DUNHAM-BUSH HOLDING BHD.

Registration No.: 198401016800 (129358-X)
(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2023
(In Ringgit Malaysia)

DUNHAM-BUSH
Products that perform...By people who care

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Registration No.: 198401016800 (129358-X)
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Contents

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Directors' report

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

Principal activities

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit for the financial year	155,471	639
Attributable to:		
Owners of the Company	122,660	639
Non-controlling interests	32,811	-
	155,471	639

Reserves and provisions

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

Dividends

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any final dividend for the financial year ended 31 December 2023.

Directors

The Directors of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Li ZengQun
Max Ghiassian
Wang Qiang
Zhao BaoGuo
Jiao YuXue
Yu BaoShuang
Er Chin Peng

Directors' interests in shares

None of the Directors in office at the end of the financial year had any interest in the ordinary shares of the Company and its related corporations during the financial year, according to the register required to be kept under section 59 of the Companies Act, 2016 in Malaysia.

Directors' benefits

Since the end of the previous financial year (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in Note 6 (b) and 27 (ii) to the financial statements), no Director of the Company has received nor become entitled to receive any benefit 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 those disclosed in Note 27 to the financial statements.

There were no arrangements during or at the end of the financial year, which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' remuneration and fee

Directors' remuneration of the Group is amounting to RM3,846,000 as disclosed in Note 6 (b) in the financial statements.

None of the Directors received fees from the Company during the financial year.

Indemnity and insurance for Directors, officers and auditors

There was no indemnity given to or insurance effected for any Director, officer or auditor of the Company.

Issue of shares and debentures

There were no changes in the share capital of the Company during the financial year.

There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted by the Company to any parties during the financial year to take up unissued shares of the Company.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

(i) proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts have been written off and that adequate provision had been made for doubtful debts; and

(ii) any current assets which were unlikely to be realised in the ordinary course of business 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:

(i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or

(ii) which would render the value attributed to current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements of the Group and of the Company misleading.

Other statutory information (contd.)

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

(i) any charge on the assets of the Group and of the Company that have arisen since the end of the financial year and which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group and of the Company that have arisen since the end of the financial year.

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2023 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

Holding companies

The immediate and ultimate holding companies of the Company are Yantai Moon Group (Hong Kong) Limited "YMHK" and Moon Environment Technology Co., Ltd. "MET" respectively. YMHK is incorporated in Hong Kong Special Administrative Region of the People's Republic of China, and MET is incorporated in the People's Republic of China and listed on the Shenzhen Stock Exchange.

Auditors

The auditors, Messrs YYC & CO PLT, have indicated their willingness to accept appointment.

The auditors' remuneration of the Group and of the Company for the financial year ended 31 December 2023 amounted to RM566,383 and RM49,100 respectively.

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

LI ZENGQUN

YU BAOSHUANG

Kuala Lumpur

16 May 2024

DUNHAM-BUSH HOLDING BHD.
Registration No.: 198401016800 (129358-X)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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

In the opinion of the Directors, the accompanying financial statements as set out on pages 11 to 97 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023 and of their financial performance and their cash flows for the financial year ended on that date.

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

LI ZENGQUN

YU BAOSHUANG

Kuala Lumpur

16 May 2024

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

I, YU BAOSHUANG, being the Director primarily responsible for the financial management of DUNHAM-BUSH HOLDING BHD., do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 11 to 97 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960 in Malaysia.

Subscribed and solemnly declared by the)
above-named Yu BaoShuang at Puchong in)
Selangor Darul Ehsan this 16 May 2024)

YU BAOSHUANG

Before me,

PESURUHJAYA SUMPAH
No. PJS: B437
SAMUEL JOHN
A/L PONNIAH
No.Sijil Amalan Peguam: BC/S/1039
Tempoh Lantikan: 01-01-2022-31-12-2024
MALAYSIA

COMMISSIONER FOR OATHS

RAMA SAMUEL & ASSOCIATES
No. 23B, 1st Floor,
Jalan TK 1/11A, Taman Kinrara
47180 Puchong, Selangor

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF DUNHAM-BUSH HOLDING BHD.
Registration No.: 198401016800 (129358-X)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of DUNHAM-BUSH HOLDING BHD., which comprise the statements of financial position as at 31 December 2023 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 97.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

Information Other than the Financial Statements and Auditors' Report Thereon (contd.)

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements (contd.)

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(continued)

Auditors' Responsibilities for the Audit of the Financial Statements (contd.)

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: (contd.)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 12 to the financial statements.

Other Matters

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

YYC & CO PLT
FIRM NO. LLP0020596-LCA & AF 0055
CHARTERED ACCOUNTANTS

DATO' KHOO PENG LAI
NO. 01043/10/2025 J
CHARTERED ACCOUNTANT

Kuala Lumpur

16 May 2024

DUNHAM-BUSH HOLDING BHD.
Registration No.: 198401016800 (129358-X)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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

		Group		Company	
		2023	2022	2023	2022
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	3(a)	1,457,403	1,101,184	-	-
Cost of sales	4	(1,079,378)	(825,912)	-	-
Gross profit		378,025	275,272	-	-
Other income	3(b)	70,809	16,682	1,332	90,212
Selling and distribution expenses		(138,672)	(114,057)	-	-
General and administrative expenses		(95,816)	(77,152)	(132)	(144)
Other expenses		(34,649)	(1,611)	-	-
Impairment of financial instruments		(550)	(8,848)	-	-
Profit from operations		179,147	90,286	1,200	90,068
Finance costs	5	(2,498)	(2,921)	(561)	(41)
Profit before tax	7	176,649	87,365	639	90,027
Tax expense	8	(21,178)	(9,965)	-	-
Profit for the financial year		155,471	77,400	639	90,027
Profit attributable to:					
Owners of the Company		122,660	59,301	639	90,027
Non-controlling interests		32,811	18,099	-	-
		155,471	77,400	639	90,027

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

DUNHAM-BUSH HOLDING BHD.
Registration No.: 198401016800 (129358-X)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTD.)

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other comprehensive income net of tax				
Items that will not be reclassified subsequently to profit or loss				
Re-measurement of defined benefit obligation	-	3,110	-	-
Revaluation of property	-	3,769	-	-
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign subsidiaries	14,307	(414)	-	-
Other comprehensive income net of tax	14,307	6,465	-	-
Profit and other comprehensive Income for the financial year	169,778	83,865	639	90,027
Profit and other comprehensive Income attributable to:				
Owners of the Company	134,517	69,622	639	90,027
Non-controlling interests	35,261	14,243	-	-
	169,778	83,865	639	90,027

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

DUNHAM-BUSH HOLDING BHD.
Registration No.: 198401016800 (129358-X)
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STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

		Group		Company	
		2023	2022	2023	2022
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	9	179,228	201,621	-	-
Intangible assets	10	2,232	1,657	-	-
Right-of-use asset	11	7,091	7,868	-	-
Investment in subsidiaries	12	-	-	455,442	304,712
Other investments	13	15,041	15,041	30	30
Deferred tax assets	14	25,259	21,936	-	-
		228,851	248,123	455,472	304,742
Current assets					
Inventories	15	233,661	245,656	-	-
Trade and non-trade receivables	16	532,342	485,167	11,802	10,795
Cash and bank balances	17	607,220	457,721	1,134	165
		1,373,223	1,188,544	12,936	10,960
TOTAL ASSETS		1,602,074	1,436,667	468,408	315,702
EQUITY AND LIABILITIES					
Equity attributable to the owners of the Company					
Share capital	18	205,360	205,360	205,360	205,360
Foreign currency translation reserve	19	72,196	60,339	-	-
Retained profits		575,936	453,276	54,236	53,597
Shareholders' equity		853,492	718,975	259,596	258,957
Non-controlling interests	12	155,074	119,813	-	-
Total equity		1,008,566	838,788	259,596	258,957

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

DUNHAM-BUSH HOLDING BHD.
Registration No.: 198401016800 (129358-X)
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STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONTD.)

		Group		Company	
		2023	2022	2023	2022
	Note	RM'000	RM'000	RM'000	RM'000
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	14	6,587	5,206	-	-
Retirement benefit obligations	20	785	20,231	-	-
Provisions	21	19,748	13,833	-	-
Lease liabilities	22	4,845	5,387	-	-
Borrowings	23	-	1,852	-	-
Deferred income	24	4,947	5,770	-	-
		36,912	52,279	-	-
Current liabilities					
Trade and non-trade payables	25	507,064	512,289	208,812	56,745
Retirement benefit obligations	20	-	2,759	-	-
Provisions	21	10,139	7,411	-	-
Lease liabilities	22	3,567	3,603	-	-
Borrowings	23	17,340	15,327	-	-
Deferred income	24	7,681	-	-	-
Tax payable		10,805	4,211	-	-
		556,596	545,600	208,812	56,745
Total liabilities		593,508	597,879	208,812	56,745
TOTAL EQUITY AND LIABILITIES		1,602,074	1,436,667	468,408	315,702

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

DUNHAM-BUSH HOLDING BHD.
Registration No.: 198401016800 (129358-X)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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

	<----- Attributable to owners of the Company ----->					
	Share capital RM'000	Foreign currency translation reserve RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group						
At 1 January 2023	205,360	60,339	453,276	718,975	119,813	838,788
Foreign currency translation differences for foreign operations	-	11,857	-	11,857	2,450	14,307
Other comprehensive income for the financial year	-	11,857	-	11,857	2,450	14,307
Profit for the financial year	-	-	122,660	122,660	32,811	155,471
Profit and other comprehensive income for the financial year	-	11,857	122,660	134,517	35,261	169,778
At 31 December 2023	205,360	72,196	575,936	853,492	155,074	1,008,566

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTD.)

	<----- Attributable to owners of the Company ----->					
	Share capital RM'000	Foreign currency translation reserve RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group						
At 1 January 2022	205,360	56,897	387,096	649,353	128,905	778,258
Foreign currency translation differences for foreign operations	-	3,442	-	3,442	(3,856)	(414)
Remeasurement of defined benefit asset	-	-	3,110	3,110	-	3,110
Revaluation of property	-	-	3,769	3,769	-	3,769
Other comprehensive income for the financial year	-	3,442	6,879	10,321	(3,856)	6,465
Profit for the financial year	-	-	59,301	59,301	18,099	77,400
Profit and other comprehensive income for the financial year	-	3,442	66,180	69,622	14,243	83,865
Dividends paid to minority interests	-	-	-	-	(23,335)	(23,335)
At 31 December 2022	205,360	60,339	453,276	718,975	119,813	838,788

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

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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTD.)

	Share capital RM'000	Retained profits/ (Accumulated losses) RM'000	Total equity RM'000
Company			
At 1 January 2023	205,360	53,597	258,957
Profit and other comprehensive income for the financial year	-	639	639
At 31 December 2023	205,360	54,236	259,596
At 1 January 2022	205,360	(36,430)	168,930
Profit and other comprehensive income for the financial year	-	90,027	90,027
At 31 December 2022	205,360	53,597	258,957

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

DUNHAM-BUSH HOLDING BHD.
Registration No.: 198401016800 (129358-X)
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		Group		Company	
		2023	2022	2023	2022
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Receipts from customers		1,462,736	1,051,822	-	-
Payments to suppliers		(1,084,043)	(847,887)	-	-
Payments for operating expenses		(242,148)	(106,784)	(140)	(142)
Tax payments		(16,355)	(10,755)	-	-
Other receipts		25,399	3,468	-	-
Net cash from/(used in) operating activities		145,589	89,864	(140)	(142)
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		131	603	-	-
Additional investment in a subsidiary	12	-	-	(150,730)	(126,005)
Interest received	3(b)	17,757	7,066	619	264
Dividend received		-	-	-	89,156
Acquisition of intangible assets	10	(1,226)	(325)	-	-
Acquisition of property, plant and equipment	9	(9,271)	(11,252)	-	-
Net cash from/(used in) investing activities		7,391	(3,908)	(150,111)	(36,585)

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

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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTD.)

		Group		Company	
		2023	2022	2023	2022
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities					
Withdrawal/(Placement) of fixed deposits pledged to licensed banks		6,756	(8,199)	-	-
Drawdown of bank borrowings		25,584	36,890	-	-
Repayments of bank borrowings		(23,535)	(46,806)	-	-
Repayment of lease liabilities		(2,736)	(3,861)	-	-
Receipts from related companies		-	630	-	-
Payments to immediate holding company		(10,508)	(9,895)	-	-
Payment to ultimate holding company		(5,921)	-	-	-
Receipts from subsidiary companies		-	-	151,781	36,814
Interest paid - lease liabilities	5	(1,028)	(464)	-	-
Interest paid - others	5	(1,470)	(2,457)	(561)	(41)
Net cash (used in)/from financing activities		(12,858)	(34,162)	151,220	36,773
Net increase in cash and cash equivalents		140,122	51,794	969	46
Effects of foreign exchange rate changes		18,021	21,821	-	-
Cash and cash equivalents at beginning of financial year		439,868	366,253	165	119
Cash and cash equivalents at end of financial year		598,011	439,868	1,134	165
Cash and cash equivalents at end of financial year comprise:					
Cash and bank balances	17	289,044	339,024	1,134	165
Deposits with licensed banks	17	318,176	118,697	-	-
Deposits with licensed banks pledged	17	(4,654)	(11,410)	-	-
Bank overdrafts	23	(4,555)	(6,443)	-	-
		598,011	439,868	1,134	165

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTD.)

Note:

(i) Cash and cash equivalents comprise cash, bank balances and demand deposits as disclosed in Note 17 to the financial statements.

(ii) Reconciliation of liabilities arising from financing activity:

	Note	1 January RM'000	Cash flows RM'000	Non-cash movement RM'000	31 December RM'000
Group					
2023					
Borrowing (excluding bank overdrafts)	23	10,736	2,049	-	12,785
Lease liabilities	22	8,990	(3,764)	3,186	8,412
Total liabilities from financing activities		19,726	(1,715)	3,186	21,197

	Note	1 January RM'000	Cash flows RM'000	Non-cash movement RM'000	31 December RM'000
2022					
Borrowing (excluding bank overdrafts)	23	20,651	(9,915)	-	10,736
Lease liabilities	22	15,605	(4,325)	(2,290)	8,990
Total liabilities from financing activities		36,256	(14,240)	(2,290)	19,726

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

1. Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

The accompanying financial statements have been prepared assuming that the Group and the Company will continue as going concerns which contemplate the realisation of assets and settlement of liabilities in the normal course of business.

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

(a) Standards issued and effective

The Group and the Company adopted the following Standards of the MFRS Frameork that we issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Description	Effective Date
• MFRS 17 - Insurance Contracts	1 January 2023
• Amendments to MFRS 17 - Initial Application of MFRS 17 and MFRS 9 - Comparative Information	1 January 2023
• Amendments to MFRS 101, Presentation of Financial Statements - Disclosure on Accounting Policies	1 January 2023
• Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates	1 January 2023
• Amendments to MFRS 112 - Deferred Tax related to Assets and Liabilities from a Single Transactions	1 January 2023
• Amendments to MFRS 112 - International Tax Reform - Pillar Two Model Rules	1 January 2023

The adoption of the above amendments to MFRSs and interpretations did not have any significant impact on the financial statements of the Group and of the Company.

(b) Standards issued but not yet effective

The Group and the Company have not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective Date
• Amendments to MFRS 16 - Lease Liability in a Sale and Leaseback	1 January 2024
• Amendments to MFRS 101 - Non-current Liabilities with Covenants	1 January 2024

1. Basis of preparation (contd.)

(b) Standards issued but not yet effective (contd.)

The Group and the Company have not adopted the following standards and interpretations that have been issued but not yet effective: (contd.)

Description	Effective Date
• Amendments to MFRS 107, Statement of Cash Flows and MFRS 7, Financial Instruments: Disclosures – Supplier Finance Arrangements	1 January 2024
• Amendments to MFRS 121 - Lack of Exchangeability	1 January 2025
• Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Group and the Company do not expect the adoption of the above Standards to have a significant impact on the financial statements.

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis unless otherwise as indicated in the summary of significant accounting policies.

(d) Significant accounting estimates and judgements

Estimates and judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's and of the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amount of assets, liabilities, income and expenses are discussed below:

(i) Depreciation of property, plant and equipment

The estimates for the residual values, useful lives and related depreciation charges for property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to market conditions.

The Group and the Company anticipate that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

1. Basis of preparation (contd.)

(d) Significant accounting estimates and judgements (contd.)

(ii) Income taxes

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

(iii) Withholding tax on dividends

The Group is subject to withholding tax on dividends in the tax jurisdiction of the PRC. According to the New Corporate Income Tax Law ("CIT") and the Detailed Implementation Regulations ("DIR"), dividends distributed to a foreign investor by a Foreign Invested Enterprise ("FIE") in the PRC would be subject to withholding tax of 10%. The PRC tax authorities have granted a special concession which states that from 1 January 2008 onwards, a FIE'S profit arising in year 2008 and beyond, distributed to the foreign investors as dividends shall be subject to withholding tax of 10%, which is subject to reduction as provided by an applicable double taxation treaty.

As at 31 December 2023, deferred tax has not been recognised for the withholding tax that would be payable on the entire unremitted earnings of its PRC subsidiary as the Group is able to control the timing of the reversal of the timing differences and it is not probable that material temporary differences would be reversed in the foreseeable future.

(iv) Impairment of non-financial assets

When the recoverable amount of an asset is determined based on the estimate of the value in use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash- generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(v) Revenue recognition over time using the stage of completion method

For revenue recognition relating to performance obligations that are satisfied over time, the Group recognised contract revenue and contract costs as revenue and expenses respectively in the profit or loss by using the stage of completion method. The stage of completion is determined by reference to the proportion of contract cost incurred for work performed to date to the estimated total contract costs.

Significant judgement is required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and costs, as well as the recoverability of the construction contracts. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

1. Basis of preparation (contd.)

(d) Significant accounting estimates and judgements (contd.)

(v) Revenue recognition over time using the stage of completion method (contd.)

The difference in the estimated contract revenue and contract costs from management's estimates would not result in material variance in profit for the financial year.

(vi) Provision for sales warranty

The Group gives one to five years warranty on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision for sales warranty is recognised for all products under warranty at the end of reporting period based on past experience of the level of repairs and returns. The Group carried out a review of all provision made at the reporting period and made necessary reversal for those sales warranty that has been expired.

(vii) Write-down for 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.

(viii) Provision for expected credit losses ("ECLs") of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on the payment profiles of sales over a period of 36 months before the end of the reporting period and the corresponding historical credit losses experienced within this period.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The historical observed default rates are updated and changes in the forward-looking estimates are analysed at every end of the reporting period.

(ix) Leases

(a) Lease term

In determining the lease term, management considers all fact and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

1. Basis of preparation (contd.)

(d) Significant accounting estimates and judgements (contd.)

(ix) Leases (contd.)

(a) Lease term (contd.)

The extension options in leases for building have been included in the lease liability in consideration of the costs and business disruption required to replace the leased assets.

(b) Incremental borrowing rate of leases

In determining the incremental borrowing rate, the Group and the Company use recent third-party financing received by the Group and the Company as a starting point and makes adjustments specific to the lease, for e.g. term and security.

(x) Fair value estimates for certain financial assets and liabilities

The Group and the Company carry certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgements. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group and the Company use different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

(xi) Pension and other post-retirement benefits

The cost and valuation of defined benefit pension plans is determined using actuarial valuations. This involves making assumptions about discount rates, expected rate of return of assets, future salary and pensions increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

(xii) Deferred tax assets and liabilities

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the profit or loss in the period in which actual realisation and settlement occurs.

2. Summary of significant accounting policies

(a) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using currency of primary economic environment in which the entity operates ("the functional currency"). These financial statements are presented in the Ringgit Malaysia ("RM"), which is the Group's and the Company's functional and presentation currency. The consolidated and separate financial statements are presented in Ringgit Malaysia ("RM").

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's and of the Company’s net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group and of the Company on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency ("RM") of the consolidated financial statements are translated into RM as follows:

2. Summary of significant accounting policies (contd.)

(a) Foreign currencies (contd.)

(iii) Foreign operations (contd.)

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at average exchange rates for the financial period, which approximates the exchange rate at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

The principal exchange rates for every unit of foreign currency ruling at the end of the reporting period used are as follows:

	2023 RM	2022 RM
United States Dollar ("USD")	4.5900	4.4320
Singapore Dollar ("SGD")	3.4926	3.2902
Sterling Pound ("GBP")	5.8698	5.3211
Australia Dollar ("AUD")	3.1473	2.9863
Chinese Renminbi ("RMB")	0.6463	0.6354
Euro ("EUR")	5.0919	4.7148
South Africa Rand ("ZAR")	0.2499	0.2568
Vietnamese Dong ("VND")	0.0002	0.0002
Indonesia Rupiah ("IDR")	0.0003	0.0003
India Rupees ("INR")	0.0555	0.0535
Japanese Yen ("JPY")	0.0325	0.0330
Thai Baht ("THB")	0.1336	0.1278
Bangladesh Taka ("TAKA")	0.0421	0.0429
Saudi Riyal ("SAR")	1.2312	1.1791

(b) Revenue and other income recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for these goods or services.

2. Summary of significant accounting policies (contd.)

(b) Revenue and other income recognition (contd.)

(i) Manufacturing and sales of goods

The Group manufactures, trades and distributes commercial and industrial heating, ventilating, air-conditioning and refrigeration equipment. In the contracts with customers, the following services are identified: manufacturing, delivery of goods and installation (where applicable), which are non-distinct. As such, these services are bundled together a single performance obligation identified in the contract.

<u>Sales of goods without installation</u>

There is only a single performance obligation identified in the contract, which is to deliver the goods to the customer. The Group recognises revenues in a point of time when the Group transfers control of good to the customer, and based on the selling price of goods specified in the contract.

As the performance obligation is satisfied at a point in time when the Group transfers control of the goods to the customer, whereby the goods are delivered to the customer, revenue is also recognised at point in time and based on the selling price of goods specified in the contract.

No element of financing is deemed present as the sales are made with a credit term of 30 to 90 days, which is consistent with the market practice.

<u>Sales of goods with installation</u>

Under circumstance where the goods are customised and the Group has to provide the installation service to make the sale, the installation service is consider non-distinct in nature and is bundled together with the other services as a single performance obligation. The Group recognises revenues over time as the Group transfers control of good and installation service to the customer, and based on the stage of completion.

The stage of completion is determined by reference to the costs incurred to date to the total estimated costs. When the outcome of the contract cannot be estimated reliably, revenue is recognised only to the extent of costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the profit or loss.

When the total of costs incurred on construction contracts plus recognised profit (less recognised losses) exceeds progress billings, the balance is classified as contract asset. When progress billings exceed costs incurred plus, recognised profit (less recognised losses), the balance is classified as contract liability.

No element of financing is deemed present as the sales are made with a credit term of 7 to 90 days, which is consistent with the market practice.

2. Summary of significant accounting policies (contd.)

(b) Revenue and other income recognition (contd.)

(i) Manufacturing and sales of goods (contd.)

<u>Sales of goods with installation (contd.)</u>

The Group's obligation to repair, replace faulty products or provide maintenance under the standard warranty terms is recognised as a provision.

(ii) Rendering of services

The Group also provides services relating to commercial and industrial heating, ventilating, air-conditioning and refrigeration equipment. As there is only one performance obligation identified in the contracts with customers, the Group recognises revenues at a point in time when the Group satisfies this performance obligation by completing rendering services to customer. The amount of revenues recognised is based on contract price specified in the contract.

(iii) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

(iv) Interest income

Interest income is recognised on an accrual basis, based on effective yield on the investments.

(c) Employee benefits expense

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

2. Summary of significant accounting policies (contd.)

(c) Employee benefits expense (contd.)

(ii) Defined contribution plans

The Group’s acontribution to defined contribution plans are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group was no further liability in respect of the defined contribution plans.

(iii) Defined benefit plans

A subsidiary within the Group operates a funded, defined benefit Retirement Benefit Scheme (“the Scheme”) for its eligible employees.

As a result of MFRS 119 (2011), Employee Benefits, the Group has changed its accounting policy in respect of the basis for determining the income or expense relating to its post employment defined benefit plans.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Previously, the Group determined interest income on plan assets based on their long-term rate of expected return.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

2. Summary of significant accounting policies (contd.)

(d) Borrowing costs

Borrowings are stated at cost with any difference between cost and redemption value being recognised in the profit or loss over the period of the loans and borrowings using the effective interest method.

Borrowing costs incurred in connection with financing the construction and installation of property, plant and equipment is capitalised until the property, plant and equipment are ready for their intended use. All other borrowing costs are charged to the profit or loss.

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

(e) Tax expense

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes 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.

(ii) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over the business combination costs or 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 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 amount 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 sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

2. Summary of significant accounting policies (contd.)

(e) Tax expense (contd.)

(ii) Deferred tax (contd.)

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 and tax laws that have been enacted or substantively enacted at the end of the reporting period.

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 income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination.

(f) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those return through its power over the entity. In the previous financial year, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.

- The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider de facto power in its assessment of control.

2. Summary of significant accounting policies (contd.)

(f) Basis of consolidation (contd.)

(i) Subsidiaries (contd.)

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction cost.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are recognised in the profit or loss as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

(ii) Accounting for business combinations

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases.

The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Acquisitions of subsidiary are accounted for by applying the acquisition method.

<u>Acquisitions on or after 1 January 2011</u>

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- √ The fair value of the consideration transferred; plus
- √ The recognised amount of any non-controlling interests in the acquiree; plus
- √ If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- √ The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

2. Summary of significant accounting policies (contd.)

(f) Basis of consolidation (contd.)

(ii) Accounting for business combinations (contd.)

Acquisitions on or after 1 January 2011 (contd.)

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Cost related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions between 1 January 2006 to 1 January 2011

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income.

The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the profit or loss on the date of acquisition.

2. Summary of significant accounting policies (contd.)

(f) Basis of consolidation (contd.)

(ii) Accounting for business combinations (contd.)

Acquisitions between 1 January 2006 to 1 January 2011 (contd.)

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

(iii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statements of financial position and statements of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated profit or loss as an allocation of the profit and loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so caused the non-controlling interests to have a deficit balance.

(iv) Transactions with non-controlling interests

Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners.

On acquisition of non-controlling interest, the difference between the consideration and the Group' share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

(v) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2. Summary of significant accounting policies (contd.)

(f) Basis of consolidation (contd.)

(v) Loss of control (contd.)

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted associates are eliminated against the investment to the extent of the Group's interest in the associates and jointly controlled entities. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(g) Contract asset/Contract liability

Contract asset

Contract asset is recognised when the Group's right to consideration in exchange for goods or services the Group has transferred to its customers when that right is conditioned on something other than the passage of time.

Contract liability

Contract liability is recognised when the Group is obliged to transfer goods or services to a customer for which the consideration has been received (or the amount is due) from the customers.

(h) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balances. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

2. Summary of significant accounting policies (contd.)

(h) Impairment (contd.)

(i) Financial assets (contd.)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and Company's historical experiences and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, which 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12-months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance amount.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedures for recovery amounts due.

(ii) Non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

2. Summary of significant accounting policies (contd.)

(h) Impairment (contd.)

(ii) Non-financial assets (contd.)

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGUs")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

(i) Financial assets

(i) Initial recognition and measurement

Financial assets are recognised when, and only when, the Group and the Company become party to the contractual provision of the instrument.

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

A trade receivable without a significant financing component is initially measured at the transaction price.

2. Summary of significant accounting policies (contd.)

(i) Financial assets (contd.)

(ii) Subsequent measurement

The Group and the Company classify their financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group and the Company reclassified debt investments when and only when its business model for managing those asset changes.

(a) Amortised cost

Financial asset is measured at amortised cost when the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income from financial asset measured at amortised cost is recognised in profit or loss using the effective interest method. Any gain or loss on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gain and losses.

(b) Fair value through other comprehensive income ("FVOCI") – debt investment

Debt investment, which is not designated as at fair value through profit or loss, is measured at FVOCI when the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments to principal and interest on the principal amount outstanding.

Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income calculated using the effective interest method, and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Impairment expenses are presented as a separate line item in the statement of profit or loss.

2. Summary of significant accounting policies (contd.)

(i) Financial assets (contd.)

(ii) Subsequent measurement (contd.)

(c) FVOCI – equity investment

Equity investment is measured at FVOCI when the Group and the Company made an irrevocable election to present changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Dividends from such investments continue to be recognised in profit or loss as other income when the Group's and the Company's right to receive payments is established.

Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(d) Fair value through profit or loss ("FVTPL")

All financial assets not measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument).

Financial assets categorised as FVTPL are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

(iii) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risk and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) shall be recognised in profit or loss.

Any cumulative gain or loss arise from fair value changes in equity investment that had been recognised in other comprehensive income is transferred within equity when the equity investment is derecognised whereas any cumulative gain or loss arise from fair value changes in debt investment that had been recognised in other comprehensive income is transferred to profit or loss when the debt investment is derecognised.

2. Summary of significant accounting policies (contd.)

(j) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Company recognise such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Leasehold lands and buildings are stated at revalued amount less accumulated depreciation and impairment losses recognised after the date of the revaluation. Leasehold lands and buildings are depreciated over the remaining useful life of the assets.

The Company revalue its leaseholds lands and buildings every five (5) years or at a shorter interval whenever the fair value of the revalued assets is expected to differ materially from their carrying value. Additions subsequent to the date of the revaluation are stated at cost until the next revaluation exercise.

Increases in the carrying amounts arising on revaluation of property, plant and equipment are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

Depreciation is based on the cost of an asset less its residual value. Significant components of assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Leasehold land is depreciated over its lease term.

2. Summary of significant accounting policies (contd.)

(j) Property, plant and equipment (contd.)

Freehold land has an unlimited useful life and therefore it is not depreciated.

Capital work-in-progress are also not depreciated as these assets are not available for use.

Depreciation of other property, plant and equipment is provided for on a straight line basis, at the following annual rates:

Short term leasehold land	30 years
Buildings	2% - 5%
Plant and equipment	6 ⅔% - 20%
Office equipment	16 ⅔% - 50%
Furniture and fittings	15% - 33 ⅓%
Motor vehicles	20%
Building mechanical and fitting	15%

The carrying amount of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each reporting date, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the financial period the asset is derecognised.

(k) Leases

(i) Initial recognition and measurement

As a lessee

The Group and the Company recognised right-of-use asset and lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing. Thus, the Group and the Company use their incremental borrowing rate as the discount rate.

2. Summary of significant accounting policies (contd.)

(k) Leases (contd.)

(i) Initial recognition and measurement (contd.)

As a lessee (contd.)

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

As a lessor

Leases for which the Company is a lessor are classified as finance or operating leases.

Leases which transfer substantially all of the risks and rewards incidental to ownership of the underlying asset is a finance lease; if not, then it is an operating lease.

The Company recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. Initial direct costs, other than those incurred by manufacturer or dealer lessors, are included in the initial measurement of the investment in the lease.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(ii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date 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 right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

2. Summary of significant accounting policies (contd.)

(k) Leases (contd.)

(ii) Subsequent measurement (contd.)

As a lessee (contd.)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a changes in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

As a lessor

The Group and the Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

The Group and the Company recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the lease. The Group and the Company aims to allocate finance income over the lease term on a systematic and rational basis. The Group and the Company applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9, Financial Instruments.

(l) Intangible assets

(i) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition, intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.

The estimated useful lives for the current and comparative periods are as follow:

Technical know-how	10 years
Computer software	5 years

2. Summary of significant accounting policies (contd.)

(l) Intangible assets (contd.)

(i) Other intangible assets (contd.)

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least each financial reporting date.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with and indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(ii) Development expenditure

Development expenditure comprises product development expenditure and cost of acquisition of technical known-how.

All research costs are recognised in the profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development cost can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resource to complete development and to use or sell the asset.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2. Summary of significant accounting policies (contd.)

(m) Inventories

Inventories comprise of raw materials and components parts, work-in-progress and finished goods. Inventories are stated at the lower of cost and net realisable value.

Cost is determined using standard costing. Costs of raw materials inventories comprise the cost of purchase plus the cost of bringing the inventories to their present location and condition.

The cost of finished goods and work-in-progress, comprise costs of raw materials, direct labour and an attributable proportion of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, deposits unpledged and short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Company's cash management.

(o) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group and the Company become party to the contractual provision of the instrument.

At initial recognition, the Group and the Company measure a financial liability at its fair value plus, in the case of a financial liability not at FVTPL, transaction costs that are directly attributable to the issue of the financial liability.

(ii) Subsequent measurement

The categories of financial liabilities at initial recognition are as follows:

(a) Amortised cost

All financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities where it is designated as FVTPL.

Interest expense and foreign exchange gains and losses are recognised in profit or loss.

2. Summary of significant accounting policies (contd.)

(o) Financial liabilities (contd.)

(ii) Subsequent measurement (contd.)

(b) Fair value through profit or loss ("FVTPL")

Financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition are measured at FVTPL.

Financial liabilities may be designated upon initial recognition at FVTPL only if the criteria in MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014) are satisfied. The Company has not designated any financial liability as at FVTPL.

Financial liabilities categorised at FVTPL are subsequently carried at fair value with the gain or losses recognised in profit or loss.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liability assumed, is recognised in profit or loss.

(p) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

A financial guarantee contract is considered a contingent liability in accordance with MFRS 4 Insurance Contracts.

2. Summary of significant accounting policies (contd.)

(q) Provisions

Provisions are recognised when the Group and the Company have present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount can be made.

Provision for restructuring costs is recognised when a detailed and formal restructuring plan has been approved, and the restructuring has either commenced or has been announced publicly. Costs relating to ongoing activities are not provided for.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate if it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision will be reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability and the present value of the expenditure expected to be required to settle the obligation.

(r) Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised from equity in the period in which they are declared.

(s) Contingencies

(i) Contingent liabilities

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

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statement of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

2. Summary of significant accounting policies (contd.)

(t) Forward currency contract

The Group uses forward currency contract to manage its exposure to foreign market risk. The forward currency contract does not qualify for hedge accounting. The gains or losses arising from changes in fair value on derivatives during the financial year are directly recognised in profit or loss. The fair values changes are attributable to changes in foreign exchange closing rate and forward rate.

3. Revenue and other income

(a) Revenue

	Group	
	2023	2022
	RM'000	RM'000
At a point in time		
Sale of goods	1,415,264	1,073,652
Rendering of services	42,139	27,532
	1,457,403	1,101,184

Provision has been provided for warranty obligation as stated in Note 21 to the financial statements.

(b) Other income

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Government subsidy and grants	2,623	3,190	-	-
Dividend received from subsidiaries	-	-	-	89,156
Gain on disposal of property, plant and equipment	-	212	-	-
Gain on foreign exchange:				
- realised	1,345	3,993	-	294
- unrealised	1,339	2,013	713	319
Interest income	17,757	7,066	619	264
Waiver of debt for subsidiary	-	-	-	179
Waiver of debt for trade and non-trade payables	46,487	-	-	-
Write back of impairment on				
- trade receivables (Note 16)	229	72	-	-
- non-trade receivables (Note 16)	547	-	-	-
Other income	482	136	-	-
	70,809	16,682	1,332	90,212

4. Cost of sales

	Group 2023 RM'000	Group 2022 RM'000
Cost of inventories sold	1,074,975	819,340
Cost of services provided	4,403	6,572
	1,079,378	825,912

5. Finance costs

	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Interest expenses on:				
Bank overdrafts	497	551	-	-
Term loans	-	139	-	-
Factoring interest	-	298	-	-
Loan from ultimate holding	561	41	561	41
Trade financing	412	556	-	-
Finance cost of defined benefit pension plans (Note 20)	-	872	-	-
Lease interest	1,028	464	-	-
	2,498	2,921	561	41

6. Employee benefits expense

	Group 2023 RM'000	Group 2022 RM'000
(a) Staff costs		
Wages and salaries	133,687	132,139
Pension cost - defined contribution plans	6,167	5,047
Pension cost - defined benefit plans (Note 20)	-	872
Bonus	27,301	22,257
Short term accumulating compensated absences	(2,378)	423
Social security costs	14,428	14,663
Other staff related expenses	40,770	28,871
Employee benefit expense recognised in statement of profit and loss	219,975	204,272

6. Employee benefits expense (contd.)

	Group 2023 RM'000	Group 2022 RM'000
(a) Staff costs (contd.)		
Employee benefit expense recognised in statement of other comprehensive income and loss:		
Pension cost - defined benefit plans (Note 20)	-	(3,110)
	219,975	201,162
(b) Directors' remuneration		
Salaries and other emoluments	3,846	4,936
	3,846	4,936

The total number of employees of the Group at the end of the financial year was 1,876 (2022: 1,845).

7. Profit before tax

	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Profit before tax is arrived after charging:				
Auditors' remuneration				
- statutory audit	554	809	47	46
- under provision in prior year	12	7	3	2
Employee benefits expense (Note 6(a))	219,975	201,162	-	-
Directors' remuneration (Note 6(b))	3,846	4,936	-	-
Amortisation of:				
- intangible assets (Note 10)	684	738	-	-
Depreciation of:				
- property, plant and equipment (Note 9)	14,196	14,507	-	-
- right-of-use asset (Note 11)	2,318	738	-	-
Property, plant and equipment written off (Note 9)	21,775	142	-	-

7. Profit before tax (contd.)

	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Profit before tax is arrived after charging: (contd.)				
Loss on disposal of property, plant and equipment	26	-	-	-
Impairment on				
- trade receivables (Note 16)	550	7,955	-	-
- non-trade receivables (Note 16)	-	893	-	-
Bad debts written off on non-trade receivables	10,870	500	-	-
Provision for warranty (Note 21)	23,558	12,391	-	-

8. Tax expense

	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Current tax:				
- Malaysian tax	13,977	6,149	-	-
- Foreign tax	9,554	6,179	-	-
	23,531	12,328	-	-
(Over)/Under provision in prior year:				
- Malaysian tax	(160)	(1,159)	-	-
- Foreign tax	(472)	7	-	-
	22,899	11,176	-	-
Deferred taxation (Note 14):				
- Relating to origination and reversal of temporary differences	(1,721)	(1,668)	-	-
- Under provision in prior year	-	457	-	-
	(1,721)	(1,211)	-	-
Tax expense for the financial year	21,178	9,965	-	-

Domestic current income tax is calculated at the statutory tax rate of 24% (2022: 24%) of the estimated assessable profit for the financial year.

8. Tax expense (contd.)

Taxation for other jurisdictions is calculated at rates prevailing in the respective jurisdictions.

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

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit before tax	176,649	87,365	639	90,027
Taxation at statutory tax rate of 24%	42,396	20,968	153	21,606
Effect of different tax rates in other countries	(15,659)	(5,567)	-	-
Non-taxable income	(17,191)	(8,661)	(148)	(21,503)
Expenses not deductible for tax purposes	9,395	3,920	(5)	(103)
Deferred tax assets not recognised	2,869	-	-	-
	21,810	10,660	-	-
Over provision of current tax in prior year	(632)	(1,152)	-	-
Under provision of deferred tax in prior year	-	457	-	-
Tax expense for the financial year	21,178	9,965	-	-

The Group and the Company have unutilised tax losses, unabsorbed capital allowances and provisions available for offsetting against future taxable profit as follow:

Unutilised tax losses	1,508	1,508	1,508	1,508
Unabsorbed capital allowances	134	134	134	134
	1,642	1,642	1,642	1,642

In Malaysia, effective from year of assessment 2019, the unutilised tax losses can be carried forward for a period of 10 years. The unutilised tax losses which arose up to year of assessment 2018 are to be utilised before the year of assessment 2028 of the company which amounted to RM1,508,000 (2022: RM1,508,000) as at the financial year ended.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

9. Property, plant and equipment

	Freehold land and buildings RM'000	Short term leasehold land and buildings RM'000	Plant and equipment RM'000	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Building mechanical and fitting RM'000	Total RM'000
Group									
2023									
Cost/Valuation									
At 1 January	159,482	55,954	131,698	10,662	6,299	11,067	2,728	1,477	379,367
Additions	-	-	6,464	867	277	978	685	-	9,271
Disposals	-	-	(1,626)	(42)	-	(943)	-	-	(2,611)
Written off	(25,601)	-	(15,263)	(2,070)	(407)	-	(194)	-	(43,535)
Reclassifications	-	-	2,450	11	-	-	(3,210)	-	(749)
Exchange differences	4,810	621	1,726	72	115	89	41	-	7,474
At 31 December	138,691	56,575	125,449	9,500	6,284	11,191	50	1,477	349,217

9. Property, plant and equipment (contd.)

	Freehold land and buildings RM'000	Short term leasehold land and buildings RM'000	Plant and equipment RM'000	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Building mechanical and fitting RM'000	Total RM'000
Group (contd.)									
2023									
Accumulated depreciation									
At 1 January	39,711	25,187	88,414	8,768	4,710	9,886	-	1,070	177,746
Depreciation charge for the financial year	1,267	3,808	7,446	600	645	359	-	71	14,196
Disposals	-	-	(1,550)	(41)	-	(863)	-	-	(2,454)
Written off	(7,980)	-	(11,564)	(1,858)	(358)	-	-	-	(21,760)
Reclassifications	-	-	(3)	3	-	-	-	-	-
Exchange differences	715	286	1,054	60	78	68	-	-	2,261
At 31 December	33,713	29,281	83,797	7,532	5,075	9,450	-	1,141	169,989
Carrying amount	104,978	27,294	41,652	1,968	1,209	1,741	50	336	179,228
Representing:									
At cost	104,978	27,294	41,652	1,968	1,209	1,741	50	336	179,228
	104,978	27,294	41,652	1,968	1,209	1,741	50	336	179,228

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

9. Property, plant and equipment (contd.)

	Freehold land and buildings RM'000	Short term leasehold land and buildings RM'000	Plant and equipment RM'000	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Building mechanical and fitting RM'000	Total RM'000
Group (contd.)									
2022									
Cost									
At 1 January	156,461	63,402	117,707	10,123	6,316	11,944	2,239	1,477	369,669
Additions	-	-	6,629	1,140	248	328	2,907	-	11,252
Disposals	-	-	(1,260)	(155)	(321)	(1,070)	-	-	(2,806)
Written off	-	-	(858)	(178)	(93)	-	-	-	(1,129)
Reclassifications	(3,468)	(5,913)	11,697	(120)	122	-	(2,342)	-	(24)
Revaluation	2,982	-	-	-	-	-	-	-	2,982
Exchange differences	3,507	(1,535)	(2,217)	(148)	27	(135)	(76)	-	(577)
At 31 December	159,482	55,954	131,698	10,662	6,299	11,067	2,728	1,477	379,367

9. Property, plant and equipment (contd.)

	Freehold land and buildings RM'000	Short term leasehold land and buildings RM'000	Plant and equipment RM'000	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Building mechanical and fitting RM'000	Total RM'000
Group (contd.)									
2022									
Accumulated depreciation									
At 1 January	33,833	27,681	84,793	8,483	4,416	10,641	-	999	170,846
Depreciation charge for the financial year	3,255	1,912	7,422	724	713	410	-	71	14,507
Disposals	-	-	(958)	(150)	(299)	(1,009)	-	-	(2,416)
Written off	-	-	(734)	(165)	(88)	-	-	-	(987)
Reclassifications	3,722	(3,784)	60	2	-	-	-	-	-
Eliminated on revaluation	(680)	-	-	-	-	-	-	-	(680)
Exchange differences	(419)	(622)	(2,169)	(126)	(32)	(156)	-	-	(3,524)
At 31 December	39,711	25,187	88,414	8,768	4,710	9,886	-	1,070	177,746
Carrying amount	119,771	30,767	43,284	1,894	1,589	1,181	2,728	407	201,621
Representing:									
At cost	117,469	30,767	43,284	1,894	1,589	1,181	2,728	407	199,319
At valuation	2,302	-	-	-	-	-	-	-	2,302
	119,771	30,767	43,284	1,894	1,589	1,181	2,728	407	201,621

9. Property, plant and equipment (contd.)

The Group acquired property, plant and equipment in the following manner:

	Group 2023 RM'000	Group 2022 RM'000
Cash payments	9,271	11,252

The strata titles for certain buildings belonging to certain subsidiaries with carrying amount of RM232,000 (2022: RM243,000) have yet to be issued by the relevant authorities.

10. Intangible assets

	Cost of technical know-how RM'000	Computer software RM'000	Total RM'000
Group			
2023			
Cost			
At 1 January	327	8,853	9,180
Additions	749	477	1,226
Exchange differences	2	79	81
At 31 December	1,078	9,409	10,487
Accumulated amortisation			
At 1 January	327	7,196	7,523
Amortisation for the financial year	20	664	684
Exchange differences	2	46	48
At 31 December	349	7,906	8,255
Carrying amount	729	1,503	2,232
2022			
Cost			
At 1 January	327	8,595	8,922
Additions	-	325	325
Exchange differences	-	(67)	(67)
At 31 December	327	8,853	9,180

10. Intangible assets (contd.)

	Cost of technical know-how RM'000	Computer software RM'000	Total RM'000
Group (contd.)			
2022			
Accumulated amortisation			
At 1 January	327	6,543	6,870
Amortisation for the financial year	-	738	738
Exchange differences	-	(85)	(85)
At 31 December	327	7,196	7,523
Carrying amount	-	1,657	1,657

11. Right-of-use asset

	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment RM'000	Land and building RM'000	Total RM'000
Group					
2023					
Carrying amount					
At 1 January	194	39	347	7,288	7,868
Remeasurement	-	-	-	(385)	(385)
Additions	-	-	-	2,745	2,745
Disposal	(206)	(41)	(342)	(285)	(874)
Depreciation for the financial year	-	-	(13)	(2,305)	(2,318)
Exchange differences	12	2	24	17	55
At 31 December	-	-	16	7,075	7,091
Representing:					
At cost	-	-	16	7,075	7,091

11. Right-of-use asset (contd.)

Group (contd.)	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment RM'000	Land and building RM'000	Total RM'000
2022					
Carrying amount					
At 1 January	254	174	484	13,056	13,968
Remeasurement	-	-	(3)	235	232
Additions	-	-	66	1,575	1,641
Disposal	-	-	(7)	(6,949)	(6,956)
Depreciation for the financial year	(46)	(129)	(175)	(388)	(738)
Exchange differences	(14)	(6)	(18)	(241)	(279)
At 31 December	194	39	347	7,288	7,868
Representing:					
At cost	194	39	347	7,288	7,868

12. Investment in subsidiaries

	Company 2023 RM'000	Company 2022 RM'000
Unquoted shares, at cost		
At 1 January	380,395	254,390
Additional	150,730	126,005
Disposal	(7,128)	-
At 31 December	523,997	380,395
Less: Accumulated impairment losses		
At 1 January	75,683	75,683
Reversals	(7,128)	-
At 31 December	68,555	75,683
Total	455,442	304,712

12. Investment in subsidiaries (contd.)

Details of subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest held (%) 2023	2022
(i) Subsidiaries of Dunham-Bush Holding Bhd.				
Dunham-Bush Industries Sdn. Bhd. #	Malaysia	Manufacturing and trading of air-conditioning and refrigeration equipment for commercial and industrial application.	100	100
Dunham-Bush Sales & Services Sdn. Bhd. #	Malaysia	Sales, distribution and installation of large commercial and industrial air-conditioning and refrigeration equipment.	100	100
Dunham-Bush International (Cayman) Limited #	Cayman Islands	Investment holding.	100	100
Dunham-Bush USA LLC. *	United States	Manufacturing and trading of air-conditioning and refrigeration equipment.	70	70

12. Investment in subsidiaries (contd.)

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest held (%) 2023	2022
(i) Subsidiaries of Dunham-Bush Holding Bhd. (contd.)				
Dunham-Bush International Pte. Ltd.*	Singapore	Distribution and trading of air-conditioning and refrigeration equipment for commercial and industrial application.	100	100
Dunham-Bush (China) Co., Ltd. *	The People's Republic of China	Manufacturing and trading of air-conditioning and refrigeration equipment for commercial and industrial application.	63	63
Dunham-Bush (Yantai) Energy Technology Co., Ltd. *	The People's Republic of China	Distribution and trading of energy saving technology for energy saving assessment, R&D and design.	100	100
Dunham-Bush Limited * [6]	United Kingdom	Manufacturing and sale of commercial and industrial heating, ventilating, air-conditioning and refrigeration equipment.	-	100

12. Investment in subsidiaries (contd.)

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest held (%) 2023	2022
(ii) Subsidiaries of Dunham-Bush International (Cayman) Limited				
Dunham-Bush (L.L.C.) ** [4]	United Arab Emirates	Trading of refrigeration equipment, electrical and electronic appliances and air-conditioning products.	-	49
(iii) Subsidiaries of Dunham-Bush Industries Sdn. Bhd.				
Dunham Bush Mena DMCC *	United Arab Emirates	Trading of refrigeration equipment, electrical and electronic appliances and air-conditioning products.	100	100
Dunham-Bush Vietnam Company Limited *	Vietnam	Distribution and trading of air-conditioning and refrigeration equipment for commercial and industrial application.	100	100

12. Investment in subsidiaries (contd.)

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest held (%) 2023	2022
(iii) Subsidiaries of Dunham-Bush Industries Sdn. Bhd. (contd.)				
PT Dunham Bush Indonesia ** [5]	Indonesia	Distribution and trading of air-conditioning and refrigeration equipment for commercial and industrial application.	100	100
DB-Aire India Private Limited *	India	Trading of air-conditioning & refrigeration equipment or parts for commercial & industrial application.	100	100
(iv) Subsidiaries of Dunham-Bush International Pte. Ltd.				
Dunham-Bush Sales & Services (S) Pte. Ltd. * [3]	Singapore	Dormant.	-	100
Dunham-Bush International (Africa) Proprietary Ltd. *	South Africa	Sales, distribution and installation of commercial and residential air-conditioning products.	100	100

12. Investment in subsidiaries (contd.)

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest held (%) 2023	2022
(iv) Subsidiaries of Dunham-Bush International Pte. Ltd. (contd.)				
Dunham-Bush International (Arabia) Ltd. ** [1]	Saudi Arabia	Dormant.	-	100
Dunham-Bush International (India) Pvt. Ltd. ** [2]	India	Dormant.	-	100

* Audited by firm of auditors other than YYC & CO PLT.

** Audited report is not required, consolidated financial statements are prepared based on management accounts.

Audited by YYC & CO PLT.

[1] The total equity interest held by Dunham-Bush International Pte. Ltd. is 95%. The remaining equity interest of 5% is held by Dunham-Bush Sales & Services (S) Pte. Ltd.. The Company was closed down and struck off the register during the financial year.

[2] The total equity interest held by Dunham-Bush International Pte. Ltd. is 99.5% of which 0.5% is held by Dunham-Bush Sales & Services (S) Pte. Ltd.. The Company was closed down and struck off the register during the financial year.

[3] During the year, Dunham-Bush International Pte. Ltd. investment in Dunham-Bush Sales & Services (S) Pte. Ltd. were written off. The Company was in the process of applying for striking off as of the reporting date.

[4] Dunham-Bush International (Cayman) Limited loss control over Dunham-Bush (L.L.C.) due to the lack of active representation from Dunham-Bush International (Cayman) Limited.

[5] The total equity interest held by Dunham-Bush Industries Sdn. Bhd. is 98%. The remaining equity interest of 2% is held by Dunham-Bush Sales & Services Sdn. Bhd..

12. Investment in subsidiaries (contd.)

[6] On 3 April 2023, one of the subsidiaries, Dunham-Bush Limited is insolvent and Joint Administrators has been appointed. The affairs, business and property of the subsidiary are being managed by the Joint Administrators. The financial statement of the subsidiary has been prepared on break-up basis and profit of the current financial year amounted to RM6,769,692 has been consolidated in statements of profit or loss and other comprehensive income resulted from discontinued operations.

Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	DB USA RM'000	DB China RM'000	Total RM'000
2023			
NCI percentage of ownership interest and voting interest	30%	37%	
Carrying amount of NCI	13,284	141,790	155,074
Profit allocated to NCI	2,153	30,658	32,811
Summarised financial information before intra-group elimination:			
Non-current assets	92,826	89,804	182,630
Current assets	84,344	781,423	865,767
Non-current liabilities	(65,719)	(3,548)	(69,267)
Current liabilities	(67,172)	(438,260)	(505,432)
Net assets	44,279	429,419	473,698
Revenue	192,154	934,688	1,126,842
Profit for the financial year	7,175	82,859	90,034
Profit and other comprehensive income for the financial year	7,175	82,859	90,034
Cash flows from operating activities	1,375	102,218	103,593
Cash flows used in investing activities	-	(153,197)	(153,197)
2022			
NCI percentage of ownership interest and voting interest	30%	37%	
Carrying amount of NCI	10,737	109,076	119,813
(Loss)/Profit allocated to NCI	(902)	17,037	16,135

12. Investment in subsidiaries (contd.)

Non-controlling interests in subsidiaries (contd.)

	DB USA RM'000	DB China RM'000	Total RM'000
2022			
Summarised financial information before intra-group elimination:			
Non-current assets	92,637	87,316	179,953
Current assets	50,061	708,868	758,929
Non-current liabilities	(62,362)	(2,496)	(64,858)
Current liabilities	(44,546)	(452,686)	(497,232)
Net assets	35,790	341,002	376,792
Revenue	118,248	654,168	772,416
(Loss)/Profit for the financial year	(3,005)	46,046	43,041
(Loss)/Profit and other comprehensive income for the financial year	(3,005)	46,046	43,041
Cash flows (used in)/from in operating activities	(700)	77,199	76,499
Cash flows used in investing activities	-	(30,595)	(30,595)
Cash flows used in financing activities	(715)	(66,386)	(67,101)

13. Other investments

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Classified as fair value through profit or loss				
Unquoted shares				
At 1 January	14,982	15,149	-	-
Written-off	-	(167)	-	-
At 31 December	14,982	14,982	-	-
At cost:				
Transferable club memberships	109	109	50	50
Less: Accumulated impairment losses	(50)	(50)	(20)	(20)
	59	59	30	30
	15,041	15,041	30	30

14. Deferred tax

	Group 2023 RM'000	Group 2022 RM'000
At 1 January	(16,730)	(16,143)
Recognised in profit or loss (Note 8)	(1,721)	(1,211)
Exchange differences	(221)	624
At 31 December	(18,672)	(16,730)
Presented after appropriate offsetting as follows:		
Deferred tax assets	(25,259)	(21,936)
Deferred tax liabilities	6,587	5,206
	(18,672)	(16,730)

The components and movements of deferred tax liabilities and assets during the financial year to offsetting are as follows:

	Property, plant and equipment RM'000	Other receivables RM'000	Total RM'000
Deferred tax liabilities of the Group:			
At 1 January 2023	5,086	120	5,206
Recognised in profit or loss (Note 8)	400	130	530
Exchange differences	854	(3)	851
At 31 December 2023	6,340	247	6,587
At 1 January 2022	3,658	1,016	4,674
Recognised in profit or loss (Note 8)	901	(341)	560
Reclassifications	521	(521)	-
Exchange differences	6	(34)	(28)
At 31 December 2022	5,086	120	5,206

14. Deferred tax (contd.)

	Impairment on receivables RM'000	Provisions RM'000	Total RM'000
Deferred tax assets of the Group:			
At 1 January 2023	(10,291)	(11,645)	(21,936)
Recognised in profit or loss (Note 8)	1,648	(3,899)	(2,251)
Exchange differences	(88)	(984)	(1,072)
At 31 December 2023	(8,731)	(16,528)	(25,259)
At 1 January 2022	(7,994)	(12,823)	(20,817)
Recognised in profit or loss (Note 8)	(2,641)	870	(1,771)
Exchange differences	344	308	652
At 31 December 2022	(10,291)	(11,645)	(21,936)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Unutilised tax losses	1,508	1,508	1,508	1,508
Unabsorbed capital allowances	134	134	134	134
	1,642	1,642	1,642	1,642
Deferred tax benefits at 24%	394	394	394	394

These deferred tax benefits are not recognised as the Group and the Company could not anticipate their realisation.

15. Inventories

	Group	
	2023 RM'000	2022 RM'000
Cost		
Raw materials and components parts	61,284	69,006
Goods-in-transit	22,882	23,243
Work-in-progress	33,670	40,011
Finished goods	115,825	113,396
	233,661	245,656

15. Inventories (contd.)

	Group	
	2023 RM'000	**2022 RM'000**
Recognised in profit or loss:		
Inventories recognised as cost of sales	1,074,975	819,340

16. Trade and non-trade receivables

	Group		Company	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Trade receivables				
Third parties	358,490	328,393	-	-
Less: Impairment on receivables				
At 1 January	(56,114)	(50,080)	-	-
Additional impairment during the financial year	(550)	(7,955)	-	-
Written back against impairment	229	72	-	-
Written off against impairment	1,455	(9)	-	-
Exchange differences	(699)	1,858	-	-
At 31 December	(55,679)	(56,114)	-	-
Trade receivables, net	302,811	272,279	-	-
Non-trade receivables				
Immediate holding company	183,268	171,878	11,798	10,791
Deposits	5,619	4,034	4	4
Prepayments	35,773	28,370	-	-
Staff advances	134	163	-	-
Others	5,459	9,697	-	-
	230,253	214,142	11,802	10,795
Less: Impairment on non-trade receivables				
At 1 January	(1,254)	(399)	-	-
Additional impairment during the financial year	-	(893)	-	-
Written back against impairment	547	-	-	-
Exchange differences	(15)	38	-	-
At 31 December	(722)	(1,254)	-	-

16. Trade and non-trade receivables (contd.)

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Non-trade receivables (contd.)				
Non-trade receivables, net	229,531	212,888	11,802	10,795
Total	532,342	485,167	11,802	10,795

(a) Credit risk

The Group's normal trade credit term ranges between 7 to 90 days (2022: 7 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

Except for the amount due from related companies and the long outstanding debts due from a group of debtors mentioned below, the Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

(b) Due from immediate holding company

The amount due from immediate holding company that bear interest between 5.2080% to 6.63% (2022: 0.9845% to 5.2080%) are unsecured and are repayable on demand.

(c) Due from related companies

The amount due from related companies are unsecured, interest-free advances and are repayable on demand.

Significant related companies transactions are disclosed in Note 27 to the financial statements.

17. Cash and bank balances

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash and bank balances	289,044	339,024	1,134	165
Deposits with licensed banks	318,176	118,697	-	-
	607,220	457,721	1,134	165

Deposits with licensed banks of the Group amounting to RM4,654,000 (2022: RM11,410,000) are pledged to bank for bank facilities granted to certain subsidiaries as stated in Note 23 and 26 to the financial statements.

17. Cash and bank balances (contd.)

The weighted average effective interest rates per annum of the deposits at the end of the reporting period are as follows:

	Group	
	2023	**2022**
	%	**%**
Deposits with licensed banks	4.81	4.35

The average original maturities of deposits as at the end of the reporting period are as follows:

	Group	
	2023	**2022**
	Days	**Days**
Deposits with licensed banks	59	207

18. Share capital

	Number of shares		Amount	
	2023	**2022**	**2023**	**2022**
	'000	**'000**	**RM'000**	**RM'000**
Ordinary share capital issued and fully paid				
At 1 January/31 December	90,864	90,864	205,360	205,360

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

19. Foreign currency translation reserve

The foreign currency translation reserve is attributable to exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency and the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

20. Retirement benefit obligations

Certain subsidiaries of the Group operate a defined Retirement Benefit Plan ("the Scheme") for its eligible employees. Contributions to the Scheme are made to a separately administered fund. Under the Scheme, eligible employees are entitled to retirement benefits between 1.5% and 1.67% of the monthly pensionable salary for every year of service on attainment of the retirement age of 65.

Independent qualified actuaries periodically undertake formal valuations of the Scheme. The most recent actuarial valuation for accounting purposes of the Dunham-Bush Retirement Benefits Scheme was undertaken as at 9 December 2021. For the purposes of IAS19 the preliminary results of the actuarial valuation as at 9 December 2021, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 December 2030.

Assets have been taken at market value and the assumptions for valuing liabilities are selected to reflect market yields at the valuation date.

It should be noted that following consultation with the Heather Cowling, Mercer Scheme and Scheme members, the defined benefit scheme was closed to further service accrual with effect from 05 April 2020.

The assets and liabilities of the defined benefit pension scheme are:

	Group	
	2023	**2022**
	RM'000	**RM'000**
Equities	-	(4,252)
Corporate bonds	-	(4,608)
Cash	-	(468)
Diversified Growth	-	(6,306)
Fair value of scheme assets	-	(15,634)
Present value of scheme liabilities	785	38,624
Net pension liability	785	22,990
Analysed as:		
Current	-	2,759
Non-current:		
Later than 1 year but not later than 2 years	157	2,888
Later than 2 years but not later than 5 years	628	8,794
Later than 5 years	-	8,549
	785	20,231
	785	22,990

20. Retirement benefit obligations (contd.)

The assets and liabilities of the defined benefit pension scheme are: (contd.)

The amounts recognised in comprehensive income for the financial year are as follows:

	Group	
	2023	**2022**
	RM'000	**RM'000**
Components of defined benefit costs recognised in profit or loss:		
Net periodic benefit cost	-	457
Scheme expenses borne by employers	-	415
Finance cost in respect of defined benefit schemes	-	872
Components of defined benefit costs recognised in other comprehensive income:		
Return on plan assets (excluding amounts included in net interest expense)	-	11,657
Experience gain arising on the defined benefit obligation	-	1,686
Actuarial losses arising from changes in demographic assumptions	-	(33)
Actuarial losses arising from changes in financial assumptions	-	(16,420)
Remeasurement of define benefit obligations asset	-	(3,110)

The actuarial assumptions made for the expected rates of return on assets were derived by considering best estimates for the expected long-term real rates of return from the main asset classes and combining these in proportions for each scheme. These assumed rates of return are net of investment expenses. The scheme expenses shown above include costs incurred directly by the company on behalf of the scheme.

Pension contributions are determined with the advice of an independent qualified actuary on the basis of triennial valuations using the projected unit method. Scheme assets are stated at their market values at the statements of financial position dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

20. Retirement benefit obligations (contd.)

The main assumptions used by the actuary are:

	Group	
	2023	**2022**
Discount rate of obligation	n/a	5.05%
Inflation	n/a	2.85%
Rate of increases in pensionable salaries	n/a	n/a
Future pension increases:		
Index-linked, maximum 5.0% pa, minimum 0.0% pa:	n/a	5.00%
Index-linked, maximum 3.0% pa, minimum 0.0% pa:	n/a	3.00%
Index-linked, maximum 2.5% pa, minimum 0.0% pa:	n/a	2.75%
Mortality model	n/a	S3PFA_M YoB CMI_2022

The discount rate for the defined benefit scheme has been set by reference to the Merrill Lynch AA grade sterling corporate bonds over a 15 year term.

Changes in the present value of the defined benefit obligations are analysed as follows:

	Group	
	2023	**2022**
	RM'000	**RM'000**
At 1 January	38,624	58,044
Interest cost	-	973
Remeasurement (gains)/losses		
Actuarial gains arising from changes in demographic assumptions	-	(34)
Actuarial gains arising from changes in financial assumptions	-	(16,420)
Actuarial losses arising from experience adjustments	-	1,686
Written off	(40,603)	-
Benefits paid	109	(3,108)
Exchange differences	2,655	(2,517)
At 31 December	785	38,624

20. Retirement benefit obligations (contd.)

Changes in the fair value of the defined benefit scheme assets are analysed as follows:

	Group	
	2023	**2022**
	RM'000	**RM'000**
At 1 January	15,634	31,242
Interest income	-	517
Return on plan assets (excluding amounts included in net Interest expense)	-	(11,656)
Company contributions	-	571
Written off	(16,715)	-
Benefits paid	-	(3,757)
Exchange differences	1,081	(1,283)
At 31 December	-	15,634

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation estimates and mortality rates. The sensitivity analysis below have been determined based on reasonable possible changes of the respective assumptions occurring at the end of the reporting period, while all other assumptions remain constant.

	Revised deficit RM'000	**Change from disclosed deficit RM'000**
Discount rate minus 0.25% pa	-	(21,628)
Rate of inflation plus 0.25% pa	-	(22,768)
Members living one year longer than assumed	-	(23,036)
Members commute an extra 10% of Post A Day pension on retirement	-	(22,165)

The Company has written off the defined benefit scheme in Dunham-Bush Limited as it became insolvent on 3 April 2023, as disclosed in Note 12 to the financial statements.

21. Provisions

	Group		
	Sales warranty RM'000	**Maintenance RM'000**	**Total RM'000**
2023			
At 1 January	21,105	139	21,244
Additional provision during the financial year	23,558	151	23,709
Utilisation of provision during the financial year	(2,924)	-	(2,924)
Reversal of provision	(12,162)	(183)	(12,345)
Exchange differences	203	-	203
At 31 December	29,780	107	29,887
Representing:			
Current	10,032	107	10,139
Non-current:			
Later than 1 year but not later than 5 years	19,748	-	19,748
	29,780	107	29,887
2022			
At 1 January	17,441	95	17,536
Additional provision during the financial year	12,391	186	12,577
Utilisation of provision during the financial year	(2,488)	-	(2,488)
Reversal of provision	(6,498)	(142)	(6,640)
Exchange differences	259	-	259
At 31 December	21,105	139	21,244
Representing:			
Current	7,272	139	7,411
Non-current:			
Later than 1 year but not later than 5 years	13,833	-	13,833
	21,105	139	21,244

The Group gives between one to five years warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision for warranty is recognised for all products under warranty at the reporting date based on past experience on the level of repairs and returns.

The Group also provides the chiller maintenance service for the equipment sold and the cost provision are on accrued basis.

22. Lease liabilities

Current financial year

	Group 2023 RM'000	Group 2022 RM'000
Representing:		
Current liabilities	3,567	3,603
Non-current liabilities	4,845	5,387
	8,412	8,990
Recognised in profit or loss:		
Expenses relating to lease of low value assets	120	139
Interest expense on lease liabilities	1,028	464

The Group's lease liabilities bear interest at the rate of 7% to 11.75% (2022: 2.70% to 10.50%) per annum.

The total cash outflow for leases for the financial year ended 31 December 2023 is RM3,764,000 (2022: RM4,325,000).

23. Borrowings

	Group 2023 RM'000	Group 2022 RM'000
Short term borrowings		
Unsecured:		
Advances under factoring	-	8,236
Current portion of long term loans	-	648
Bank overdrafts	4,555	6,443
Trade financing	12,785	-
	17,340	15,327
Long term borrowings		
Unsecured:		
Non-current portion		
Long term loans	-	1,852

23. Borrowings (contd.)

	Group 2023 RM'000	2022 RM'000
Total borrowings		
Bank overdrafts	4,555	6,443
Trade financing	12,785	-
Advances under factoring	-	8,236
Long term loans	-	2,500
	17,340	17,179
Maturity of borrowings:		
Within one year	17,340	15,327
More than 1 year and less than 2 years	-	1,852
	17,340	17,179

	Group 2023 %	2022 %
Range of interest rates per annum during the financial year:		
Bank overdrafts	10.50 - 11.75	7.00 - 11.00
Trade financing	6.07 - 6.90	1.00 - 4.00
Advances under factoring	-	3.00
Long term loans	4.25%	3.00 - 4.00

The borrowings are guaranteed by the Company and by certain subsidiaries, and secured by deposits with licensed banks as disclosed in Note 17 to the financial statements.

24. Deferred income

	Group 2023 RM'000	2022 RM'000
Government grant	5,136	5,770
Warranty reserve	7,492	-
Deferred income	12,628	5,770

24. Deferred income (contd.)

	Group 2023 RM'000	Group 2022 RM'000
Representing:		
Current liabilities	7,681	-
Non-current liabilities	4,947	5,770
	12,628	5,770

The Group received a government grant in 2013 which was conditional upon the research and development assets on ground source heat pump technology development and industrialisation projects.

The assets were bought during the financial year. The grant is amortised over the useful life of the assets. During the financial year, RM2,239,000 (2022: RM1,623,000) has been amortised and recognised as other income in profit or loss.

25. Trade and non-trade payables

	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Trade payables				
Third parties	175,442	203,435	-	-
Non-trade payables				
Subsidiaries	-	-	198,904	47,711
Immediate holding company	-	5,921	-	-
Ultimate holding company	9,786	8,905	9,786	8,905
Accruals	156,131	115,614	53	60
Deposits from customers	116,069	114,271	-	-
Others	49,636	64,143	69	69
	331,622	308,854	208,812	56,745
Total	507,064	512,289	208,812	56,745

The normal trade credit term granted to the Group and to the Company ranges between 30 to 90 days (2022: 30 to 90 days).

Amount due to holding companies are unsecured, interest-free advances and are repayable on demand.

25. Trade and non-trade payables (contd.)

Amount due to subsidiaries are unsecured, interest-free advances and are repayable on demand.

Significant related companies and subsidiaries transaction are disclosed in Note 27 to the financial statement.

26. Contingent liabilities

	Group	
	2023	2022
	RM'000	RM'000
Corporate guarantee given to banks for credit facilities granted to subsidiaries:		
- unsecured	2,708	5,077

Bank guarantee is secured by deposits with licensed banks as disclosed in Note 17 to the financial statements.

27. Related party disclosure

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
(i) Related party transactions				
Purchase from related company	11,889	27,012	-	-
Sales to related company	24,917	20,174	-	-
Loan interest from immediate holding company	4,104	1,749	619	264
Loan from ultimate holding company	-	8,949	-	8,949
Loan interest to ultimate holding company	561	41	561	41
Loan from subsidiaries	-	-	151,783	22,372
Waiver of debts from subsidiaries	-	-	-	179

The Directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

The balances of related parties are disclosed in Notes 16 and 25 to the financial statements.

27. Related party disclosure (contd.)

(ii) Compensation of key management personnel

The remuneration of directors and other members of key management during the financial year were as follows:

	Group 2023 RM'000	Group 2022 RM'000
Short term employee benefits:		
Post-employment benefits	3,780	4,807
Defined contribution plan	66	129
	3,846	4,936

28. Financial instruments

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Fair value through profit or loss ("FVTPL"); and
(b) Financial assets and liabilities measured at amortised cost ("AC")

	Carrying amount RM'000	FVTPL RM'000	AC RM'000
Group			
2023			
Financial assets			
Other investments	15,041	15,041	-
Trade and non-trade receivables (exclude prepayments)	496,569	-	496,569
Cash and bank balances	607,220	-	607,220
	1,118,830	15,041	1,103,789
Financial liabilities			
Trade and non-trade payables	507,064	-	507,064
Lease liabilities	8,412	-	8,412
Borrowings	17,340	-	17,340
	532,816	-	532,816

28. Financial instruments (contd.)

Categories of financial instruments (contd.)

	Carrying amount RM'000	FVTPL RM'000	AC RM'000
Group (contd.)			
2022			
Financial assets			
Other investments	15,041	15,041	-
Trade and non-trade receivables (exclude prepayments)	456,797	-	456,797
Cash and bank balances	457,721	-	457,721
	929,559	15,041	914,518
Financial liabilities			
Trade and non-trade payables	512,289	-	512,289
Lease liabilities	8,990	-	8,990
Borrowings	17,179	-	17,179
	538,458	-	538,458
Company			
2023			
Financial assets			
Other investments	30	30	-
Non-trade receivables	11,802	-	11,802
Cash and bank balances	1,134	-	1,134
	12,966	30	12,936
Financial liability			
Non-trade payables and accruals	208,812	-	208,812
2022			
Financial assets			
Other investments	30	30	-
Non-trade receivables	10,795	-	10,795
Cash and bank balances	165	-	165
	10,990	30	10,960
Financial liability			
Non-trade payables and accruals	56,745	-	56,745

28. Financial instruments (contd.)

Categories of financial instruments (contd.)

Net gain or losses arising from financial instruments

	2023 RM'000	2022 RM'000
Group		
Net gains/(losses) arising on:		
Financial assets measured at amortised cost		
Impairment on trade receivables	(550)	(7,955)
Impairment on non-trade receivables	-	(893)
Written back against impairment on trade receivables	229	72
Written back against impairment on non-trade receivables	547	-
Interest income	17,757	7,066
Unrealised gain on foreign exchange	1,001	3,902
Realised gain on foreign exchange	1,318	7,124
	20,302	9,316
Financial liabilities measured at amortised cost		
Interest expense - lease liabilities	(1,028)	(464)
Interest expense - others	(910)	(2,417)
Unrealised gain/(loss) on foreign exchange	818	(639)
Realised gain/(loss) on foreign exchange	26	(521)
	(1,094)	(4,041)
	19,208	5,275
Company		
Net gains/(losses) arising on:		
Financial assets measured at amortised cost		
Interest income from a loan to immediate holding company	619	264
Unrealised gain/(loss) on foreign exchange	325	40
Realised gain on foreign exchange	-	294
	944	598
Financial liabilities measured at amortised cost		
Interest expense to a loan from ultimate holding company	(561)	(41)
Unrealised gain on foreign exchange	388	278
	(173)	237
	771	835

28. Financial instruments (contd.)

Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, interest rate risk, liquidity risk and foreign currency risk.

The Group's and the Company’s financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's and of the Company’s businesses whilst managing its credit risk, interest rate risk, liquidity risk and foreign currency risk.

The following sections provide details regarding the Group's and the Company’s exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Credit risk

The Group's and the Company’s exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and non-trade receivables. The Group and the Company manage its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investment, cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

At each reporting date, the Group and the Company assess whether any of the trade receivables and non-trade receivables are credit impaired.

The Group and the Company establish an allowance for impairment that represents its estimate of incurred losses in respect of the trade and non-trade receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures. Impairment is estimated by management based on prior experience and the current economic environment.

In the previous year, the Group and the Company established an allowance for impairment with specific loss component that relates to individually significant exposures and collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

28. Financial instruments (contd.)

Credit risk (contd.)

Credit risk concentration profile

The Group has no major concentration of credit risk and manages these risks by monitoring credit rating and limiting the aggregate financial exposure to any individual counterparty.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

Recognition and measurement of impairment loss

The Company uses a provision matrix to measure ECLs of trade receivables and contract assets.

Loss rates are based on actual credit loss experience over the past three (3) years. The Company also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Company's view of economic conditions over the expected lives of the receivables. Nevertheless, the Company believes that these factors are immaterial for the purpose of impairment calculation for the financial year.

Ageing analysis

The ageing analysis of the Group's trade receivables as at reporting date are as follows:

	Carrying amount RM'000	Loss allowances RM'000	Carrying amount RM'000
Group			
2023			
Not past due	230,918	-	230,918
Past due:			
- Less than 1 year	71,765	(1)	71,764
- More than 1 year	55,807	(55,678)	129
	358,490	(55,679)	302,811

28. Financial instruments (contd.)

Credit risk (contd.)

Ageing analysis (contd.)

Comparative information under MFRS 139, Financial instruments: Recognition and Measurement.

The ageing analysis of the Group's trade receivables as at reporting date are as follows:

	Carrying amount RM'000	Loss allowances RM'000	Carrying amount RM'000
Group (contd.)			
2022			
Not past due	265,686	-	265,686
Past due:			
- Less than 1 year	14,246	(7,744)	6,502
- More than 1 year	48,461	(48,370)	91
	328,393	(56,114)	272,279

At the end of the reporting period, trade receivables that were individually impaired were those debtors in significant financial difficulty and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

(i) Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables.

(ii) Trade receivables that are past due but not impaired

Any receivables having significant balances past due or more than 1 year, which are deemed to have higher credit risk, are monitored individually. The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

28. Financial instruments (contd.)

Interest rate risk

The Group primary interest rate risk relates to interest bearing borrowings.

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates its effective interest rates at the reporting date and the periods in which they reprice or mature, whichever is earlier:

The following table shows information on the Group's exposure to interest rate risk.

Effective interest rates and repricing analysis

The following table shows information on the Group's exposure to interest rate risk.

	Effective interest rate per annum %	Less than one year RM'000	Between one to five years RM'000	Total RM'000
Group				
2023				
Financial liabilities				
Bank overdrafts	10.50 - 11.75	4,555	-	4,555
Trade financing	6.07 - 6.90	12,785	-	12,785
Lease liabilities	7.00 - 11.75	3,567	4,845	8,412
		20,907	4,845	25,752
2022				
Financial liabilities				
Bank overdrafts	7.00 - 11.00	6,443	-	6,443
Advances under factoring	3.00	8,236	-	8,236
Long term loans	3.00 - 4.00	648	1,852	2,500
Lease liabilities	2.70 - 10.50	3,603	5,387	8,990
		18,930	7,239	26,169

28. Financial instruments (contd.)

Interest rate risk (contd.)

Interest rate risk sensitivity analysis

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

	Group	
	2023	**2022**
	(Decrease)/ increase	**(Decrease)/ increase**
	RM'000	**RM'000**
Effects on profit after taxation		
Decrease of 10 basis points	(13)	(13)
Increase of 10 basis points	13	13
Effects on equity after taxation		
Decrease of 10 basis points	(13)	(13)
Increase of 10 basis points	13	13

Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Group and the Company practice prudent risk management by maintaining sufficient cash balances.

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):

28. Financial instruments (contd.)

Liquidity risk (contd.)

Maturity analysis (contd.)

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Within one year RM'000	One to five years RM'000
Group					
2023					
Trade and non-trade payables	507,064	-	507,064	507,064	-
Lease liabilities	8,412	7.00 - 11.75	8,913	3,791	5,122
Borrowings	17,340	4.25 - 11.75	17,340	17,340	-
	532,816		533,317	528,195	5,122
2022					
Trade and non-trade payables	512,289	-	512,289	512,289	-
Lease liabilities	8,990	2.70 - 10.50	9,568	3,884	5,684
Borrowings	17,179	1.00 - 11.00	17,240	15,343	1,897
	538,458		539,097	531,516	7,581
Company					
2023					
Non-trade payables and accruals	208,812	-	208,812	208,812	-
2022					
Non-trade payables and accruals	56,745	-	56,745	56,745	-

Foreign currency risk

The Group operates internationally and is exposed to various currencies, mainly United States Dollar, Singapore Dollar, Euro, Vietnamese Dong, Thai Baht, Japanese Yen and Chinese Renminbi. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

28. Financial instruments (contd.)

Foreign currency risk (contd.)

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept at an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as foreign currency forward contracts.

The Group is also exposed to currency translation risk arising from its net investments on foreign operations including Singapore, United Kingdom and China. The Group's net investments in foreign operation are not hedge as currency positions in those countries are consider to be long-term in nature.

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

	Net functional assets/(liabilities) held in non-functional currency			
	RM	**SGD**	**RMB**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Group				
2023				
USD	89,563	84	304,244	393,891
VND	19	-	-	19
SGD	(3)	-	-	(3)
EUR	(407)	-	-	(407)
JPY	3	-	-	3
RMB	886	-	-	886
THB	9	-	-	9
	90,070	84	304,244	394,398
2022				
USD	46,580	2,296	73,904	122,780
VND	19	-	-	19
SGD	(23)	-	-	(23)
EUR	(126)	-	319	193
IDR	-	-	(6)	(6)
JPY	3	-	-	3
RMB	(4,517)	-	-	(4,517)
THB	9	-	-	9
	41,945	2,296	74,217	118,458

28. Financial instruments (contd.)

Foreign currency risk (contd.)

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows: (contd.)

	Company 2023 RM'000	Company 2022 RM'000
Net functional assets/(liabilities) held		
USD	(181,113)	(30,112)

Foreign currency risk sensitivity analysis

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

	Group 2023 Increase/ (decrease) RM'000	Group 2022 Increase/ (decrease) RM'000	Company 2023 Increase/ (decrease) RM'000	Company 2022 Increase/ (decrease) RM'000
Group				
Effects on profit after taxation:				
USD / RM				
Strengthened by 5%	14,968	4,666	(6,882)	(1,144)
Weakened by 5%	(14,968)	(4,666)	6,882	1,144
SGD / RM				
Strengthened by 5%	-	(1)	-	-
Weakened by 5%	-	1	-	-
EUR / RM				
Strengthened by 5%	(20)	10	-	-
Weakened by 5%	20	(10)	-	-
VND / RM				
Strengthened by 5%	1	1	-	-
Weakened by 5%	(1)	(1)	-	-
RMB / RM				
Strengthened by 5%	34	(172)	-	-
Weakened by 5%	(34)	172	-	-

28. Financial instruments (contd.)

Foreign currency risk (contd.)

As at end of the reporting date, the Group has entered into foreign currency forward contracts with the following notional amounts and maturities:

	Currency	Group 2023 Notional value RM'000	Group 2023 Fair value RM'000	Group 2022 Notional value RM'000	Group 2022 Fair value RM'000
Forward contracts used to hedge trade payables	United States Dollar	8,955	8,955	4,524	4,524

All of these contracts mature within twelve months of the end of the reporting date.

Fair values

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and cash equivalents, trade and non-trade receivables/payables and short term borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) Borrowings

The fair value of borrowings is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

28. Financial instruments (contd.)

Fair values (contd.)

(ii) Borrowings (contd.)

The aggregate fair value and the carrying amount of the financial liabilities carried on the statements of financial positions as at the end of the reporting period are as follows:

	Group 2023		Group 2022	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial liabilities:				
Group				
Long term loans	-	-	2,500	3,416
Lease liabilities	8,412	8,412	8,990	8,990

(iii) Other financial assets and financial liabilities maturing within the next 12 months

The financial assets and financial liabilities maturing within the next 12 months approximated fair values due to the relatively short term maturity of the financial instruments.

(iv) Forward currency contracts

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing. The models incorporate various inputs including foreign exchange spot and forward rates.

28. Financial instruments (contd.)

Fair values (contd.)

Fair value hierarchy

The fair values of other financial assets and liabilities together with the carrying amounts shown in the statement of financial position, are as follows:

- ✓ Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ✓ Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- ✓ Level 3: Input for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2023				
Financial asset				
Transferable club memberships	-	-	59	59
Forward currency contracts	8,955	-	-	8,955
2022				
Financial asset				
Transferable club memberships	-	-	59	59
Forward currency contracts	4,524	-	-	9,278

29. Capital management

The Group and the Company manage its capital to ensure the Group and the Company will maintain an optimal capital structure so as to support the businesses and maximise shareholder value. To achieve this objective, the Group and 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.

29. Capital management (contd.)

The Group and the Company manage its capital based on debt to equity ratio. The Group's and the Company's strategies were unchanged from the previous financial year. The debt to equity ratio is calculated as net debt divided by total capital.

Net debt is calculated as trade and non-trade payables, amount due to immediate holding company and borrowings. Total capital is calculated as equity plus net debt.

The debt to equity ratio of the Group as at the end of the reporting period was as follows:

	Group	
	2023	**2022**
	RM'000	**RM'000**
Lease liabilities	8,412	8,990
Borrowings	17,340	17,179
	25,752	26,169
Less: Cash and cash equivalents	(598,011)	(439,868)
Net debt	(572,259)	(413,699)
Total equity	1,008,566	838,788
Total capital	436,307	425,089
Gearing ratio (times)	n/a	n/a

There is no external capital requirement imposed in the Group and the Company.

30. Holding companies

The immediate and ultimate holding companies of the Company are Yantai Moon Group (Hong Kong) Limited "YMHK" and Moon Environment Technology Co., Ltd. "MET" respectively. YMHK is incorporated in Hong Kong Special Administrative Region of the People's Republic of China, and MET is incorporated in the People's Republic of China and listed on the Shenzhen Stock Exchange.

31. General information

The Company is a public limited liability company that is incorporated and domiciled in Malaysia.

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

The principal place of business of the Company is located at Lot 5755-6, Kidamai Industrial Park, Bukit Angkat, Sungai Chua, 43000 Kajang, Selangor Darul Ehsan, Malaysia.

The financial statements were approved and authorised for issue by the Board of Directors on 16 May 2024.