

BOINGTECH MALAYSIA SDN. BHD.

(Incorporated in Malaysia)

FINANCIAL REPORT
for the financial year ended 31 December 2023

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BOINGTECH MALAYSIA SDN. BHD.

(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of trading of raw materials and manufacturing and selling of RFID tags and inlays.

RESULTS

| | |
|--|----------------|
| | RM |
| Loss after taxation for the financial year | <u>450,678</u> |

DIVIDENDS

No dividend was recommended by the directors for the financial year.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year,

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

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BOINGTECH MALAYSIA SDN. BHD.

(Incorporated in Malaysia)

DIRECTORS' REPORT

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables and satisfied themselves that there are no known bad debts and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Company.

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

BOINGTECH MALAYSIA SDN. BHD.

(Incorporated in Malaysia)

DIRECTORS' REPORT

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made.

DIRECTORS

The names of directors who served during the financial year and up to the date of this report are as follows:-

Sim Hon Wai
Ye JianHua
Jiang ZhiJun

DIRECTORS' INTERESTS

According to the register of directors' shareholding, none of directors holding office at the end of the financial year had any interest in shares in the Company during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than directors' remuneration as disclosed in the "Directors' Remuneration" of this report) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 26 to the financial statements.

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

BOINGTECH MALAYSIA SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

DIRECTORS' REMUNERATION

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

| | |
|--------------------------------------|----------------|
| | RM |
| Salaries, bonuses and other benefits | <u>331,943</u> |

INDEMNITY AND INSURANCE COST

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

HOLDING COMPANIES

The immediate and ultimate holding companies are Inlay Link International Co.,Ltd. and Shanghai Inlay Link Inc., respectively. The aforesaid holding companies are incorporated in Hong Kong and in Republic of China, respectively.

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BOINGTECH MALAYSIA SDN. BHD.

(Incorporated in Malaysia)

DIRECTORS' REPORT

AUDITORS

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

The auditors' remuneration of the Company for the financial year was RM46,000.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS

DATED 05 MAR 2024



Sim Hon Wai



Ye JianHua

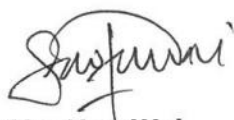
BOINGTECH MALAYSIA SDN. BHD.

(Incorporated in Malaysia)

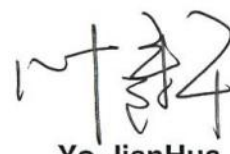
STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Sim Hon Wai and Ye JianHua, being two of the directors of Boingtech Malaysia Sdn. Bhd., state that, in the opinion of the directors, the financial statements set out on pages 11 to 56 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2023 and of its financial performance and cash flows for the financial year ended on that date.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 05 MAR 2024



Sim Hon Wai



Ye JianHua

STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Sim Hon Wai, being the director primarily responsible for the financial management of Boingtech Malaysia Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 11 to 56 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declaration Act 1960.

Subscribed and solemnly declared by the abovementioned
Sim Hon Wai, NRIC Number: 790101-10-5565
at Melaka
in the state of Melaka
on this **05 MAR 2024**



Before me



Sim Hon Wai

Mkan. 4, Jalan TOWER 32,
Taman Melaka Raya,
75300 Melaka.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOINGTECH MALAYSIA SDN. BHD.

(Incorporated in Malaysia)

Registration No: 201901004693 (1314020-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Boingtech Malaysia Sdn. Bhd., which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 11 to 56.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOINGTECH MALAYSIA SDN. BHD. (CONT'D)

(Incorporated in Malaysia)

Registration No: 201901004693 (1314020-T)

Information Other than the Financial Statements and Auditors' Report Thereon (Cont'd)

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOINGTECH MALAYSIA SDN. BHD. (CONT'D)

(Incorporated in Malaysia)

Registration No: 201901004693 (1314020-T)

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

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

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BOINGTECH MALAYSIA SDN. BHD. (CONT'D)**

(Incorporated in Malaysia)

Registration No: 201901004693 (1314020-T)

OTHER MATTERS

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



Crowe Malaysia PLT

201906000005 (LLP0018817-LCA) & AF 1018

Chartered Accountants

Melaka

05 MAR 2024



Tan Guan Seng

03387/08/2024 J

Chartered Accountant

BOINGTECH MALAYSIA SDN. BHD.

(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

| | NOTE | 2023 RM | 2022 RM |
|-------------------------------------|------|--------------------------|--------------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | 6 | 17,944,059 | 18,551,837 |
| Right-of-use-assets | 7 | 1,278,302 | 1,600,031 |
| Intangible assets | 8 | 1,611,960 | 1,222,200 |
| | | <u>20,834,321</u> | <u>21,374,068</u> |
| CURRENT ASSETS | | | |
| Inventories | 9 | 18,499,541 | 13,732,686 |
| Trade receivables | 10 | 3,725,537 | 5,043,962 |
| Deposits and prepayments | 11 | 222,705 | 911,239 |
| Amount owing by a related party | 12 | 1,237,338 | - |
| Current tax assets | | 186,116 | 135,260 |
| Fixed deposits with a licensed bank | 13 | 5,908,965 | 8,770,000 |
| Cash and bank balances | | 2,466,885 | 6,822,277 |
| | | <u>32,247,087</u> | <u>35,415,424</u> |
| TOTAL ASSETS | | <u>53,081,408</u> | <u>56,789,492</u> |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 14 | 41,512,356 | 41,512,356 |
| Retained profits | | 5,446,886 | 5,897,564 |
| TOTAL EQUITY | | <u>46,959,242</u> | <u>47,409,920</u> |
| NON-CURRENT LIABILITIES | | | |
| Hire purchase payables | 15 | 48,865 | - |
| Lease liabilities | 16 | 1,162,430 | 1,461,277 |
| Deferred tax liabilities | 17 | 1,598,700 | 1,412,200 |
| | | <u>2,809,995</u> | <u>2,873,477</u> |
| CURRENT LIABILITIES | | | |
| Trade payables | 18 | 1,444,957 | 5,068,146 |
| Other payables and accruals | 19 | 574,271 | 1,102,249 |
| Amount owing to related parties | 12 | 954,456 | 47,474 |
| Hire purchase payables | 15 | 39,640 | - |
| Lease liabilities | 16 | 298,847 | 288,226 |
| | | <u>3,312,171</u> | <u>6,506,095</u> |
| TOTAL LIABILITIES | | <u>6,122,166</u> | <u>9,379,572</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>53,081,408</u> | <u>56,789,492</u> |

BOINGTECH MALAYSIA SDN. BHD.

(Incorporated in Malaysia)

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

| | NOTE | 2023 RM | 2022 RM |
|---|------|--------------|--------------|
| REVENUE | 20 | 19,343,401 | 31,949,158 |
| COST OF SALES | | (17,150,723) | (20,568,099) |
| GROSS PROFIT | | 2,192,678 | 11,381,059 |
| OTHER OPERATING INCOME | | 1,148,132 | 587,347 |
| ADMINISTRATIVE EXPENSES | | (3,425,363) | (3,509,587) |
| FINANCE COSTS | | (82,303) | (77,785) |
| NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS | 21 | (44,438) | (22,728) |
| (LOSS)/PROFIT BEFORE TAXATION | 22 | (211,294) | 8,358,306 |
| INCOME TAX EXPENSE | 23 | (239,384) | (1,543,205) |
| (LOSS)/PROFIT AFTER TAXATION/TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE FINANCIAL YEAR | | (450,678) | 6,815,101 |

BOINGTECH MALAYSIA SDN. BHD.

(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

| | SHARE CAPITAL RM | (ACCUMULATED LOSSES)/ RETAINED PROFITS RM | TOTAL EQUITY RM |
|--|------------------------|--|-----------------------|
| Balance at 1.1.2022 | 41,512,356 | (917,537) | 40,594,819 |
| Profit after taxation/Total comprehensive income for the financial year | - | 6,815,101 | 6,815,101 |
| Balance at 31.12.2022/1.1.2023 | 41,512,356 | 5,897,564 | 47,409,920 |
| Loss after taxation/Total comprehensive expenses for the financial year | - | (450,678) | (450,678) |
| Balance at 31.12.2023 | 41,512,356 | 5,446,886 | 46,959,242 |

BOINGTECH MALAYSIA SDN. BHD.

(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

| | NOTE | 2023 RM | 2022 RM |
|--|-------|-------------|-------------|
| CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES | | | |
| (Loss)/Profit before taxation | | (211,294) | 8,358,306 |
| Adjustment for:- | | | |
| Amortisation of intangible assets | | 533,190 | 348,600 |
| Depreciation of plant and equipment | | 2,724,036 | 2,603,748 |
| Depreciation of right-of-use assets | | 321,729 | 322,015 |
| Impairment losses: | | | |
| - trade receivables | | - | 13,340 |
| - amount owing by a related party | | 65,122 | - |
| - other receivables | | 37,641 | 9,388 |
| Interest expenses | | 69,251 | 67,418 |
| Interest income | | (259,599) | (56,004) |
| Loss on disposal of plant and equipment | | 8,488 | - |
| Reversal of impairment loss on trade receivables | | (58,325) | - |
| Unrealised gain on foreign exchange | | (793,280) | (323,543) |
| Operating profit before working capital changes | | 2,436,959 | 11,343,268 |
| Increase in inventories | | (4,766,855) | (6,760,092) |
| Decrease/(Increase) in trade and other receivables | | 947,565 | (1,130,486) |
| (Decrease)/Increase in trade and other payables | | (3,559,305) | 4,381,273 |
| CASH (FOR)/FROM OPERATIONS | | (4,941,636) | 7,833,963 |
| Income tax paid | | (292,735) | (339,765) |
| Income tax refunded | | 188,995 | - |
| NET CASH (FOR)/FROM OPERATING ACTIVITIES | | (5,045,376) | 7,494,198 |
| CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES | | | |
| Interest income | | 259,599 | 56,004 |
| Purchase of intangible assets | | (922,950) | (882,000) |
| Purchase of plant and equipment | 24(a) | (2,010,246) | (694,351) |
| Withdrawal of/(Additions of) fixed deposits with tenure more than 3 months | | 4,385,000 | (4,385,000) |
| Proceeds from disposal of plant and equipment | | 5,500 | - |
| NET CASH FROM/(FOR) INVESTING ACTIVITIES | | 1,716,903 | (5,905,347) |

BOINGTECH MALAYSIA SDN. BHD.

(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)**

| | NOTE | 2023 RM | 2022 RM |
|---|-------|------------------|-------------------|
| CASH FLOWS FOR FINANCING ACTIVITIES | | | |
| Interest paid | 24(b) | (69,251) | (67,418) |
| Repayments of lease liabilities | 24(b) | (288,226) | (279,226) |
| Repayments of hire purchase obligations | 24(b) | (31,495) | - |
| NET CASH FOR FINANCING ACTIVITIES | | <u>(388,972)</u> | <u>(346,644)</u> |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (3,717,445) | 1,242,207 |
| EFFECTS OF FOREIGN EXCHANGE TRANSLATION | | 886,018 | 296,563 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | | 11,207,277 | 9,668,507 |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR | 24(d) | <u>8,375,850</u> | <u>11,207,277</u> |

BOINGTECH MALAYSIA SDN. BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:-

Registered office : No.7A, 2nd Floor
Jalan 52/10
46200 Petaling Jaya Selangor

Principal place of business : No 8A, Jalan TU50
Taman Tasik Utama
75450 Ayer Keroh
Melaka

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated **05 MAR 2024**

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of trading of raw materials and manufacturing and selling of RFID tags and inlays.

3. HOLDING COMPANIES

The immediate and ultimate holding companies are Inlay Link International Co.,Ltd. and Shanghai Inlay Link Inc., respectively. Both the aforesaid holding companies are incorporated in Hong Kong and in Republic of China, respectively.

4. BASIS OF PREPARATION

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

BOINGTECH MALAYSIA SDN. BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. BASIS OF PREPARATION (CONT'D)

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

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

MFRS 17 Insurance Contracts

Amendments to MFRS 17 Insurance Contracts

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

Amendments to MFRS 101: Disclosure of Accounting Policies

Amendments to MFRS 108: Definition of Accounting Estimates

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

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

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

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

Effective Date

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Deferred

Amendments to MFRS 16: Lease Liability in a Sale and Leaseback

1 January 2024

Amendments to MFRS 101: Classification of Liabilities as Current of Non-current

1 January 2024

Amendments to MFRS 101: Non-current Liabilities with Covenants

1 January 2024

Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements

1 January 2024

Amendments to MFRS 121: Lack of Exchangeability

1 January 2025

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

BOINGTECH MALAYSIA SDN. BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

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

(a) Depreciation of Plant and Equipment

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

(b) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(c) Impairment of Trade Receivables

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

BOINGTECH MALAYSIA SDN. BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

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

(d) Income Taxes

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

Critical Judgements Made in Applying Accounting Policies

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

(a) Lease Terms

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

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5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.2 FUNCTIONAL AND PRESENTATION CURRENCIES

(a) Functional and Presentation Currency

The financial statements of the Company is presented in the currency of the primary economic environment in which the Company operates, which is the functional currency.

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

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into RM on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

5.3 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statement of financial position when the Company has become a party to the contractual provision of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statement of financial position are disclosed in the individual policy statement associated with each item.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.3 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The fair value changes do not include interest or dividend income.

The Company reclassifies debt instruments when and only when its business model for managing those assets change.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.3 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

Equity Instruments

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

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

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

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value (excluding interest expense) of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.3 FINANCIAL INSTRUMENTS (CONT'D)

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

5.4 PLANT AND EQUIPMENT

All items of plant and equipment are initially measured at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.4 PLANT AND EQUIPMENT (CONT'D)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised.

Depreciation on plant and equipment is charged to profit or loss on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

| | |
|---------------------------------|-----|
| Computer equipment and software | 20% |
| Electrical installation | 10% |
| Factory equipment | 10% |
| Furniture and fittings | 20% |
| Machinery and equipment | 10% |
| Motor vehicle | 20% |
| Office equipment | 20% |
| Renovation | 10% |
| Signboard | 20% |

Capital work-in-progress included in plant and equipment are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

5.5 INTANGIBLE ASSETS

A license is initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other directly attributable cost of preparing the asset for its intended use.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.5 INTANGIBLE ASSETS (CONT'D)

Subsequent to initial recognition, the license is stated at cost less accumulated amortisation and any impairment losses. Amortisation is recognised in profit or loss on a straight-line method to write off the amortise amount of the asset over 5 years.

The amortisation method, useful life and residual value will be reviewed if there is a significant change since the last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits. Any changes are accounted for as a change in accounting estimate.

Expenditure initially recognised as an expense is not recognised as an asset in the subsequent period.

5.6 LEASES

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Company recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statement of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjustment for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Company or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined as follows:-

| | |
|-----------|--------------------------------|
| Building | Over the lease term of 6 years |
| Apartment | Over the lease term of 3 years |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.6 LEASES (CONT'D)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount has been reduced to zero.

5.7 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost of raw materials is determined on the first-in, first-out method and comprises the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress includes the cost of materials, labour and an appropriate proportion of production overheads.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

5.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances and demand deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdraft.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.9 IMPAIRMENT

(a) Impairment of Financial Assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Company always recognises lifetime expected credit losses for trade receivables using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on Malaysia's average cumulative default rate and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Company recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

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5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.9 IMPAIRMENT (CONT'D)

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

5.10 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Company.

(b) Defined Contribution Plans

The Company's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Company has no further liability in respect of the defined contribution plans.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.11 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are the expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax is recognised using the liability method for temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity.

Current tax assets and liabilities or 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 the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.12 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, regardless of whether that price is directly observable or estimated using a valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. However, this basis does not apply to share-based payment and leasing transactions.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

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

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

The fair value for measurement and disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions (MFRS 2), leasing transactions (MFRS 16) and measurement that have some similarities to fair value but not are fair value, such as net realisable value (MFRS 102) or value in use (MFRS 136).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.13 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Company performs.
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

Sales of Goods

Revenue from sale of goods is recognised when the Company has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered 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.

5.14 OTHER OPERATING INCOME

Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****6. PLANT AND EQUIPMENT**

| | AT 1.1.2023 RM | ADDITIONS (NOTE 24(a)) RM | DISPOSAL RM | DEPRECIATION CHARGES (NOTE 22) RM | AT 31.12.2023 RM |
|---------------------------------|----------------------|---------------------------------|-----------------|--|------------------------|
| 2023 | | | | | |
| <i>Carrying Amount</i> | | | | | |
| Computer equipment and software | 97,571 | 21,029 | - | (43,953) | 74,647 |
| Electrical installation | 117,912 | 39,616 | - | (19,390) | 138,138 |
| Factory equipment | 500,587 | 17,294 | - | (68,014) | 449,867 |
| Furniture and fittings | 18,341 | - | - | (11,796) | 6,545 |
| Machinery and equipment | 17,422,114 | 398,041 | (13,988) | (2,484,866) | 15,321,301 |
| Motor vehicle | - | 191,169 | - | (35,048) | 156,121 |
| Office equipment | 30,989 | 1,674 | - | (15,418) | 17,245 |
| Renovation | 362,170 | - | - | (44,277) | 317,893 |
| Signboard | 2,153 | - | - | (1,274) | 879 |
| Capital work-in-progress | - | 1,461,423 | - | - | 1,461,423 |
| | 18,551,837 | 2,130,246 | (13,988) | (2,724,036) | 17,944,059 |

| | AT 1.1.2022 RM | ADDITIONS (NOTE 24(a)) RM | RECLASSIFICATION RM | DEPRECIATION CHARGES (NOTE 22) RM | AT 31.12.2022 RM |
|---------------------------------|----------------------|---------------------------------|------------------------|--|------------------------|
| 2022 | | | | | |
| <i>Carrying Amount</i> | | | | | |
| Computer equipment and software | 102,431 | 31,976 | - | (36,836) | 97,571 |
| Electrical installation | 134,330 | - | - | (16,418) | 117,912 |
| Factory equipment | 417,339 | 138,001 | - | (54,753) | 500,587 |
| Furniture and fittings | 30,137 | - | - | (11,796) | 18,341 |
| Machinery and equipment | 19,015,279 | 277,047 | 564,758 | (2,434,970) | 17,422,114 |
| Office equipment | 38,654 | 6,399 | - | (14,064) | 30,989 |
| Renovation | 154,879 | 240,928 | - | (33,637) | 362,170 |
| Signboard | 3,427 | - | - | (1,274) | 2,153 |
| Capital work-in-progress | 564,758 | - | (564,758) | - | - |
| | 20,461,234 | 694,351 | - | (2,603,748) | 18,551,837 |

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****6. PLANT AND EQUIPMENT (CONT'D)**

| | AT COST RM | ACCUMULATED DEPRECIATION RM | CARRYING AMOUNT RM |
|---------------------------------|-------------------|-----------------------------------|--------------------------|
| 2023 | | | |
| Computer equipment and software | 227,683 | (153,036) | 74,647 |
| Electrical installation | 203,799 | (65,661) | 138,138 |
| Factory equipment | 687,872 | (238,005) | 449,867 |
| Furniture and fittings | 58,979 | (52,434) | 6,545 |
| Machinery and equipment | 25,017,562 | (9,696,261) | 15,321,301 |
| Motor vehicle | 191,169 | (35,048) | 156,121 |
| Office equipment | 77,328 | (60,083) | 17,245 |
| Renovation | 442,778 | (124,885) | 317,893 |
| Signboard | 6,370 | (5,491) | 879 |
| Capital work-in-progress | 1,461,423 | - | 1,461,423 |
| | 28,374,963 | (10,430,904) | 17,944,059 |
| 2022 | | | |
| Computer equipment and software | 206,654 | (109,083) | 97,571 |
| Electrical installation | 164,183 | (46,271) | 117,912 |
| Factory equipment | 670,578 | (169,991) | 500,587 |
| Furniture and fittings | 58,979 | (40,638) | 18,341 |
| Machinery and equipment | 24,641,321 | (7,219,207) | 17,422,114 |
| Office equipment | 75,654 | (44,665) | 30,989 |
| Renovation | 442,778 | (80,608) | 362,170 |
| Signboard | 6,370 | (4,217) | 2,153 |
| | 26,266,517 | (7,714,680) | 18,551,837 |

Included in the plant and equipment of the Company was motor vehicle held under hire purchase arrangements with a total carrying amount of RM156,121 (2022 – RM Nil). These assets have had been pledged as security for the hire purchase payables of the Company as disclosed in Note 15 to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

7. RIGHT-OF-USE ASSETS

| | AT 1.1.2023 RM | DEPRECIATION CHARGES (NOTE 22) RM | AT 31.12.2023 RM | |
|------------------------|----------------------|--|--|------------------------|
| 2023 | | | | |
| <i>Carrying Amount</i> | | | | |
| Building | 1,560,943 | (307,071) | 1,253,872 | |
| Apartment | 39,088 | (14,658) | 24,430 | |
| | <u>1,600,031</u> | <u>(321,729)</u> | <u>1,278,302</u> | |
| | | | | |
| | AT 1.1.2022 RM | REASSESSMENT OF LEASE LIABILITIES (NOTE 16) RM | DEPRECIATION CHARGES (NOTE 22) RM | AT 31.12.2022 RM |
| 2022 | | | | |
| <i>Carrying Amount</i> | | | | |
| Building | 1,868,015 | - | (307,072) | 1,560,943 |
| Apartment | 10,058 | 43,973 | (14,943) | 39,088 |
| | <u>1,878,073</u> | <u>43,973</u> | <u>(322,015)</u> | <u>1,600,031</u> |

The Company leases a building and apartment of which the leasing activities are summarised below:-

- (i) Building The Company has leased a single storey detached factory come with double-storey office for a period of 6 years.
- (ii) Apartment The Company has leased an apartment for a period of 3 years.

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| | AT 1.1.2023 RM | ADDITION RM | AMORTISATION (NOTE 22) RM | AT 31.12.2023 RM |
|------------------------|----------------------|----------------|---------------------------------|------------------------|
| 2023 | | | | |
| <i>Carrying Amount</i> | | | | |
| License | 1,222,200 | 922,950 | (533,190) | 1,611,960 |

| | AT 1.1.2022 RM | ADDITION RM | AMORTISATION (NOTE 22) RM | AT 31.12.2022 RM |
|------------------------|----------------------|----------------|---------------------------------|------------------------|
| 2022 | | | | |
| <i>Carrying Amount</i> | | | | |
| License | 688,800 | 882,000 | (348,600) | 1,222,200 |

| | AT COST RM | ACCUMULATED AMORTISATION RM | CARRYING AMOUNT RM |
|-------------|---------------|-----------------------------------|--------------------------|
| 2023 | | | |
| License | 2,665,950 | (1,053,990) | 1,611,960 |

| | AT COST RM | ACCUMULATED AMORTISATION RM | CARRYING AMOUNT RM |
|-------------|---------------|-----------------------------------|--------------------------|
| 2022 | | | |
| License | 1,743,000 | (520,800) | 1,222,200 |

9. INVENTORIES

| | 2023 RM | 2022 RM |
|-------------------|-------------------|-------------------|
| Raw materials | 14,783,768 | 10,502,132 |
| Packing materials | 115,208 | 174,488 |
| Work-in-progress | 1,146,093 | 565,816 |
| Finished goods | 1,983,962 | 2,083,888 |
| Goods-in-transit | 470,510 | 406,362 |
| | <u>18,499,541</u> | <u>13,732,686</u> |

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10. TRADE RECEIVABLES

| | 2023 RM | 2022 RM |
|--|------------------|------------------|
| Trade receivables | 3,932,683 | 5,309,433 |
| Allowance for impairment losses | (207,146) | (265,471) |
| | <u>3,725,537</u> | <u>5,043,962</u> |
| Allowance for impairment losses:- | | |
| At 1 January | 265,471 | 252,131 |
| Addition during the financial year (Note 21) | - | 13,340 |
| Reversal during the financial year (Note 21) | (58,325) | - |
| | <u>207,146</u> | <u>265,471</u> |
| At 31 December | | |

The Company's normal credit terms range from 30 to 75 (2022 – 30 to 75) days.

11. DEPOSITS AND PREPAYMENTS

| | 2023 RM | 2022 RM |
|--|----------------|----------------|
| Deposits | 188,205 | 188,205 |
| - Allowance for impairment losses | (56,461) | (18,820) |
| | 131,744 | 169,385 |
| Prepayments | 74,148 | 105,151 |
| Advance payments for purchase of plant and equipment | 16,813 | 636,703 |
| | <u>222,705</u> | <u>911,239</u> |
| Allowance for impairment losses:- | | |
| At 1 January | 18,820 | 9,432 |
| Addition during the financial year (Note 21) | 37,641 | 9,388 |
| | <u>56,461</u> | <u>18,820</u> |
| At 31 December | | |

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| | 2023 RM | 2022 RM |
|--|------------------|-----------------|
| Amount owing by a related party | | |
| Trade balances | 1,302,460 | - |
| Allowance for impairment losses | (65,122) | - |
| | <u>1,237,338</u> | <u>-</u> |
| Allowance for impairment losses: | | |
| At 1 January | - | - |
| Addition during the financial year (Note 21) | 65,122 | - |
| | <u>65,122</u> | <u>-</u> |
| At 31 December | <u>65,122</u> | <u>-</u> |
| Amount owing to related parties | | |
| Trade balances | <u>(954,456)</u> | <u>(47,474)</u> |

The trade balances are subject to the normal trade credit terms of 30 (2022 – 30) days. The amount owing is to be settled in cash.

13. FIXED DEPOSITS WITH A LICENSED BANK

The fixed deposits with a licensed bank of the Company at the end of the reporting period bore effective interest rate of 4.70% (2022 – 3.04%) per annum. The fixed deposits have maturity period ranging of 90 (2022 – 60 to 180) days.

14. SHARE CAPITAL

| | 2023 Number of Shares | 2022 Number of Shares | 2023 RM | 2022 RM |
|---------------------------------|--------------------------|--------------------------|-------------------|-------------------|
| Issued and Fully Paid-Up | | | | |
| Ordinary Shares | | | | |
| At 1 January/31 December | <u>41,512,356</u> | <u>41,512,356</u> | <u>41,512,356</u> | <u>41,512,356</u> |

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

15. HIRE PURCHASE PAYABLES (SECURED)

| | 2023 RM | 2022 RM |
|---|---------------|------------|
| Minimum hire purchase payments: | | |
| - not later than one year | 43,128 | - |
| - later than one year and not later than five years | 50,365 | - |
| | <u>93,493</u> | <u>-</u> |
| Less: Future finance charges | (4,988) | - |
| | <u>88,505</u> | <u>-</u> |
| Present value of hire purchase payables | | |
| Analysed by:- | | |
| Current liabilities | 39,640 | - |
| Non-current liabilities | 48,865 | - |
| | <u>88,505</u> | <u>-</u> |

(a) The hire purchase payables of the Company are secured by the Company's motor vehicle under finance lease as disclosed in Note 6 to the financial statements.

(b) Hire purchase payables of the Company bore effective interest rates of 4.95% (2022 – Nil) per annum.

16. LEASE LIABILITIES

| | 2023 RM | 2022 RM |
|---|------------------|------------------|
| At 1 January | 1,749,503 | 1,984,756 |
| Interest expense recognised in profit or loss | 58,418 | 67,418 |
| Changes due to reassessment of lease term (Note 7 & Note 24(b)) | - | 43,973 |
| Repayment of principal | (288,226) | (279,226) |
| Repayment of interest expense | (58,418) | (67,418) |
| | <u>1,461,277</u> | <u>1,749,503</u> |
| At 31 December | | |
| Analysed by:- | | |
| Current liabilities | 298,847 | 288,226 |
| Non-current liabilities | 1,162,430 | 1,461,277 |
| | <u>1,461,277</u> | <u>1,749,503</u> |

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****17. DEFERRED TAX LIABILITIES**

| 2023 | AT 1.1.2023 RM | RECOGNISED IN PROFIT OR LOSS (NOTE 23) RM | AT 31.12.2023 RM |
|---------------------------------|-------------------------------|--|---------------------------------|
| <i>Deferred Tax Liabilities</i> | | | |
| Property and equipment | 1,594,000 | 14,800 | 1,608,800 |
| Right-of-use assets | 384,000 | (77,200) | 306,800 |
| Others | - | 190,300 | 190,300 |
| | 1,978,000 | 127,900 | 2,105,900 |

Deferred Tax Assets

| | | | |
|-------------------|------------------|----------------|------------------|
| Lease liabilities | (419,900) | 69,200 | (350,700) |
| Provisions | (68,200) | (10,700) | (78,900) |
| Others | (77,700) | 100 | (77,600) |
| | (565,800) | 58,600 | (507,200) |
| | 1,412,200 | 186,500 | 1,598,700 |

| 2022 | AT 1.1.2022 RM | RECOGNISED IN PROFIT OR LOSS (NOTE 23) RM | AT 31.12.2022 RM |
|---------------------------------|-------------------------------|--|---------------------------------|
| <i>Deferred Tax Liabilities</i> | | | |
| Property and equipment | - | 1,594,000 | 1,594,000 |
| Right-of-use assets | - | 384,000 | 384,000 |
| | - | 1,978,000 | 1,978,000 |

Deferred Tax Assets

| | | | |
|-------------------|---|------------------|------------------|
| Lease liabilities | - | (419,900) | (419,900) |
| Provisions | - | (68,200) | (68,200) |
| Others | - | (77,700) | (77,700) |
| | - | (565,800) | (565,800) |
| | - | 1,412,200 | 1,412,200 |

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18. TRADE PAYABLES

The normal trade credit terms granted to the Company range from 30 to 60 (2022 – 30 to 60) days.

19. OTHER PAYABLES AND ACCRUALS

| | 2023 RM | 2022 RM |
|----------------|----------------|------------------|
| Other payables | 190,303 | 476,787 |
| Accruals | 383,968 | 625,462 |
| | <u>574,271</u> | <u>1,102,249</u> |

20. REVENUE

Revenue of the Company represents the invoiced value of goods sold less returns and trade discounts, if any.

Revenue from sale of goods is recognised at a point in time.

21. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

| | 2023 RM | 2022 RM |
|---|---------------|---------------|
| Impairment losses | | |
| - Trade receivables (Note 10) | - | 13,340 |
| - Deposits (Note 11) | 37,641 | 9,388 |
| - Amount owing by a related party (Note 12) | 65,122 | - |
| Reversal of impairment losses | | |
| - Trade receivables (Note 10) | (58,325) | - |
| | <u>44,438</u> | <u>22,728</u> |

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| | 2023 RM | 2022 RM |
|--|------------|------------|
| (Loss)/Profit before taxation is arrived at after charging/(crediting):- | | |
| Amortisation of intangible assets (Note 8) | 533,190 | 348,600 |
| Auditors' remuneration | 46,000 | 35,000 |
| Depreciation: | | |
| - plant and equipment (Note 6) | 2,724,036 | 2,603,748 |
| - right-of-use assets (Note 7) | 321,729 | 322,015 |
| Directors' fees | - | 108,000 |
| Directors' non-fee emoluments | 331,943 | 402,630 |
| Interest expense (Note 24(b)) | 69,251 | 67,418 |
| Lease expenses: | | |
| - low-value assets | 5,052 | 1,932 |
| Loss on disposal of plant and equipment | 8,488 | - |
| Loss on foreign exchange | | |
| - realised | 465,328 | - |
| Staff costs | | |
| - short-term employee benefits | 2,087,325 | 2,289,849 |
| - defined contribution benefits | 224,332 | 240,379 |
| Interest income | (259,599) | (56,004) |
| Gain on foreign exchange | | |
| - realised | - | (207,800) |
| - unrealised | (793,280) | (323,543) |

23. INCOME TAX EXPENSE

| | 2023 RM | 2022 RM |
|---|------------|------------|
| Income tax: | | |
| - Current financial year | 62,000 | 296,000 |
| - Over provision in the previous financial year | (9,116) | (164,995) |
| | 52,884 | 131,005 |
| Deferred tax (Note 17): | | |
| - Origination and reversal of temporary differences | 81,100 | 1,196,600 |
| - Under provision in previous financial year | 105,400 | 215,600 |
| | 186,500 | 1,412,200 |
| | 239,384 | 1,543,205 |

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A reconciliation of income tax expense applicable to the (loss)/profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Company is as follows:-

| | 2023 RM | 2022 RM |
|---|----------------|------------------|
| (Loss)/Profit before taxation | (211,294) | 8,358,306 |
| Tax at the statutory tax rate of 24% (2022 – 24%) | (50,711) | 2,005,993 |
| Tax effects of:- | | |
| Non-deductible expenses | 193,811 | 145,506 |
| Tax incentive | - | (658,899) |
| Over provision of current tax expense in the previous financial year | (9,116) | (164,995) |
| Under provision of deferred tax expenses in the previous financial year | 105,400 | 215,600 |
| | <u>239,384</u> | <u>1,543,205</u> |

Subject to the agreement with the tax authorities, at the end of the reporting period, the unused tax losses and unabsorbed capital allowances are as follows:-

| | 2023 RM | 2022 RM |
|-------------------------------|----------------|------------|
| Unused tax losses | 64,000 | - |
| Unabsorbed capital allowances | 260,000 | - |
| | <u>324,000</u> | <u>-</u> |

Based on the current legislation, the unused tax losses for 2019 onwards are allowed to be utilised for 10 consecutive years of assessment immediately following that year of assessment; whereas, the unabsorbed capital allowances are allowed to be carried forward indefinitely.

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(a) The cash disbursed for the purchase of plant and equipment is as follows:-

| | 2023 RM | 2022 RM |
|---|------------------|----------------|
| Plant and equipment | | |
| Cost of plant and equipment (Note 6) | 2,130,246 | 694,351 |
| Less: Acquired through hire purchase arrangements (Note (b) below) | (120,000) | - |
| | <u>2,010,246</u> | <u>694,351</u> |

(b) The reconciliations of liabilities arising from financial activities are as follows:-

| | Bankers' Acceptance RM | Lease Liabilities RM | Hire Purchase Payables RM | Total RM |
|--|------------------------------|----------------------------|------------------------------------|----------------|
| 2023 | | | | |
| At 1 January | - | 1,749,503 | - | 1,749,503 |
| <u>Changes in Financing Cash Flows</u> | | | | |
| Repayment of principal | - | (288,226) | (31,495) | (319,721) |
| Repayment of interests | (6,462) | (58,418) | (4,371) | (69,251) |
| | (6,462) | (346,644) | (35,866) | (388,972) |
| <u>Other Changes</u> | | | | |
| Interest expense recognised in profit or loss (Note 22) | 6,462 | 58,418 | 4,371 | 69,251 |
| Acquisition under hire purchase (Note (a) above) | - | - | 120,000 | 120,000 |
| | <u>6,462</u> | <u>58,418</u> | <u>124,371</u> | <u>189,251</u> |
| At 31 December | - | 1,461,277 | 88,505 | 1,549,782 |

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(b) The reconciliations of liabilities arising from financial activities are as follows (Cont'd):-

| | Lease Liabilities RM |
|---|----------------------------|
| 2022 | |
| At 1 January | 1,984,756 |
| <u>Changes in Financing Cash Flows</u> | |
| Repayment of principal | (279,226) |
| Repayment of interests | (67,418) |
| | (346,644) |
| <u>Other Changes</u> | |
| Reassessment of leases (Note 7 and Note 16) | 43,973 |
| Interest expense recognised in profit or loss (Note 22) | 67,418 |
| | 111,391 |
| At 31 December | <u>1,749,503</u> |

(c) The total cash outflows for leases as a lessee are as follows:-

| | 2023 RM | 2022 RM |
|------------------------------------|----------------|----------------|
| Interest paid on lease liabilities | 58,418 | 67,418 |
| Payment of lease liabilities | 288,226 | 279,226 |
| Payment of low values assets | 5,052 | 1,932 |
| | <u>351,696</u> | <u>348,576</u> |

(d) The cash and cash equivalents comprise the following:-

| | 2023 RM | 2022 RM |
|--|------------------|-------------------|
| Fixed deposits with a licensed bank | 5,908,965 | 8,770,000 |
| Cash and bank balances | 2,466,885 | 6,822,277 |
| | <u>8,375,850</u> | <u>15,592,277</u> |
| Less: Fixed deposits with tenure of more than 3 months | - | (4,385,000) |
| | <u>8,375,850</u> | <u>11,207,277</u> |

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25. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation during the financial year are as follows:-

| | 2023 RM | 2022 RM |
|--|----------------|----------------|
| <u>Directors of the Company</u> | | |
| Short-term employee benefits: | | |
| - fees | - | 108,000 |
| - salaries, bonuses and other benefits | 331,943 | 402,630 |
| | <u>331,943</u> | <u>510,630</u> |

26. RELATED PARTIES DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Company has related party relationship with its directors, ultimate and immediate holding companies, key management personnel and entities within the same group of companies.

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Company also carried out the following significant transactions with the related parties during the financial year:-

| | 2023 RM | 2022 RM |
|--------------------------|---------------|-------------|
| Related companies | | |
| Purchase of machinery | 27,477 | - |
| Purchase of license | 922,950 | 882,000 |
| Purchase of goods | 1,816,577 | 2,782,910 |
| Sales of goods | (1,950,059) | (1,653,872) |
| Transportation charges | <u>42,602</u> | <u>-</u> |

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26. RELATED PARTIES DISCLOSURES (CONT'D)

(b) Significant Related Party Transactions and Balances (Cont'd)

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

The related party transactions described above were entered into in the normal course of business carried out based on negotiated terms and conditions and are mutually agreed with respective parties.

27. CAPITAL COMMITMENTS

| | 2023 RM | 2022 RM |
|---------------------------|----------------|------------------|
| Purchase of motor vehicle | - | 189,000 |
| Purchase of machinery | 301,000 | 1,035,000 |
| | <u>301,000</u> | <u>1,224,000</u> |

28. FINANCIAL INSTRUMENTS

The Company's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Company's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

28.1 FINANCIAL RISK MANAGEMENT POLICIES

The Company's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Company is exposed to foreign currency risk on transactions and balances that are denominated in currency other than the functional currency of the Company. The currency giving rise to this risk is primarily United States Dollar ("USD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Company also holds cash and cash equivalents denominated in foreign currency for working capital purposes.

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28. FINANCIAL INSTRUMENTS (CONT'D)

28.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Company's exposure to foreign currency risk (a currency which is other than the functional currency of the Company) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised as below:-

Foreign Currency Exposure

| | USD | RM |
|------------------------------------|-------------|--------------------|
| 2023 | | |
| <u>Financial Assets</u> | | |
| Trade receivables | 3,725,537 | |
| Amount owing by a related party | 1,237,338 | |
| Fixed deposit with a licensed bank | 5,908,965 | |
| Cash and bank balances | 1,943,503 | |
| | | <u>12,815,343</u> |
| <u>Financial Liabilities</u> | | |
| Trade payables | (1,365,594) | |
| Other payables | (28,393) | |
| Amount owing to related parties | (954,456) | |
| | | <u>(2,348,443)</u> |
| Currency exposure | | <u>10,466,900</u> |

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28. FINANCIAL INSTRUMENTS (CONT'D)

28.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

| | USD RM |
|------------------------------------|--------------------|
| 2022 | |
| <u>Financial Assets</u> | |
| Trade receivables | 5,043,962 |
| Fixed deposit with a licensed bank | 8,770,000 |
| Cash and bank balances | 6,079,368 |
| | <u>19,893,330</u> |
| <u>Financial Liabilities</u> | |
| Trade payables | (5,019,161) |
| Other payables | (116,539) |
| Amount owing to related parties | (47,474) |
| | <u>(5,183,174)</u> |
| Currency exposure | <u>14,710,156</u> |

Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currency at the end of the reporting period, with all other variables held constant:-

| | 2023 RM | 2022 RM |
|--|----------------|--------------------|
| Effects on (Loss)/Profit After Taxation | | |
| USD/RM: | | |
| - Strengthened by 11% (2022: 11%) | (875,033) | 1,229,769 |
| - Weakened by 11% (2022: 11%) | <u>875,033</u> | <u>(1,229,769)</u> |

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28. FINANCIAL INSTRUMENTS (CONT'D)

28.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

The Company does not have any interest-bearing borrowings and hence, is not exposed to interest rate risk.

(iii) Equity Price Risk

The Company does not have any quoted investments and hence, is not exposed to equity price risk.

(b) Credit Risk

The Company's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Company manages its exposure to credit risk by transacting with the established and multinational companies. For other financial assets (including cash and bank balances), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

(i) Credit Risk Concentration Profile

The Company's major concentration of credit risk relates to the amounts owing by 2 (2022 – 4) customers which constituted approximately 66% (2022 – 66%) of its trade receivables at the end of the reporting period.

In addition, the Company also determines concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables at the end of the reporting period is as follows:-

| | 2023 RM | 2022 RM |
|--------------------------|------------------|------------------|
| China | - | 1,546,684 |
| Hong Kong | 2,056,226 | 314,239 |
| United Kingdom | - | 73,296 |
| United States of America | 1,607,925 | 3,039,342 |
| Others | 61,386 | 70,401 |
| | <u>3,725,537</u> | <u>5,043,962</u> |

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28. FINANCIAL INSTRUMENTS (CONT'D)

28.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(ii) Maximum Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Company after deducting any allowance for impairment losses (where applicable).

(iii) Assessment of Impairment Losses

At each reporting date, the Company assesses whether any of financial assets at amortised cost are credit impaired.

The gross carrying amounts of financial assets are written off against the associated impairment, if any, when there is no reasonable expectation of recovery despite the fact that they are still subject to enforcement activities.

A financial asset is credit impaired when any of following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:

- Significant financial difficult of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty;
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

The Company considers a receivable to be in default when the receivable is unlikely to repay its debt to the Company in full or is more than 180 days past due.

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28. FINANCIAL INSTRUMENTS (CONT'D)

28.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables

The Company applies the simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for all trade receivables.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the trade receivables to settle their debts using the linear regressive analysis. The Company has identified the unemployment rate, Gross Domestic Product (GDP) and inflation rate as the key macroeconomic factors of the forward-looking information.

Allowance for Impairment Losses

| | Gross Amount RM | Collective Impairment RM | Carrying Amount RM |
|-----------------------------|-----------------------|--------------------------------|--------------------------|
| 2023 | | | |
| Current (not past due) | 3,091,216 | (154,561) | 2,936,655 |
| 1 to 30 days past due | 400,098 | (20,005) | 380,093 |
| 31 to 60 days past due | 173,146 | (8,657) | 164,489 |
| More than 120 days past due | 268,223 | (23,923) | 244,300 |
| | <u>3,932,683</u> | <u>(207,146)</u> | <u>3,725,537</u> |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

28. FINANCIAL INSTRUMENTS (CONT'D)

28.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)

Allowance for Impairment Losses (Cont'd)

| | Gross Amount RM | Collective Impairment RM | Carrying Amount RM |
|-----------------------------|-----------------------|--------------------------------|--------------------------|
| 2022 | | | |
| Current (not past due) | 1,950,704 | (97,535) | 1,853,169 |
| 1 to 30 days past due | 1,238,898 | (61,945) | 1,176,953 |
| 31 to 60 days past due | 1,791,223 | (89,561) | 1,701,662 |
| 61 to 90 days past due | 141,399 | (7,070) | 134,329 |
| More than 120 days past due | 187,209 | (9,360) | 177,849 |
| | <u>5,309,433</u> | <u>(265,471)</u> | <u>5,043,962</u> |

The movements in the loss allowances in respect of trade receivables are disclosed in Note 10 to the financial statements.

Fixed Deposits with A Licensed Bank, Cash and Bank Balances

The Company considers the licensed banks have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Company is of the view that the loss allowance is immaterial and hence, it is not provided for.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Company practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****28. FINANCIAL INSTRUMENTS (CONT'D)****28.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(c) Liquidity Risk (Cont'd)***Maturity Analysis*

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

2023

Trade payables
Other payables and accruals
Amount owing to related parties
Lease liabilities
Hire purchase payables

| | Contractual Interest Rate % | Carrying Amount RM | Contractual Undiscounted Cash Flows RM | Within 1 Year RM | 1 – 5 Years RM |
|--|-----------------------------------|--------------------------|---|------------------------|----------------------|
| | - | 1,444,957 | 1,444,957 | 1,444,957 | - |
| | - | 574,271 | 574,271 | 574,271 | - |
| | - | 954,456 | 954,456 | 954,456 | - |
| | 3.61 | 1,461,277 | 1,576,389 | 346,644 | 1,229,745 |
| | 4.95 | 88,505 | 93,493 | 43,128 | 50,365 |
| | | 4,523,466 | 4,643,566 | 3,363,456 | 1,280,110 |

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****28. FINANCIAL INSTRUMENTS (CONT'D)****28.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(c) Liquidity Risk (Cont'd)***Maturity Analysis (Cont'd)*

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

| | Contractual Interest Rate % | Carrying Amount RM | Contractual Undiscounted Cash Flows RM | Within 1 Year RM | 1 – 5 Years RM | More than 5 Years RM |
|---------------------------------|-----------------------------------|--------------------------|---|------------------------|----------------------|----------------------------|
| 2022 | | | | | | |
| Trade payables | - | 5,068,146 | 5,068,146 | 5,068,146 | - | - |
| Other payables and accruals | - | 1,102,249 | 1,102,249 | 1,102,249 | - | - |
| Amount owing to related parties | - | 47,474 | 47,474 | 47,474 | - | - |
| Lease liabilities | 3.61 | 1,749,503 | 1,923,033 | 346,644 | 1,543,285 | 33,104 |
| | | 7,967,372 | 8,140,902 | 6,564,513 | 1,543,285 | 33,104 |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

28. FINANCIAL INSTRUMENTS (CONT'D)

28.2 CAPITAL RISK MANAGEMENT

The Company defines capital as the total equity and debt of the Company. The objective of the Company's capital management is to maintain an optimal capital structure and ensuring availability of funds in order to support its businesses and related shareholders value. To achieve this objective, the Company may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Company manages its capital based on debt-to-equity ratio. The debt-to-equity ratio of the Company at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total external borrowings.

28.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

| | 2023 RM | 2022 RM |
|---|-------------------|-------------------|
| Financial Assets | | |
| <u>Amortised Cost</u> | | |
| Trade receivables (Note 10) | 3,725,537 | 5,043,962 |
| Amount owing by a related party (Note 12) | 1,237,338 | - |
| Fixed deposits with a licensed bank (Note 13) | 5,908,965 | 8,770,000 |
| Cash and bank balances | 2,466,885 | 6,822,277 |
| | <u>13,338,725</u> | <u>20,636,239</u> |
| Financial Liabilities | | |
| <u>Amortised Cost</u> | | |
| Lease liabilities (Note 16) | 1,461,277 | 1,749,503 |
| Trade payables (Note 18) | 1,444,957 | 5,068,146 |
| Other payables and accruals (Note 19) | 574,271 | 1,102,249 |
| Amount owing to related parties (Note 12) | 954,456 | 47,474 |
| Hire purchase payables (Note 15) | 88,505 | - |
| | <u>4,523,466</u> | <u>7,967,372</u> |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

| | 2023 RM | 2022 RM |
|---|------------|------------|
| Financial Assets | | |
| <u>Amortised Cost</u> | | |
| Net gains recognised in profit or loss | 623,540 | 584,270 |
| Financial Liabilities | | |
| <u>Amortised Cost</u> | | |
| Net losses recognised in profit or loss | (112,037) | (77,680) |

28.5 FAIR VALUE INFORMATION

At the end of the reporting period, there were no financial instruments carried at fair values in the statement of financial position.

The fair values of the financial assets and financial liabilities of the Company that are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

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**DETAILED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

| | 2023 RM | 2022 RM |
|---|--------------------------|-------------|
| REVENUE | 19,343,401 | 31,949,158 |
| LESS: COST OF SALES | | |
| Inventories brought forward | 2,083,888 | 520,958 |
| Cost of goods manufactured | (SCHEDULE A) 17,050,797 | 22,131,029 |
| Inventories carried forward | (1,983,962) | (2,083,888) |
| | 17,150,723 | 20,568,099 |
| GROSS PROFIT | 2,192,678 | 11,381,059 |
| ADD: OTHER OPERATING INCOME | | |
| Gain on foreign exchange | | |
| - realised | - | 207,800 |
| - unrealised | 793,280 | 323,543 |
| Interest income | 259,599 | 56,004 |
| Material compensation | 92,691 | - |
| Sundry income | 2,562 | - |
| | 1,148,132 | 587,347 |
| | 3,340,810 | 11,968,406 |
| LESS: OPERATING EXPENSES | | |
| ADMINISTRATIVE EXPENSES | (SCHEDULE B) (3,425,363) | (3,509,587) |
| FINANCE COSTS | (SCHEDULE B) (82,303) | (77,785) |
| NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS | (SCHEDULE B) (44,438) | (22,728) |
| | (3,552,104) | (3,610,100) |
| (LOSS)/PROFIT BEFORE TAXATION | (211,294) | 8,358,306 |

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**DETAILED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****SCHEDULE A**

| | 2023 RM | 2022 RM |
|-------------------------------------|--------------|--------------|
| SCHEDULE A | | |
| COST OF SALES | | |
| RAW MATERIALS | | |
| Inventories brought forward | 11,082,982 | 6,035,338 |
| Purchases | 16,083,600 | 20,703,163 |
| Transportation charges | 513,769 | 742,761 |
| | 27,680,351 | 27,481,262 |
| Less: Inventories carried forward | (15,369,486) | (11,082,982) |
| | 12,310,865 | 16,398,280 |
| DIRECT LABOUR | | |
| Salaries, overtimes and allowances | 1,611,378 | 1,401,157 |
| EIS contributions | 2,394 | 1,852 |
| EPF contributions | 170,828 | 177,664 |
| SOCSSO contributions | 22,436 | 18,198 |
| Bonus | - | 287,421 |
| | 1,807,036 | 1,886,292 |
| FACTORY OVERHEAD | | |
| Consumables | 6,436 | 15,075 |
| Depreciation of plant and equipment | 2,552,881 | 2,489,723 |
| Depreciation of right-of-use assets | 219,556 | 219,556 |
| Examination fee | 19,066 | 46,910 |
| Electricity charges | 259,522 | 273,865 |
| Forwarding charges | 334,483 | 784,831 |
| Insurance | - | 7,365 |
| Import duty | 960 | - |
| Rental of factory equipment | 112 | 192 |
| Rental of forklift | 3,500 | 300 |
| Upkeep of factory | 6,539 | 16,284 |
| Upkeep of machinery | 110,118 | 141,874 |
| | 3,513,173 | 3,995,975 |
| Work-in-progress brought forward | 565,816 | 416,298 |
| Work-in-progress carried forward | (1,146,093) | (565,816) |
| | (580,277) | (149,518) |
| | 17,050,797 | 22,131,029 |

This statement is prepared for management purposes only and does not form part of the financial statements of the company.

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**DETAILED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****SCHEDULE B**

| | 2023 RM | 2022 RM |
|---|------------|------------|
| SCHEDULE B | | |
| ADMINISTRATIVE EXPENSES | | |
| Advertisement | 4,398 | 230 |
| Amortisation of intangible assets | 533,190 | 348,600 |
| Auditors' remuneration | 46,000 | 35,000 |
| Bomba safety system fee | 2,795 | 2,332 |
| Bonus | - | 95,664 |
| Business license fee | 2,106 | 6,906 |
| Cleaning expenses | 26,456 | 22,577 |
| Depreciation of plant and equipment | 171,155 | 114,025 |
| Depreciation of right-of-use assets | 102,173 | 102,459 |
| Directors' fees | - | 108,000 |
| Directors' non-fee emoluments | 331,943 | 402,630 |
| EIS contributions | 703 | 647 |
| Electricity charges | 28,836 | 30,429 |
| Entertainment | 9,944 | 1,516 |
| EPF contributions | 53,504 | 62,715 |
| Freight charges | 1,050 | 634 |
| Greeting and condolences | 2,250 | 680 |
| Insurance | 135,097 | 116,527 |
| ISO expenses | 12,247 | 20,329 |
| Labour charges | - | 90 |
| Loss on disposal of plant and machinery | 8,488 | - |
| Loss on foreign exchange | | |
| - realised | 465,328 | - |
| Medical expenses | 9,514 | 36,921 |
| Membership fee | 7,331 | 6,331 |
| Penalty | - | 2,500 |
| Permit fee | 5,932 | 5,882 |
| Petrol and toll | 5,758 | 5,221 |
| Printing and stationery | 10,030 | 13,147 |
| Professional fee | 12,203 | 18,133 |
| Registration fee | 212 | - |
| Rental of printing machine | 1,440 | 1,440 |
| Salaries, overtimes and allowances | 410,130 | 385,966 |
| Sales commission | 610,438 | 1,122,185 |
| Sample | 616 | 584 |
| Search fee | 100 | - |
| Secretarial fee | 2,865 | 2,660 |
| Security fee | 92,856 | 88,520 |
| Balance carried forward | 3,107,088 | 3,161,480 |

This statement is prepared for management purposes only and does not form part of the financial statements of the company.

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DETAILED INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

SCHEDULE B

| | 2023 RM | 2022 RM |
|--|------------------|------------------|
| ADMINISTRATIVE EXPENSES (CONT'D) | | |
| Balance brought forward | 3,107,088 | 3,161,480 |
| Sewerage charges | 1,470 | 2,250 |
| SOCSSO contributions | 6,148 | 5,657 |
| Staff welfare | 24,622 | 56,366 |
| Stamp duty | 4,625 | 9,374 |
| Sundry expenses | 40 | - |
| Taxation fee | 5,525 | 4,400 |
| Telephone and internet charges | 11,991 | 12,224 |
| Training fee | 14,879 | 7,161 |
| Travelling expenses | 58,909 | 46,654 |
| Upkeep of computer | 10,025 | 7,451 |
| Upkeep of office | 1,746 | 2,987 |
| Water charges | 1,497 | 1,139 |
| Withholding tax | 176,798 | 192,444 |
| | <u>3,425,363</u> | <u>3,509,587</u> |
| FINANCE COSTS | | |
| Bank charges | 13,052 | 10,367 |
| Bankers' acceptance interest | 6,462 | - |
| Hire purchase interest | 4,371 | - |
| Lease liabilities interest | 58,418 | 67,418 |
| | <u>82,303</u> | <u>77,785</u> |
| NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS | | |
| Impairment losses on trade receivables | - | 13,340 |
| Impairment losses on deposits | 37,641 | 9,388 |
| Impairment losses on amount owing by a related party | 65,122 | - |
| Reversal of impairment losses on trade receivables | (58,325) | - |
| | <u>44,438</u> | <u>22,728</u> |