") on 13 December 2021 and 29 August 2022 respectively.

The Group determines its operating segments based on the reports reviewed by the chief executive officer who is the chief operating decision-maker (the "**CODM**").

The Group has arrived at two reportable segments for the year ended 31 December 2022 summarised as follows:

(i) Manufacturing (the "**Manufacturing Division**"); and

(ii) Energy Efficiency (the "**Energy Efficiency Division**").

While the Group had discontinued the business of retail sales of garment products, disclosures in relation to the Retail Division for the year ended 31 December 2021 remained for comparative purpose.

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

The CODM assesses performance of the operating segments on the basis of profit before income tax expense.

There were no separate segment assets and segment liabilities information provided to the CODM as the CODM does not use this information to allocate resources and evaluate the performance of the operating segments. Intersegment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements.

6. REVENUE AND OPERATING SEGMENTS *(Continued)*

Year ended 31 December 2022

	Manufacturing RM'000	Energy efficiency RM'000	Others RM'000	Total RM'000
Revenue				
Revenue from external customers	112,145	49,754	256	162,155
Results				
Operating profit/(loss)	11,781	9,408	(4,187)	17,002
Interest income	723	5	30	758
Finance costs	(602)	(65)	–	(667)
Share of profit of a joint venture, net of tax	462	–	–	462
Share of profit of associates, net of tax	–	3,669	–	3,669
Profit/(Loss) before income tax expense	12,364	13,017	(4,157)	21,224
Income tax expense	(1,855)	(1,202)	–	(3,057)
Profit/(Loss) for the year	10,509	11,815	(4,157)	18,167
Other segment items				
Amortisation and depreciation	(2,066)	(617)	–	(2,683)
Fair value change of profit guarantee	–	(85)	–	(85)
Gain on deemed disposal of an associate	–	2,105	–	2,105
Reversal of impairment loss on trade receivables, net	65	–	–	65

6. REVENUE AND OPERATING SEGMENTS *(Continued)*

Year ended 31 December 2021

	Manufacturing RM'000	Retail RM'000	Others RM'000	Total RM'000
Revenue				
Revenue from external customers	115,930	1,767	15,205	132,902
Results				
Operating (loss)/profit	(6,636)	8,934	4,649	6,947
Interest income	603	–	5	608
Finance costs	(561)	(506)	(7)	(1,074)
Share of profit of a joint venture, net of tax	490	–	–	490
Share of profit of associates, net of tax	–	–	518	518
(Loss)/Profit before income tax expense	(6,104)	8,428	5,165	7,489
Income tax expense	(422)	–	(1,886)	(2,308)
(Loss)/Profit for the year	(6,526)	8,428	3,279	5,181
Other segment items				
Amortisation and depreciation	(3,047)	(2,093)	(125)	(5,265)
Gain on bargain purchase of associates	–	–	692	692
Impairment losses on:				
— customer relationship	(3,619)	–	–	(3,619)
— goodwill	(12,110)	–	–	(12,110)
— trade receivables, net	(2,572)	–	–	(2,572)
Lease modification — early termination	8	11,236	–	11,244
Loss on disposal of subsidiaries	–	–	(5,241)	(5,241)
Reversal of provision for restoration costs	–	713	–	713

Geographical information

The Company is domiciled in the Cayman Islands while the Group's manufacturing facilities and sales offices are based in Malaysia, Vietnam, PRC and Hong Kong; the energy efficiency business is based in Singapore and Malaysia; and the retail business is based in the Singapore prior to the closure of retail store by the Group in the second quarter of the year ended 31 December 2021.

In presenting information on the basis of geographical areas, segment revenue is based on the geographical location of customers from which the sales transactions originated.

6. REVENUE AND OPERATING SEGMENTS *(Continued)*

Geographical information *(Continued)*

The non-current assets based on the geographical location of the Group's assets do not include interests in associates, interest in a joint venture and deferred tax assets (collectively referred to as "**Specified Non-current Assets**").

	2022 **RM'000**	2021 RM'000
Revenue from external customers		
Asia Pacific	**130,324**	105,166
Europe	**8,478**	7,888
North America	**22,183**	18,215
Others	**1,170**	1,633
	162,155	132,902
Specified Non-current Assets		
Malaysia	**29,109**	22,986
Vietnam	**5,670**	5,422
Singapore	**17,072**	–
PRC	**630**	834
	52,481	29,242
Revenue breakdown		
Recognised at a point in time:		
— Sales of goods:		
— Elastic textile	**36,943**	28,292
— Webbing	**43,177**	47,079
— Other manufacturing products	**32,025**	40,559
— Fashion garment products and accessories	**–**	1,767
— Others	**1,332**	15,205
Recognised over time:		
— Contract income	**42,292**	–
— Maintenance service	**6,386**	–
	162,155	132,902

6. REVENUE AND OPERATING SEGMENTS *(Continued)*

Information about major customers

Revenue from customers individually contributing over 10% of the total revenue of the Group for the reporting periods mainly from the Manufacturing and Energy Efficiency Divisions (2021: Others) were as follows:

	2022	2021
	RM'000	RM'000
— Customer A	**19,162**	–
— Customer B	**17,155**	*
— Customer C	–	14,521

* Revenue from this customer did not exceed 10% of the total revenue of the Group for the year ended 31 December 2021.

Revenue

Sales of elastic textile, webbing, rubber tape and PVC related products

The Group manufactures and sells elastic textile, webbing, rubber tape and PVC related products to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 30 to 90 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Retail sale of fashion garment products and accessories

The Group sells fashion garment products and accessories to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Contract income and maintenance service income from energy efficiency business

The Group provides consultancy, maintenance and other services to the customers. Contract income and maintenance services are recognised based on the stage of completion of the contract. Management has assessed that the stage of completion determined based on surveyors' certificates and customers' acceptance of services rendered is an appropriate measure of progress towards complete satisfaction of these performance obligations.

7. OTHER INCOME/(EXPENSES), NET

	2022 RM'000	2021 RM'000
Advisory and consultancy fee	–	1,053
Commission income	111	92
Fair value change of profit guarantee	(85)	–
Gain on bargain purchase of associates	–	692
Gain on deemed disposal of an associate	2,105	–
Gain on disposal of property, plant and equipment, net	33	1
Gain/(Loss) on foreign exchange, net		
— realised	521	495
— unrealised	(243)	(190)
Impairment losses on:		
— customer relationship	–	(3,619)
— goodwill	–	(12,110)
Lease modification — early termination	–	11,244
Loss on disposal of subsidiaries	–	(5,241)
Reversal of provision for restoration costs	–	713
Written off of amount due from an associate	–	(1,421)
Written off of other receivable and deposit	–	(224)
Others	(256)	248
	2,186	(8,267)

8. INTEREST INCOME

	2022 RM'000	2021 RM'000
Interest income from:		
— fixed deposits	703	591
— bank balances	26	17
— loan receivables	29	–
	758	608

9. FINANCE COSTS

	2022 RM'000	2021 RM'000
Interest on bank overdraft	32	30
Interest on bank borrowings	420	460
Interest on lease liabilities	215	562
Others	–	22
	667	1,074

10. PROFIT BEFORE INCOME TAX EXPENSE

The Group's profit before income tax expense is stated after charging/(crediting) the following:

	2022 RM'000	2021 RM'000
Auditor's remuneration		
— Statutory audit		
— Current	**461**	419
— Over-provision in prior year	**–**	(2)
— Other services	**225**	–
Amortisation of intangible assets	**240**	910
Cost of inventories recognised as expenses	**56,511**	62,802
Depreciation of property, plant and equipment	**1,584**	2,066
Depreciation of right-of-use assets	**859**	2,289
Gain on bargain purchase of associates	**–**	(692)
Gain on deemed disposal of an associate	**(2,105)**	–
Gain on disposal of property, plant and equipment, net	**(33)**	(1)
(Reversal of)/Impairment losses on:		
— customer relationship	**–**	3,619
— goodwill	**–**	12,110
— trade receivables, net	**(65)**	2,572
Lease modification — early termination	**–**	(11,244)
Loss on disposal of an associate	**–**	130
Loss on disposal of subsidiaries	**–**	5,241
Reversal of inventories written down, net	**(274)**	(2,562)
Reversal of provision for restoration costs	**–**	(713)
Written off of:		
— amount due from an associate	**–**	1,421
— intangible assets	**–**	22
— property, plant and equipment	**4**	115
— other receivable and deposit	**–**	224
Employee costs (including directors' emoluments) included in:		
— cost of sales	**16,805**	13,321
— selling and distribution costs	**161**	495
— administrative expenses	**16,765**	14,026

11. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2022 **RM'000**	2021 RM'000
Current tax — Malaysian income tax		
— provision for the year	**605**	600
— over provision in prior years	**(185)**	(102)
	420	498
Current tax — Overseas		
— provision for the year	**2,494**	2,217
— over provision in prior years	**(6)**	–
	2,488	2,217
Total current tax	**2,908**	2,715
Deferred tax (Note 22)		
— current year	**249**	(449)
— (over)/under provision in prior years	**(100)**	42
Total deferred tax	**149**	(407)
Total income tax expense	**3,057**	2,308

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

The Malaysian income tax is calculated at the statutory tax rate of 24% (2021: 24%) of the estimated taxable profit for the year ended 31 December 2022.

Income tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

11. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the year can be reconciled to the profit before income tax expense in the consolidated statement of profit or loss and other comprehensive income multiplied by Malaysian income tax rate as follows:

	2022 RM'000	2021 RM'000
Profit before income tax expense	**21,224**	7,489
Tax calculated at Malaysian income tax rate of 24% (2021: 24%)	**5,094**	1,797
Effect of different tax rates in foreign jurisdictions	**(1,208)**	(59)
Tax incentive	**(189)**	(192)
Tax effect of expenses not deductible for tax purposes	**1,329**	5,575
Tax effect of revenue not taxable	**(706)**	(5,678)
Deferred tax assets not recognised	**36**	1,186
Utilisation of previously unrecognised deferred tax assets	**(7)**	(9)
Tax effect of share of profit of a joint venture	**(111)**	(118)
Tax effect of share of profit of associates	**(881)**	(124)
Over provision of income tax expense in prior years	**(191)**	(102)
(Over)/Under provision of deferred tax expense in prior years	**(100)**	42
Others	**(9)**	(10)
Income tax expense	**3,057**	2,308

12. EMPLOYEE COSTS

	2022 RM'000	2021 RM'000
Employee costs (including directors' emoluments) comprise:		
— Wages, salaries and bonuses	**27,657**	22,422
— Contributions to defined contribution plans	**1,712**	1,638
— Other benefits	**4,362**	3,782
	33,731	27,842

There are no forfeited contributions for the above defined contribution plans as the contributions are fully vested with the employees upon payment to the plans.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

The emoluments paid or payable to directors and chief executive of the Company are as follows:

	Fees RM'000	Salaries and other benefits RM'000	Discretionary bonus RM'000	Contributions to defined contribution plans RM'000	Total RM'000
Non-executive directors					
Dato' Lim Heen Peok	**80**	**–**	**–**	**–**	**80**
Mr. Ng Tzee Penn	**60**	**–**	**–**	**–**	**60**
Executive directors					
Mr. Cheah Eng Chuan	**–**	**856**	**184**	**197**	**1,237**
Dato' Lua Choon Hann	**–**	**314**	**–**	**48**	**362**
Mr. Cheah Hannon	**–**	**276**	**–**	**42**	**318**
Independent non-executive directors					
Mr. Ho Ming Hon	**60**	**–**	**–**	**–**	**60**
Dato' Sri Dr. Hou Kok Chung	**60**	**–**	**–**	**–**	**60**
Dato' Lee Chee Leong	**60**	**–**	**–**	**–**	**60**
Total for 2022	**320**	**1,446**	**184**	**287**	**2,237**

	Fees RM'000	Salaries and other benefits RM'000	Discretionary bonus RM'000	Contributions to defined contribution plans RM'000	Total RM'000
Non-executive directors					
Dato' Lim Heen Peok	81	–	–	–	81
Mr. Yang Guang (Note)	22	–	–	–	22
Mr. Ng Tzee Penn	60	–	–	–	60
Executive directors					
Mr. Cheah Eng Chuan	–	856	184	197	1,237
Dato' Lua Choon Hann	–	275	–	51	326
Mr. Cheah Hannon	–	264	–	50	314
Independent non-executive directors					
Mr. Ho Ming Hon	60	–	–	–	60
Dato' Sri Dr. Hou Kok Chung	60	–	–	–	60
Dato' Lee Chee Leong	60	–	–	–	60
Total for 2021	343	1,395	184	298	2,220

Salaries, allowances and other benefits paid to or for the executive directors are generally emoluments in respect of those persons' other services in connection with the management of the affairs of the Group.

Note: Mr. Yang Guang was retired as the Company's non-executive director on 7 May 2021.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

Directors' and chief executive's emoluments *(Continued)*

During the year, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office (2021: RM Nil). In addition, none of the directors has waived or agreed to waive any emoluments during the year (2021: RM Nil).

Emoluments of Five Highest Paid Individuals in the Group

Of the five individuals with the highest emoluments in the Group, 2 (2021: 2) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining 3 (2021: 3) individuals were as follows:

	2022	2021
	RM'000	RM'000
Salaries and other benefits	**1,508**	1,587
Discretionary bonus	**243**	246
Contributions to defined contribution plans	**265**	308
	2,016	2,141

The emoluments of each of the above highest paid individuals (excluding the directors of the Company) during the years ended 31 December 2022 and 2021 were all within the following bands:

	Number of individuals	
	2022	2021
HK$ Nil to HK$1,000,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**–**	1

14. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share attributable to owners of the Company is based on the following information:

	2022	2021
Earnings/(Loss)		
Earnings/(Loss) for the purpose of calculating basic earnings/(loss) per share		
Profit/(Loss) for the year attributable to owners of the Company (RM'000)	**18,167**	(770)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share ('000)	**574,235**	560,000

Diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share as there were no dilutive potential ordinary shares outstanding for the years ended 31 December 2022 and 2021.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Leasehold improvement RM'000	Construction in progress RM'000	Total RM'000
Cost								
At 1 January 2021	1,009	18,965	37,211	3,839	1,233	5,961	177	68,395
Additions	–	219	2,269	158	–	–	516	3,162
Disposals	–	–	(234)	(42)	–	–	–	(276)
Disposal of subsidiaries	–	–	–	(38)	–	(294)	–	(332)
Written off	–	–	–	(1,841)	–	(5,775)	–	(7,616)
Reclassification	–	–	671	–	–	–	(671)	–
Translation adjustments	–	174	739	43	55	108	–	1,119
At 31 December 2021 and 1 January 2022	**1,009**	**19,358**	**40,656**	**2,119**	**1,288**	**–**	**22**	**64,452**
Additions	**–**	**40**	**1,805**	**54**	**–**	**–**	**823**	**2,722**
Disposals	**–**	**–**	**(315)**	**(14)**	**–**	**–**	**–**	**(329)**
Acquisition of subsidiaries (Note 34(a))	**–**	**–**	**–**	**227**	**45**	**–**	**–**	**272**
Written off	**–**	**–**	**–**	**–**	**–**	**–**	**(4)**	**(4)**
Transfer to right-of-use assets	**–**	**–**	**(2,009)**	**–**	**–**	**–**	**–**	**(2,009)**
Reclassification	**–**	**–**	**60**	**–**	**–**	**–**	**(60)**	**–**
Translation adjustments	**–**	**78**	**55**	**58**	**(15)**	**–**	**–**	**176**
At 31 December 2022	**1,009**	**19,476**	**40,252**	**2,444**	**1,318**	**–**	**781**	**65,280**
Accumulated depreciation and impairment								
At 1 January 2021	–	7,172	32,599	2,938	969	5,961	–	49,639
Charge for the year	–	395	937	678	56	–	–	2,066
Disposals	–	–	(234)	(34)	–	–	–	(268)
Disposal of subsidiaries	–	–	–	–	–	(294)	–	(294)
Written off	–	–	–	(1,726)	–	(5,775)	–	(7,501)
Translation adjustments	–	81	638	29	44	108	–	900
At 31 December 2021 and 1 January 2022	**–**	**7,648**	**33,940**	**1,885**	**1,069**	**–**	**–**	**44,542**
Charge for the year	**–**	**402**	**1,009**	**94**	**79**	**–**	**–**	**1,584**
Disposals	**–**	**–**	**(311)**	**(14)**	**–**	**–**	**–**	**(325)**
Transfer to right-of-use assets	**–**	**–**	**(204)**	**–**	**–**	**–**	**–**	**(204)**
Translation adjustments	**–**	**37**	**55**	**55**	**(18)**	**–**	**–**	**129**
At 31 December 2022	**–**	**8,087**	**34,489**	**2,020**	**1,130**	**–**	**–**	**45,726**
Carrying amount								
At 31 December 2022	**1,009**	**11,389**	**5,763**	**424**	**188**	**–**	**781**	**19,554**
At 31 December 2021	1,009	11,710	6,716	234	219	–	22	19,910

As at 31 December 2022, freehold land and buildings of the Group with a total carrying amount of RM10,632,000 (2021: RM10,909,000) are pledged to licensed banks as security for credit facilities granted to the Group as disclosed in Note 27.

16. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2022 RM'000	2021 RM'000
At 31 December		
Right-of-use assets		
— Land use rights	**7,316**	7,231
— Land and buildings	**2,275**	862
— Motor vehicles	**1,014**	–
— Plant and machinery	**1,704**	–
	12,309	8,093
Lease commitments of short-term leases	**119**	–
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
— Less than 1 year	**1,770**	431
— Between 1 and 2 years	**1,676**	423
— Between 2 and 5 years	**2,545**	939
— After 5 years	**2,738**	2,736
	8,729	4,529

	2022 RM'000	2021 RM'000
Year ended 31 December		
Depreciation of right-of-use assets		
— Land use rights	**(205)**	(196)
— Land and buildings	**(415)**	(2,093)
— Motor vehicles	**(138)**	–
— Plant and machinery	**(101)**	–
	(859)	(2,289)
Interest on lease liabilities	**(215)**	(562)
Expenses related to short-term leases	**(778)**	(271)
Expenses related to low value assets	**(7)**	(6)
Total cash outflow for leases	**(1,006)**	(1,551)
Additions and modification to right-of-use assets	**1,696**	244
Lease concessions	**–**	1,130

The Group leases various land use rights, factory, buildings, hostel, motor vehicles and plant and machinery. The lease terms of the leases ranged from 2 to 78 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. As at 31 December 2022, land use rights of the Group with a total carrying amount of RM5,008,000 (2021: RM4,939,000) are pledged to licensed banks as security for credit facilities granted to the Group as disclosed in Note 27.

16. LEASES AND RIGHT-OF-USE ASSETS *(Continued)*

The motor vehicles of the Group were secured by personal guarantee by the directors of the subsidiaries and the plant and machinery were secured by corporate guarantee of the Company.

One of the motor vehicles of the Group amounted to RM353,000 (2021: RM Nil) was held in trust by a Director of a subsidiary.

17. INTANGIBLE ASSETS

	Goodwill RM'000 (Note (a))	Customer relationship RM'000	Computer software RM'000	Licenses RM'000	Total RM'000
Cost					
At 1 January 2021	65,171	5,609	181	1,669	72,630
Disposal of subsidiaries	(634)	–	–	(1,724)	(2,358)
Written off	–	–	(37)	–	(37)
Translation adjustments	4,237	373	1	55	4,666
At 31 December 2021 and 1 January 2022	**68,774**	**5,982**	**145**	**–**	**74,901**
Additions	**–**	**–**	**7**	**–**	**7**
Acquisition of subsidiaries (Note 34(a))	**9,710**	**5,063**	**–**	**–**	**14,773**
Translation adjustments	**(2,270)**	**(247)**	**–**	**–**	**(2,517)**
At 31 December 2022	**76,214**	**10,798**	**152**	**–**	**87,164**
Accumulated amortisation and impairment					
At 1 January 2021	51,774	1,295	149	–	53,218
Amortisation charge for the year	–	905	5	–	910
Impairment loss charge for the year	12,110	3,619	–	–	15,729
Written off	–	–	(15)	–	(15)
Translation adjustments	3,657	163	–	–	3,820
At 31 December 2021 and 1 January 2022	**67,541**	**5,982**	**139**	**–**	**73,662**
Amortisation charge for the year	**–**	**237**	**3**	**–**	**240**
Translation adjustments	**(2,165)**	**(191)**	**–**	**–**	**(2,356)**
At 31 December 2022	**65,376**	**6,028**	**142**	**–**	**71,546**
Carrying amount					
At 31 December 2022	**10,838**	**4,770**	**10**	**–**	**15,618**
At 31 December 2021	1,233	–	6	–	1,239

17. INTANGIBLE ASSETS *(Continued)*

Note:

(a) Goodwill

	2022 RM'000	2021 RM'000
Goodwill, gross	**76,214**	68,774
Less: Impairment loss	**(65,376)**	(67,541)
Goodwill, net	**10,838**	1,233

The carrying amount of goodwill amounted to RM1,233,000 arising from the further acquisition of 40% equity interest in Furniweb Safety Webbing Sdn. Bhd. ("**FSWSB (MY)**") in year 2006 had been allocated to the CGU of manufacturing and sales of safety webbing operated by FSWSB (MY).

On 28 June 2019, the carrying amount of goodwill amounted to RM62,118,000 arising from the acquisition of 100% equity interest in Meinaide Holdings Group Limited ("**Meinaide**") had been allocated to the CGU of manufacturing and sales of PVC related products operated by a wholly-owned indirect subsidiary of Meinaide. During the year ended 31 December 2021, an impairment loss on goodwill amounted to RM12,110,000 has been recognised in profit or loss mainly due to the uncertainty of market conditions and operational challenges may continue to be affected by the outbreak of the COVID-19 pandemic in PRC. Hence, the goodwill has been fully impaired in year 2021.

On 29 August 2022, the carrying amount of goodwill amounted to RM9,710,000 arising from the acquisition of 62.75% equity interest in ESGL had been allocated to the CGU of energy efficiency business operated by two wholly-owned indirect subsidiaries of ESGL.

(i) For the purpose of impairment testing as at 31 December 2022, the recoverable amount of the CGU is determined based on a "value in use" calculation. The value in use of the CGU is determined by discounting the future cash flows to be generated from continuing use of the CGU. The value in use as at 31 December 2022 is derived based on management's cash flow projections for three to five years from 2023 to 2027 (2021: 2022 to 2026).

(ii) The key assumptions used in the value in use calculations are as follows:

	FSWSB (MY)	Meinaide	ESGL
At 31 December 2022			
Average annual revenue growth rates	**7.20%**	**N/A**	**6.00%**
Growth rate	**2.00%**	**N/A**	**1.48%**
Pre tax discount rate	**15.81%**	**N/A**	**25.62%**
At 31 December 2021			
Average annual revenue growth rates	7.67%	13.14%	N/A
Growth rate	2.00%	2.00%	N/A
Pre tax discount rate	17.59%	11.90%	N/A

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Average annual revenue growth rates	Revenue growth rate is for the three to five years forecast period. It is based on past performance and management's expectations of market development.
Growth rate	The cash flows of the CGU beyond the three to five years period are extrapolated using a growth rate which was below the average growth rate of the manufacturing and energy efficiency industries.
Pre tax discount rate	The discount rate used is pre tax and reflects the overall weighted average cost of capital of the CGU.

17. INTANGIBLE ASSETS *(Continued)*

Note: (Continued)

(a) Goodwill *(Continued)*

(iii) Sensitivity to changes in assumptions

The management believes that a reasonably possible change in the key assumptions on which management has based its determination of the CGU's recoverable amount would not cause the CGU's carrying amount to exceed its recoverable amount.

18. INTERESTS IN ASSOCIATES

	2022	2021
	RM'000	RM'000
Unlisted investments:		
Share of net assets	–	6,383

Name	**Place and date of incorporation**	**Issued and paid-up capital**	**Effective interest held by the Company**		**Principal activities**
			2022	2021	
Associates					
Philipp Plein (Thailand) Company Limited	Thailand 15 September 2016	Thai baht 12,350,075	*	49.00%	Retail sale of clothing, footwear and ancillary products
ESGL	British Virgin Islands ("**BVI**") 19 July 2021	USD10,000	#	37.25%	Investment holding

During the year ended 31 December 2021, the Company acquired 3,725 ordinary shares in ESGL, representing 37.25% of its issued and paid-up share capital, at consideration of approximately HK$9,564,000 (equivalent to approximately RM5,187,000). Upon the completion of the acquisition on 13 December 2021, the results of ESGL and its two wholly-owned subsidiaries, Measurement and Verification Pte. Ltd. ("**M&V SG**") and Measurement and Verification Sdn. Bhd. ("**M&V MY**") were accounted for equity method.

* Deemed disposed off on 13 May 2022 as its immediate holding company, Premier Management International Limited ("**PMIL**") was deregistered on 13 May 2022.

Completed the further acquisition of 62.75% interest in ESGL on 29 August 2022, hence ESGL becomes wholly-owned subsidiary of the Company, as disclosed in Note 34(a).

18. INTERESTS IN ASSOCIATES *(Continued)*

The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	2022 RM'000	2021 RM'000
At 31 December		
Carrying amounts of interests	–	6,383
Year ended 31 December		
Profit for the year	**3,669**	518
Other comprehensive income	**138**	51
Total comprehensive income	**3,807**	569

19. INTEREST IN A JOINT VENTURE

	2022 RM'000	2021 RM'000
Unlisted investment:		
Share of net assets	**1,411**	930

Name	Place and date of incorporation	Issued and paid-up capital	Effective interest held by the Company 2022	Effective interest held by the Company 2021	Principal activities
Joint venture					
Trunet (Vietnam) Co., Ltd. ("**TNV (VN)**")	Vietnam 15 February 2001	USD300,000	**50.00%**	50.00%	Manufacturing and marketing of meat netting

The following table shows the Group's share of the amount of immaterial joint venture that are accounted for using the equity method.

	2022 RM'000	2021 RM'000
At 31 December		
Carrying amount of interest	**1,411**	930
Year ended 31 December		
Profit for the year	**462**	490
Other comprehensive income	**19**	61
Total comprehensive income	**481**	551

20. TRADE AND OTHER RECEIVABLES

	2022 RM'000	2021 RM'000
Trade receivables	**38,524**	22,346
Less: Allowance for impairment loss	**(2,898)**	(2,876)
	35,626	19,470
Prepayments, deposits and other receivables	**11,931**	10,229
Loan receivables	**8,395**	3,489
	55,952	33,188
Represents:		
Non-current	**5,000**	–
Current	**50,952**	33,188
	55,952	33,188

Trade receivables

Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 days to 90 days from invoice date. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

Included in the Group's trade receivables is amount due from the Group's joint venture of RM65,000 (2021: RM99,000) which is repayable on credit terms similar to those offered to the other customers of the Group.

The ageing analysis of trade receivables, based on invoice dates and before allowance for impairment loss, as at 31 December 2022 and 2021 are as follows:

	2022 RM'000	2021 RM'000
Within 30 days	**25,508**	9,262
31–60 days	**5,714**	4,978
61–90 days	**2,019**	3,125
91–180 days	**1,983**	1,220
Over 180 days	**3,300**	3,761
	38,524	22,346

The Group applies the simplified approach under IFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

20. TRADE AND OTHER RECEIVABLES *(Continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2022 and 2021:

	Current	1–30 days past due	31–60 days past due	61–90 days past due	Over 90 days past due	Individual assessment	Total
At 31 December 2022							
Weighted average expected loss rate	**0.43%**	**2.17%**	**8.62%**	**7.39%**	**33.36%**	**100.00%**	
Receivable amount (RM'000)	**29,700**	**3,877**	**1,264**	**176**	**1,415**	**2,092**	**38,524**
Loss allowance (RM'000)	**128**	**84**	**109**	**13**	**472**	**2,092**	**2,898**
At 31 December 2021							
Weighted average expected loss rate	0.54%	2.26%	4.58%	9.98%	38.00%	100.00%	
Receivable amount (RM'000)	15,422	1,945	742	451	1,800	1,986	22,346
Loss allowance (RM'000)	83	44	34	45	684	1,986	2,876

Expected loss rate are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2022 **RM'000**	2021 RM'000
At 1 January	**2,876**	277
Impairment loss recognised	**113**	2,577
Reversal of impairment loss previously recognised	**(178)**	(5)
Translation adjustments	**87**	27
At 31 December	**2,898**	2,876

Prepayments, deposits and other receivables

Included in the Group's prepayments, deposits and other receivables of RM397,000 (2021: RM500,000) is an amount due from the ultimate holding company, which is unsecured, interest-free and repayable on demand.

Loan receivables

The current loan receivables of RM3,395,000 (2021: RM3,489,000) are denominated in HK$ and carry a fixed effective interest rate at 6% (2021: ranged from 8% to 24%) per annum ("**p.a.**") with credit terms mutually agreed with the borrowers.

Included in the Group's loan receivable of RM5,000,000 (2021: RM Nil) is a loan to the ultimate holding company, which is unsecured, interest bearing at fixed rate at 6% p.a. and loan tenure of two years. This loan receivable is denominated in RM.

20. TRADE AND OTHER RECEIVABLES *(Continued)*

Ageing analysis of loan receivables

The maturity profile of loan receivables net of allowance at the end of reporting period, analysed by the remaining period to the contractual maturity date is as follows:

	2022 RM'000	2021 RM'000
Within 1 year	**3,395**	3,489
Over 1 year but within 2 years	**5,000**	–
	8,395	3,489

The credit period of individual loan receivable is considered on a case-by-case basis.

The Group applies the simplified approach under IFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all loan receivables. To measure the expected credit losses, loan receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current
At 31 December 2022	
Weighted average expected loss rate	**0.00%**
Receivable amount (RM'000)	**8,395**
Loss allowance (RM'000)	**–**
At 31 December 2021	
Weighted average expected loss rate	0.00%
Receivable amount (RM'000)	3,489
Loss allowance (RM'000)	–

21. AMOUNT DUE FROM A JOINT VENTURE AND BALANCES WITH SUBSIDIARIES

(a) Balance with a joint venture

Particulars of the amount due from a joint venture are as follows:

	2022 RM'000	2021 RM'000
TNV (VN)	**82**	57

The amount due from a joint venture is non-trade in nature, unsecured, interest-free and repayable on demand.

The Group applies the general approach to provide for ECL prescribed by IFRS 9. As at 31 December 2022 and 2021, there were no provision made against the amount due from a joint venture as the ECL is immaterial.

Details of the Group's trade balance with its joint venture as at the end of the reporting period is disclosed in Notes 20 and 25.

21. AMOUNT DUE FROM A JOINT VENTURE AND BALANCES WITH SUBSIDIARIES *(Continued)*

(b) Balances with subsidiaries

The Company

The amounts due from and to subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

22. DEFERRED TAXATION

(a) Details of the deferred tax liabilities and assets recognised and movement during the current and prior years are as follows:

	Intangible assets RM'000	Accelerated depreciation and industrial building allowances RM'000	Unabsorbed capital allowances RM'000	Unused tax losses RM'000	Other deductible temporary differences RM'000	Others RM'000	Total RM'000
At 1 January 2021	1,078	1,115	(50)	(43)	(583)	66	1,583
Recognised in profit or loss	(1,131)	406	50	43	227	(2)	(407)
Translation adjustments	53	–	–	–	–	(1)	52
At 31 December 2021 and 1 January 2022	**–**	**1,521**	**–**	**–**	**(356)**	**63**	**1,228**
Recognised in profit or loss	**(41)**	**196**	**–**	**–**	**(12)**	**6**	**149**
Acquisition of subsidiaries (Note 34(a))	**861**	**–**	**–**	**–**	**–**	**–**	**861**
Translation adjustments	**(9)**	**–**	**–**	**–**	**–**	**(1)**	**(10)**
At 31 December 2022	**811**	**1,717**	**–**	**–**	**(368)**	**68**	**2,228**

(b) The following is the analysis of the deferred tax balance for financial reporting purposes after appropriate offsetting:

	2022 RM'000	2021 RM'000
Deferred tax assets	**(24)**	(10)
Deferred tax liabilities	**2,252**	1,238
	2,228	1,228

22. DEFERRED TAXATION *(Continued)*

(c) The amounts of temporary differences for which no deferred tax assets have been recognised in the consolidated statement of financial position are as follows:

	2022 **RM'000**	2021 RM'000
Unabsorbed capital allowances	**181**	1,792
Unused tax losses	**1,339**	16,327
Others	**51**	–
	1,571	18,119

The Group has not recognised deferred tax assets of certain subsidiaries of the Company as it is not probable that future taxable profits against which the losses and temporary differences can be utilised will be available in the relevant tax jurisdictions and entities. Included in unused tax losses of RM864,000 (2021: RM254,000) that will expire from year 2025 to 2030 (2021: 2025 to 2029). Other tax losses may be carried forward indefinitely.

The amount and availability of these items to be carried forward up to the periods as disclosed above are subject to the agreement of the respective local tax authorities.

23. INVENTORIES

	2022 **RM'000**	2021 RM'000
Raw materials	**10,727**	11,512
Work in progress	**4,339**	4,435
Finished goods	**8,499**	11,854
Other consumables	**2,526**	2,410
	26,091	30,211

Inventories written down during the year amounted to RM110,000 (2021: RM10,000) and was included in cost of sales.

During the year ended 31 December 2022, the Group reversed RM384,000 (2021: RM2,572,000) in respect of inventories written down in previous years, which were subsequently not required as the Group was able to sell those inventories above their carrying amounts.

24. CASH AND BANK BALANCES

As at 31 December 2022, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to RM2,047,000 (2021: RM1,035,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

25. TRADE AND OTHER PAYABLES

	2022 RM'000	2021 RM'000
Trade payables	**11,374**	5,781
Bills payable	**–**	1,873
Other payables	**35,457**	9,336
	46,831	16,990
Represents:		
Non-current	**15,569**	–
Current	**31,262**	16,990
	46,831	16,990

Trade and bills payables

Trade payables are non interest bearing and the normal trade credit terms granted to the Group range from one month to three months from invoice date.

The ageing analysis of trade and bills payables, based on invoice dates, as at 31 December 2022 and 2021 are as follows:

	2022 RM'000	2021 RM'000
Within 30 days	**7,529**	3,089
31–60 days	**1,774**	2,934
61–90 days	**1,002**	1,281
Over 90 days	**1,069**	350
Total	**11,374**	7,654

Included in the Group's trade payables are amounts due to the Group's joint venture of RM Nil (2021: RM48,000) which are repayable on credit terms similar to those offered by the joint venture to its customers.

Other payables

Included in the Group's current other payables of RM990,000 (2021: RM1,290,000) is an amount due to a director of the Company which is unsecured, interest-free and repayable on demand.

As at 31 December 2022, included in the Group's current other payables of HK$14,548,000 (equivalent to RM8,323,000) is an amount due to Dato' Ng Yan Cheng (the "**Vendor**"), the vendor of 62.75% interest in ESGL. It represented 25% of the total consideration and shall be paid by cash the date falling six (6) months from the completion date of the acquisition.

The Group's non-current other payable of RM15,569,000 is contingent consideration less profit guarantee payable to the Vendor. Pursuant to the sale and purchase agreement, the profit guarantee for ESGL profit after tax for the two years ended 31 December 2023 shall not be less than HK$34,500,000. In the event of guaranteed profit cannot be met, the shortfall amount, after multiplying by a factor, will be paid to the Company. The fair value of profit guarantee of ESGL was HK$315,000 (equivalent to RM180,000) and HK$164,000 (equivalent to RM93,000) at the completion date of the acquisition and 31 December 2022 respectively based on valuation performed by Roma Appraisals Limited, an independent qualified professional valuer not connected to the Group, by using probabilistic approach.

26. CONTRACT ASSETS, COSTS AND LIABILITIES

	2022 RM'000	2021 RM'000
Contract assets:		
— Retention receivables	**3,884**	–
Contract costs:		
— Costs incurred to fulfil contracts with customers	**21,843**	–
	25,727	–

Retention receivables relate to the Group's right to consideration for work completed but not yet billed at the end of the reporting date. Retention receivables are transferred to receivables when the rights become unconditional.

Capitalised contract costs are amortised to consolidated profit or loss and other comprehensive income when the related revenue is recognised.

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 31 December 2022 and 2021 and will be expected to be recognised within one year:

	31 December 2022 RM'000	31 December 2021 RM'000	1 January 2021 RM'000
Sale of goods	**1,108**	2,270	2,360

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

It represented amounts received from customers in advance in relation to sales of elastic textile, webbing, PVC related products and other products, . The amounts are recognised when control of the goods has transferred, being when the goods have been shipped to the customers' specific location.

	31 December 2022 RM'000	31 December 2021 RM'000	1 January 2021 RM'000
Contract receivables (included in trade receivables)	**35,626**	19,470	22,669

Transaction prices allocated to performance obligations unsatisfied at the end of the year and expected to be recognised as revenue in the year ended 31 December:

	RM'000	RM'000
— 2022	**N/A**	2,270
— 2023	**1,108**	–
	1,108	2,270

26. CONTRACT ASSETS, COSTS AND LIABILITIES *(Continued)*

Set out below is the amount of carried-forward contract liabilities recognised as revenue in the current reporting period:

	2022 RM'000	2021 RM'000
Revenue recognised in the year that was included in contract liabilities at the beginning of the year	**2,162**	1,788

Significant changes in contract assets and liabilities during the year ended 31 December:

	2022 Contract assets RM'000	2022 Contract liabilities RM'000	2021 Contract assets RM'000	2021 Contract liabilities RM'000
Increase due to operations in the year	**541**	**1,000**	–	1,698
Increase due to business combination (Note 34(a))	**3,343**	**–**	–	–
Transfer of contract liabilities to revenue	**–**	**(2,162)**	–	(1,788)

27. BANK BORROWINGS

	2022 RM'000	2021 RM'000
Term loans (secured) (Note (a))	**14,020**	8,753
Bank overdraft (secured) (Note (b))	**269**	433
Trust receipts (Note (c))	**15,299**	–
	29,588	9,186
Borrowings are repayable as follows:		
— within one year	**18,225**	875
— after one year but within two years	**2,742**	458
— after two years but within five years	**2,677**	1,482
— after five years	**5,944**	6,371
	29,588	9,186
Less: Amount due within one year included in current liabilities	**(18,225)**	(875)
Amount included in non-current liabilities (Note (d))	**11,363**	8,311

Notes:

(a) Term loans are interest-bearing at fixed and floating rates. The interest rates of the Group's term loans as at 31 December 2022 ranged from 2.50% to 4.97% (2021: 3.47% to 3.97%) p.a..

(b) Bank overdraft are interest-bearing at floating rates. The interest rates of the Group's bank overdraft as at 31 December 2022 ranged from 8.39% to 8.64% (2021: 7.39% to 7.64%) p.a..

27. BANK BORROWINGS *(Continued)*

Notes: (Continued)

(c) Trust receipts are interest-bearing at floating rates. The interest rates of the Group's trust receipts as at 31 December 2022 ranged from 5.13% to 6.35% (2021: Nil) p.a..

(d) As at 31 December 2022, the carrying amount of term loans from banks in Malaysia and Singapore (2021: Malaysia) that are not repayable within one year from the end of the reporting period but contains repayable on demand clause amounted to RM11,363,000 (2021: RM8,311,000).

(e) As at 31 December 2022, the Group's banking facilities are secured by:

(i) a pledge over the Group's freehold land and buildings with a total carrying amount of RM10,632,000 (2021: RM10,909,000), as disclosed in Note 15;

(ii) a pledge over the Group's right-of-use assets with a total carrying amount of RM5,008,000 (2021: RM4,939,000), as disclosed in Note 16;

(iii) existing continuing joint and several personal guarantee for all monies by directors of the Company's subsidiaries; and

(iv) first legal mortgages over the properties of a director's spouse of the Company's subsidiaries.

(f) As at 31 December 2022, the Group had aggregate bank borrowing facilities of RM98,040,000 (2021: RM33,250,000), of which RM62,192,000 (2021: RM15,177,000) was unutilised as at the same date.

28. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
Within one year	**1,770**	431	**1,459**	304
In the second to fifth years, inclusive	**4,221**	1,362	**3,614**	989
After five years	**2,738**	2,736	**2,076**	2,039
	8,729	4,529		
Less: Future finance charges	**(1,580)**	(1,197)		
Present value of lease liabilities	**7,149**	3,332	**7,149**	3,332
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(1,459)**	(304)
Amount due for settlement after 12 months			**5,690**	3,028
Lease liabilities:				
— Under financial institutions			**2,332**	–
— Under non-financial institutions			**4,817**	3,332
			7,149	3,332

As at 31 December 2022, the average effective borrowing rate was ranged from 1.88% to 5.50% (2021: 3.50% to 3.75%) p.a.. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

29. SHARE CAPITAL

Ordinary shares of HK$0.1 each

	Number of shares '000	Amount HK$'000
Authorised:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	1,000,000	100,000

	Number of shares '000	Amount HK$'000	RM'000
Issued and fully paid:			
At 1 January 2021, 31 December 2021 and 1 January 2022	560,000	56,000	30,255
Issue of shares (Note)	41,566	4,157	2,378
At 31 December 2022	601,566	60,157	32,633

Note: On 29 August 2022, the Company completed the acquisition of the remaining 62.75% of the issued share capital of ESGL. The settlement of 25% of the total consideration was satisfied by allotting 41,565,600 ordinary shares of the Company to the Vendor.

Capital management

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy of the Group remains unchanged from the year ended 31 December 2021.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 2021.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. The Group regularly reviews the gearing ratio to ensure they are at acceptable levels and within industry norms. Net debts are calculated as total borrowings and leases under financial institutions less cash and bank balances (including time deposits maturing over three months). A detailed calculation of the net debt is shown below:

	2022 RM'000	2021 RM'000
Total borrowings	29,588	9,186
Total leases under financial institutions	2,332	–
Less: cash and bank balances	(59,791)	(34,359)
Net debts	(27,871)	(25,173)
Total equity	124,723	99,252
Gearing ratio	#	#

Not applicable as the Group is in a net cash position.

The Group is not subject to any externally imposed capital requirements.

30. RESERVES

The Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. The nature and purpose of the reserves are as follows:

(a) *Share premium*
Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares.

(b) *Merger reserve*
Merger reserve represents the difference between the investment costs in subsidiaries and the aggregate amount of issued share capital of subsidiaries acquired pursuant to the reorganisation.

(c) *Exchange translation reserve*
Exchange translation reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 3.

The Company

	Share premium	**Contributed surplus**	**Exchange translation reserve**	**Accumulated losses**	**Total**
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2021	80,824	68,936	(1,375)	(82,990)	65,395
Profit for the year	–	–	–	311	311
Other comprehensive income	–	–	3,291	–	3,291
At 31 December 2021 and 1 January 2022	**80,824**	**68,936**	**1,916**	**(82,679)**	**68,997**
Profit for the year	**–**	**–**	**–**	**14,270**	**14,270**
Other comprehensive income	**–**	**–**	**5,732**	**–**	**5,732**
Issue of shares (Note 29)	**3,091**	**–**	**–**	**–**	**3,091**
At 31 December 2022	**83,915**	**68,936**	**7,648**	**(68,409)**	**92,090**

The contributed surplus of the Company represents the difference between the net asset value of the subsidiaries acquired and the nominal value of the shares of the Company issued in exchange thereof pursuant to the reorganisation.

31. DIVIDENDS

The Directors does not recommend payment of any final dividend for the years ended 31 December 2022 and 2021.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2022 RM'000	2021 RM'000
Non-current assets			
Interests in subsidiaries	33	**146,651**	93,787
Interest in an associate		**–**	5,122
Loan receivable	20	**5,000**	–
		151,651	98,909
Current assets			
Other receivables		**208**	132
Amount due from a subsidiary	21(b)	**6,224**	6,802
Cash and bank balances		**219**	603
		6,651	7,537
Current liabilities			
Other payables	25	**9,162**	1,063
Amounts due to subsidiaries	21(b)	**8,848**	6,131
		18,010	7,194
Net current (liabilities)/assets		**(11,359)**	343
Total assets less current liabilities		**140,292**	99,252
Non-current liabilities			
Other payable	25	**15,569**	–
NET ASSETS		**124,723**	99,252
Capital and reserves			
Share capital	29	**32,633**	30,255
Reserves	30	**92,090**	68,997
TOTAL EQUITY		**124,723**	99,252

33. INTERESTS IN SUBSIDIARIES

Details of the Company's subsidiaries, all of which are private companies with limited liabilities except for Furniweb (Vietnam) Shareholding Company ("**FVSC (VN)**") which is a joint-stock company, are as follows:

Name	Place of incorporation and operations, and date of incorporation	Issued and paid-up capital	Effective interest held by the Company 2022	2021	Principal activities
Directly held subsidiaries					
FIPB International Limited	BVI, Malaysia, 28 December 2016	USD101	**100%**	100%	Investment holding
PMIL	Hong Kong, Hong Kong, 25 November 2016	HK$1	*	100%	Investment holding
Delightful Grace Holdings Limited ("**DGHL**")	BVI, Hong Kong, 8 February 2019	USD50,000	**100%**	100%	Investment holding
Meinaide	BVI, Hong Kong, 20 February 2019	USD50,000	**100%**	100%	Investment holding
PRG Land Sdn. Bhd. **	Malaysia, Malaysia, 16 March 2018	RM1	**100%**	100%	Trading, retail sale of clothing, footwear and ancillary products
ESGL	BVI, Singapore 19 July 2021	USD10,000	**100%**	^	Investment holding
Indirectly held subsidiaries					
Furniweb Manufacturing Sdn. Bhd.	Malaysia, Malaysia, 3 October 1987	RM5,827,500	**100%**	100%	Manufacturing and sales of upholstery webbings, covered elastic yarn and rigid webbings
FSWSB (MY)	Malaysia, Malaysia, 19 June 1996	RM2,501,000	**100%**	100%	Manufacturing and sales of safety webbings
FVSC (VN)	Vietnam, Vietnam, 16 January 1997	VND147,000,000,000	**100%**	100%	Manufacturing and sales of upholstery webbings and covered elastic yarn
Syarikat Sri Kepong Sdn. Bhd.	Malaysia, Malaysia, 5 December 1974	RM50,000	**100%**	100%	Property holding company
Texstrip Manufacturing Sdn. Bhd.	Malaysia, Malaysia, 13 June 1988	RM2,700,000	**100%**	100%	Manufacturing and marketing of rubber strips and sheets

33. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and operations, and date of incorporation	Issued and paid-up capital	Effective interest held by the Company 2022	2021	Principal activities
TS Meditape Sdn. Bhd.	Malaysia, Malaysia, 29 December 1994	RM2,490,000	**100%**	100%	Marketing and sales of rubber strips and sheets
Webtex Trading Sdn. Bhd.	Malaysia, Malaysia, 23 November 1984	RM32,250,000	**100%**	100%	Investment holding and trading of machinery and accessories
PP Retail Pte. Ltd.	Singapore, Singapore, 11 April 2018	SGD500	**#**	100%	Retail sale of clothing, footwear and ancillary products
Fly High Finance Limited	Hong Kong, Hong Kong, 17 April 2019	HK$1	**100%**	100%	Money lending
Meinaide Technology Development Limited	Hong Kong, Hong Kong, 14 February 2019	HK$1	**100%**	100%	Trading and sales of PVC and other plastic products
Perfect Moral Ventures Limited	Hong Kong, Hong Kong, 22 January 2019	HK$1	**100%**	100%	Investment holding
Jiangmenshi Meinaide Technology Company Limited ("**JM**")	PRC, PRC, 5 March 2009	RMB1,222,200	**100%**	100%	Production and sales of PVC and other plastic products
M&V SG	Singapore, Singapore, 7 September 2009	SGD2,300,000	**100%**	^^	Consultants and suppliers of energy conservation systems in buildings
M&V MY	Malaysia, Malaysia, 8 March 2010	RM250,000	**100%**	^^	Mechanical and electrical consultants, specialist turnkey contractors for clean rooms and outfitting of industrial premises and design of building automation system

* Deregistered on 19 May 2022.

** Subsidiary has yet to commence business activities.

Struck off on 3 October 2022.

^ As at 31 December 2021, ESGL was an 37.25% associate of the Company.

^^ As at 31 December 2021, M&V SG and M&V MY were 37.25% indirectly-held associates of the Company.

33. INTERESTS IN SUBSIDIARIES *(Continued)*

The English names of certain subsidiaries of the Company referred herein represent the management's best efforts in translating the Chinese name of these companies as no English names have been registered.

JM is a wholly-owned foreign enterprise established in the PRC.

As at 31 December 2022, the cash and bank balances of the Company's subsidiaries denominated in RMB amounted to RM2,047,000 (2021: RM1,035,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

None of the subsidiaries had issued any debt securities at the end of the year.

34. ACQUISITION OF SUBSIDIARIES AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of ESGL

On 8 June 2022, the Group entered into the sale and purchase agreement with the Vendor to acquire the remaining 62.75% issued share capital of ESGL (the "**Acquisition**") for a total consideration of HK$51,469,000 (equivalent to approximately RM29,446,000), which comprised of 41,565,600 ordinary shares of the Company at HK$0.23 per share and HK$41,909,000 (equivalent to RM23,977,000) included in other payables. The Acquisition of ESGL was completed on 29 August 2022.

The fair value of the identifiable assets and liabilities of ESGL acquired as at its date of acquisition is as follows:

	2022 RM'000
Net assets acquired of:	
Property, plant and equipment	272
Right-of-use assets	1,419
Inventories	752
Trade and other receivables	9,956
Contract assets	3,343
Contract costs	23,998
Current tax recoverable	7
Time deposits maturing over three months	540
Cash and bank balances	24,112
Trade and other payables	(18,124)
Bank borrowings	(15,016)
Lease liabilities	(1,020)
Current tax liabilities	(2,431)
	27,808
Intangible assets — customer relationship	5,063
Deferred tax liabilities	(861)
Goodwill	9,710
Fair value of previously held 37.25% interest in ESGL	(12,274)
Total consideration transferred	29,446

34. ACQUISITION OF SUBSIDIARIES AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Acquisition of ESGL *(Continued)*

	2022 RM'000
Satisfied by:	
41,565,600 ordinary shares of the Company	(5,469)
Cash consideration (included in other payables)	(8,323)
Contingent consideration (included in other payables)	(15,834)
Less: fair value of profit guarantee (included in other payables)	180
	(29,446)
Net cash inflow arising on acquisition:	
Cash consideration paid	–
Cash and cash equivalents acquired	24,112
	24,112

The fair value of the trade and other receivables acquired is RM9,956,000. There is no trade and other receivables is expected to be uncollectible.

The fair value of the 41,565,600 ordinary shares of the Company issued as part of the consideration paid was determined on the basis of the closing market price of the Company's ordinary shares on the acquisition date.

The goodwill arising on the Acquisition is attributable to the anticipated profitability of the energy efficiency business from the growth of orders secured on hand and potential growth from increasing environmental protection awareness and favorable government policies in Singapore and Malaysia to promote energy efficiency.

Pursuant to the terms of the Acquisition, the Vendor has irrevocably warranted, guaranteed and undertaken that the profit after tax of ESGL for the 2 years ended 31 December 2023 will not be less than HK$34,500,000. In the event that the profit after tax for the 2 years ended 31 December 2023 is less than HK$34,500,000, the Vendor shall compensate the Group an amount prescribed in the agreement.

As at 31 December 2022 and date of acquisition, with reference to a report by an independent qualified professional valuer not connected to the Group, the directors of the Company are of the opinion that the fair value of contingent consideration receivables resulting from the profit guarantee is HK$164,000 (equivalent to RM93,000) and HK$315,000 (equivalent to RM180,000) respectively.

ESGL contributed RM49,754,000 and RM6,323,000 to the Group's revenue and profit for the year respectively for the period between the date of acquisition and the end of the reporting period.

If the Acquisition had been completed on 1 January 2022, total Group revenue for the year would have been RM219,177,000 , and profit for the year would have been RM28,152,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the Acquisition been completed on 1 January 2022, nor is intended to be a projection of future results.

34. ACQUISITION OF SUBSIDIARIES AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of subsidiaries

On 23 March 2021, the Board has approved the disposal of Rich Day Global Limited ("**Rich Day**") through its wholly-owned subsidiary of the Company, DGHL to two independent third party purchasers for a total consideration of HK$8.5 million (equivalent to approximately RM4.5 million). The disposal of Rich Day was completed on 31 March 2021.

Net assets at the date of disposal were as follows:

	2021 RM'000
Property, plant and equipment	38
Right-of-use assets	370
Trade and other receivables	11,365
Bank balances held on behalf of clients	12,778
Cash and bank balances	12,317
Trade and other payables	(15,828)
Current tax liabilities	(1,887)
Lease liabilities	(373)
Net assets disposed of	18,780
Release of foreign currency translation reserve	(82)
Goodwill and licenses	2,358
Non-controlling interests	(11,268)
Loss on disposal of subsidiaries	(5,241)
Total consideration	4,547
Total cash consideration — satisfied by cash	4,547
Net cash outflow arising on disposal:	
Cash consideration received	4,547
Cash and cash equivalents disposed of	(12,317)
	(7,770)

35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the year:

Name of related party	Relationship	Nature of transactions	2022 RM'000	2021 RM'000
TNV (VN)	Joint venture	Sales of goods	**713**	789
		Provision of services	**77**	57
		Purchase of materials	**(90)**	(83)
		Commission received/ receivable	**111**	92
		Rental income	**108**	94
		Dividend received	**–**	1,035
PRG Asset Holdings Sdn. Bhd.	Related company	Sales of goods	**–**	143
Director	Related party	Sales of goods	**–**	74
Netventure Properties Two Pte. Ltd.	Related party	Rental expenses	**(141)**	–
Netventure Reality Pte. Ltd.	Related party	Rental expenses	**(33)**	–

The related party transactions described above were carried out based on negotiated terms and conditions agreed with related parties. Save for the transactions with PRG Asset Holdings Sdn. Bhd. and a Director, which constitute de minimis connected transactions fully exempted from the annual reviews, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules, none of these related party transactions constituted connected transaction and/or continuing connected transaction (as the case may be) as defined under Chapter 20 of the GEM Listing Rules.

(b) **Compensation of key management personnel**

Remuneration of key management personnel, who are executive directors of the Company, during the year were disclosed in Note 13.

36. CAPITAL COMMITMENTS

	2022 RM'000	2021 RM'000
Commitments for the acquisition of property, plant and equipment:		
— Contracted for but not provided	**3,875**	4,115

37. CONTINGENT LIABILITY

	2022 RM'000	2021 RM'000
Unsecured:		
Guarantees given to third parties in respect of trade and contract	14,235	–

At the end of the reporting period, the directors did not consider it probable that a claim would be made against the Group under the above guarantee.

38. CHANGE IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table shows the Group's changes in liabilities arising from financing activities during the year.

	Other interest payable RM'000	Lease liabilities RM'000	Bank borrowings (excluding bank overdraft) RM'000	Total RM'000
At 1 January 2022	–	3,332	8,753	12,085
Changes for cash flows:				
— Drawdown of bank borrowings	–	–	6,206	6,206
— New leases	–	1,896	–	1,896
— Repayment of bank borrowings	–	–	(1,146)	(1,146)
— Repayment of lease liabilities	–	(791)	–	(791)
— Interest paid	(32)	(215)	(420)	(667)
Total changes from financing cash flows	(32)	890	4,640	5,498
Exchange adjustments	–	156	490	646
Other changes:				
— Acquisition of subsidiaries (Note 34(a))	–	1,020	15,016	16,036
— New leases	–	34	–	34
— Lease modification	–	1,502	–	1,502
— Interest expenses	32	215	420	667
Total other changes	32	2,771	15,436	18,239
At 31 December 2022	–	7,149	29,319	36,468

38. CHANGE IN LIABILITIES ARISING FROM FINANCING ACTIVITIES *(Continued)*

	Other interest payable RM'000	Lease liabilities RM'000	Bank borrowings (excluding bank overdraft) RM'000	Total RM'000
At 1 January 2021	–	16,832	10,754	27,586
Changes for cash flows:				
— Repayment of bank borrowings	–	–	(2,028)	(2,028)
— Repayment of lease liabilities	–	(989)	–	(989)
— Interest paid	(79)	(562)	(411)	(1,052)
Total changes from financing cash flows	(79)	(1,551)	(2,439)	(4,069)
Exchange adjustments	–	347	27	374
Other changes:				
— Disposal of subsidiaries	–	(373)	–	(373)
— New leases	–	243	–	243
— Lease modification	–	(11,598)	–	(11,598)
— Interest expenses	79	562	411	1,052
— Lease concessions	–	(1,130)	–	(1,130)
Total other changes	79	(12,296)	411	(11,806)
At 31 December 2021	–	3,332	8,753	12,085

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 23 March 2023.

Financial Summary

FOR THE YEAR ENDED 31 DECEMBER 2022

A summary of the results, assets and liabilities of the Group for the last five financial years, as extracted from the published consolidated financial statements of the Company is set out below.

RESULTS

	For the year ended 31 December				
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	**2022** **RM'000**
Continuing operations					
Revenue	73,639	125,938	99,261	132,902	**162,155**
Profit/(Loss) before income tax expense	4,239	(45,036)	(32,889)	7,489	**21,224**
Income tax expense	(1,111)	(1,854)	(1,225)	(2,308)	**(3,057)**
Profit/(Loss) for the year from continuing operations	3,128	(46,890)	(34,114)	5,181	**18,167**
Discontinued operation					
(Loss)/Gain for the year	(2,202)	(3,936)	1,902	–	**–**
Profit/(Loss) for the year	926	(50,826)	(32,212)	5,181	**18,167**
Profit/(Loss) attributable to:					
Owners of the Company					
— from continuing operations	3,128	(46,890)	(34,114)	(770)	**18,167**
— from discontinued operation	(2,202)	(3,936)	1,902	–	**–**
Non-controlling interests					
— from continuing operation	–	–	–	5,951	**–**
	926	(50,826)	(32,212)	5,181	**18,167**

ASSETS AND LIABILITIES

	As at 31 December				
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	**2022** **RM'000**
Total assets	121,897	203,898	173,074	134,786	**217,636**
Total liabilities	(23,235)	(78,439)	(77,424)	(35,534)	**(92,913)**
Total equity	98,662	125,459	95,650	99,252	**124,723**
Equity attributable to owners of the Company	98,662	125,459	95,650	99,252	**124,723**