



DANCOMECH HOLDINGS BERHAD

Registration No. 201301020455 (1050285-U)

**Specialised
in Valves, Gauges,
Recorders & Pumps**



**ANNUAL
REPORT
2022**





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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Datuk Zainal Abidin Bin Ujud
Independent Non-Executive Chairman

Aik Swee Tong
Managing Director

Aik Cwo Shing
Executive Director

Gong Wooi Teik
Senior Independent Non-Executive Director

Lee Chen Yow
Independent Non-Executive Director

Sharon Lee Ching Yee
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman
Gong Wooi Teik

Members
Lee Chen Yow
Sharon Lee Ching Yee
(appointed as a member on 31 March 2022)
Datuk Zainal Abidin Bin Ujud
(ceased to be a member on 31 March 2022)

NOMINATION COMMITTEE

Chairman
Gong Wooi Teik

Members
Lee Chen Yow
Sharon Lee Ching Yee
Datuk Zainal Abidin Bin Ujud
(ceased to be a member on 31 March 2022)

REMUNERATION COMMITTEE

Chairman
Lee Chen Yow

Members
Gong Wooi Teik
(appointed as a member on 31 March 2022)
Sharon Lee Ching Yee
Datuk Zainal Abidin Bin Ujud
(ceased to be a member on 31 March 2022)

COMPANY SECRETARIES

Tan Fong Shian @ Lim Fong Shian
(SSM PC No. 201908004045) (MAICSA 7023187)
Liew Chak Hooi
(SSM PC No. 201908004042) (MAICSA 7055965)

REGISTERED OFFICE

Lot 5, Level 10
Menara Great Eastern 2
No. 50, Jalan Ampang
50450 Kuala Lumpur
Tel : (603) 2031 1988
Fax : (603) 2031 9788

HEAD OFFICE

No. 19, Jalan Pelukis U1/46
Seksyen U1, 40150 Shah Alam
Selangor Darul Ehsan
Tel : (603) 5569 2929
Fax : (603) 5569 2935/37
Email : info@dancomech.com.my
Website : www.dancomech.com.my

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
[Registration No. 199601006647 (378993-D)]
11th Floor, Menara Symphony
No. 5, Jalan Professor Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
Tel : (603) 7890 4700
Fax : (603) 7890 4670

AUDITORS

TGS TW PLT [202106000004
(LLP0026851-LCA) & AF002345]
E-5-4, Megan Avenue 1,
189, Jalan Tun Razak,
50400 Kuala Lumpur
Tel : (603) 9771 4326
Fax : (603) 9771 4327

PRINCIPAL BANKER

CIMB Bank Berhad
[Registration No. 197201001799 (13491-P)]

STOCK EXCHANGE LISTING

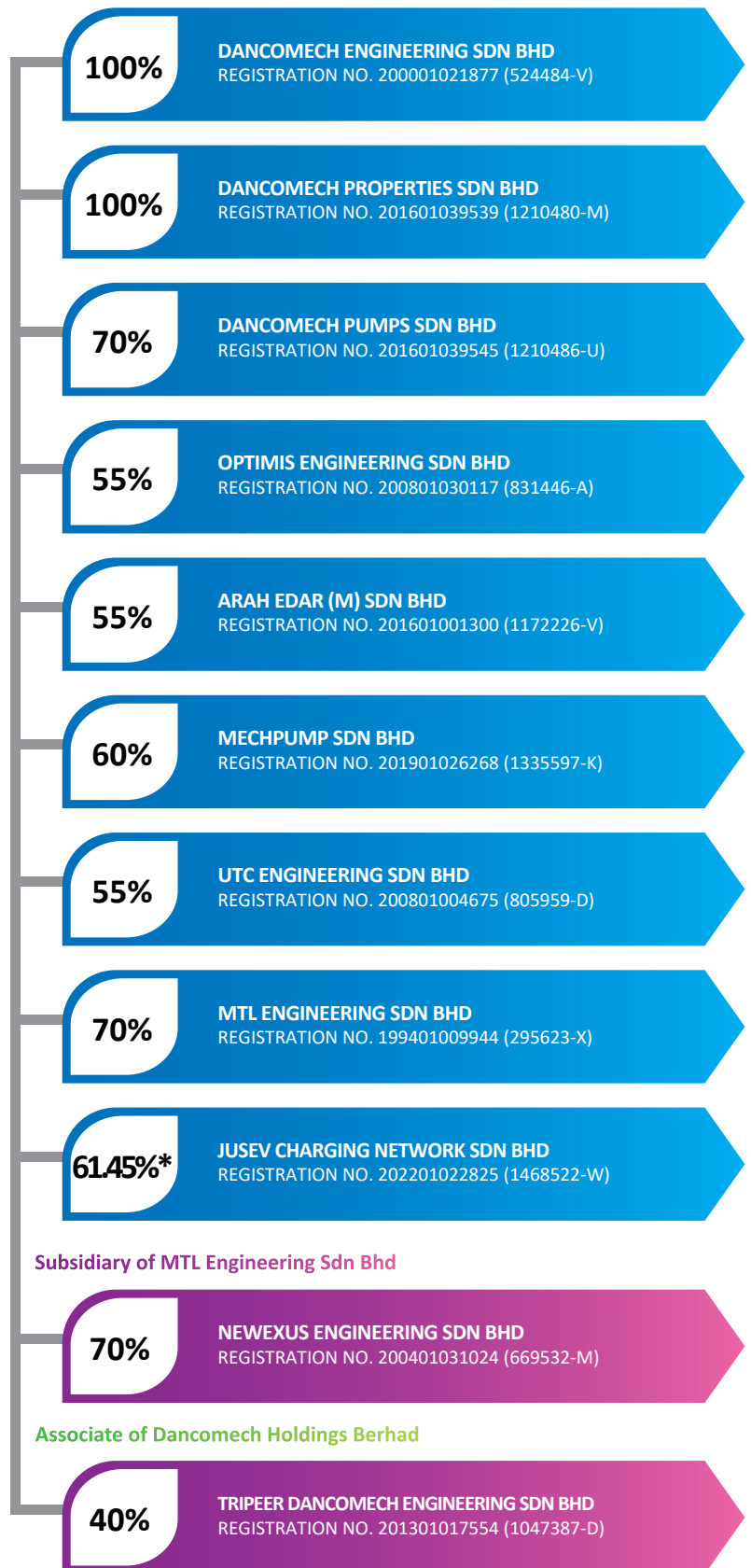
Main Market of Bursa Malaysia Securities Berhad
Sector: Industrial Products & Services
Stock Name : DANCO
Stock Code : 5276

CORPORATE STRUCTURE

Subsidiaries of Dancomech Holdings Berhad



DANCOMECH HOLDINGS BERHAD
REGISTRATION NO. 201301020455
(1050285-U)



Note:

* Effective equity interest, as Dancomech Holdings Berhad and UTC Engineering Sdn Bhd acquired 51% and 19% equity interests, respectively, in JusEV Charging Network Sdn Bhd on 1 March 2023

PROFILE OF DIRECTORS



From left to right

- | | |
|---|--|
| 1. SHARON LEE CHING YEE
<i>Independent Non-Executive Director</i> | 4. AIK SWEE TONG
<i>Managing Director</i> |
| 2. LEE CHEN YOW
<i>Independent Non-Executive Director</i> | 5. AIK CWO SHING
<i>Executive Director</i> |
| 3. DATUK ZAINAL ABIDIN BIN UJUD
<i>Independent Non-Executive Chairman</i> | 6. GONG WOUI TEIK
<i>Senior Independent Non-Executive Director</i> |

PROFILE OF DIRECTORS



DATUK ZAINAL ABIDIN BIN UJUD
Malaysian, Male, aged 70
Independent Non-Executive Chairman

Datuk Zainal Abidin Bin Ujud was appointed to the Board on 29 August 2014. He was also a member of the Audit and Risk Management Committee, the Nomination Committee and the Remuneration Committee until 31 March 2022.

He graduated with a Bachelor of Business Administration, Economics degree from Universiti Kebangsaan Malaysia in 1976, and holds a Master of Business Administration Finance from Katholieke Universiteit Lueven, Belgium, which he obtained in 1983. He also completed the Advanced Management Development Program ("AMDP") at Harvard Business School, Boston, United States of America, in 2003.

He has extensive experience in the plantation sector having worked with the Federal Land Development Authority ("FELDA"), Felda Holdings Berhad ("FHB") and various subsidiaries of FHB in a career that spanned over 37 years. His work experience was mainly in the areas of transportation and logistics, administration and human resource management within the plantation sector. He retired as Senior Executive Director and Chief Executive Officer of Felda Transport Service Sdn Bhd in 2013.

He does not hold directorship in any other public companies and listed issuers. He has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interests with the Company.



AIK SWEE TONG
Malaysian, Male, aged 63
Managing Director

Aik Swee Tong was appointed to the Board on 29 August 2014.

He completed his secondary education in 1979, and he has over 42 years of experience in the sales of process control equipment and measurement instruments. He is the co-founder of the Group and he is currently responsible for setting the business direction and overseeing the business development, finance and corporate strategy functions of the Group.

He does not hold directorship in any other public companies and listed issuers. Save for the family relationship with Aik Cwo Shing, who is his younger brother, he has no family relationship with any other director and/or major shareholder of the Company. He does not have any conflict of interests with the Company.

PROFILE OF DIRECTORS



AIK CWO SHING
Malaysian, Male, aged 53
Executive Director

Aik Cwo Shing was appointed to the Board on 29 August 2014.

He graduated with an International Diploma in Computer Studies from Informatics College, Kuala Lumpur, in 1991, and he has over 33 years of experience in the sales of process control equipment and measurement instruments. Currently, he is responsible for the overall management of the day-to-day operations and sales and business development functions of the Group. He also assists the Managing Director in setting the business direction and strategies of the Group.

He does not hold directorship in any other public companies and listed issuers. Save for the family relationship with Aik Swee Tong, who is his older brother, he has no family relationship with any other director and/or major shareholder of the Company. He does not have any conflict of interests with the Company.



GONG WOUI TEIK
Malaysian, Male, aged 72
Senior Independent Non-Executive Director

Gong Wooi Teik was appointed to the Board on 29 August 2014. He is also the Chairman of the Audit and Risk Management Committee and the Nomination Committee, and a member of the Remuneration Committee (appointed on 31 March 2022).

He obtained his qualification as Chartered Accountant from the Institute of Chartered Accountants in England and Wales ("ICAEW") in 1976. He is a fellow member of the ICAEW, a member of the Malaysian Institute of Accountants and a fellow member of the Chartered Tax Institute of Malaysia. He has over 49 years of experience in accounting, audit and tax related matters. He is currently the Senior Partner of GEP Associates PLT, a member firm of AGN International, which is a worldwide association of separate and independent accounting and advisory businesses.

He is also an Independent Non-Executive Director of Alcom Group Berhad, which is listed on the Main Market of Bursa Malaysia Securities Berhad. He has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interests with the Company.

PROFILE OF DIRECTORS



LEE CHEN YOW
Malaysian, Male, aged 46
Independent Non-Executive Director

Lee Chen Yow was appointed to the Board on 29 August 2014. He is also the Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee and the Nomination Committee.

He completed an articleship with the Malaysian Institute of Certified Public Accountants ("MICPA") and obtained his MICPA qualification in 2002. He is currently a member of the MICPA and the Malaysian Institute of Accountants ("MIA"). In 2011, he established his own consulting company, Base Associates Management Consulting Sdn Bhd and, in 2014, he established VC Advisory, a firm registered with the MIA, and assumed the role of Managing Partner. VC Advisory is involved in the provision of accounting and compliance services. He has over 26 years of experience in accounting, compliance and financial related services.

He does not hold directorship in any other public companies and listed issuers. He has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interests with the Company.



SHARON LEE CHING YEE
Malaysian, Female, aged 53
Independent Non-Executive Director

Sharon Lee Ching Yee was appointed to the Board on 26 May 2016. She is also a member of the Nomination Committee, the Remuneration Committee and the Audit and Risk Management Committee (appointed on 31 March 2022).

She graduated with a Bachelor of Laws degree from the University of London, England in 1996. She obtained her Certificate in Legal Practice in 1998 and was admitted as an Advocate and Solicitor of the High Court of Malaya in 1999. She also graduated with a Master in Business Administration from the University of Western Sydney, Australia in 2005. She founded Messrs Lee Sharon & Associates in 2004 and she is currently the Managing Partner of the firm. She has over 24 years of experience in legal practice and her areas of legal expertise encompasses corporate, secretarial, banking and conveyancing.

She does not hold directorship in any other public companies and listed issuers. She has no family relationship with any director and/or major shareholder of the Company nor does she have any conflict of interests with the Company.

Additional notes on the Directors:

None of the Directors has any:

- (i) conviction for offences within the past five (5) years; and
- (ii) public sanction or penalty imposed by the relevant regulatory bodies on him or her during the financial year ended 31 December 2022,

which require disclosure pursuant to paragraph 3(h) of Part A of Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

PROFILE OF KEY SENIOR MANAGEMENT

Tang Yuen Kin

Group Chief Financial Officer and Director of MTL Engineering Sdn Bhd and Newexus Engineering Sdn Bhd

Age	: 51
Gender	: Male
Nationality	: Malaysian
Qualifications	: <ul style="list-style-type: none"> • Master of Law Executive (Business Law), International Islamic University Malaysia, Kuala Lumpur • Master of Business Administration (Banking & Finance), Nanyang Technological University, Singapore • Bachelor of Accounting (First Class Honours), University of Malaya, Kuala Lumpur • Chartered Accountant, Malaysian Institute of Accountants • Certified Public Accountant, Malaysian Institute of Certified Public Accountants
Working experience	: <ul style="list-style-type: none"> • More than 24 years of experience in the areas of audit, accounting and finance, corporate finance and corporate planning, having worked in, among others, Price Waterhouse (now known as PricewaterhouseCoopers PLT), Securities Commission Malaysia, KPMG Corporate Advisory Sdn Bhd, AmInvestment Bank Berhad, Alliance Investment Bank Berhad and Sasbadi Holdings Berhad
Appointment to the current position	: November 2018 (as the Group Chief Financial Officer)
Directorship in public companies and listed issuers	: <ul style="list-style-type: none"> • Independent Non-Executive Chairman of Powerwell Holdings Berhad, which is listed on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") • Independent Non-Executive Director of Sasbadi Holdings Berhad, which is listed on the Main Market of Bursa Securities • Independent Non-Executive Director of Wellspire Holdings Berhad, which is listed on the ACE Market of Bursa Securities
Family relationship with any director and/or major shareholder of Dancomech Holdings Berhad	: None
Conflict of interests with Dancomech Holdings Berhad	: None

Aik Kwo Liang

Director and Senior Sales Manager, Dancomech Engineering Sdn Bhd

Age	: 49
Gender	: Male
Nationality	: Malaysian
Qualification	: Diploma in Computer Science, Informatics College, Kuala Lumpur
Working experience	: <ul style="list-style-type: none"> • More than 30 years of experience in the sales and distribution of process control equipment and measurement instruments to customers in the palm oil and oleochemicals, oil and gas and petrochemicals, engineering, procurement, construction and commissioning contracting, and hardware retailing industries
Appointment to the current position	: January 2007
Directorship in public companies and listed issuers	: None
Family relationship with any director and/or major shareholder of Dancomech Holdings Berhad	: Younger brother of Aik Swee Tong and Aik Cwo Shing
Conflict of interests with Dancomech Holdings Berhad	: None

PROFILE OF KEY SENIOR MANAGEMENT

Wong Seik Siang*Sales and Business Development Manager, Dancomech Engineering Sdn Bhd*

Age	: 42
Gender	: Male
Nationality	: Malaysian
Qualifications	: <ul style="list-style-type: none">• Master of Business Administration, University of Technology, Sydney• Bachelor of Business, University of Technology, Sydney
Working experience	: <ul style="list-style-type: none">• More than 10 years of experience in promoting and developing the sales and distribution of process control equipment and measurement instruments to customers mainly in the oil and gas industry
Appointment to the current position	: August 2009
Directorship in public companies and listed issuers	: None
Family relationship with any director and/or major shareholder of Dancomech Holdings Berhad	: Nephew of Aik Swee Tong, Aik Cwo Shing and Aik Kwo Liang
Conflict of interests with Dancomech Holdings Berhad	: None

Tan Moon Chuan*Managing Director, MTL Engineering Sdn Bhd*

Age	: 56
Gender	: Male
Nationality	: Malaysian
Qualification	: Certificate in Engineering (Machinist), National Training and Certification Craft Board (LLPPKK) (now known as Department of Skills Development (JPK))
Working experience	: <ul style="list-style-type: none">• Co-founder of MTL Engineering Sdn Bhd• More than 20 years of experience in the areas of tool and die design and fabrication, providing technical advice and support to the engineering team• Has over 28 years of experience in business development and is responsible for the overall strategic planning of MTL Engineering Sdn Bhd
Appointment to the current position	: April 1994
Directorship in public companies and listed issuers	: None
Family relationship with any director and/or major shareholder of Dancomech Holdings Berhad	: None
Conflict of interests with Dancomech Holdings Berhad	: None

PROFILE OF KEY SENIOR MANAGEMENT

Heah Choon Kwong

Managing Advisor, MTL Engineering Sdn Bhd

Age	: 69
Gender	: Male
Nationality	: Malaysian
Qualification	: Lower Certificate of Education ("LCE")
Working experience	: <ul style="list-style-type: none"> • Co-founder of MTL Engineering Sdn Bhd • More than 40 years of experience in the air conditioning manufacturing industry, specifically in the areas of production operations and material management. He has gained extensive knowledge in the production of coil assembly, assembly of finished goods, as well as material planning and control • Responsible for overseeing material management within MTL Engineering Sdn Bhd
Appointment to the current position	: April 1994
Directorship in public companies and listed issuers	: None
Family relationship with any director and/or major shareholder of Dancomech Holdings Berhad	: None
Conflict of interests with Dancomech Holdings Berhad	: None

Mun Peng Foong

Director, MTL Engineering Sdn Bhd

Age	: 64
Gender	: Male
Nationality	: Malaysian
Qualification	: Diploma in Engineering, Federal Institute of Technology, Kuala Lumpur
Working experience	: <ul style="list-style-type: none"> • Co-founder of MTL Engineering Sdn Bhd • More than 30 years of experience in powder coating operations, with expertise in setting up powder coat lines and applying powder coat sprays on various metal parts used in household appliances and air conditioning systems • Takes charge of customer relations for the metal furniture segment of MTL Engineering Sdn Bhd
Appointment to the current position	: April 1994
Directorship in public companies and listed issuers	: None
Family relationship with any director and/or major shareholder of Dancomech Holdings Berhad	: None
Conflict of interests with Dancomech Holdings Berhad	: None

PROFILE OF KEY SENIOR MANAGEMENT

Khu Gee Keong *General Manager, MTL Engineering Sdn Bhd*

Age	: 65
Gender	: Male
Nationality	: Malaysian
Qualifications	: <ul style="list-style-type: none"> • Member, Association of International Accountants, United Kingdom • Member, Association of Accounting Technicians, United Kingdom
Working experience	: <ul style="list-style-type: none"> • More than 16 years of experience in cost and management accounting focusing on optimising company's profitability through effective cost control, improving operational efficiency, managing inventory, and setting product costing and pricing • More than 10 years of experience in financial management focusing on financial planning, strategy, forecasting and budgeting • Over 17 years of experience in management, have gained comprehensive knowledge in shaping the work environment, developing and implementing strategies, allocating resources, cultivating managerial talent, building organisations and overseeing operations
Appointment to the current position	: January 2006
Directorship in public companies and listed issuers	: None
Family relationship with any director and/or major shareholder of Dancomech Holdings Berhad	: None
Conflict of interests with Dancomech Holdings Berhad	: None

Chang Soo Hong *Director and Chief Executive Officer, Optimis Engineering Sdn Bhd*

Age	: 45
Gender	: Male
Nationality	: Malaysian
Qualification	: Bachelor of Electrical and Electronic Engineering (First Class Honours), University of Bath, United Kingdom
Working experience	: <ul style="list-style-type: none"> • Co-founder of Optimis Engineering Sdn Bhd, to supply process control equipment and measurement instruments to the water and waste water industry • More than 23 years of engineering experience in the areas of product development and testing, product design and after-sales services, business development, and sales and marketing, having worked in the electrical and electronics, palm oil filtration and separation machinery, and water, waste water and sewerage industries • Has gained extensive experience and technical knowledge in industrial automation system for the water and waste water industries
Appointment to the current position	: September 2009
Directorship in public companies and listed issuers	: None
Family relationship with any director and/or major shareholder of Dancomech Holdings Berhad	: None
Conflict of interests with Dancomech Holdings Berhad	: None

PROFILE OF KEY SENIOR MANAGEMENT

Subramanian Subbiah Madasamy

Director and Senior General Manager, Arah Edar (M) Sdn Bhd

Age	: 57
Gender	: Male
Nationality	: Indian
Qualifications	: • Master of Business Administration, Madurai Kamaraj University, India • Bachelor of Engineering (Mechanical), Madurai Kamaraj University, India
Working experience	: • Founder of Arah Edar (M) Sdn Bhd • More than 35 years of experience in the design, project management, sales and distribution of material handling equipment and automation for ports and power, fertiliser, cement and sugar plants
Appointment to the current position	: January 2016
Directorship in public companies and listed issuers	: None
Family relationship with any director and/or major shareholder of Dancomech Holdings Berhad	: None
Conflict of interests with Dancomech Holdings Berhad	: None

Yew Teik Choon

Director, UTC Engineering Sdn Bhd and JusEV Charging Network Sdn Bhd

Age	: 50
Gender	: Male
Nationality	: Malaysian
Qualification	: Bachelor of Electrical Engineering (Honours), University of Technology, Malaysia
Working experience	: • More than 25 years of experience in the areas of automation system, electrical engineering, main switchboard / motor control centre design, variable speed drive / soft starter supply, power quality analysis and mitigation, after-sales services, and sales and marketing • Has gained extensive experience and technical knowledge in industrial automation system for the water and waste water industries
Appointment to the current position	: • April 2008 (as a Director of UTC Engineering Sdn Bhd) • June 2022 (as a Director of JusEV Charging Network Sdn Bhd)
Directorship in public companies and listed issuers	: None
Family relationship with any director and/or major shareholder of Dancomech Holdings Berhad	: None
Conflict of interests with Dancomech Holdings Berhad	: None

PROFILE OF KEY SENIOR MANAGEMENT

Poon Chee Peng Director, Mechpump Sdn Bhd

Age	: 45
Gender	: Male
Nationality	: Malaysian
Qualification	: Bachelor of Chemistry (Honours), University of Putra Malaysia, Selangor
Working experience	: <ul style="list-style-type: none"> • Co-founder of Mechpump Sdn Bhd • More than 20 years of pump experience in the palm oil mill industry, and active in the oleochemicals, water supply and waste water, pulp and paper and other general industries • Experience in providing pump consultancy services, and supplying and commissioning, for projects in Malaysia as well as overseas such as in Indonesia, Thailand, Central Africa, and Central America
Appointment to the current position	: July 2019
Directorship in public companies and listed issuers	: None
Family relationship with any director and/or major shareholder of Dancomech Holdings Berhad	: None
Conflict of interests with Dancomech Holdings Berhad	: None

Choo Cheok Meng Operations and Factory Manager, Dancomech Pumps Sdn Bhd

Age	: 50
Gender	: Male
Nationality	: Malaysian
Qualification	: Sijil Pelajaran Malaysia
Working experience	: <ul style="list-style-type: none"> • More than 30 years of experience in the manufacture, sales, troubleshooting and maintenance of pumps
Appointment to the current position	: September 2020
Directorship in public companies and listed issuers	: None
Family relationship with any director and/or major shareholder of Dancomech Holdings Berhad	: None
Conflict of interests with Dancomech Holdings Berhad	: None

PROFILE OF KEY SENIOR MANAGEMENT

Wong Chee Weng

Director, JusEV Charging Network Sdn Bhd

Age	: 46
Gender	: Male
Nationality	: Malaysian
Qualification	: Bachelor of Electrical and Electronic Engineering (Honours), Nottingham Trent University, United Kingdom
Working experience	: <ul style="list-style-type: none"> • Co-founder of JusEV Charging Network Sdn Bhd, to provide electric vehicle ("EV") charging infrastructure solutions to residential and commercial segments • 22 years of experience in project management, sales and marketing, after-sales services, and product development and testing, and product design, within the industrial automation sector • Has diversified into EV charging business since 2019 and is considered one of the pioneers in the EV charging industry locally by distributing more than 300 units of EV supply equipment
Appointment to the current position	: June 2022
Directorship in public companies and listed issuers	: None
Family relationship with any director and/or major shareholder of Dancomech Holdings Berhad	: None
Conflict of interests with Dancomech Holdings Berhad	: None

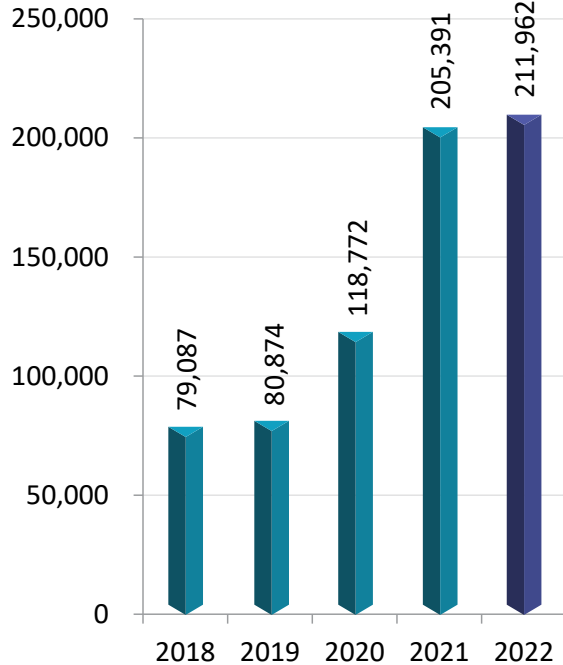
Additional notes on the above key senior management:

None of the key senior management has any:

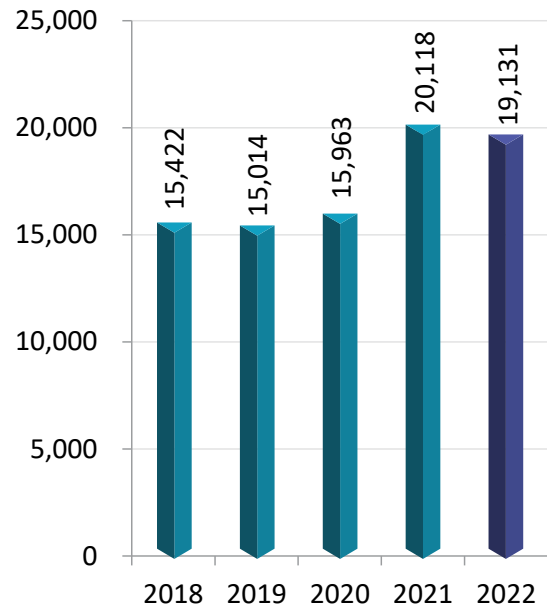
- (i) conviction for offences within the past five (5) years; and
 - (ii) public sanction or penalty imposed by the relevant regulatory bodies on him or her during the financial year ended 31 December 2022,
- which require disclosure pursuant to paragraph 4A(g) of Part A of Appendix 9C of the Main Market Listing Requirements of Bursa Securities.

FINANCIAL HIGHLIGHTS

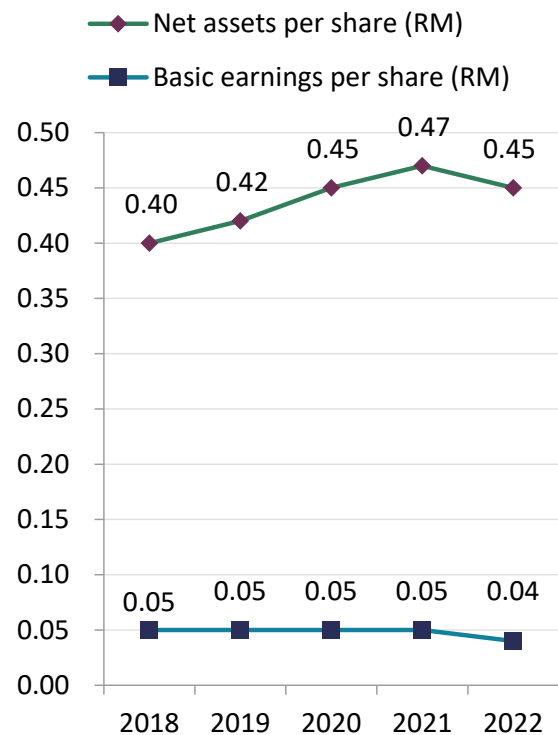
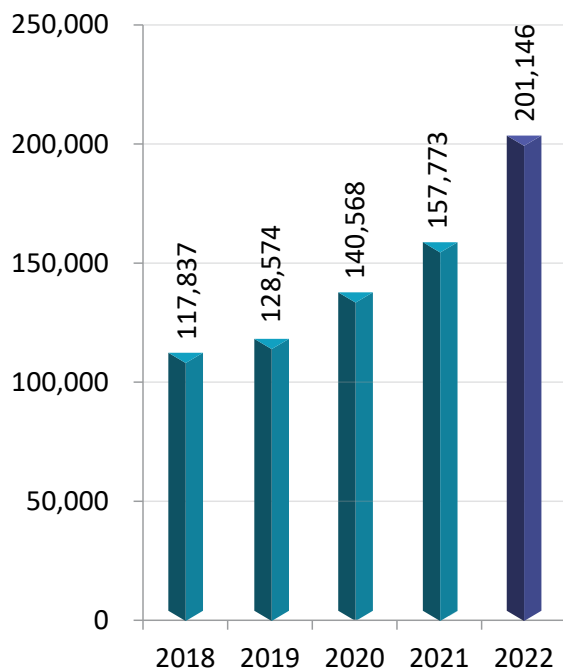
Revenue (RM'000)



**Profit After Tax
(RM'000)**



**Shareholders' Equity
(RM'000)**



MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS OVERVIEW

Dancomech Holdings Berhad (“Dancomech” or “the Company”) is an investment holding company while the Group (i.e. Dancomech and its subsidiaries) is principally involved in the following activities:

- (i) Trading and distribution of process control equipment (such as valves, switches, actuators, bursting discs/explosion protection devices, expansion joints, float/steam traps, etc.), measurement instruments (such as gauges, recorders, pressure transmitters, sight glasses, etc.), and industrial pumps (“Trading Division”);
- (ii) Manufacture of industrial pumps (“Pump Manufacturing Division”);
- (iii) Provision of material handling system solutions (“MHS Solutions Division”);
- (iv) Production of metal stamping parts and components, and design and manufacture of tools and dies (“Metal Stamping Division”); and
- (v) Electrical, electronic and instrumentation engineering, contracting, commissioning and servicing, and provision of electrical vehicle supply equipment (“EVSE”) for home, public and commercial segments (“E&E Engineering Division”).

Our Trading Division comprises the following subsidiaries:

- (i) Dancomech Engineering Sdn Bhd (“DESB”), our wholly-owned subsidiary, which focuses on supplying the products to customers in the palm oil and oleochemicals, oil and gas, and general and other industries;
- (ii) Optimis Engineering Sdn Bhd (“Optimis”), our 55%-owned subsidiary, which focuses on supplying the products to customers in the water and waste water industry; and
- (iii) Mechpump Sdn Bhd (“Mechpump”), our 60%-owned subsidiary, which focuses on the trading of industrial pumps.

The Pump Manufacturing Division is made up of our 70%-owned subsidiary, Dancomech Pumps Sdn Bhd (“DPumps”). On the other hand, the MHS Solutions Division is undertaken via our 55%-owned subsidiary, Arah Edar (M) Sdn Bhd (“Arah Edar”), while the Metal Stamping Division comprises our 70%-owned subsidiary, MTL Engineering Sdn Bhd (“MTL”), and its 70%-owned subsidiary, i.e. Newexus Engineering Sdn Bhd (“Newexus”).

The E&E Engineering Division comprises the following subsidiaries:

- (i) UTC Engineering Sdn Bhd (“UTC”), our 55%-owned subsidiary, which is involved in electrical, electronic and instrumentation engineering, contracting, commissioning and servicing; and
- (ii) JusEV Charging Network Sdn Bhd (“JusEV”), our 61.45% (effective interest)-owned subsidiary, which is involved in the provision of EVSE for home, public and commercial segments. The Company acquired JusEV on 1 March 2023. In this regard, JusEV did not contribute any revenue or profit to the Group in the financial year ended 31 December 2022 (“FYE 2022”).

Dancomech was listed on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) on 21 July 2016. The Group’s operations are located in the following locations:

Company	Location
Dancomech, DESB, Optimis and JusEV	Seksyen U1, Shah Alam, Selangor
DPumps	Ipoh, Perak
Arah Edar	Brickfields, Kuala Lumpur
Mechpump	Klang, Selangor
MTL and Newexus	Section 36, Shah Alam, Selangor
UTC	Subang Jaya, Selangor

MANAGEMENT DISCUSSION AND ANALYSIS

Our Trading Division, which is our main division of operations, purchases third-party products from overseas suppliers based in countries such as Germany, the United Kingdom, the People's Republic of China, Taiwan, South Korea, Spain, Italy, etc., while the manufacture of our Trading Division's own brand products, namely WAGI, VMX and Omaival, is outsourced to original equipment manufacturers in the People's Republic of China and Taiwan.

Our second largest division in terms of profitability, i.e. Metal Stamping, provides manufacturing services mainly to the consumer electronics sector, in particular, to manufacturers of heating, ventilation and air-conditioning ("HVAC") products, and metal furniture products.

2. FINANCIAL REVIEW

Financial Performance

A summary of the Group's financial performance for the financial year ended 31 December 2022 ("FYE 2022") vis-à-vis the financial year ended 31 December 2021 ("FYE 2021") is as follows:

	FYE 31 December			
	2022	2021	Increase	
	RM'000	RM'000	RM'000	%
Revenue	211,962	205,391	6,571	3.2
Gross profit	45,176	41,838	3,338	8.0
Profit before tax	26,913	26,565	348	1.3
Gross profit margin (%)	21.3	20.4		
Profit before tax margin (%)	12.7	12.9		

A breakdown of the Group's revenue by operating division is as follows:

Revenue by operating division	FYE 31 December			
	2022	2021	Increase/(Decrease)	
	RM'000	RM'000	RM'000	%
Trading	76,332	82,700	(6,368)	(7.7)
Pump Manufacturing	4,761	4,306	455	10.6
MHS Solutions	-	36,264	(36,264)	(100.0)
Metal Stamping	124,708	77,468	47,240	61.0
E&E Engineering	9,998	7,946	2,052	25.8
Others (i.e. investment holding)	381	381	-	-
	216,180	209,065	7,115	3.4
Eliminations	(4,218)	(3,674)	(544)	
Total	211,962	205,391	6,571	3.2

From the geographical market perspective, the Group's revenue was derived from the following markets:

	FYE 31 December			
	2022	2021	Increase/(Decrease)	
	RM'000	RM'000	RM'000	%
Malaysia	200,521	148,329	52,192	35.2
Indonesia	2,295	10,802	(8,507)	(78.8)
Other overseas markets (excluding Indonesia)	9,146	46,260	(37,114)	(80.2)
Total	211,962	205,391	6,571	3.2

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's revenue increased marginally by 3.2% from RM205.39 million in FYE 2021 to RM211.96 million in FYE 2022 mainly owing to higher revenue contribution from our Metal Stamping Division as a result of pent-up demand from its customers. However, this was mainly offset by the drop in the revenue recorded by our MHS Solutions Division (given that its project at Jurong Port, Singapore, as announced by the Company to Bursa Securities on 7 September 2020, has been completed in FYE 2021) and our Trading Division (due to overall lower demand in FYE 2022).

In line with the increase in revenue, coupled with the marginal increase in gross profit margin, the Group recorded an increase in gross profit of RM3.34 million (equivalent to 8.0%) and in profit before tax of RM0.35 million (equivalent to 1.3%) for FYE 2022.

The review of our operating divisions is provided in section 3 below.

Financial Position

A summary of the Group's financial position as at 31 December 2022 vis-à-vis 31 December 2021, is as follows:

	As at 31 December			
	2022	2021	Increase	
	RM'000	RM'000	RM'000	%
Property, plant and equipment ("PPE")	76,532	62,500	14,032	22.5
Fixed deposits, cash and bank balances, and financial asset at fair value through profit or loss	104,926	74,067	30,859	41.7
Current assets	210,623	169,543	41,080	24.2
Equity attributable to owners of the Company	201,146	157,773	43,373	27.5
Total borrowings (including lease liabilities)	18,788	12,421	6,367	51.3
Current liabilities	54,141	49,171	4,970	10.1
Current ratio (times)	3.89	3.45		
Debt-to-equity ratio (times)	0.09	0.08		

The Group's PPE increased by RM14.03 million (equivalent to 22.5%) in FYE 2022 mainly due to the acquisition of a piece of land and some plant and machinery by MTL for the expansion of its operations, and the acquisition of a three (3) – storey office shop lot by UTC. UTC had previously rented the shop lot as its office.

The Group's fixed deposits, cash and bank balances, and financial asset at fair value through profit or loss recorded an increase of RM30.86 million (equivalent to 41.7%) in FYE 2022 mainly due to net cash generated from operating activities amounting to RM16.70 million and proceeds from the issuance of shares owing to the exercise of warrants by warrant holders of RM33.09 million. However, the increase was partly offset by, among others, dividends paid to shareholders of the Company of RM7.92 million, purchase of property, plant and equipment of RM8.79 million, and repayment of borrowings (including lease liabilities) of RM2.72 million.

The Group's current ratio improved from 3.45 times as at 31 December 2021 to 3.89 times as at 31 December 2022. Meanwhile, the Group's debt-to-equity ratio increased marginally from 0.08 times as at 31 December 2021 to 0.09 times as at 31 December 2022, mainly due to the financing obtained for the acquisition of properties by MTL and UTC.

The increase in the equity attributable to owners of the Company of RM43.37 million for FYE 2022 was due to the following:

- Proceeds from the issue of new ordinary shares pursuant to the exercise of warrants by warrant holders of RM33.09 million; and
- Profit after tax and non-controlling interests of RM18.20 million for FYE 2022; less
- Dividends of RM7.92 million paid to shareholders during FYE 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

3. REVIEW OF OPERATING DIVISIONS

Trading Division

Our Trading Division contributed RM76.33 million (equivalent to 35.3%) to the Group's revenue (before consolidation eliminations) for FYE 2022 vis-à-vis RM82.70 million (equivalent to 39.6%) for FYE 2021.

As mentioned in section 2 above, the lower revenue recorded by our Trading Division in FYE 2022 was mainly due to the overall lower demand from its customers especially during the first half of FYE 2022 as the international and local markets transitioned to Covid-19 endemicity.

Pump Manufacturing Division

Our Pump Manufacturing Division contributed RM4.76 million (equivalent to 2.2%) to the Group's revenue (before consolidation eliminations) for FYE 2022 vis-à-vis RM4.31 million (equivalent to 2.1%) for FYE 2021. The increase in the revenue from our Pump Manufacturing Division was due to the increased demand for industrial pumps from our customers in FYE 2022.

MHS Solutions Division

As mentioned in section 2 above, the drop in the revenue our MHS Solutions Division in FYE 2022 was due to the completion of its project at Jurong Port, Singapore, in FYE 2021.

Metal Stamping Division

Our Metal Stamping Division contributed RM124.71 million (equivalent to 57.7%) to the Group's revenue (before consolidation eliminations) for FYE 2022 vis-à-vis RM77.47 million (equivalent to 37.1%) for FYE 2021. As mentioned in section 2 above, the increase in revenue was due to the pent-up demand from the division's customers.

E&E Engineering Division

Our E&E Engineering Division contributed RM10.0 million (equivalent to 4.6%) to the Group's revenue (before consolidation eliminations) for FYE 2022 vis-à-vis RM7.95 million (equivalent to 3.8%) for FYE 2021. The increase in the revenue was mainly due to the consolidation of the E&E Engineering Division results for 12 months for FYE 2022 vis-à-vis approximately nine (9) months for FYE 2021 as we acquired UTC on 15 April 2021.

4. ANTICIPATED OR KNOWN RISKS

Economic, Political, Legal and Regulatory Uncertainties

Any adverse development in the economic, political, legal and regulatory environment in Malaysia as well as in countries where the Group sources our supplies or sells our products could adversely affect our operations and financial performance. In addition, any widespread or prolonged economic, political, legal or regulatory uncertainties will affect business confidence and the tendency of our customers and end-users to spend.

The economic, political, legal and regulatory uncertainties include, among others, changes in general economic and business conditions, changes in government legislations and policies, risks of lockdown, movement restrictions, war or expropriation, currency exchange controls, etc.

The Group seeks to mitigate this risk by practising prudent management, vigilance, and efficient operating procedures, and complying with the relevant laws and regulations.

Competition Risk

The Group faces competition from our competitors and we expect the competition to remain strong as some competitors may have greater financial, marketing, management and other resources, and the ability to offer a wider range of products. Any stiff competition may negatively affect the Group's performance and profitability. To remain competitive, we will continue to provide quality and a wide range of products and services to our customers, and maintain good rapport with them.

Dependency on the Performance of End-user Markets

The Group supplies the products to customers mainly involved in the palm oil and oleochemicals, oil and gas, water and waste water, and HVAC industries. In this regard, we are dependent on the performance of the said industries. To mitigate this risk, we continue to monitor the developments in the industries closely and we are on a constant lookout for opportunities to develop new and other markets.

MANAGEMENT DISCUSSION AND ANALYSIS

Dependency on Suppliers

The Group sources the products from third-party suppliers. In this regard, any termination or withdrawal of or disruption to our relationships with the suppliers may have a negative impact on our business operations and financial performance. Nevertheless, we have been having many years of relationships with most of the suppliers and we will continue to maintain good relationships with them. In addition, we will also continue to look for additional suppliers without affecting our relationships with the existing suppliers.

Foreign Exchange Rate and Price Risks

Our Trading Division purchases mainly from overseas suppliers, which exposes us to foreign exchange rate and price fluctuations. The foreign exchange rate and price fluctuations could lead to increase in the costs of our products. In mitigating such fluctuations, we normally hold 4 to 6 months of stocks not only to guard against any foreseeable increase in costs, but also to keep an adequate level of inventories for timely delivery to our customers. In addition, we adopt a cost-plus approach in our pricing policy, which we generally pass on the increased costs to our customers to maintain a sustainable profit margin while remaining price competitive. We also monitor closely the movement of the foreign currencies by operating foreign currency accounts where we receive payments in the respective currencies and utilise the currencies without converting them in order to further minimise our exposure to exchange rate fluctuations.

Credit Risk

To a certain extent, our financial performance and position are dependent on the creditworthiness of our customers, which we normally grant them credit periods of between 30 and 120 days. In the event of significant delay or default in payment by our customers, it may adversely affect our financial position and results should there be any impairment required for bad or doubtful debts. To mitigate this risk, we will assess the credit standing of our existing and prospective customers prior to accepting their orders. In addition, we regularly review our trade receivable ageing and follow up closely on collection of debts including sending out reminder letters, making calls and field visits as well as taking legal action on a case-to-case basis to recover outstanding debts.

5. PROSPECTS

Notwithstanding the uncertainties and challenges faced by the Group in the domestic and overseas markets arising from the prevailing global economic and political headwinds, the Group has managed to continue recording growth in profits in FYE 2022, due to the stronger performances posted by our Metal Stamping, Trading and E&E Engineering Divisions.

The Group foresees the domestic and overseas market conditions to remain challenging in the coming financial year ending 31 December 2023 ("FYE 2023"). Nonetheless, the Group will continue to strive hard to pursue sales while taking steps to address the market uncertainties and challenges. In addition, driven by the encouraging performances shown by our Metal Stamping and E&E Engineering Divisions post our acquisitions, the Group will continue to seek and explore potential opportunities for acquisitions and collaborations in order to enhance our profitability. In this regard, the Group has acquired into JusEV in March 2023 and this provides the Group with the opportunity to venture into the EVSE industry.

Premised on the above and barring any unforeseen circumstances, the Group expects our prospects and performance for FYE 2023 to be satisfactory.

6. DIVIDEND POLICY

We have a dividend pay-out policy of up to 40% of our yearly consolidated profit attributable to owners of the Company. However, such payments of dividends are subject to a number of factors including, among others, our profits, the level of cash and indebtedness, anticipated levels of capital expenditure and investment plans, return on equity, etc.

MANAGEMENT DISCUSSION AND ANALYSIS

The historical dividend pay-out ratio of the Company for the past five (5) financial years is as follows:

	FYE 31 December				
	2018	2019	2020	2021	2022
Dividends (RM'000)	5,275	5,320	6,154	7,050	8,851
Consolidated profit attributable to owners of the Company (RM'000)	14,989	14,256	15,778	16,590	18,196
Dividend pay-out ratio (%)	35.2	37.3	39.0	42.5 *	48.6 *

Note:

- * The dividend pay-out ratios for FYE 2021 and FYE 2022 of 42.5% and 48.6%, respectively, were higher than the Company's dividend policy of up to 40%, due to the higher number of issued shares arising from the exercise of warrants by warrant holders

SUSTAINABILITY STATEMENT

The Board of Directors (“the Board”) of Dancomech Holdings Berhad (“Dancomech” or “the Company”) has the overall responsibility for the Group (i.e. Dancomech and its subsidiaries)’s sustainability matters which are categorised into three (3) areas, namely economic, environmental and social (“EES”). This Sustainability Statement discloses the material sustainability issues and impacts arising from the activities of the Group.

SCOPE

The scope of reporting covers the following divisions of the Group:

- (i) Our Trading Division, which comprises our subsidiaries, Dancomech Engineering Sdn Bhd, Optimis Engineering Sdn Bhd and Mechpump Sdn Bhd;
- (ii) Our Pump Manufacturing Division, which comprises our subsidiary, Dancomech Pumps Sdn Bhd;
- (iii) Our Material Handling System Solutions Division, which comprises our subsidiary, Arah Edar (M) Sdn Bhd;
- (iv) Our Metal Stamping Division, which comprises our subsidiary, MTL Engineering Sdn Bhd, and its subsidiary, Newexus Engineering Sdn Bhd; and
- (v) Our E&E Engineering Division, which comprises our subsidiary, UTC Engineering Sdn Bhd.

This Sustainability Statement is to be read in conjunction with the rest of the Company’s Annual Report 2022, which highlights other financial and non-financial aspects of our operations.

GOVERNANCE STRUCTURE

Sustainability is embedded within the Group and is led from the top where the Board is the highest authority accountable for the Group’s sustainability matters. The Board delegates the responsibility for identifying the Group’s sustainability risks to the Audit and Risk Management Committee (“ARMC”), and the Board and the ARMC will undertake the process of identifying sustainability risks and devising appropriate strategies, plans and targets to address the risks on a yearly basis, with intervening reviews carried out as and when required.

The Managing Director leads Management in implementing the sustainability strategies and plans approved by the Board, and reports to the ARMC and the Board on the sustainability matters on a quarterly basis.

STAKEHOLDER ENGAGEMENT

The Group recognises the importance of engaging our internal and external stakeholders in order to better understand and identify the EES risks and opportunities arising from our activities. A summary of our key stakeholders, the engagement approaches, the sustainability focus areas, and how we manage the sustainability matters, is set out herewith:

Key Stakeholder	Engagement Approach	Sustainability Focus Area	How We Manage Sustainability Matters
Customers	<ul style="list-style-type: none"> Meetings and engagements Email correspondences and telephone calls Field visits Marketing materials Our corporate website 	<ul style="list-style-type: none"> Business ethics Product pricing Quality of products and services Compliance with relevant regulations 	<ul style="list-style-type: none"> Practise good business ethics and corporate governance Offer competitive pricing Provide quality products and services Adhere to relevant regulations

SUSTAINABILITY STATEMENT

Key Stakeholder	Engagement Approach	Sustainability Focus Area	How We Manage Sustainability Matters
Suppliers	<ul style="list-style-type: none"> Meetings and engagements Email correspondences and telephone calls Visits and product training 	<ul style="list-style-type: none"> Business ethics Sales performance and brand awareness Pricing and payment terms 	<ul style="list-style-type: none"> Practise good business ethics and corporate governance Continue to pursue growth in sales Pay suppliers within the credit periods
Employees	<ul style="list-style-type: none"> Meetings and engagements Open-door communication Yearly appraisal On-the-job and formal training Recreational events and activities 	<ul style="list-style-type: none"> Employee welfare and benefits Job stability and career progression Health and safety Fair employment practices 	<ul style="list-style-type: none"> Offer competitive remuneration packages Provide opportunities for career progression and training Provide a safe and conducive workplace Adopt and observe the Code of Conduct, Code of Ethics of Directors, Whistle-blower Policy and Anti-Bribery and Corruption Policy
Shareholders/ Investors	<ul style="list-style-type: none"> General meetings Quarterly reports Announcements via Bursa Malaysia Securities Berhad Annual report Our corporate website Meetings with investors, analysts and fund managers 	<ul style="list-style-type: none"> Sustainability in growth and business continuity Value creation Corporate governance 	<ul style="list-style-type: none"> Put in place strategies for growth organically and via merger and acquisition activities Continue to pursue sustainable return on equity and dividend payment Practise good corporate governance in accordance with the Malaysian Code on Corporate Governance
Government/ Regulators	<ul style="list-style-type: none"> Meetings and engagements Email correspondences and telephone calls On-site inspections 	<ul style="list-style-type: none"> Compliance with relevant laws and regulations Business ethics and corporate governance 	<ul style="list-style-type: none"> Comply with relevant laws and regulations Practise good business ethics and corporate governance in accordance with the Malaysian Code on Corporate Governance
Community	<ul style="list-style-type: none"> Charity and volunteering programmes 	<ul style="list-style-type: none"> Business ethics and corporate governance Good corporate citizenship 	<ul style="list-style-type: none"> Practise good business ethics and corporate governance in accordance with the Malaysian Code on Corporate Governance Assess the EES impacts when undertaking any activities by the Group

SUSTAINABILITY STATEMENT

MATERIAL SUSTAINABILITY MATTERS

Arising from the above engagements with the key stakeholders, the Group has identified the following material sustainability matters that require the Group to give priority in addressing them:

Material Sustainability Matter	Category
Business ethics and corporate governance	Economic impact
Quality of products and services	Economic impact
Relationship with suppliers	Economic impact
Employee welfare and benefits, and career progression	Social impact
Employee health and safety	Social impact

Business Ethics and Corporate Governance

Over the years, the Group's consistent adherence to ethical business practices has earned us the trust of our customers, suppliers, employees, shareholders and other stakeholders. In this regard, we have continued to perform well as a company, an employer and a corporate citizen.

We promote integrity and implement responsible and ethical business policies and practices in our operations through good corporate governance. We also conduct our operations with honesty, integrity and openness, and respect for human rights and interests of our employees. We have adopted various policies and procedures such as the Board Charter, the Code of Ethics of Directors, the Code of Conduct, the Diversity Policy, the Corporate Disclosure Policies and Procedures, the Whistle-blower Policy, the Anti-Bribery and Corruption Policy, and the Related Party Transactions Policy, which are put in place to ensure that we practise good business ethics and corporate governance.

Our Directors and employees are required to comply with the relevant laws, rules and regulations applicable to our Group's businesses. For any known malpractices or wrongdoings, the Group provides an avenue for whistle blowing under the Whistle-blower Policy.

Quality of Products and Services

The Group's business sustainability is built on the trust and confidence from our customers. Offering good quality products and services with competitive pricing as well as attending to our customers' needs has been the Group's tradition.

In our continued effort to provide quality products and services to our customers, we source responsibly and apply rigorous systems to ensure our products meet the standards of quality and safety. In ensuring effective deliverables, our sales personnel are constantly in touch with the customers to ensure that we are able to meet their demand and address their concerns on a timely and effective manner. Our sales personnel are also responsible for managing, monitoring and addressing any customer complaints promptly.

Relationship with Suppliers

The Group has been having many years of relationship with most of the suppliers and principals and we will continue to maintain the good relationship with them through, among others, pursuing more sales of their products, providing feedback on their products given by our customers, and adhering to the credit terms granted by them.

SUSTAINABILITY STATEMENT

Employee Welfare and Benefits, and Career Progression

The Group's employees are the backbone of our operations and are directly responsible for all our business activities. To attract and retain them, we offer competitive remuneration packages to our employees. In addition, we also organise activities such as birthday celebrations, sport and social activities, lunches/dinners and trips, aimed at promoting and fostering employee integration and teamwork.

Employee engagement is an important driver of performance and organisational success. Management engages with our employees on an on-going basis to address their needs and the matters brought up by them. In addition, management undertakes yearly appraisals of the employees to provide feedback on their performance, achievements and weaknesses.

We also provide opportunities for on-the-job and external training, where applicable, to the employees in order for them to enhance their skills and knowledge for upward mobility. In addition, we expose our employees to challenging tasks and responsibilities from time to time to prepare them for career progression.

Employee Health and Safety

The health and safety of the Group's employees is one of our foremost concerns.

We believe healthy employees tend to be happier, show better productivity, lead to improved morale and positive contribution to the work environment, and drive down overall healthcare costs. As such, we encourage our employees to have a balance between work and family commitments, and to manage work-related stress well by pursuing a healthy lifestyle and participating in sport and social activities organised by the Group, where possible.

It is the Group's responsibility to ensure a safe working environment for our employees. In this regard, entrances to our offices are guarded by security guards and/or secured with controlled access to ensure that only our employees and authorised visitors can enter our offices at all times.

ENVIRONMENTAL IMPACT OF OUR OPERATIONS

In addition to the above, the Group has also considered and taken the responsibility to manage the impact of our operations on the environment.

The Group has identified the opportunity to reduce energy usage and paper consumption in order to lessen the impact on the environment arising from our operations. The initiatives undertaken by the Group to save energy and reduce paper consumption are as follows:

- Installing a solar power system at the Group's Head Office which enables the generation and consumption of electricity using sunlight at the Head Office;
- Upgrading of less energy efficient office equipment and appliances to more energy efficient ones;
- Constant reminders to employees to switch off the lights, air-conditioners, computers, photocopiers, etc., when they are not in the office or when they leave for home;
- Reducing paper consumption by encouraging our employees to prioritise using electronic means to share and store documents, to reduce printing or photocopying, and to print on double sides if printing is necessary;
- Increasing the use of online services offered by banks for banking transactions to reduce the issue of cheques; and
- Recycling the use of paper where possible.

MOVING FORWARD

The Board recognises that embedding sustainability into the Group's business is a continuous and evolving practice in which the Board will continue to enhance the practice in order to sustain our business operations and financial performance moving forward.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“the Board”) of Dancomech Holdings Berhad (“Dancomech” or “the Company”) is pleased to present this Statement to provide shareholders and investors with an overview of the corporate governance practices of Dancomech and its subsidiaries (“the Group”) as well as details on the application of the practices set out in the Malaysian Code on Corporate Governance (“MCCG”) during the financial year ended 31 December 2022 (“FYE 2022”). This Statement is to be read together with the Corporate Governance Report which is available on the Company’s website at www.dancomech.com.my.

The Board is fully committed to promoting good corporate governance culture within the Group in creating and delivering sustainable value and long-term success of our businesses.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

(I) Board Responsibilities

The Board has the responsibility for the Group’s overall strategic direction and leadership, governance structure which encompasses an adequate and effective risk management and internal control system, and compliance with the relevant laws and regulations, as well as maintaining an oversight on management.

In discharging its duties and functions, the Board assumes the following responsibilities:

- Establishing, reviewing, adopting and monitoring the strategic plan of the Group;
- Overseeing the conduct of the Group’s businesses to evaluate whether the businesses are properly managed;
- Identifying principal risks, including corruption risks, and ensuring the implementation of an appropriate control system to manage the risks;
- Establishing a succession plan including appointing, training, fixing the compensation of and, where appropriate, replacing the Executive Directors and senior management of the Group;
- Developing and implementing an investor relations programme or shareholder communication policy to ensure effective communication with our shareholders and other stakeholders;
- Reviewing the adequacy and integrity of the Group’s internal control and management information system, including the system for ensuring compliance with applicable laws, regulations, rules, directives and guidelines;
- Ensuring that the Group adheres to high standards of ethics and corporate behaviour; and
- Strategic planning, overseeing financial and operational performance, monitoring risk management processes, merger and acquisition activities, and reviewing the adequacy of the internal control system.

The Board currently comprises six (6) members, i.e. the Managing Director, the Executive Director and four (4) Independent Non-Executive Directors, which include the Independent Non-Executive Chairman.

The roles of the Chairman, the Managing Director, the Executive Director and the Non-Executive Directors are clearly separated to ensure that there is a balance of power and authority. As set out in Dancomech’s Board Charter, the positions of Chairman and Managing Director are separated and clearly defined, and this is to ensure that no individual has unrestricted decision-making power.

The Chairman, Datuk Zainal Abidin Bin Ujud, is primarily responsible for the leadership of the Board in ensuring the effectiveness of the roles of the Board in all aspects. The Managing Director, Aik Swee Tong, and the Executive Director, Aik Cwo Shing, are responsible for the implementation of the policies and decisions of the Board and the development of the Group’s business strategies apart from the day-to-day management of the Group’s operations.

The Non-Executive Directors play a leading role in the Board Committees, i.e. the Audit and Risk Management Committee, the Nomination Committee and the Remuneration Committee. They are primarily responsible for providing objective and independent judgment to the decision-making of the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Company Secretaries appointed by the Company are suitably qualified and competent, and with the relevant experience and skills. The Board obtains appropriate advice and support from the Company Secretaries on company secretarial matters, compliance with the relevant laws and regulations and adoption of corporate governance best practices. The Company Secretaries also ensure that the Board meetings are properly convened and the proceedings are properly recorded.

The Board members have full and unrestricted access to information on the Group's business and affairs in discharging their duties. The Board members receive complete and accurate information and materials within a reasonable time period prior to every meeting, and the minutes are circulated in a timely manner upon conclusion of the meeting. The Board members may seek advice, interact with, and request for explanations, information or updates on any aspects of the Group's operations from the management. In addition, the Board may seek independent professional advice, where appropriate, at the Group's expense.

The Board has adopted a Board Charter which serves as a primary reference for the Board members of their duties and responsibilities as Directors of the Company as well as the functions of the Board Committees. The Board Charter is reviewed periodically to ensure that it complies with the relevant legislations and best practices, and remains relevant and effective.

The Group has put in place the Code of Ethics of Directors and the Code of Conduct for the Directors and officers (which include Directors, management and employees), respectively. The Code of Ethics of Directors focuses the Directors to areas of ethical risk, provides guidance to Directors to help them recognise and deal with ethical issues, provides mechanisms to report unethical conduct, and helps foster a culture of integrity, honesty and accountability. Similarly, the Code of Conduct is intended to promote a corporate culture that engenders ethical conduct permeating throughout the Group.

The Group has also put in place the Whistle-blower Policy where all employees are encouraged to maintain the highest level of corporate ethics and to have a professional responsibility to disclose any known malpractices or wrongdoings to the appropriate persons on the Board. In addition, the Group has adopted the Anti-Bribery and Corruption Policy which sets out the principles of the Group against bribery and corruption practices, and provides guidance to the officers and business associates of the Group in dealing with potential bribery and corruption issues that may arise in the day-to-day business of the Group.

A copy of our Board Charter, Code of Ethics of Directors, Code of Conduct, Whistle-blower Policy, and Anti-Bribery and Corruption Policy can be viewed on the Company's website at www.dancomech.com.my.

Sustainability is embedded within the Group and is led from the top where the Board is the highest authority accountable for the Group's sustainability matters. The Board delegates the responsibility for identifying the Group's sustainability risks to the Audit and Risk Management Committee, and the Board and the Audit and Risk Management Committee will undertake the process of identifying sustainability risks and devising appropriate strategies, plans and targets to address the risks on a yearly basis, with intervening reviews carried out as and when required.

The Managing Director leads Management in implementing the sustainability strategies and plans approved by the Board, and reports to the Audit and Risk Management Committee and the Board on the sustainability matters on a quarterly basis.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(II) Board Composition

As mentioned above, the Board currently comprises six (6) members, i.e. the Managing Director, the Executive Director and four (4) Independent Non-Executive Directors, which include the Independent Non-Executive Chairman. In this regard, two-thirds (2/3) of the Board members are Independent Directors.

The Step-Up recommendation in the MCCG is for the board to have a policy which limits the tenure of its independent directors to nine (9) years without further extension. After serving for nine (9) years, an independent director may continue to serve on the board as a non-independent director. If the board intends to retain an independent director beyond nine (9) years, the board should justify and seek annual shareholders' approval through a two (2)-tier voting process. At present, none of the Independent Directors has served on the Board for more than nine (9) years.

The Group considers the following criteria when appointing and recruiting any Board member and senior management:

- The person's skills, knowledge, expertise and experience;
- The person's character and personality;
- The person's competencies, commitment and career track record; and
- Any potential conflict of interest that the person may have with the Group.

In addition, the Group has adopted the Diversity Policy to promote diversity in the Board and the workforce of the Group. In this regard, the Group is committed to managing diversity, which may result from a range of factors including age, gender, ethnicity, nationality, cultural background or other personal factors, as a means of enhancing the Group's performance by recognising and utilising contribution of diverse skills and talents of our directors, management and employees. With regard to gender diversity, the Board is committed to having female representation on the Board and senior management though no specific target percentage is set. Currently, the Company has one (1) female Director out of the six (6) members on our Board.

A copy of our Diversity Policy can be viewed on the Company's website at www.dancomech.com.my.

The Nomination Committee ("NC") of Dancomech comprises the following members:

Chairman:

Gong Wooi Teik (*Senior Independent Non-Executive Director*)

Members:

Lee Chen Yow (*Independent Non-Executive Director*)

Sharon Lee Ching Yee (*Independent Non-Executive Director*)

Datuk Zainal Abidin Bin Ujud (*Independent Non-Executive Chairman*)
(*ceased to be a member of the NC on 31 March 2022*)

All the members of the NC (including the Chairman) are Independent Directors.

The full Terms of Reference setting out the NC's composition, quorum and meeting procedures, and duties and responsibilities, can be viewed on the Company's website at www.dancomech.com.my.

The duties and responsibilities of the NC include, among others, identifying and nominating candidates to fill Board vacancies as and when they arise, and undertaking an annual review of the effectiveness of the Board as a whole, the Board Committees and the individual Directors. For FYE 2022, there was no Board vacancy to be filled.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

During FYE 2022, the NC undertook the following activities:

- Performed an annual review and assessment of the performance of the Board as a whole, the Board Committees and the contributions of each Director for the financial year ended 31 December 2021, and was of the opinion that:
 - the Board structure, size and composition was adequate and commensurate with the size of the Group and its business operations.
 - the diversity (including gender) in the composition of the Board was satisfactory.
 - the experiences, contribution and competencies of the individual Directors, as well as their mix of skills were adequate to enable the Board to discharge its duties and responsibilities effectively.
 - the contribution of each individual Director on the Board and the Board Committees was satisfactory.
 - the Board and the Board Committees had been functioning effectively.
 - the Independent Directors met the requirements of independence and were thus independent.
- Considered and recommended to the Board for the re-election of the Directors who retired by rotation at the Company's Ninth (9th) Annual General Meeting.
- Reviewed the term of office and performance of the Audit and Risk Management Committee and each of its members, and was satisfied that the Audit and Risk Management Committee had carried out their duties and responsibilities in accordance with their terms of reference.
- Deliberated and recommended the Group's Succession Planning Policy / Framework to the Board for approval.
- Reviewed and recommended the Group's Directors' Fit and Proper Policy to the Board for approval.

For FYE 2022, there were five (5) Board meetings held and the attendance records of the Directors are as follows:

Director	Attendance
Datuk Zainal Abidin Bin Ujud	5 out of 5
Aik Swee Tong	5 out of 5
Aik Cwo Shing	5 out of 5
Gong Wooi Teik	5 out of 5
Lee Chen Yow	5 out of 5
Sharon Lee Ching Yee	5 out of 5

The Board also noted that none of the Directors holds more than five (5) directorships in listed issuers.

(III) Remuneration

The Remuneration Committee ("RC") of Dancomech comprises the following members:

Chairman:

Lee Chen Yow (*Independent Non-Executive Director*)

Members:

Gong Wooi Teik (*Senior Independent Non-Executive Director*)

(*appointed as a member of the RC on 31 March 2022*)

Sharon Lee Ching Yee (*Independent Non-Executive Director*)

Datuk Zainal Abidin Bin Ujud (*Independent Non-Executive Chairman*)

(*ceased to be a member of the RC on 31 March 2022*)

CORPORATE GOVERNANCE OVERVIEW STATEMENT

All the members of the RC (including the Chairman) are Independent Directors.

The full Terms of Reference setting out the RC's composition, quorum and meeting procedures, and duties and responsibilities, can be viewed on the Company's website at www.dancomech.com.my.

The RC is responsible for recommending to the Board the remuneration packages for the Executive Directors, Non-Executive Directors and senior management personnel of the Group after taking into consideration, among others, their individual responsibilities and contributions, and the Group's long-term business objectives and growth. None of the Executive Directors, Non-Executive Directors and senior management personnel participates in determining their individual remuneration packages, which are reviewed annually.

Details of the remuneration of the Directors received/receivable from the Company and Group for FYE 2022 are as follows:

Company

Director	Fees RM'000	Salaries RM'000	Bonuses RM'000	Other emoluments RM'000	Total RM'000
Datuk Zainal Abidin Bin Ujud	40.7	-	-	2.5	43.2
Aik Swee Tong	-	-	-	-	-
Aik Cwo Shing	-	-	-	-	-
Gong Wooi Teik	34.1	-	-	2.5	36.6
Lee Chen Yow	34.1	-	-	2.5	36.6
Sharon Lee Ching Yee	34.1	-	-	2.5	36.6
Total	143.0	-	-	10.0	153.0

Group

Director	Fees RM'000	Salaries RM'000	Bonuses RM'000	Other emoluments RM'000	Total RM'000
Datuk Zainal Abidin Bin Ujud	40.7	-	-	2.5	43.2
Aik Swee Tong	18.0	690.0	120.0	130.2	958.2
Aik Cwo Shing	42.0	714.0	120.0	134.4	1,010.4
Gong Wooi Teik	34.1	-	-	2.5	36.6
Lee Chen Yow	34.1	-	-	2.5	36.6
Sharon Lee Ching Yee	34.1	-	-	2.5	36.6
Total	203.0	1,404.0	240.0	274.6	2,121.6

CORPORATE GOVERNANCE OVERVIEW STATEMENT

With the best interest of the Group in mind, and taking into consideration the sensitivity, privacy, security, and issue of staff poaching, the Board has opted not to disclose on a named basis the remuneration of the top five (5) senior management in the bands of RM50,000. Instead, the Board discloses the top five (5) senior management's remuneration on an aggregate basis for FYE 2022, as follows:

Type of Remuneration	RM'000
Fees	18.0
Salaries and bonuses	2,038.2
Other emoluments	774.2
Total	2,830.4

Other than the above, the Company has arranged for Directors' and Officers' Liability Insurance to indemnify the Directors and officers of the Group against liabilities incurred by them during the discharge of their duties while in office.

The Board acknowledges that it is essential for the Directors to invest time and effort to enhance their knowledge and skills by attending the relevant training programmes. Details of some of the training programmes, forums or conferences attended or participated by the Directors during FYE 2022 and up to the date of approval for the issuance of this Statement are as follows:

Director	Title of Training Programme/Forum/Conference
Gong Wooi Teik	<ul style="list-style-type: none"> Securities Commission's Audit Oversight Board Conversation with Audit Committees Audit Documentation to Meet PR Expectation Transitioning from ISQC1 to ISQM1 & ISQM2 Tax Corporate Governance Framework & Environmental, Social & Governance National Tax Conference
Lee Chen Yow	<ul style="list-style-type: none"> Securities Commission's Audit Oversight Board Conversation with Audit Committees Banking on Islamic Finance for a Sustainable Future
Sharon Lee Ching Yee	<ul style="list-style-type: none"> Fair Comment and the Law of Defamation. Are You Being Fair in Making a Comment? What's Trending in Company Law Executive Certificate in Islamic Finance Insolvency Act 1967 Introduction to Anti-Corruption Law in Malaysia Talent Uprising - How Board Should Rethink Their Talent Strategy in This Era of Opportunity

Datuk Zainal Abidin Bin Ujud, Aik Swee Tong and Aik Cwo Shing did not manage to attend any training programmes in FYE2022. In this regard, they will each attend at least two (2) training programmes in the current financial year.

In addition, the Directors' training also includes briefings by the Company Secretaries and the external auditors from time to time during the Board and Audit and Risk Management Committee meetings on the relevant updates pertaining to statutory and regulatory requirements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

(I) Audit and Risk Management Committee ("ARMC")

The ARMC of Dancomech comprises the following members:

Chairman:

Gong Wooi Teik (*Senior Independent Non-Executive Director*)

Members:

Lee Chen Yow (*Independent Non-Executive Director*)

Sharon Lee Ching Yee (*Independent Non-Executive Director*)

(*appointed as a member of the ARMC on 31 March 2022*)

Datuk Zainal Abidin Bin Ujud (*Independent Non-Executive Chairman*)

(*ceased to be a member of the ARMC on 31 March 2022*)

All the members of the ARMC (including the Chairman) are Independent Directors. In addition, Gong Wooi Teik and Lee Chen Yow are members of the Malaysian Institute of Accountants. Please refer to the Audit and Risk Management Committee Report contained in this Annual Report for more information on the ARMC.

(II) Risk Management and Internal Control Framework

The Board has the overall responsibility for risk management and internal control of the Group. The Board and the ARMC work closely with management to identify, evaluate, manage and report major risks that affect the Group as well as the measures taken to mitigate the risks, and to review the adequacy and effectiveness of the internal control system. Details on the risk management and internal control system of the Group are set out in the Statement on Risk Management and Internal Control of this Annual Report.

The Group has outsourced the internal audit function to BDO Governance Advisory Sdn Bhd, an external professional firm which is independent of the activities and operations of the Group, and BDO Governance Advisory Sdn Bhd reports directly to the ARMC. Details on the outsourced internal audit function are set out in the Audit and Risk Management Committee Report and the Statement on Risk Management and Internal Control of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

(I) Engagement with Stakeholders

The Group has put in place the Corporate Disclosure Policies and Procedures to develop and maintain a positive relationship with all shareholders and stakeholders through active two (2) – way communication and to promote and demonstrate a high standard of integrity and transparency through timely, accurate, quality and full disclosure of material information to investors, the financial community and other stakeholders. A copy of the Corporate Disclosure Policies and Procedures can be viewed at the Company's website at www.dancomech.com.my. The Company's website also provides the relevant information on the Group. In addition, all announcements are uploaded to the website on a timely manner.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(II) Conduct of General Meetings

The Group views its general meetings as an important avenue for communication and dialogue with shareholders. Notice of the annual general meeting is issued to the shareholders at least 28 days before the meeting to allow shareholders time to make the necessary preparation and arrangements to participate in the meeting.

The Group will continue to leverage on technology to facilitate communication and engagement with shareholders by conducting the forthcoming Annual General Meeting (“AGM”), i.e. the Tenth (10th) AGM, on a virtual basis via live streaming and online remote voting from the Broadcast Venue. Please refer to the Administrative Guide enclosed in this Annual Report for further details on the said virtual meeting.

Notwithstanding that the forthcoming AGM will be conducted on a virtual basis, all the Board members will be participating in the meeting. In this regard, shareholders are invited to raise questions pertaining to the Group’s financial statements and other items for adoption at the meeting. The senior management and the external auditors will also be participating in the meeting to respond to shareholders’ queries.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

Members of the Audit and Risk Management Committee ("ARMC")

The ARMC of Dancomech Holdings Berhad ("Dancomech" or "the Company") comprises the following members:

Chairman:

Gong Wooi Teik (*Senior Independent Non-Executive Director*)

Members:

Lee Chen Yow (*Independent Non-Executive Director*)

Sharon Lee Ching Yee (*Independent Non-Executive Director*)

(*appointed as a member of the ARMC on 31 March 2022*)

Datuk Zainal Abidin Bin Ujud (*Independent Non-Executive Chairman*)

(*ceased to be a member of the ARMC on 31 March 2022*)

The composition of the ARMC complies with paragraph 15.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), as follows:

- The ARMC is currently made up of three (3) members;
- All the ARMC members (including the Chairman) are independent non-executive directors; and
- Mr Gong Wooi Teik and Mr Lee Chen Yow are members of the Malaysian Institute of Accountants.

Terms of Reference

The full terms of reference setting out the ARMC's composition, quorum and meeting procedures, authority, and responsibilities and duties can be viewed on Dancomech's website, www.dancomech.com.my.

Meeting Attendance

During the financial year ended 31 December 2022, the ARMC held a total of five (5) meetings and the attendance records of the ARMC members at the meetings are as follows:

Member	Attendance
Gong Wooi Teik	5 out of 5
Lee Chen Yow	5 out of 5
Sharon Lee Ching Yee	3 out of 3
Datuk Zainal Abidin Bin Ujud	2 out of 2

The agendas for the meetings, together with the relevant papers and reports, were distributed to the members prior to the meetings. The Company Secretary attended all the meetings held during the financial year under review. In addition, the Executive Directors, the Group Chief Financial Officer, key management personnel, external auditors and outsourced internal auditors also attended the meetings when invited by the ARMC to provide information and present reports during the deliberation of matters pertaining to their respective areas.

Summary of Work

During the financial year ended 31 December 2022, the ARMC carried out, among others, the following work:

- Reviewed the Group (i.e. Dancomech and our subsidiaries)'s unaudited quarterly results for each of the four (4) quarters prior to recommending for approval by the Board of Directors ("the Board") to release the announcements to Bursa Securities.
- Reviewed the related party transactions entered into by the Group on a quarterly basis to ensure that the transactions with related parties were undertaken on terms and conditions that were not materially different from those obtainable in transactions with unrelated parties.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

- Reviewed and discussed with the then external auditors, Grant Thornton Malaysia PLT (“GT Malaysia”), on their audit work and findings on the financial statements of the Group for the financial year ended 31 December 2021.
- Carried out a private discussion with GT Malaysia without the presence of the Executive Directors and Management, focusing on any issues, problems and reservations arising from their audit on the financial statements of the Group for the financial year ended 31 December 2021, and if there were any other matters that GT Malaysia would like to bring to the attention of the ARMC.
- Reviewed the audited financial statements of the Group and the Company for the financial year ended 31 December 2021 prior to recommending the same to the Board for approval and for tabling to the shareholders for adoption at the annual general meeting in 2022.
- Reviewed the circular to shareholders in relation to the proposed renewal of shareholders’ mandate for recurrent related party transactions of a revenue or trading nature, and Audit Committee Statement in relation thereto, prior to recommending the same to the Board for approval to distribute to shareholders for the annual general meeting in 2022.
- Reviewed the Register of Risks and Risk Matrix of the Group.
- Reviewed the Statement on Risk Management and Internal Control and the Audit and Risk Management Committee Report prior to recommending the same to the Board for approval to include in the 2021 Annual Report of the Company.
- Reviewed and recommended to the Board for the appointment of TGS TW PLT (upon the resignation of GT Malaysia) as the external auditors of the Company for the financial year ended 31 December 2022.
- Reviewed and discussed with TGS TW PLT on their audit plan for the financial statements of the Group for the financial year ended 31 December 2022 covering, among others:
 - (i) Audit objectives;
 - (ii) Engagement and reporting requirements;
 - (iii) Audit plan;
 - (iv) Audit approach;
 - (v) Audit materiality;
 - (vi) Key audit areas and matters;
 - (vii) Adoption of new Malaysian Financial Reporting Standards;
 - (viii) Compliance with laws and regulations, and fraud-related matters;
 - (ix) Proposed reporting schedules; and
 - (x) Proposed audit fees.
- Reviewed, discussed and approved the internal audit plan of the Group for 2023 as prepared by the Group’s outsourced internal auditors, BDO Governance Advisory Sdn Bhd (“BDO Governance Advisory”).
- Reviewed and deliberated on BDO Governance Advisory’s reports as detailed in the Internal Audit Function section below, and followed-up on the actions taken by Management in addressing the issues and recommendations raised by BDO Governance Advisory.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

Internal Audit Function

The internal audit function of the Group is outsourced to BDO Governance Advisory, an external professional firm which is independent of the activities and operations of the Group. BDO Governance Advisory reports directly to the ARMC.

During the financial year ended 31 December 2022, BDO Governance Advisory carried out the following work:

- Presented and discussed the internal audit plan of the Group for 2023 with the ARMC.
- Undertook internal control reviews, as follows:
 - High level review of the sales, production, procurement, and inventory management of the Company's subsidiary, MTL Engineering Sdn Bhd; and
 - Review of the sales to receipt of the Company's subsidiary, Dancomech Engineering Sdn Bhd.
- Presented the reports on internal control reviews setting out their findings and recommendations, together with Management's responses and actions, to the ARMC for deliberation.

The fees incurred by the Group in relation to the outsourced internal audit function for the financial year ended 31 December 2022 were RM41,000.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors (“the Board”) of Dancomech Holdings Berhad (“Dancomech” or “the Company”) is pleased to present this Statement on Risk Management and Internal Control of Dancomech and our subsidiaries (“the Group”) for the financial year ended 31 December 2022 (“this Statement”) pursuant to paragraph 15.26(b) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers issued by the Taskforce on Internal Control with the support and endorsement of Bursa Securities.

BOARD’S RESPONSIBILITY

The Board affirms its overall responsibility for the establishment of a sound risk management practice and internal control system with regular reviews to ensure its adequacy and integrity to safeguard shareholders’ investments and the Group’s assets.

Nevertheless, the Board recognises the inherent limitations in any system of risk management and internal control as the system is designed to mitigate and manage rather than to eliminate the risks that may affect the achievement of the Group’s business objectives. Therefore, such a system can only provide reasonable but not absolute assurance against material misstatement, financial losses or fraud.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Risk management and internal control are embedded in the Group’s management system. On an ongoing basis, management is responsible for identifying, evaluating, managing and reporting major risks that affect the Group’s strategic and business plans. The register of risks is continuously developed and updated by management and heads of department to monitor and manage the identified risks.

The key elements of the Group’s internal control system include:

1. An organisation structure with clearly defined levels of authority, accountability and responsibility of job functions and specifications;
2. Board Committees (i.e. Audit and Risk Management Committee, Nomination Committee and Remuneration Committee) that undertake the duties and responsibilities as set out in their respective Terms of Reference;
3. Formalised policies such as Code of Conduct, Code of Ethics of Directors, Related Party Transactions Policy, Whistle-Blower Policy, and Anti-Bribery and Corruption Policy;
4. Internal policies, processes and procedures drawn up and put in place, and reviewed and revised when necessary, to ensure compliance with internal controls, and relevant laws and regulations;
5. Financial performances being reported by management, and reviewed by the Audit and Risk Management Committee and the Board on a periodic basis;
6. Periodic Board, Board Committee and management meetings being held to deliberate on, among others, financial, operational, risk and compliance matters;
7. Active and close involvement of the Executive Directors in the Group’s daily business operations;
8. Annual budgeting process whereby the annual budget prepared by management is deliberated and approved by the Board;
9. Outsourced internal audit function which reports to the Audit and Risk Management Committee; and
10. Insurance coverage on the Group’s assets, where necessary, at the amounts decided as appropriate by management based on the business risks, past experiences, market practices and advice from insurers.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to an external professional firm to assist the Audit and Risk Management Committee and the Board in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system. The outsourced internal auditors report directly to the Audit and Risk Management Committee.

During the financial year ended 31 December 2022, the outsourced internal auditors undertook internal control reviews on the following areas:

1. High level review of the sales, production, procurement, and inventory management of the Company's subsidiary, MTL Engineering Sdn Bhd, covering the following key areas:
 - Production planning
 - Production operations
 - Quality control
 - Procurement
 - Sales
2. Review of the sales to receipt of the Company's subsidiary, Dancomech Engineering Sdn Bhd, covering the following:
 - Accuracy and timeliness of sales billing and collection
 - Management actions taken to address and monitor sales returns and customer complaints
 - Credit control management procedures

The objectives of the above reviews were as follows:

1. To assess the adequacy and test the integrity of the system of internal controls;
2. To assess compliance with policies and procedures, and recommended best practices; and
3. To identify any potential areas for improvement in the effectiveness and efficiency of the processes

The key audit findings together with the recommendations for improvement by the outsourced internal auditors, and management responses were presented and deliberated at the Audit and Risk Management Committee meetings.

WEAKNESSES IN INTERNAL CONTROLS WHICH RESULTED IN MATERIAL LOSSES, IF ANY

During the financial year ended 31 December 2022 and up to the date of approval for issuance of this Statement, there were no material losses incurred by the Group arising from weaknesses in our internal control system.

REVIEW OF THIS STATEMENT

Pursuant to paragraph 15.23 of the MMLR of Bursa Securities, the Company's external auditors have reviewed this Statement for inclusion in the 2022 Annual Report of the Company, and have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control and risk management.

CONCLUSION

The Board is of the view that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, and has received the same assurance from the Managing Director and the Chief Financial Officer of the Group.

ADDITIONAL INFORMATION

1. UTILISATION OF PROCEEDS

No proceeds were raised from any corporate proposals during the financial year ended 31 December 2022.

2. AUDIT AND NON-AUDIT FEES

The Company and our subsidiaries ("the Group") have incurred the following fees for services rendered by the external auditors during the financial year ended 31 December 2022:

	Group RM	Company RM
Audit fees	119,000	18,000
Non-audit fees	3,000	3,000

3. MATERIAL CONTRACTS INVOLVING DIRECTORS AND/OR MAJOR SHAREHOLDERS

There were no material contracts entered into by the Company and/or our subsidiaries involving the interest of directors and/or major shareholders, which subsisted at the end of the financial year ended 31 December 2022 or entered into since the end of the previous financial year.

4. RECURRENT RELATED PARTY TRANSACTIONS

Details of the recurrent related party transactions entered into by the Group pursuant to the shareholders' mandate obtained by the Company at its Ninth (9th) Annual General Meeting held on 24 May 2022 are set out below:

Mandated Related Party	Transacting Party within the Group	Nature of Transactions	Value Transacted from 24 May 2022 up to 10 April 2023 (RM'000)
A.E. Automotion Private Limited ("AE India")	Arah Edar (M) Sdn Bhd ("Arah Edar")	Credit note issued for goods returned pertaining to the procurement of products and services in relation to design, engineering, fabrication and installation of bulk and unit material handling system and equipment from AE India by Arah Edar	(1,393)
SB Belts & Gears Sdn Bhd ("SB Belts")	Arah Edar	Credit note issued for goods returned pertaining to the procurement of products and services in relation to design, engineering, fabrication and installation of bulk and unit material handling system and equipment from SB Belts by Arah Edar	(508)
Me Work Asia (M) Sdn Bhd ("Me Work Asia")	MTL Engineering Sdn Bhd ("MTL")	Sales of furniture, and furniture parts and fixtures to Me Work Asia by MTL	-

STATEMENT OF DIRECTORS' RESPONSIBILITY

STATEMENT ON DIRECTORS' RESPONSIBILITY

The Directors are required to prepare financial statements that give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year under review as well as their results and cash flows for the financial year then ended, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016.

In preparing the financial statements, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made reasonable and prudent judgements and estimates;
- ensured that applicable approved accounting standards have been complied with, subject to any material departures being disclosed and explained in the financial statements; and
- prepared the financial statements on a going concern basis.

The Directors are also responsible for ensuring that proper accounting and other records are kept to enable the financial statements to comply with the Companies Act 2016, as well as taking reasonable steps to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other such irregularities.

LIST OF PROPERTIES AS AT 31 DECEMBER 2022

Registered/ Beneficial owner	Title/Address	Description/ Existing use	Tenure	Land area/ Built-up area (sq. ft.)	Approximate age of building (Years)	Audited net book value as at 31 December 2022 (RM'000)	Date of acquisition/ completion
Dancomech Engineering Sdn Bhd	Title: HS(D) No. 102177 PT 15990 Mukim Damansara Daerah Petaling Negeri Selangor Address: No. 19 Jalan Pelukis U1/46 Seksyen U1 40150 Shah Alam Selangor Darul Ehsan	Description: Industrial land erected upon with a three- storey office cum warehouse. Existing use: Office and warehouse of Dancomech Engineering Sdn Bhd. Partial space of the second floor is rented out to a third-party tenant which uses it as a car showroom.	Freehold	Land area: 79,523.80 Built-up area: 97,679.17	9	Land: 11,915 Building: 11,589 Total: 23,504	14.02.2014 ^
Dancomech Properties Sdn Bhd	Title: PN 378804, Lot No 55429 Mukim Hulu Kinta Daerah Kinta Negeri Perak Address: Plot 34, Medan Tasek Kawasan Perindustrian Tasek 31400 Ipoh, Perak Darul Ridzuan	Description: Industrial land erected upon with 1 single-storey detached office, 5 single-storey detached factories, 1 single-storey detached utility building, and 2 single-storey store/ storage buildings. Existing use: Factory and office of Dancomech Pumps Sdn Bhd.	Leasehold 99 years Remaining lease period: 44 years	Land area: 130,684.64 Built-up area: 51,428.00	54	Land: 3,252 Building: 541 Total: 3,793	07.06.2017
Dancomech Properties Sdn Bhd	Title: Geran 532182, Lot 207701 Mukim Plentong Johor Bahru, Johor Address: No. 116, 116-01 & 116-02 Jalan Sierra Perdana 4/1 Taman Sierra Perdana 81750 Masai Johor Darul Takzim	Description: 3-storey office shop lot. Existing use: Rented out to Tripeer Dancomech Engineering Sdn Bhd as an office.	Freehold	Land area: 1,539.24 Built-up area: 4,503.00	9	Total: 1,019	19.11.2018

LIST OF PROPERTIES AS AT 31 DECEMBER 2022

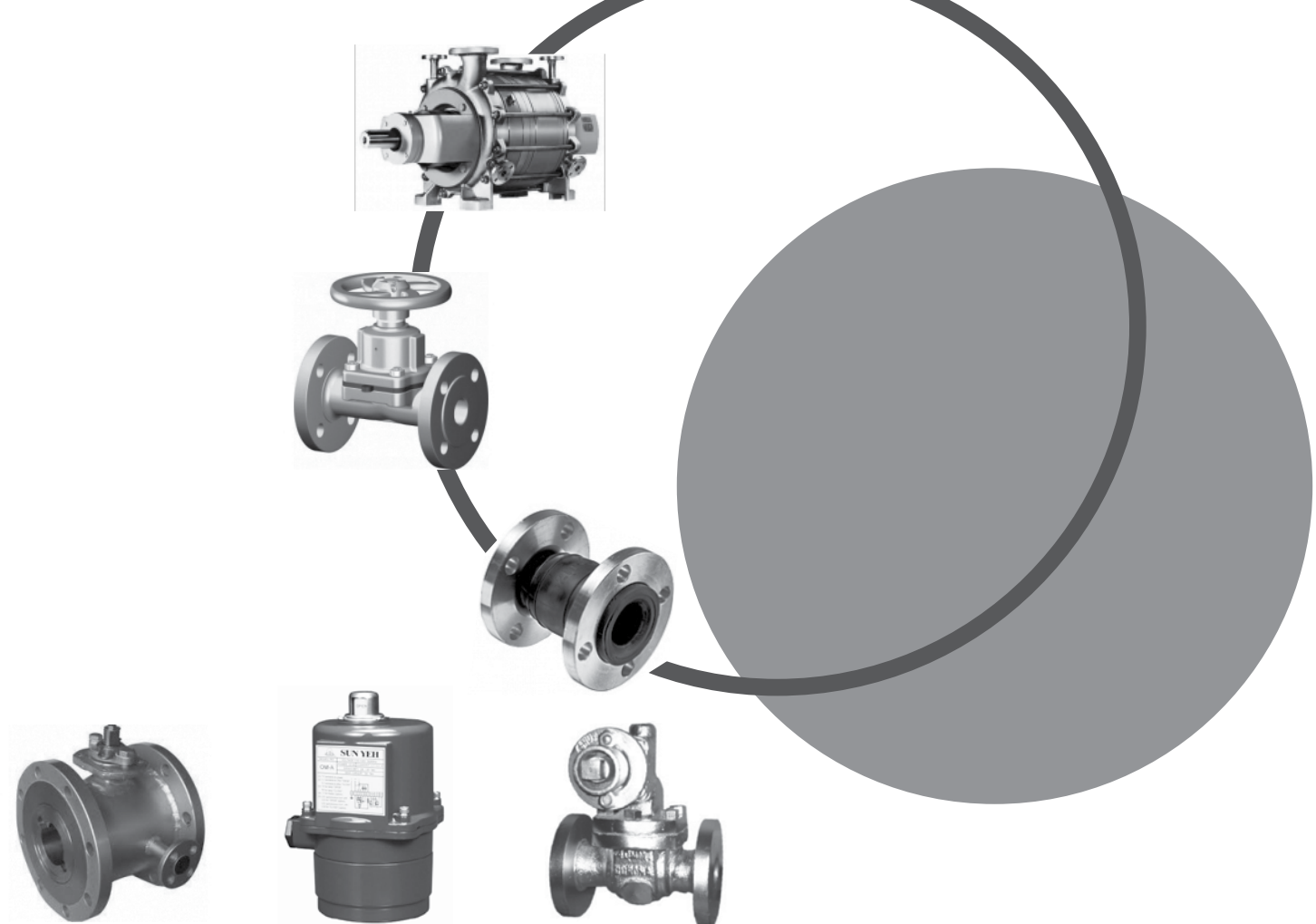
Registered/ Beneficial owner	Title/Address	Description/ Existing use	Tenure	Land area/ Built-up area (sq. ft.)	Approximate age of building (Years)	Audited net book value as at 31 December 2022 (RM'000)	Date of acquisition/ completion
MTL Engineering Sdn Bhd	Title: GM 7001, Lot No 57167 Mukim Klang, Daerah Klang, Selangor Address: PT 38353 Jalan Bukit Kemuning Seksyen 32 40460 Shah Alam Selangor Darul Ehsan	Description: Industrial land erected upon with a double-storey detached factory and a three-storey front office annex. Existing use: Factory and office of MTL Engineering Sdn Bhd.	Freehold	Land area: 62,335.80 Built-up area: 37,338.00	18	Land: 6,200 Building: 3,439 Total: 9,639	03.08.2020 #
MTL Engineering Sdn Bhd	Title: HSM 22311, Lot No PT 34342 Mukim Klang, Daerah Klang, Selangor Address: PT 34342 Jalan Bukit Kemuning Seksyen 34 40460 Shah Alam Selangor Darul Ehsan	Description: Industrial land erected upon with 2 single- storey detached factories (with 1 incorporating a double-storey office). Existing use: Factory and office of MTL Engineering Sdn Bhd.	Freehold	Land area: 96,311.10 Built-up area: 17,400.00	4	Land: 12,500 Building: 305 Total: 12,805	03.08.2020 #
MTL Engineering Sdn Bhd	Title: Geran Mukim 1047, Lot 22226 Mukim Klang, Tempat Sungai Rasau Ulu, Daerah Klang, Selangor Address: 22226 Jalan Bukit Kemuning Seksyen 32 40460 Shah Alam Selangor Darul Ehsan	Description: Agricultural land (zoned for industrial). Existing use: Vacant.	Freehold	Land area: 98,016.17	Not applicable	Total: 9,685	26.05.2022

LIST OF PROPERTIES AS AT 31 DECEMBER 2022

Registered/ Beneficial owner	Title/Address	Description/ Existing use	Tenure	Land area/ Built –up area (sq. ft.)	Approximate age of building (Years)	Audited net book value as at 31 December 2022 (RM'000)	Date of acquisition/ completion
UTC Engineering Sdn Bhd	Title: Geran 218792, Lot 49014, Pekan Subang Jaya, Daerah Petaling, Selangor Address: No. 3, Jalan USJ 21/11 47640 Subang Jaya Selangor Darul Ehsan	Description: 3-storey office shop lot. Existing use: Office of UTC Engineering Sdn Bhd.	Freehold	Land area: 2,002.09 Built-up area: 5,500.00	20	Total: 1,986	23.09.2022

Notes:

- ^ Date of issuance of certificate of completion and compliance
Date of acquisition of MTL Engineering Sdn Bhd by Dancomech Holdings Berhad



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DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Profit for the financial year	19,130,671	8,843,381
Attributable to:		
Owners of the Company	18,196,268	8,843,381
Non-controlling interests	934,403	-
	19,130,671	8,843,381

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the last financial year, the Company paid:

	RM
Second interim single-tier dividend of RM0.0125 per ordinary share in respect of the financial year ended 31 December 2021 declared on 25 February 2022 and paid on 31 March 2022	4,599,103
First interim single-tier dividend of RM0.0075 per ordinary share in respect of the financial year ended 31 December 2022 declared on 24 August 2022 and paid on 26 September 2022	3,319,127
	7,918,230

On 27 February 2023, the Board of Directors of the Company have declared and approved a second interim single-tier dividend of RM0.0125 per ordinary share in respect of the financial year ended 31 December 2022. The dividend will be paid on 31 March 2023.

DIRECTORS' REPORT

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 110,316,414 new ordinary shares at RM0.30 each for total cash consideration of RM33,094,924 from the exercise of warrants.

WARRANTS

The warrants were constituted under the Deed Poll dated 3 May 2017 as disclosed in the Note 19(b) to the financial statements.

The movement of the warrants during the financial year is as follows:

	At 1.1.2022	Number of units		At 31.12.2022
		Exercised	Expired	
Warrants (2017/2022)	114,766,200	(110,316,414)	(4,449,786)	-

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

The Directors in office during the financial year until the date of this report are:

Datuk Zainal Abidin Bin Ujud
Aik Swee Tong^
Aik Cwo Shing*
Gong Wooi Teik
Lee Chen Yow
Sharon Lee Ching Yee

^ Director of the Company and of its subsidiaries (except Optimis Engineering Sdn. Bhd.)

* Director of the Company and of its subsidiaries

DIRECTORS' REPORT

DIRECTORS (CONTINUED)

The Directors who held office in the subsidiaries (excluding Directors who are also Directors of the Company) during the financial year up to date of this report:

Aik Hui Luan
Aik Kwo Liang
Wong Chiau Siew
Chang Soo Hong
Subramanian Subbiah Madasamy
Tang Fook Siong
Poon Chee Peng
Tan Moon Chuan
Mun Peng Foong
Chiang Siau Poh
Tang Yuen Kin
Khu Gee Keong
Yew Teik Choon

DIRECTORS' INTERESTS IN SHARES

The interest and deemed interests in the shares of the Company and of its related corporations of those who were Directors at financial year end (including their spouses or children) according to the Register of Directors' Shareholdings are as follows:

Directors of the Company

	← Number of ordinary shares →			
	At 1.1.2022	Conversion of warrants/ Transferred/ Acquired	Sold	At 31.12.2022
Direct interests				
Datuk Zainal Abidin Bin Ujud	200,000	-	-	200,000
Aik Swee Tong				
- own	22,168,616	1,700,000	-	23,868,616
- others^	-	4,955,000	-	4,955,000
Aik Cwo Shing	22,168,616	1,700,000	-	23,868,616
Gong Wooi Teik	300,000	-	-	300,000
Lee Chen Yow	141,100	-	-	141,100
Indirect interest				
Aik Swee Tong*	134,863,730	12,800,000	-	147,663,730
Aik Cwo Shing*	134,863,730	12,800,000	-	147,663,730

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

The interest and deemed interests in the shares of the Company and of its related corporations of those who were Directors at financial year end (including their spouses or children) according to the Register of Directors' Shareholdings are as follows: (continued)

Directors of the Company (continued)

	← Number of warrants 2017/2022 →			
	At 1.1.2022	Bought/ Granted	Exercised/ Sold/ Expired	At 31.12.2022
Direct interests				
Aik Swee Tong	7,484,308	-	(7,484,308)	-
Aik Cwo Shing	7,484,308	-	(7,484,308)	-
Indirect interest				
Aik Swee Tong*	36,881,865	-	(36,881,865)	-
Aik Cwo Shing*	36,881,865	-	(36,881,865)	-

^ Interest held by his spouse

* Deemed interest by virtue of the shareholdings in ABC Equity Sdn. Bhd.

Directors of the Company's subsidiaries

	← Number of ordinary shares →			
	At 1.1.2022	Conversion of warrants	Sold	At 31.12.2022
Direct interests				
Aik Kwo Liang	13,537,714	600,000	-	14,137,714
Aik Hui Luan	10,913,628	850,000	-	11,763,628
Wong Chiau Siew	12,896,352	1,000,000	-	13,896,352
Chang Soo Hong	200,000	-	-	200,000
Mun Peng Foong	22,000	-	-	22,000

	← Number of warrants 2017/2022 →			
	At 1.1.2022	Bought/ Granted	Exercised/ Sold/ Expired	At 31.12.2022
Direct interests				
Aik Kwo Liang	3,700,157	-	(3,700,157)	-
Aik Hui Luan	3,206,814	-	(3,206,814)	-
Wong Chiau Siew	4,048,176	-	(4,048,176)	-
Chang Soo Hong	100,000	-	(100,000)	-

By virtue of their interests in the shares of the Company, Aik Swee Tong and Aik Cwo Shing are also deemed interested in the shares of all the subsidiaries during the financial year to the extent that the Company has an interest under Section 8 of the Companies Act 2016.

Other than as disclosed above, none of the other Directors in office at the end of the financial year have any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' REPORT

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown below) 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, other than Director who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business and legal fee paid to a firm in which a Director is a member as disclosed in Note 33 to the financial statements.

The details of the directors' remuneration for the financial year ended 31 December 2022 are set out below:

	Group RM	Company RM
Fees	202,800	142,800
Salaries, wages and other emoluments	1,654,000	10,000
Defined contribution plans	263,040	-
Social security contributions	1,645	-
	2,121,485	152,800

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

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Company were RM3,000,000 and RM5,000 respectively. No indemnity was given to or insurance effected for auditors of the Group during the financial year.

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONTINUED)

(b) At the date of this report, the Directors are not aware of any circumstances:

- (i) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (iii) not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or
- (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

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

(d) In the opinion of the Directors:

- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
- (ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SUBSEQUENT EVENT

The details of subsequent event is disclosed in Note 39 to the financial statements.

SUBSIDIARIES

The details of the subsidiaries are disclosed in Note 6 to the financial statements.

DIRECTORS' REPORT

AUDITORS

The Auditors, TGS TW PLT (202106000004 (LLP0026851-LCA) & AF002345), have expressed their willingness to continue in office.

Auditor's remuneration for the Group and the Company as set out in Note 27 to the financial statements are RM119,000 and RM18,000 respectively.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 30 March 2023.

.....)	
AIK SWEE TONG)	
)	
)	
)	
)	DIRECTORS
)	
)	
)	
)	
.....)	
AIK CWO SHING)	

KUALA LUMPUR

STATEMENT BY DIRECTORS

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 58 to 123 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 2022 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 30 March 2023.

.....
AIK SWEE TONG

.....
AIK CWO SHING

Kuala Lumpur

STATUTORY DECLARATION

I, Tang Yuen Kin (MIA Membership No.: 15984), being the Officer primarily responsible for the financial management of Dancomech Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 58 to 123 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in)
the Federal Territory on 30 March 2023)

.....
TANG YUEN KIN

Before me,

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DANCOMECH HOLDINGS BERHAD

[REGISTRATION NO.: 201301020455 (1050285-U)]
(INCORPORATED IN MALAYSIA)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Dancomech Holdings Berhad, which comprise the statements of financial position as at 31 December 2022, 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 58 to 123.

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 2022, and of their financial performance and of 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 Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

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

Key audit matters

How we address the key audit matters

1. Goodwill impairment review

As at 31 December 2022, the carrying amount of the Group's goodwill on consolidation amounted to RM1,977,804 mainly arising from acquisition of UTC Engineering Sdn. Bhd..

Goodwill were tested for impairment annually in accordance to MFRS 136 *Impairment of Assets*. This assessment requires management to make estimates concerning the estimated future cash flows and associated discount rates based on management's view of future business prospects. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, this is the key judgemental area that our audit was concentrated on.

Our procedures performed in relation to managements' impairment assessment and testing included the following:

- assessed the reliability of the cash flows forecasts and supporting evidence of the underlying assumptions, by checking to approved budgets and comparing to recent performance and prior financial years' forecasted results;
- performed sensitivity analysis on the key inputs (including discount rates and long term growth rates) to the impairment model, to understand the impact that reasonably possible changes to key assumptions would have on the overall carrying value of the goodwill at the end of the reporting period;
- checked the key assumptions used by management, in particular, revenue growth rate comparing to business plans, historical results and market data; and
- assessed the adequacy and reasonableness of the disclosures in the financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DANCOMECH HOLDINGS BERHAD (CONTINUED)

[REGISTRATION NO.: 201301020455 (1050285-U)]
(INCORPORATED IN MALAYSIA)

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matters

How we address the key audit matters

2. Impairment of trade receivables

The Group has material credit exposures in its trade receivables. Given the nature of these assets, the assessment of impairment involves significant estimation uncertainty subjective assumptions and the application of significant judgement.

The focus of our work involved auditing the Group's credit analyses and associated impairment assessments of trade receivables that were either in default or significantly overdue at the financial year end. Our procedures performed in relation to managements' impairment assessment and testing included the following:

- circulated trade receivables balance confirmations and performed alternative audit procedures for those trade receivables with no replies by vouching to the invoices and delivery orders, and checking to the subsequent collections;
- analysed the aging of trade receivables;
- analysed and assessed the recoverability of those trade receivables exceeded credit terms and through enquiring with management and by obtaining sufficient and appropriate audit evidences to support the conclusion; and
- assessed the adequacy and reasonableness of the disclosures in the financial statements.

3. Valuation of inventories

Valuation of inventories is a significant audit risk as inventories may be held for long periods of time before sold that making it vulnerable to obsolescence or theft. This could result in an overstatement of the value of the inventories of the cost is higher than the net realisable value. Furthermore, the assessment and application of inventories provisions are subject to significant management judgement.

Our procedures included, amongst others:

- attending inventories count at the financial year end and to assess the adequacy of controls over the existence of inventories;
- testing a sample of inventories items to ensure they were held at the lower of cost and net realisable value; and
- evaluating management judgement with regards to the application of provisions to the inventories.

There is no key audit matter to be communicated in respect of the audit of the financial statements of the Company.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DANCOMECH HOLDINGS BERHAD (CONTINUED)

[REGISTRATION NO.: 201301020455 (1050285-U)]
(INCORPORATED IN MALAYSIA)

Report on the audit of the financial statements (continued)

Information other than the financial statements and auditors' report thereon

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

Our opinion on the financial statements of the Group and of the Company do 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 the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the 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 and 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.

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 of the Company's internal control.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DANCOMECH HOLDINGS BERHAD (CONTINUED)

[REGISTRATION NO.: 201301020455 (1050285-U)]
(INCORPORATED IN MALAYSIA)

Auditors' responsibilities for the audit of the financial statements (continued)

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: (continued)

- 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 and 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 and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DANCOMECH HOLDINGS BERHAD (CONTINUED)

[REGISTRATION NO.: 201301020455 (1050285-U)]
(INCORPORATED IN MALAYSIA)

Other matters

1. The financial statements of the Group and of the Company as at 31 December 2021, were audited by another firm of Chartered Accountants who expressed an unmodified opinion on the financial statements dated 31 March 2022.
2. 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 purposes. We do not assume responsibility to any other person for the content of this report.

TGS TW PLT
202106000004 (LLP0026851-LCA) & AF002345
Chartered Accountants

KUALA LUMPUR

30 March 2023

OOI POH LIM
03087/10/2023 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	76,532,056	62,500,408	-	-
Investment property	5	1,018,745	1,040,931	-	-
Investment in subsidiaries	6	-	-	78,562,526	78,562,526
Investment in an associate	7	23,156	-	164,915	136,915
Deferred tax assets	8	10,794	119,000	-	-
Goodwill on consolidation	9	1,977,804	1,977,804	-	-
Fixed deposits with licensed banks	10	407,384	399,984	-	-
		79,969,939	66,038,127	78,727,441	78,699,441
Current assets					
Inventories	11	46,555,065	40,988,485	-	-
Trade receivables	12	52,385,205	44,180,484	-	-
Contract assets	12	1,851,242	6,054,064	-	-
Other receivables	13	4,158,157	3,882,537	166,000	166,000
Amount due from subsidiaries	14	-	-	38,696,576	12,677,500
Amount due from an associate	15	467,917	184,049	-	-
Tax recoverable		686,444	586,021	64,241	102,777
Financial asset at fair value through profit or loss	16	3,774,256	3,689,642	-	-
Fixed deposits with licensed banks	10	59,849,369	37,174,304	-	-
Cash and bank balances	17	40,894,961	32,803,425	12,057,047	4,027,647
		210,622,616	169,543,011	50,983,864	16,973,924
Total assets		290,592,555	235,581,138	129,711,305	95,673,365
EQUITY					
Share capital	18	110,397,223	77,302,299	110,397,223	77,302,299
Merger deficit	19	(41,477,141)	(41,477,141)	-	-
Reserves	19	-	-	-	-
Retained earnings	19	132,226,339	121,948,301	19,241,460	18,316,309
		201,146,421	157,773,459	129,638,683	95,618,608
Non-controlling interests		17,912,664	17,113,261	-	-
Total equity		219,059,085	174,886,720	129,638,683	95,618,608

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022 (CONTINUED)

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	8	2,294,083	2,442,546	-	-
Loan and borrowings	20	12,876,719	7,135,327	-	-
Lease liabilities	21	2,221,417	1,945,362	-	-
		17,392,219	11,523,235	-	-
Current liabilities					
Loan and borrowings	20	2,574,970	2,447,105	-	-
Lease liabilities	21	1,114,730	893,125	-	-
Trade payables	22	33,185,996	35,803,412	-	-
Contract liabilities	22	6,716,614	1,519,746	-	-
Other payables	23	7,412,596	7,549,596	72,622	54,757
Amount due to a Director	24	-	24,000	-	-
Tax payable		3,136,345	934,199	-	-
		54,141,251	49,171,183	72,622	54,757
Total liabilities		71,533,470	60,694,418	72,622	54,757
Total equity and liabilities		290,592,555	235,581,138	129,711,305	95,673,365

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
Revenue	25	211,962,437	205,390,892	-	-
Cost of sales		(166,786,244)	(163,552,862)	-	-
Gross profit		45,176,193	41,838,030	-	-
Other income		3,093,750	3,097,637	9,225,051	9,098,719
Selling and distribution expenses		(822,262)	(789,542)	-	-
Administrative expenses		(16,416,879)	(16,507,572)	(318,029)	(322,132)
Other expenses		(1,759,945)	(131,990)	-	-
Net loss on impairment of financial assets		(1,832,936)	(316,053)	-	-
Profit from operation		27,437,921	27,190,510	8,907,022	8,776,587
Finance costs	26	(519,802)	(498,176)	-	-
Share of results of an associate	7	(4,844)	(127,265)	-	-
Profit before tax	27	26,913,275	26,565,069	8,907,022	8,776,587
Taxation	28	(7,782,604)	(6,447,515)	(63,641)	46,572
Profit for the financial year, representing total comprehensive income for the financial year		19,130,671	20,117,554	8,843,381	8,823,159
Profit for the financial year attributable to:					
Owners of the Company		18,196,268	16,590,429	8,843,381	8,823,159
Non-controlling interests		934,403	3,527,125	-	-
		19,130,671	20,117,554	8,843,381	8,823,159
Total comprehensive income for the financial year attributable to:					
Owners of the Company		18,196,268	16,590,429	8,843,381	8,823,159
Non-controlling interests		934,403	3,527,125	-	-
		19,130,671	20,117,554	8,843,381	8,823,159
Earnings per share:					
Basic (sen)	29	0.04	0.05		
Diluted (sen)	29	N/A	0.04		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

<div> <div>←</div> <div>Attributable to owners of the Company</div> <div>→</div> </div> <div> <div>←</div> <div>Non-distributable</div> <div>→</div> <div>Distributable</div> </div> <div> <div>Non-</div> <div>controlling</div> <div>interests</div> <div>RM</div> </div>									
Note	Share capital RM	Merger deficit RM	Warrant reserve RM	Other reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM	
Group									
At 1 January 2021	70,362,159	(41,477,141)	60,143,706	(60,143,706)	111,683,242	140,568,260	13,089,340	153,657,600	
Transactions with owners:									
Acquisition of a subsidiary	6	-	-	-	-	-	631,796	631,796	
Issuance of shares pursuant to exercise of warrants	18, 19	-	(10,089,576)	10,089,576	-	6,940,140	-	6,940,140	
Dividend paid to non-controlling interests	30	-	-	-	-	-	(135,000)	(135,000)	
Dividend paid to owners		-	-	-	(6,325,370)	(6,325,370)	-	(6,325,370)	
Total transactions with owners		-	(10,089,576)	10,089,576	(6,325,370)	614,770	496,796	1,111,566	
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	16,590,429	16,590,429	3,527,125	20,117,554	
At 31 December 2021	77,302,299	(41,477,141)	50,054,130	(50,054,130)	121,948,301	157,773,459	17,113,261	174,886,720	
At 1 January 2022	77,302,299	(41,477,141)	50,054,130	(50,054,130)	121,948,301	157,773,459	17,113,261	174,886,720	
Transactions with owners:									
Issuance of shares pursuant to exercise of warrants	18, 19	-	(48,113,400)	48,113,400	-	33,094,924	-	33,094,924	
Expiry of warrants	19	-	(1,940,730)	1,940,730	-	-	-	-	
Dividend paid to non-controlling interests	30	-	-	-	-	-	(135,000)	(135,000)	
Dividend paid to owners		-	-	-	(7,918,230)	(7,918,230)	-	(7,918,230)	
Total transactions with owners		-	(50,054,130)	50,054,130	(7,918,230)	25,176,694	(135,000)	25,041,694	
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	18,196,268	18,196,268	934,403	19,130,671	
At 31 December 2022	110,397,223	(41,477,141)	-	-	132,226,339	201,146,421	17,912,664	219,059,085	

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Attributable to owners of the Company						
		Non-distributable			Distributable	
		Share capital	Warrant reserve	Other reserve	Retained earnings	Total equity
Note		RM	RM	RM	RM	RM
Company						
At 1 January 2021						
Transactions with owners:						
	Issuance of shares pursuant to exercise of warrants	70,362,159	60,143,706	(60,143,706)	15,818,520	86,180,679
18, 19	Dividend paid to owners	6,940,140	(10,089,576)	10,089,576	-	6,940,140
30		-	-	-	(6,325,370)	(6,325,370)
Total transactions with owners						
	Profit for the financial year, representing total comprehensive income for the financial year	6,940,140	(10,089,576)	10,089,576	(6,325,370)	614,770
At 31 December 2021						
		77,302,299	50,054,130	(50,054,130)	18,316,309	95,618,608
At 1 January 2022						
		77,302,299	50,054,130	(50,054,130)	18,316,309	95,618,608
Transactions with owners:						
	Issuance of shares pursuant to exercise of warrants	33,094,924	(48,113,400)	48,113,400	-	33,094,924
18, 19	Expiry of warrants	-	(1,940,730)	1,940,730	-	-
30	Dividend paid to owners	-	-	-	(7,918,230)	(7,918,230)
Total transactions with owners						
	Profit for the financial year, representing total comprehensive income for the financial year	33,094,924	(50,054,130)	50,054,130	(7,918,230)	25,176,694
At 31 December 2022						
		110,397,223	-	-	8,843,381	129,638,683

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Cash flows from operating activities				
Profit before tax	26,913,275	26,565,069	8,907,022	8,776,587
Adjustments for:				
Allowance for expected credit losses				
on trade receivables	1,832,936	316,053	-	-
Bad debts written off	8,691	6,910	-	-
Depreciation on property, plant and equipment	3,885,625	3,780,122	-	-
Depreciation on investment property	22,186	22,186	-	-
Interest expenses	519,802	498,176	-	-
Gain on modification of lease contracts	-	(13,272)	-	-
Gain on early termination of lease contracts	(40,569)	(2,796)	-	-
Gain on disposal of property, plant and equipment	(52,000)	(17,265)	-	-
Impairment of contract assets	1,533,094	-	-	-
Share of result of an associate	4,844	127,265	-	-
Unrealised gain on foreign exchange	(115,032)	(170,356)	-	-
Provision for slow-moving inventories	-	49,529	-	-
Property, plant and equipment written off	872	-	-	-
Dividend income from subsidiaries	-	-	(8,965,000)	(8,965,000)
Dividend income from quoted investment	(5,685)	(49,035)	-	-
Fair value gain on financial assets through profit or loss	(78,929)	(17,718)	-	-
Interest income	(953,663)	(571,309)	(260,051)	(133,719)
Operating profit/(loss) before working capital changes	33,475,447	30,523,559	(318,029)	(322,132)
Changes in working capital:				
Inventories	(5,566,580)	(421,039)	-	-
Receivables	(10,576,781)	(277,091)	-	(165,000)
Payables	(2,495,404)	12,066,964	17,865	(63,425)
Contract assets	2,669,728	(5,348,181)	-	-
Contract liabilities	5,196,868	(8,098,502)	-	-
Associate	(283,868)	(168,849)	-	-
	(11,056,037)	(2,246,698)	17,865	(228,425)
Cash generated from/(used in) operations	22,419,410	28,276,861	(300,164)	(550,557)
Interest paid	-	(2,633)	-	-
Tax paid	(5,833,368)	(7,076,844)	(25,105)	(28,500)
Tax refund	112,230	-	-	-
Net cash from/(used in) operating activities	16,698,272	21,197,384	(325,269)	(579,057)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
Cash flows from investing activities					
Purchase of property, plant and equipment	A	(8,792,650)	(815,427)	-	-
Proceed from disposal of property, plant and equipment		52,000	17,265	-	-
Placement of fixed deposits with licensed banks		(22,636,261)	(7,613,244)	-	-
Net cash outflows from acquisition of a subsidiary		-	(930,589)	-	(2,750,000)
Acquisition of additional shares in an associate		(28,000)	-	(28,000)	-
Dividend received		-	-	8,965,000	8,965,000
Interest received		953,663	571,309	260,051	133,719
Net cash (used in)/from investing activities		(30,451,248)	(8,770,686)	9,197,051	6,348,719
Cash flows from financing activities					
Repayment to a Director		(24,000)	-	-	-
Advances to subsidiaries		-	-	(26,019,076)	(9,075,659)
Repayments of term loans		(1,615,743)	(1,733,949)	-	-
Repayments of lease liabilities	B	(1,077,266)	(1,000,718)	-	-
(Repayments)/Drawdown of bankers' acceptance		(25,000)	48,000	-	-
Placement of pledged fixed deposits		(3,557,848)	(738,590)	-	-
Proceeds from issue of shares upon exercise of warrants		33,094,924	6,940,140	33,094,924	6,940,140
Dividends paid to owners		(7,918,230)	(6,325,370)	(7,918,230)	(6,325,370)
Dividend paid to non-controlling interests		(135,000)	(135,000)	-	-
Interest paid		(519,802)	(495,543)	-	-
Net cash from/(used in) financing activities		18,222,035	(3,441,030)	(842,382)	(8,460,889)
Net increase/(decrease) in cash and cash equivalents					
		4,469,059	8,985,668	8,029,400	(2,691,227)
Effect of exchange translation differences		110,833	80,147	-	-
Cash and cash equivalents at the beginning of the financial year					
		38,877,584	29,811,769	4,027,647	6,718,874
Cash and cash equivalents at the end of the financial year					
		43,457,476	38,877,584	12,057,047	4,027,647
Cash and cash equivalents at the end of the financial year comprises:					
Cash and bank balances		40,894,961	32,803,425	12,057,047	4,027,647
Fixed deposits with licensed banks		60,256,753	37,574,288	-	-
		101,151,714	70,377,713	12,057,047	4,027,647
Less: Fixed deposits pledged with licensed banks		(6,743,610)	(3,185,762)	-	-
Less: Fixed deposits maturity more than 3 months		(50,950,628)	(28,314,367)	-	-
		43,457,476	38,877,584	12,057,047	4,027,647

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

NOTES TO STATEMENTS OF CASH FLOWS

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
A. Purchases of property, plant and equipment					
Total additions	4	18,113,949	2,876,927	-	-
Purchase through lease arrangements		(1,811,299)	(2,061,500)	-	-
Purchase through term loan		(7,510,000)	-	-	-
Cash payment		8,792,650	815,427	-	-
B. Cash outflows for leases as a lessee					
<u>Included in net cash from operating activities:</u>					
Payment relating to low value assets	27	65,523	-	-	-
Payment relating to short-term leases	27	1,050,121	981,272	-	-
		1,115,644	981,272	-	-
<u>Included in net cash from financing activities:</u>					
Payment of lease liabilities		1,077,266	1,000,718	-	-
Payment on interest of lease liabilities		142,486	96,449	-	-
		1,219,752	1,097,167	-	-
		2,335,396	2,078,439	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

1. CORPORATE INFORMATION

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

The principal place of business of the Company is located at No. 19, Jalan Pelukis U1/46, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan.

The registered office of the Company is located at Lot 5, Level 10, Menara Great Eastern 2, No. 50, Jalan Ampang, 50450 Kuala Lumpur.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following new and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

Amendments to MFRS 16	COVID-19 - Related Rent Concessions beyond 30 June 2021
Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018 - 2020	<ul style="list-style-type: none"> • Amendments to MFRS 1 • Amendments to MFRS 9 • Amendments to Illustrative Examples accompanying MFRS 16 • Amendments to MFRS 141

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

Standard issued but not yet effective

The Group and the Company have not applied the following new and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and the Company:

		Effective dates for financial periods beginning on or after
MFRS 17	Insurance Contracts	1 January 2023
Amendments to 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	Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to MFRS 101	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 16	Lease Liabilities in a Sales and Leaseback	1 January 2024
Amendments to MFRS 101	Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 10 and MFRS 128	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group and the Company intend to adopt the above new and amendments to MFRSs when they become effective.

The initial applications of the abovementioned new and amendments to MFRSs are not expected to have any significant impacts on the financial statements of the Group and of the Company.

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. BASIS OF PREPARATION (CONTINUED)

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

Classification between investment property and property, plant and equipment

The Group has developed certain criteria based on MFRS 140 *Investment Property* in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are significant that a property does not qualify as investment property.

Determining the lease term of contracts with renewal and termination options Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group includes the renewal period as part of the lease term for leases of land and building with non-cancellable period included as part of the lease term as these are reasonably certain to be exercised because there will be a significant negative effect on operation if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. BASIS OF PREPARATION (CONTINUED)

(c) Significant accounting judgements, estimates and assumptions (continued)

Key sources of estimation uncertainty

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

Useful lives of property, plant and equipment

The Group regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment. The carrying amount at the reporting date for property, plant and equipment is disclosed in Note 4 to the financial statements.

Impairment of goodwill on consolidation

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use amount requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used to determine the value in use is disclosed in Note 9 to the financial statement.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised and unrecognised deferred tax assets are disclosed in Notes 8 and 28 to the financial statements.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected selling prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 11 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. BASIS OF PREPARATION (CONTINUED)

(c) Significant accounting judgements, estimates and assumptions (continued)

Key sources of estimation uncertainty (continued)

Provision for expected credit loss of financial assets at amortised cost

The Group and the Company review the recoverability of their receivables, include trade and other receivables at each reporting date to assess whether an impairment loss should be recognised. The impairment provisions for receivables are based on assumptions about risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions, including the effects of COVID-19 pandemic at the end of each reporting period.

The Group and the Company use a provision matrix to calculate expected credit loss for receivables. The provision rates are based on number of days past due.

The provision matrix is initially based on the Group's and the Company's historical observed default rates. The Group and the Company will calibrate the matrix to adjust the historical credit loss experience. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit loss is a significant estimate. The carrying amounts at the reporting date for receivables are disclosed in Notes 12, 13, 14 and 15 to the financial statements.

Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations under common control are accounted for using the merger method, where the results of entities or businesses under common control are accounted for as if the combination had been effected throughout the current and previous financial periods. The assets, liabilities and reserves of these entities are recorded at their pre-combination carrying amounts or existing carrying amounts are accounted for from the perspective of the common shareholder. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of combination that would otherwise be done under the acquisition method. No new goodwill is recognised as a result of the combination. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity as reserve on acquisition arising from common control.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. 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 acquiree's identifiable net assets.

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

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 *Financial Instruments* is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Inter-company transactions, balances and unrealised gains or losses on transactions between Group entities are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investment in subsidiaries are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(l)(i) to the financial statements on impairment of non-financial assets.

(ii) Goodwill on consolidation

Goodwill is initially measure at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date. Allocated to each of the Group's cash-generation units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

(iii) Non-controlling interests

Non-controlling interest represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company. It is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separate from equity attributable to owners of the Company.

Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests even though it may result in deficit to non-controlling interests.

(b) Investments in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or just control over those policies.

On acquisition of an investment in an associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of associate's profit or loss for the period in which the investment is acquired.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Investments in an associate (continued)

An associate is accounted for either at cost or equity method as described in MFRS 128 from the date on which the investee becomes an associate. Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits or losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

The financial statements of the associate are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The requirements of MFRS 136 *Impairment of Assets* are applied to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Company's separate financial statements, investment in an associate are either stated at cost less accumulated impairment losses or equity method. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(l)(i) to the financial statements on impairment of non-financial assets.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(l)(i) to the financial statements on impairment of non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and their cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight-line basis to write off the cost of each asset to its residual value over its estimated useful life. Freehold land with an infinite life is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Buildings	2% - 5%
Motor vehicles	10% - 20%
Plant and machinery	10% - 20%
Office equipment	10% - 33.33%
Renovation	20%
Tools, equipment and forklift	10%
Leased land	Over the lease term
Leased premises	Over the lease term
Leased hostel	Over the lease term

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimated and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases

As lessee

The Group recognises a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU 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 site on which it is located, less any lease incentives received.

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(l)(i) to the financial statements.

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

Leased hostel	Over the lease term
Leased land	Over the lease term
Leased premises	Over the lease term
Machinery	10%
Motor vehicles	10% - 20%

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Group's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group is reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

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 rate, or if the Group changes its assessment of whether they will exercise an extension or termination option.

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases (continued)

As lessor

When the Group acts as a lessor, they determine at lease inception whether each lease is a finance lease or an operating lease. Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

If the lease arrangement contains lease and non-lease components, the Group applies MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

The Group recognises assets held under a finance lease in their statements of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

(e) Investment properties

Investment properties, are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost, including transaction costs, less any accumulated depreciation and impairment losses.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties are depreciated on a straight-line basis to write down the cost of each asset to their residual values over their estimated useful lives. The principal annual depreciation rates are:

Building	2%
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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(l)(i) to the financial statements on impairment of non-financial assets. Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. Upon disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

(f) Financial assets

Financial assets are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

A financial asset (unless it is a trade receivable without financing component) is initially measured at fair value plus or minus, for an item not at fair value through profit or loss ("FVTPL"), directly attributable transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

The Group and the Company determine the classification of their financial assets at initial recognition, and are not reclassified subsequent to its initial recognition unless the Group and the Company change their business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets (continued)

(i) Financial assets at amortised cost

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(ii) Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or financial assets at fair value through other comprehensive income ("FVTOCI") are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

All financial assets at amortised cost are subject to impairment.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases or sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received for financial instrument is recognised in profit or loss.

(g) Financial liabilities

Financial liabilities are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments. All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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, and the difference in the respective carrying amounts is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of raw materials, finished goods and work-in-progress comprise cost of purchase and other costs incurred in bringing it to their present location and condition are determined on a weighted average basis.

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

(j) Contract balance

Contract assets

Contract asset is the right to consideration for goods or services transferred to the customers. The Group's contract asset is the excess of revenue recognised over the billings to-date and deposits or advances received from customers.

Where there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract assets' carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract asset is reclassified to trade receivables at the point at which invoices have been billed to customers. Contract assets are subject to impairment assessment in accordance of MFRS 9 *Financial Instruments*.

Contract liabilities

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customers. The Group's contract liabilities are recognised as revenue when the Group performs its obligation under the contracts.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and demand deposits convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of pledged deposit.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, deferred tax assets and contract assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

(ii) Financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For receivables and contract assets, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Share capital

(i) Ordinary shares

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors.

(ii) Warrants

Warrants are classified as equity instruments and its value is allocated based on the Black-Scholes model upon issuance. The issuance of the ordinary shares upon exercise of warrants is treated as new subscription of ordinary shares for the consideration equivalent to the exercise price of the warrants. Upon exercise of warrants the proceeds are credited to share capital. The warrants reserve in relation to the unexercised warrants at the expiry of the warrants will be reversed.

(n) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period 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 is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Any reimbursement that the Group and the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

(o) Employee benefits

(i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group and of the Company. 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. Short-term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits (continued)

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(p) Revenue recognition

(i) Revenue from contracts with customers

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

The Group recognised revenue from sales of goods.

Revenue from sale of goods is recognised when control of the products has transferred, being the products are delivered to the customer.

Following delivery of the goods to the wholesaler's specific location, the wholesaler has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

(ii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(iii) Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

(iv) Interest income

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the Group and of the Company using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss.

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

(r) Borrowing cost

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(s) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income taxes (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(t) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or 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 assets or contingent liabilities unless the probability of inflow or outflow of economic benefit is remote.

(u) Related parties

A related party is a person or entity that is related to the Group and the Company. A related party transaction is a transfer or resources, services or obligations between the Group and the Company and its related party, regardless of whether a price is charged.

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

- (i) has control or joint control over the Group and the Company;
- (ii) has significant influence over the Group and the Company; or
- (iii) is a member of the key management personnel of the Group and of the Company.

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

- (i) The entity and the Group are members of the same group.
- (ii) The entity is an associate or joint venture of the other entity.
- (iii) Both entities are joint ventures of the same third party.
- (iv) The entity is a joint venture of a third entity and the other entity is an associate of the same third entity.
- (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group and the Company.
- (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the Group and of the Company.
- (viii) The entity, or any member of a company of which it is a party, provided key management personnel services to the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. PROPERTY, PLANT AND EQUIPMENT

Group Cost	Freehold land RM	Buildings RM	Leasehold land RM	Leased hostel RM	Leased premises RM	Motor vehicles RM	Plant and machinery RM	Office equipment RM	Renovation and forklift RM	Tools, equipment and forklift RM	Work-in- progress RM	Total RM
At 1 January												
2021	30,614,918	19,684,799	3,661,296	33,605	1,186,702	4,929,411	22,870,653	1,956,727	3,821,894	-	-	88,760,005
Additions	-	-	-	-	-	-	2,435,081	120,203	245,395	76,248	-	2,876,927
Disposal	-	-	-	-	-	-	(162,000)	(802)	-	-	-	(162,802)
Acquisition of a subsidiary	-	-	-	-	-	1,063,945	-	246,404	133,170	26,933	-	1,470,452
Modification of lease contracts	-	-	-	-	(28,398)	-	-	-	-	-	-	(28,398)
Termination of lease contracts	-	-	-	-	(144,787)	-	-	-	-	-	-	(144,787)
Expiration of lease contracts	-	-	-	(33,605)	(127,359)	-	-	-	-	-	-	(160,964)
At 31 December												
2021	30,614,918	19,684,799	3,661,296	-	886,158	5,993,356	25,143,734	2,322,532	4,200,459	103,181	-	92,610,433
Additions	9,685,336	2,026,193	-	-	1,715,299	1,083,437	3,002,888	168,485	206,994	2,850	222,467	18,113,949
Disposal	-	-	-	-	-	(258,000)	(125,000)	-	-	-	-	(383,000)
Written off	-	-	-	-	-	-	-	(40,437)	-	-	-	(40,437)
Termination of lease contracts	-	-	-	-	(756,160)	-	-	-	-	-	-	(756,160)
Expiration of lease contracts	-	-	-	-	(129,999)	-	-	-	-	-	-	(129,999)
At 31 December												
2022	40,300,254	21,710,992	3,661,296	-	1,715,298	6,818,793	28,021,622	2,450,580	4,407,453	106,031	222,467	109,414,786

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM	Buildings RM	Leasehold land RM	Leased hostel RM	Leased premises RM	Motor vehicles RM	Plant and machinery RM	Office equipment RM	Renovation and forklift RM	Tools, equipment and forklift RM	Work-in- progress RM	Total RM
Accumulated depreciation												
At 1 January 2021	-	2,471,539	262,628	21,003	526,258	3,659,872	15,090,390	1,358,807	2,569,457	-	-	25,959,954
Charge for the financial year	-	669,616	73,352	12,602	319,496	587,674	1,607,263	147,355	355,076	7,688	-	3,780,122
Disposal	-	-	-	-	-	-	(162,000)	(802)	-	-	-	(162,802)
Acquisition of a subsidiary	-	-	-	-	-	472,571	-	193,720	111,173	6,580	-	784,044
Modification of lease contracts	-	-	-	-	(11,596)	-	-	-	-	-	-	(11,596)
Termination of lease contracts	-	-	-	-	(78,733)	-	-	-	-	-	-	(78,733)
Expiration of lease contracts	-	-	-	(33,605)	(127,359)	-	-	-	-	-	-	(160,964)
At 31 December 2021	-	3,141,155	335,980	-	628,066	4,720,117	16,535,653	1,699,080	3,035,706	14,268	-	30,110,025
Charge for the financial year	-	710,141	73,352	-	383,307	406,253	1,865,237	152,308	284,371	10,656	-	3,885,625
Disposal	-	-	-	-	-	(258,000)	(125,000)	-	-	-	-	(383,000)
Written off	-	-	-	-	-	-	-	(39,565)	-	-	-	(39,565)
Termination of lease contracts	-	-	-	-	(560,356)	-	-	-	-	-	-	(560,356)
Expiration of lease contracts	-	-	-	-	(129,999)	-	-	-	-	-	-	(129,999)
At 31 December 2022	-	3,851,296	409,332	-	321,018	4,868,370	18,275,890	1,811,823	3,320,077	24,924	-	32,882,730
Carrying amount												
At 31 December 2022	40,300,254	17,859,696	3,251,964	-	1,394,280	1,950,423	9,745,732	638,757	1,087,376	81,107	222,467	76,532,056
At 31 December 2021	30,614,918	16,543,644	3,325,316	-	258,092	1,273,239	8,608,081	623,452	1,164,753	88,913	-	62,500,408

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Including in net carrying amount of property, plant and equipment are right-of-use assets as follows:

	2022 RM	Group 2021 RM
Leasehold land	3,251,964	3,325,316
Leased premises	1,394,280	258,092
Machinery	2,790,780	3,201,316
Motor vehicles	699,541	797,101
	8,136,565	7,581,825

(b) Depreciation charge of right-of-use assets are as follows:

	2022 RM	Group 2021 RM
Leasehold land	73,352	73,352
Leased hostel	-	12,602
Leased premises	383,307	319,496
Machinery	341,994	298,909
Motor vehicles	136,256	230,360
	934,909	934,719

(c) Cost of additions to the right-of-use assets are as follows:

	2022 RM	Group 2021 RM
Leased premises	1,715,299	-
Machinery	-	2,083,425
Motor vehicles	104,731	-
	1,820,030	2,083,425

(d) Property, plant and equipment pledged to a licensed bank as security for the related lease liabilities are as follows:

	2022 RM	Group 2021 RM
Machinery	2,790,780	3,201,316
Motor vehicles	699,541	797,101
	3,490,321	3,998,417

NOTES TO THE FINANCIAL STATEMENTS

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4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (e) Property, plant and equipment pledged to licensed banks as security for the related term loans are as follows:

	2022 RM	Group 2021 RM
Freehold land	40,300,254	30,614,918
Buildings	17,859,696	16,543,644
	58,159,950	47,158,562

5. INVESTMENT PROPERTY

	2022 RM	Group 2021 RM
Freehold building		
Cost		
At 1 January/31 December	1,109,278	1,109,278
Accumulated depreciation		
At 1 January	68,347	46,161
Charge for the financial year	22,186	22,186
At 31 December	90,533	68,347
Carrying amount		
At 31 December	1,018,745	1,040,931
Fair value of investment property	1,072,000	1,072,000

The fair value of the investment property of the Group was estimated by the Directors based on the recent transacted prices in the market of properties with similar condition and location. In estimating the fair value of the property, the highest and best use of the property is its current use.

- (i) Income and expenses recognised in profit or loss

The following are recognised in profit or loss in respect of investment property:

	2022 RM	Group 2021 RM
Income and expenses recognised in profit or loss:		
Rental income	45,600	45,600
Direct operating expenses	32,076	31,979

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENT IN SUBSIDIARIES

	Company	
	2022 RM	2021 RM
At cost		
<u>In Malaysia</u>		
Unquoted share	78,562,526	78,562,526

Details of the subsidiaries are as follows:

Name of company	Place of business / Country of incorporation	Effective interest (%)		Principal activities
		2022	2021	
Dancomech Engineering Sdn. Bhd.	Malaysia	100	100	Trading and distribution of process control equipment and measurement instruments.
Optimis Engineering Sdn. Bhd. ("OESB")	Malaysia	55	55	Trading and distribution of process control equipment and measurement instruments to the water industry.
Dancomech Properties Sdn. Bhd.	Malaysia	100	100	Investment holding.
Dancomech Pumps Sdn. Bhd.	Malaysia	70	70	Manufacturing of all type dealers industrial machinery.
Arah Edar (M) Sdn. Bhd. ("AESB")	Malaysia	55	55	Material handling system solution provider.
Mechpump Sdn. Bhd.	Malaysia	60	60	Trading and distribution of industrial pumps.
MTL Engineering Sdn. Bhd. ("MTLSB")	Malaysia	70	70	Production of metal stamping parts and components.
UTC Engineering Sdn. Bhd. ("UTCBSB")	Malaysia	55	55	Electrical, electronic, and instrumentation engineering, contracting, commissioning, and servicing
<i>Held through MTL Engineering Sdn. Bhd.:</i>				
Newexus Engineering Sdn. Bhd.	Malaysia	70	70	Design and manufacturing of tools and dies.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

(a) Material partly-owned subsidiaries

Set out below are the Group's subsidiaries that have material non-controlling interest.

Name of company	Proportion of ownership interest and voting rights held by NCI	Profit allocated to NCI RM	Accumulated NCI RM
2022			
OESB	45%	231,883	1,909,577
MTLSB	30%	1,563,550	13,605,440
AESB	45%	(1,248,954)	518,951
UTCSB	45%	161,881	883,242
Other individual immaterial subsidiaries		226,043	995,454
		934,403	17,912,664
2021			
OESB	45%	551,814	1,812,694
MTLSB	30%	989,419	11,937,281
AESB	45%	1,711,530	1,767,905
UTCSB	45%	89,565	721,361
Other individual immaterial subsidiaries		184,797	874,020
		3,527,125	17,113,261

Summarised financial information for each subsidiary that has non-controlling interest that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations.

(i) Summarised statement of financial position

	OESB RM	MTLSB RM	AESB RM	UTCSB RM
2022				
Non-current assets	130,691	44,801,062	212,384	2,991,519
Current assets	4,646,608	42,695,553	2,292,999	8,164,636
Non-current liabilities	(15,740)	(14,936,724)	(64,146)	(2,117,085)
Current liabilities	(518,055)	(26,713,906)	(1,288,010)	(7,076,310)
Net assets	4,243,504	45,845,985	1,153,227	1,962,760
2021				
Non-current assets	196,936	32,288,327	186,611	1,081,885
Current assets	4,842,395	36,259,136	10,654,458	8,165,228
Non-current liabilities	(87,620)	(10,425,561)	-	(923,404)
Current liabilities	(923,503)	(17,592,359)	(6,912,390)	(6,720,685)
Net assets	4,028,208	40,529,543	3,928,679	1,603,024

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

(a) Material partly-owned subsidiaries (continued)

(ii) Summarised statement of profit or loss and other comprehensive income

	OESB RM	MTLSB RM	AESB RM	UTCSB RM
2022				
Revenue	3,476,173	124,707,588	-	9,998,181
Profit/(Loss) for the financial year, representing total comprehensive income for the financial year	515,296	5,211,833	(2,775,452)	359,736
2021				
Revenue	5,923,721	77,467,963	36,263,856	7,945,647
Profit for the financial year, representing total comprehensive income for the financial year	1,226,252	3,298,063	3,803,401	199,032

(iii) Summarised statement of cash flows

	OESB RM	MTLSB RM	AESB RM	UTCSB RM
2022				
Net cash from/(used in) operating activities	1,128,019	6,782,468	(2,631,333)	34,593
Net cash from/(used in) investing activities	35,588	(7,931,468)	-	(108,585)
Net cash (used in)/from financing activities	(369,156)	1,931,665	(1,977,465)	(16,072)
Net increase/(decrease) in cash and cash equivalents	794,451	782,665	(4,608,798)	(90,064)
2021				
Net cash from/(used in) operating activities	97,093	1,726,352	2,025,506	(1,074,131)
Net cash from/(used in) investing activities	24,378	(392,411)	(14,431)	(78,193)
Net cash used in financing activities	(69,156)	(2,224,725)	(185,296)	(187,327)
Net increase/(decrease) in cash and cash equivalents	52,315	(890,784)	1,825,779	(1,339,651)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

(b) Acquisition of a subsidiary

On 15 April 2021, the Company acquired 55% equity interest in UTC. The purchase consideration for the acquisition consists of cash consideration of RM2,750,000.

Consideration, assets recognised and liabilities assumed

	2021 RM
Fair value of consideration	2,750,000
<hr/>	
<u>Fair value of identifiable assets acquired and liabilities assumed</u>	
Property, plant and equipment	686,408
Inventories	2,112,406
Trade and other receivables	7,077,602
Contract assets	49,785
Cash and bank balances	1,819,411
Fixed deposit with a licensed bank	388,665
Tax recoverable	182,750
Deferred tax liabilities	(15,000)
Lease liabilities	(252,405)
Trade and other payables	(8,516,409)
Contract liabilities	(347,221)
Loan and borrowings	(1,782,000)
Non-controlling interests	(631,796)
<hr/>	
Total identifiable net assets	772,196
<hr/>	
Goodwill	1,977,804
<hr/>	
<u>Net cash outflow arising from acquisition of a subsidiary</u>	
Fair value of consideration paid	2,750,000
Cash and cash equivalents acquired	(1,819,411)
<hr/>	
	930,589
<hr/>	

7. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Unquoted shares, at cost	160,386	160,386	136,915	136,915
Additions	28,000	-	28,000	-
Share of loss	(165,230)	(160,386)	-	-
<hr/>				
Carrying amount	23,156	-	164,915	136,915
<hr/>				

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

7. INVESTMENT IN AN ASSOCIATE (CONTINUED)

The details of an associate are as follows:

Name of company	Place of business / Country of incorporation	Effective interest (%)		Principal activities
		2022	2021	
Tripeer Dancomech Engineering Sdn. Bhd. ("TDESB")	Malaysia	40	40	Trading and distribution of process control equipment and measurement instruments.

(a) Summarised statement of financial position

	2022 RM	2021 RM
Non-current assets	117,093	153,106
Current assets	610,481	199,898
Non-current liabilities	(89,925)	(101,351)
Current liabilities	(579,759)	(256,004)
Net assets/(liabilities)	57,890	(4,351)

(b) Summarised statement of profit or loss and other comprehensive income

	2022 RM	2021 RM
Loss for the financial year	(7,759)	(315,514)
Included in profit or loss for the financial year is:		
Revenue	1,576,152	1,351,699

8. DEFERRED TAX ASSETS/(LIABILITIES)

	Assets RM	Liabilities RM	Net RM
Group			
At 1 January 2021	86,000	(2,396,659)	(2,310,659)
Acquisition of a subsidiary	-	(15,000)	(15,000)
Recognised in profit or loss	33,000	(28,487)	4,513
Under provision in prior financial year	-	(2,400)	(2,400)
At 31 December 2021	119,000	(2,442,546)	(2,323,546)
Recognised in profit or loss	(108,206)	(179,891)	(288,097)
Over provision in prior financial year	-	328,354	328,354
At 31 December 2022	10,794	(2,294,083)	(2,283,289)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

8. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The components and movements of deferred tax assets and liabilities are as follows:

Deferred tax assets/ (liabilities)	Property, plant and equipment RM	Inventories RM	Provision RM	Total RM
Group				
At 1 January 2021	(2,411,659)	70,000	31,000	(2,310,659)
Acquisition of a subsidiary	(73,000)	24,000	34,000	(15,000)
Recognised in profit or loss	(69,487)	12,000	62,000	4,513
Under provision in prior financial year	(2,400)	-	-	(2,400)
At 31 December 2021	(2,556,546)	106,000	127,000	(2,323,546)
Recognised in profit or loss	(208,097)	-	(80,000)	(288,097)
Over provision in prior financial year	328,354	-	-	328,354
At 31 December 2022	(2,436,289)	106,000	47,000	(2,283,289)

9. GOODWILL ON CONSOLIDATION

	2022 RM	Group 2021 RM
At 1 January	1,977,804	-
Acquisition of a subsidiary	-	1,977,804
At 31 December	1,977,804	1,977,804

The carrying amounts of goodwill allocated to the Group's cash generating units ("CGU") are as follows:

	2022 RM	Group 2021 RM
UTC Engineering Sdn. Bhd.	1,977,804	1,977,804

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

9. GOODWILL ON CONSOLIDATION (CONTINUED)

The carrying amounts of goodwill allocated to the Group's cash generating units ("CGU") are as follows: (continued)

(a) Recoverable amount on value in use

For the purpose of impairment testing, the recoverable amount of goodwill at the end of the financial year was determined based on a value-in-use calculation by discounting the future cash flows generated from the continuing use of cash generated unit ("CGU") and was based on the following assumptions:

- (i) Pre-tax cash flow projection based on the most recent financial budgets covering a five (2021: five) years period;
- (ii) The anticipated annual revenue growth rate used in the cash flow budgets and plans of the CGU is 1% (2021: 1%); and
- (iii) Pre-tax discount rate of 9.33% (2021: 8.01%) per annum has been applied in determining the recoverable amount of the CGU. The discount rate was estimated based on the Group's weighted average cost of capital.

The value assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources.

(b) Sensitivity to changes in assumptions

The management believes that no reasonably possible change in the key assumptions on which management has based on its determination of the CGU's recoverable amount would cause the CGU's carrying amount to exceed its recoverable amount.

10. FIXED DEPOSITS WITH LICENSED BANKS

	2022 RM	Group 2021 RM
Non-current		
Fixed deposits with licensed banks	407,384	399,984
Current		
Fixed deposits with licensed banks	59,849,369	37,174,304
	60,256,753	37,574,288

The interest rate of fixed deposits with licensed banks of the Group ranged from 1.50% to 4.05% (2021: 1.25% to 3.45%) per annum. The maturities of fixed deposits with licensed banks of the Group ranged from 30 to 365 days (2021: 30 to 365 days).

The fixed deposits with licensed banks of the Group amounting to RM6,743,610 (2021: RM3,185,762) are pledged to licensed banks as securities for credit facilities granted to subsidiaries as disclosed in Note 20 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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11. INVENTORIES

	2022 RM	Group 2021 RM
Raw materials	7,737,067	8,646,741
Work-in-progress	6,046,931	5,174,564
Finished goods	30,879,486	24,070,699
Goods in transit	1,891,581	3,096,481
	46,555,065	40,988,485
Recognised in profit or loss:		
Inventories recognised as cost of sales	145,553,814	120,469,380
Provision for slow-moving inventories	-	49,529

12. TRADE RECEIVABLES AND CONTRACT ASSETS

Trade receivables

	2022 RM	Group 2021 RM
Trade receivables	54,719,121	44,732,969
Less: Allowance for expected credit losses ("ECLs")	(2,333,916)	(552,485)
	52,385,205	44,180,484

Trade receivables are non-interest bearing and are generally on cash term to 120 days (2021: cash term to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivables of the Group is an amount of RM34,830 (2021: RMNil) due from non-controlling interests.

The movement in allowance for ECLs of trade receivables during the financial year is as follows:

	2022 RM	Group 2021 RM
At 1 January	552,485	127,663
Allowance for ECLs	2,141,415	316,053
Acquisition of a subsidiary	-	140,142
Written off	(51,505)	(31,373)
Reversal of allowance for ECLs	(308,479)	-
At 31 December	2,333,916	552,485

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

12. TRADE RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

Trade receivables (continued)

The following table provide information about the exposure to credit risk and ECLs for trade receivables:

	Gross amount RM	ECLs RM	Net amount RM
Group			
2022			
Not past due	33,490,201	(96)	33,490,105
Past due:			
Less than 30 days	9,227,058	(37)	9,227,021
31 to 60 days	3,577,860	(44)	3,577,816
61 to 90 days	1,970,096	(116)	1,969,980
More than 90 days	6,453,906	(2,333,623)	4,120,283
	54,719,121	(2,333,916)	52,385,205
2021			
Not past due	27,667,471	(97,927)	27,569,544
Past due:			
Less than 30 days	9,665,449	(83,959)	9,581,490
31 to 60 days	3,222,714	(42,018)	3,180,696
61 to 90 days	1,247,675	(26,033)	1,221,642
More than 90 days	2,929,660	(302,548)	2,627,112
	44,732,969	(552,485)	44,180,484

Contract assets

	2022 RM	Group 2021 RM
At 1 January	6,054,064	656,098
Acquisition of a subsidiary	-	49,785
Addition during the financial year	52,477	5,673,993
Invoice issued	(2,722,205)	(325,812)
Impairment during the financial year	(1,533,094)	-
At 31 December	1,851,242	6,054,064

The foreign currency profile of trade receivables and contract assets are as follows:

	2022 RM	Group 2021 RM
EURO ("EUR")	143,341	72,760
Singapore Dollar ("SGD")	1,310,170	5,376,974
United States Dollar ("USD")	6,431,964	8,632,224

NOTES TO THE FINANCIAL STATEMENTS

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13. OTHER RECEIVABLES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Non-trade receivables	133,845	4,382	-	-
Deposits	2,874,927	1,120,240	-	-
Prepayments	846,892	1,068,280	1,000	1,000
Dividend receivable	-	-	165,000	165,000
Advances to suppliers	302,493	1,689,635	-	-
	4,158,157	3,882,537	166,000	166,000

The foreign currency profile of other receivables are as follows:

	Group	
	2022 RM	2021 RM
EUR	113,862	73,049
Renminbi ("RMB")	165,960	90,338
USD	1,242,914	1,285,114

14. AMOUNT DUE FROM SUBSIDIARIES

Amount due from subsidiaries are non-trade in nature, unsecured and interest bearing at 3% to 5% (2021: 3% to 5%) per annum and repayable on demand.

15. AMOUNT DUE FROM AN ASSOCIATE

Amount due from an associate is trade in nature, unsecured and non-interest bearing and repayable in 30 days (2021: 30 days).

NOTES TO THE FINANCIAL STATEMENTS

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16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2022 RM	2021 RM
At fair value		
Quoted money market funds	3,774,256	3,689,642

The fair value of the above quoted investment is classified at Level 1 for the purpose of fair value of financial instruments disclosures.

17. CASH AND BANK BALANCES

The foreign currency profile of cash and bank balances is as follows:

	Group	
	2022 RM	2021 RM
EUR	163,739	163,130
Sterling Pound ("GBP")	29,547	29,547
USD	4,655,112	4,655,112

18. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2022 Units	2021 Units	2022 RM	2021 RM
Issued and fully paid up				
At 1 January	332,233,800	309,100,000	77,302,299	70,362,159
Exercise of warrants	110,316,414	23,133,800	33,094,924	6,940,140
At 31 December	442,550,214	332,233,800	110,397,223	77,302,299

The new ordinary shares issued during the financial years rank pari passu in all respects with the existing ordinary shares of the Company.

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 regards to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS

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19. RESERVES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Warrant reserve	-	50,054,130	-	50,054,130
Merger deficit	(41,477,141)	(41,477,141)	-	-
Other reserve	-	(50,054,130)	-	(50,054,130)
Retained earnings	132,226,339	121,948,301	19,241,460	18,316,309
	90,749,198	80,471,160	19,241,460	18,316,309

(a) Merger deficit

The merger deficit represents the difference between the nominal value of shares issued by the Company and the nominal value of shares of subsidiaries accounted for arising from the merger method.

(b) Warrant reserve and other reserve

Warrants reserve represents reserve allocated to free detachable warrants issued as a rights issue.

On 23 May 2017, the Company issued 149,000,000 free warrants on the basis of 1 free warrant for every 2 subdivided shares held by the shareholders after the completion of the share split.

The main features of the warrants are as follows:

	Tenure years	Issue date	Expiry date	Exercise price RM
Warrants (2017/2022)	5	23 May 2017	20 May 2022	0.30

The movements of the warrants are as follows:

	Number of units			
	At 1 January	Exercised	Expired	At 31 December
2022				
Warrants (2017/2022)	114,766,200	(110,316,414)	(4,449,786)	-
2021				
Warrants (2017/2022)	137,900,000	(23,133,800)	-	114,766,200

The warrants could be exercised at any time during the tenure of the warrants of five (5) years including and commencing from the issue date of the warrants and ending on the expiry date. Each warrant carried the entitlement to subscribe for one (1) new ordinary share in the Company at the exercise price stated above and shall be satisfied fully in cash and shall be subject to adjustments in accordance with the Deed Poll.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

19. RESERVES (CONTINUED)

(b) Warrant reserve and other reserve (continued)

Subject to the provisions in the Deed Poll, the exercise price and the number of warrants held by each warrant holder shall be adjusted by the Board of Directors of the Company in consultation with the adviser and certification of the external auditors, in the event of alteration to the share capital of the Company.

The fair value allocated to the warrant reserve was derived by adjusting the proceeds of the above issuance to the fair value of the shares and warrants on a proportionate basis.

20. LOAN AND BORROWINGS

	Group	
	2022 RM	2021 RM
Secured		
Bankers' acceptance	805,000	830,000
Term loans	14,646,689	8,752,432
	15,451,689	9,582,432
Non-current		
Term loans	12,876,719	7,135,327
Current		
Bankers' acceptance	805,000	830,000
Term loans	1,769,970	1,617,105
	2,574,970	2,447,105
	15,451,689	9,582,432

The above credit facilities obtained from licensed financial institution are secured on the following:

- charge over certain freehold land and building of the Group as disclosed in Note 4 to the financial statements;
- charge on fixed deposits with licensed banks of the Group as disclosed in Note 10 to the financial statements;
- joint and severally guaranteed by certain of Directors of the Company; and
- corporate guarantee by the Company.

Term loan I is repayable by 300 monthly instalments commencing from January 2014.

Term loan II is repayable by 120 monthly instalments commencing from November 2016.

Term loan III is repayable by 240 monthly instalments commencing from December 2016.

Term loan IV is repayable by 84 monthly instalments commencing from September 2020.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

20. LOAN AND BORROWINGS (CONTINUED)

Term loan V is repayable by 120 monthly instalments commencing from August 2022.

Term loan VI is repayable by 180 monthly instalments commencing from November 2022.

Bankers' acceptance facilities are repayable within 118 days (2021: 118 days).

The average effective interest rate are as follows:

	2022 %	Group 2021 %
Bankers' acceptance	4.30 - 5.73	4.20 - 4.43
Term loans	3.03 - 6.29	3.03 - 6.36

21. LEASE LIABILITIES

	2022 RM	Group 2021 RM
Non-current	2,221,417	1,945,362
Current	1,114,730	893,125
	3,336,147	2,838,487

The maturity analysis of lease liabilities at the end of the reporting period:

	2022 RM	Group 2021 RM
Within 1 year	1,229,149	1,021,533
Between 2 - 5 years	2,331,630	2,127,132
More than 5 years	15,341	-
	3,576,120	3,148,665
Less: Future finance charges	(239,973)	(310,178)
Present value of lease liabilities	3,336,147	2,838,487

The Group leases various properties, machinery and motor vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

22. TRADE PAYABLES AND CONTRACT LIABILITIES

Trade payables

The normal trade credit terms granted to the Group ranged from cash term to 120 days (2021: cash to 120 days) depending on the term of the contracts.

Contract liabilities

	Group	
	2022 RM	2021 RM
At 1 January	1,519,746	9,271,027
Acquisition of a subsidiary	-	347,221
Addition during the financial year	6,567,346	1,889,666
Recognised in profit or loss during the financial year	(1,370,478)	(9,988,168)
At 31 December	6,716,614	1,519,746

The foreign currency profile of trade payables are as follows:

	Group	
	2022 RM	2021 RM
EUR	2,809,592	1,079,810
GBP	59,465	49,025
SGD	-	11,521
USD	7,654,343	13,222,404

23. OTHER PAYABLES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Non-trade payables	3,146,597	3,322,317	14,972	107
Accruals	3,333,750	3,254,994	57,650	54,650
Deposits received	796,285	837,285	-	-
Dividend payable	135,000	135,000	-	-
Sales and services tax payable ("SST")	964	-	-	-
	7,412,596	7,549,596	72,622	54,757

Included in other payables of the Group is an amount of RM201,633 (RM1,082,617) due to non-controlling interests.

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23. OTHER PAYABLES (CONTINUED)

The foreign currency profile of other payables are as follows:

	Group	
	2022 RM	2021 RM
USD	202,862	622,037

24. AMOUNT DUE TO A DIRECTOR

Amount due to a Director is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

25. REVENUE

	Group	
	2022 RM	2021 RM
Revenue from contracts with customers:		
Sales of goods	211,962,437	205,390,892
Timing of revenue recognition:		
At a point in time	211,913,461	203,045,008
Over time	48,976	2,345,884
	211,962,437	205,390,892
Geographical market:		
Malaysia	200,521,181	148,328,917
Indonesia	2,294,801	10,802,444
Others	9,146,455	46,259,531
	211,962,437	205,390,892

26. FINANCE COSTS

	Group	
	2022 RM	2021 RM
Interest expenses on bank overdraft	392	15,500
Interest expenses on bankers' acceptance	17,718	29,507
Interest expenses charged by suppliers	-	2,633
Interest expenses on lease liabilities	142,486	96,449
Interest expenses on letter of credit	10,113	10,657
Interest expenses on term loans	349,093	343,430
	519,802	498,176

NOTES TO THE FINANCIAL STATEMENTS

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27. PROFIT BEFORE TAX

Profit before tax is determined after charging/(crediting) amongst other, the following items:

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Auditors' remuneration				
- Current year	119,000	116,500	18,000	16,000
- Non-audit services	3,000	5,000	3,000	5,000
- Under provision in prior financial year	500	-	-	-
Allowance of ECLs on trade receivables	1,832,936	316,053	-	-
Gain on disposal of property, plant and equipment	(52,000)	(17,265)	-	-
Rental income	(530,722)	(48,183)	-	-
Unrealised gain on foreign exchange	(115,032)	(170,356)	-	-
Realised loss/(gain) on foreign exchange	195,252	(15,948)	-	-
Dividend income from subsidiaries	-	-	(8,965,000)	(8,965,000)
Dividend income from quoted investment	(5,685)	(49,035)	-	-
Fair value gain on financial assets through profit or loss	(78,929)	(17,718)	-	-
Gain on early termination of lease contracts	(40,569)	(2,796)	-	-
Gain on modification of lease contracts	-	(13,272)	-	-
Management fee income	(7,000)	(12,000)	-	-
Bad debts written off	8,691	6,910	-	-
Property, plant and equipment written off	872	-	-	-
Provision for slow-moving inventories	-	49,529	-	-
Share of result of an associate	4,844	127,265	-	-
Depreciation on property, plant and equipment	3,885,625	3,780,122	-	-
Depreciation on investment property	22,186	22,186	-	-
Interest income	(71,095)	(19,750)	(260,051)	(133,719)
Interest income from fixed deposits with licensed banks	(882,568)	(551,559)	-	-
Impairment of contract asset	1,533,094	-	-	-
Lease expenses relating to:				
- Short-term leases (a)	1,050,121	981,272	-	-
- Low value assets (a)	65,523	-	-	-
Wages subsidy (b)	-	(195,600)	-	-

(a) The Group leases various properties and office equipment with contract terms of not more than one year. These leases are short-term. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

(b) The Group was entitled to a wage subsidy programme introduced by the government of Malaysia in response to the COVID-19 pandemic during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

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28. TAXATION

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Tax expenses recognised in profit or loss				
Current tax				
Current financial year provision	7,497,346	6,555,138	32,257	-
Under/(Over) provision in prior financial year	325,515	(105,510)	31,384	(46,572)
	7,822,861	6,449,628	63,641	(46,572)
Deferred tax				
Origination and reversal of temporary differences	288,097	(4,513)	-	-
(Over)/Under provision in prior financial year	(328,354)	2,400	-	-
	(40,257)	(2,113)	-	-
	7,782,604	6,447,515	63,641	(46,572)

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

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Profit before tax	26,913,275	26,565,069	8,907,022	8,776,587
At Malaysian statutory tax rate of 24% (2021: 24%)	6,459,186	6,375,617	2,137,685	2,106,381
Expenses not deductible for tax purposes	608,501	495,827	46,172	45,219
Income not subject to tax	(42,564)	(92,819)	(2,151,600)	(2,151,600)
Movement of deferred tax assets not recognised	760,320	(228,000)	-	-
Under/(Over) provision of tax expenses in prior financial year	325,515	(105,510)	31,384	(46,572)
(Over)/Under provision of deferred tax in prior financial year	(328,354)	2,400	-	-
	7,782,604	6,447,515	63,641	(46,572)

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28. TAXATION (CONTINUED)

Unrecognised deferred tax assets

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

	Group	
	2022 RM	2021 RM
Property, plant and equipment	(73,470)	-
Provision	3,614,733	-
Unabsorbed business losses	330,737	704,000
	3,872,000	704,000
<u>Unabsorbed business losses</u>		
- Year of assessment 2029	330,737	704,000

In accordance with the provision of Financial Act 2018, the unutilised business losses could be carried forward for a maximum of seven consecutive years of assessment. Any balance of the unutilised business losses at the end of the seventh year shall be disregarded.

The Financial Act 2021, stated that the time frame to carry forward unutilised business losses for year of assessment 2019 and subsequent years of assessment be extended from seven to ten consecutive years of assessment. The other temporary difference do not expire under current tax legislation.

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset.

29. EARNINGS PER SHARE

(a) Earnings per share

The basic earnings per share are calculated based on the consolidated profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2022 RM	2021 RM
Profit attributable to owners of Company	18,196,268	16,590,429
Weighted average number of ordinary shares in issue (units)	411,873,567	317,402,732
Basic earning per ordinary shares (in sen)	0.04	0.05

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29. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

The diluted earnings per share has been calculated based on the adjusted consolidated profit for the financial year attributable to the owners of the Company and the weighted average number of ordinary shares in issue during the financial year which have been adjusted for the dilutive effects of all potential ordinary shares as follows:

	Group 2021 RM
Profit attributable to owners of Company	16,590,429
Weighted average number of ordinary shares in issue (units) (diluted)	383,029,102
Diluted earnings per ordinary shares (in sen)	0.04

The diluted earnings per ordinary share is not presented for the current financial year as the Company does not have any potential dilutive ordinary shares in issue as at 31 December 2022.

30. DIVIDEND PAID

	Group and Company 2022 RM	2021 RM
Second interim single-tier dividend of RM0.0125 per ordinary share in respect of the financial year ended 31 December 2020 declared on 5 March 2021 and paid on 6 April 2021	-	3,874,312
First interim single-tier dividend of RM0.0075 per ordinary share in respect of the financial year ended 31 December 2021 declared on 6 September 2021 and paid on 7 October 2021	-	2,451,058
Second interim single-tier dividend of RM0.0125 per ordinary share in respect of the financial year ended 31 December 2021 declared on 25 February 2022 and paid on 31 March 2022	4,599,103	-
First interim single-tier dividend of RM0.0075 per ordinary share in respect of the financial year ended 31 December 2022 declared on 24 August 2022 and paid on 26 September 2022	3,319,127	-
	7,918,230	6,325,370

On 27 February 2023, the Board of Directors of the Company have declared and approved a second interim single-tier dividend of RM0.0125 per ordinary share in respect of the financial year ended 31 December 2022. The dividend will be paid on 31 March 2023.

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31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below show the details changes in the liabilities of the Group arising from financing activities, including both cash and non-cash changes:

	Bankers' acceptance RM	Term loans RM	Lease liabilities RM
Group			
At 1 January 2021	-	9,486,381	1,624,224
Modification of lease term	-	-	(30,074)
Termination of lease contracts	-	-	(68,850)
Drawdown	48,000	-	2,061,500
Repayment	-	(1,733,949)	(1,000,718)
Acquisition of a subsidiary	782,000	1,000,000	252,405
At 31 December 2021	830,000	8,752,432	2,838,487
At 1 January 2022	830,000	8,752,432	2,838,487
Termination of lease contracts	-	-	(236,373)
Drawdown	805,000	7,510,000	1,811,299
Repayment	(830,000)	(1,615,743)	(1,077,266)
At 31 December 2022	805,000	14,646,689	3,336,147

32. STAFF COST

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Salaries, wages and other emoluments	27,213,475	19,810,536	152,800	148,600
Defined contribution plans	2,409,418	1,812,803	-	-
Social security contributions	225,832	175,024	-	-
	29,848,725	21,798,363	152,800	148,600

Included in staff costs is aggregate amount of remuneration received and receivables by the Non-Executive Directors and the Executive Directors of the Company during the financial year as below:

	Group and Company	
	2022 RM	2021 RM
Non-Executive Directors		
Fees	142,800	138,600
Other emoluments	10,000	10,000
	152,800	148,600

NOTES TO THE FINANCIAL STATEMENTS

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32. STAFF COST (CONTINUED)

Included in staff costs is aggregate amount of remuneration received and receivables by the Non-Executive Directors and the Executive Directors of the Company during the financial year as below: (continued)

	Group	
	2022 RM	2021 RM
Executive Directors		
Fees	60,000	60,000
Salaries, wages and other emoluments	1,644,000	1,822,000
Defined contribution plans	263,040	291,520
Social security contributions	1,645	1,516
	1,968,685	2,175,036

33. RELATED PARTY DISCLOSURES

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Group and of the Company, having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company directly or indirectly.

NOTES TO THE FINANCIAL STATEMENTS

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33. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the significant related party transactions of the Group and of the Company are as follows:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Transactions with subsidiaries				
- Dividend received	-	-	8,965,000	8,965,000
- Interest received from	-	-	251,845	133,000
Transactions with related parties				
- Purchases from	(1,856,856)	15,661,559	-	-
- Sales to	876,682	1,728,967	-	-
- Management fee received	7,000	12,000	-	-
- Tax services paid	2,200	2,200	-	-
Transactions with an associate				
- Rental charge to	45,600	45,600	-	-
- Sales to	915,708	1,027,086	-	-
Transactions with non-controlling interest				
- Dividend payables to	135,000	135,000	-	-

(c) Compensation of key management personnel

Remuneration of key management personnel other than directors are as follows:

	Group	
	2022 RM	2021 RM
Salaries, wages and other emoluments	2,442,223	1,600,643
Defined contribution plans	383,896	189,713
Social security contributions	4,290	4,016
	2,830,409	1,794,372

NOTES TO THE FINANCIAL STATEMENTS

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34. SEGMENT INFORMATION

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

Pump manufacturing	:	Manufacturing of all type dealers industrial machinery.
Trading	:	Trading and distribution of process control equipment measurement instruments and industrial pumps.
MHS solutions	:	Provision of material handling system solutions.
Metal stamping	:	Production of metal stamping parts and components and design and manufacturing of tools and dies.
E&E engineering	:	Electrical, electronic and instrumentation engineering, contracting, commissioning and servicing.
Others	:	Investment holding and provision of management.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

Information about segment assets and liabilities are neither included in the internal management reports nor provided regularly to the management. Hence, no disclosures are made on segment assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

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34. SEGMENT INFORMATION (CONTINUED)

Group	Note	Pump manufacturing RM	Trading RM	MHS solutions RM	Metal stamping RM	E&E engineering RM	Others RM	Adjustments and eliminations RM	Total RM
2022									
External customer		925,077	76,331,591	-	124,707,588	9,998,181	45,600	(45,600)	211,962,437
Inter-segment		3,836,188	-	-	-	-	336,000	(4,172,188)	-
Total revenue		4,761,265	76,331,591	-	124,707,588	9,998,181	381,600	(4,217,788)	211,962,437
Results									
Interest income		-	875,168	22,200	40,360	7,729	260,051	(251,845)	953,663
Finance costs		(10,500)	(12,824)	(34,923)	(601,876)	(111,524)	-	251,845	(519,802)
Depreciation:									
- Property, plant and equipment		(226,913)	(577,433)	(97,908)	(2,390,419)	(174,546)	-	(418,406)	(3,885,625)
- Investment property		-	-	-	-	-	(22,186)	-	(22,186)
Share of loss of an associate		-	-	-	-	-	-	(4,844)	(4,844)
Other non-cash item	A	-	401,158	(3,614,733)	92,569	(150,990)	-	188,618	(3,083,378)
Tax expense		(66,004)	(5,176,389)	(251,887)	(2,066,365)	(113,638)	(127,784)	19,463	(7,782,604)
Segment profit/(loss)	B	193,167	15,033,714	(2,762,729)	6,111,699	463,531	8,670,283	(9,012,855)	18,696,810
Assets									
Investment in an associate		-	-	-	-	-	174,915	(151,759)	23,156
Additions to non-current assets other than financial instruments and deferred tax assets	C	214,656	327,448	123,681	15,406,512	2,041,652	-	-	18,113,949
Segment assets	D	4,233,515	170,619,429	2,505,383	82,824,662	10,773,130	136,183,920	(117,244,722)	289,895,317
Liabilities									
Segment liabilities	E	1,804,176	54,933,910	1,244,271	23,326,991	5,921,332	4,285,172	(44,200,646)	47,315,206

NOTES TO THE FINANCIAL STATEMENTS

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34. SEGMENT INFORMATION (CONTINUED)

Group	Note	Pump manufacturing RM	Trading RM	MHS solutions RM	Metal stamping RM	E&E engineering RM	Others RM	Adjustments and eliminations RM	Total RM
2021									
External customer		1,013,424	82,700,002	36,263,856	77,467,963	7,945,647	45,600	(45,600)	205,390,892
Inter-segment		3,292,381	-	-	-	-	336,000	(3,628,381)	-
Total revenue		4,305,805	82,700,002	36,263,856	77,467,963	7,945,647	381,600	(3,673,981)	205,390,892
Results									
Interest income		-	545,108	-	13,927	11,555	133,719	(133,000)	571,309
Finance costs		(10,500)	(12,273)	(124,221)	(364,018)	(120,164)	-	133,000	(498,176)
Depreciation:									
- Property, plant and equipment		(212,566)	(780,974)	(79,808)	(2,181,048)	(107,320)	-	(418,406)	(3,780,122)
- Investment property		-	-	-	-	-	(22,186)	-	(22,186)
Share of loss of an associate		-	-	-	-	-	-	(127,265)	(127,265)
Other non-cash item	A	-	(47,354)	-	33,268	(87,964)	-	-	(102,050)
Tax expense		(124,958)	(3,953,212)	(1,021,523)	(1,374,755)	(12,337)	(10,243)	49,513	(6,447,515)
Segment profit/(loss)	B	436,411	11,895,363	3,927,622	3,985,959	307,641	8,695,769	(9,204,344)	20,044,421
Assets									
Investment in an associate		-	-	-	-	-	146,915	(146,915)	-
Additions to non-current assets other than financial instruments and deferred tax assets	C	30,310	271,262	14,431	2,471,111	89,813	-	-	2,876,927
Segment assets	D	4,146,576	131,767,377	10,841,069	63,567,956	8,945,450	102,336,883	(86,729,194)	234,876,117
Liabilities									
Segment liabilities	E	1,891,641	24,265,553	6,717,447	15,540,065	5,668,161	4,566,323	(13,752,436)	44,896,754

NOTES TO THE FINANCIAL STATEMENTS

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34. SEGMENT INFORMATION (CONTINUED)

Adjustments and eliminations

Inter-segment revenues are eliminated on consolidation.

- A. Other non-cash items consist of the following as presented in the respective notes to the financial statements:

	Group	
	2022 RM	2021 RM
Other non-cash item:		
Allowance for ECLs on trade receivables	(1,832,936)	(316,053)
Impairment of contract assets	(1,533,094)	-
Bad debts written off	(8,691)	(6,910)
Dividend income from quoted investment	5,685	49,035
Gain on disposal of property, plant and equipment	52,000	17,265
Gain on modification of lease contracts	-	13,272
Gain on early termination of lease contracts	40,569	2,796
Unrealised gain on foreign exchange	115,032	170,356
Fair value gain on financial assets through profit or loss	78,929	17,718
Provision of slow-moving inventories	-	(49,529)
Property, plant and equipment written off	(872)	-
	(3,083,378)	(102,050)

- B. The following items are added to/(deducted from) segment profit to arrive at profit after tax reported in the consolidated statement of profit or loss and other comprehensive income.

	Group	
	2022 RM	2021 RM
Segment profit	18,696,810	20,044,421
Interest income	953,663	571,309
Finance costs	(519,802)	(498,176)
Profit after tax	19,130,671	20,117,554

- C. Additions to non-current assets other than financial instruments consist of:

	Group	
	2022 RM	2021 RM
Property, plant and equipment	18,113,949	2,876,927

NOTES TO THE FINANCIAL STATEMENTS

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34. SEGMENT INFORMATION (CONTINUED)

Adjustments and eliminations (continued)

- D. The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position.

	2022 RM	Group 2021 RM
Segment assets	289,895,317	234,876,117
Deferred tax assets	10,794	119,000
Tax recoverable	686,444	586,021
Total assets	290,592,555	235,581,138

- E. The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position.

	2022 RM	Group 2021 RM
Segment liabilities	47,315,206	44,896,754
Deferred tax liabilities	2,294,083	2,442,546
Lease liabilities	3,336,147	2,838,487
Loan and borrowings	15,451,689	9,582,432
Tax payable	3,136,345	934,199
Total liabilities	71,533,470	60,694,418

Geographic information

Revenue information based on the geographical location of customers is as follows:

	2022 RM	Group 2021 RM
Malaysia	200,521,181	148,328,917
Indonesia	2,294,801	10,802,444
Others	9,146,455	46,259,531
	211,962,437	205,390,892

Major customers

There are 2 (2021: 2) major customers contributing to RM106,754,589 (2021: RM84,091,848) of the total revenue of the Group from metal stamping segment (2021: Metal stamping and MHS solutions).

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35. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and financial liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
At FVTPL				
Financial assets				
Financial asset at fair value through profit or loss	3,774,256	3,689,642	-	-
At amortised cost				
Financial assets				
Trade receivables	52,385,205	44,180,484	-	-
Other receivables	3,008,772	1,124,622	165,000	165,000
Amount due from subsidiaries	-	-	38,696,576	12,677,500
Amount due from an associate	467,917	184,049	-	-
Fixed deposits with licensed banks	60,256,753	37,574,288	-	-
Cash and bank balances	40,894,961	32,803,425	12,057,047	4,027,647
	157,013,608	115,866,868	50,918,623	16,870,147
Financial liabilities				
Loan and borrowings	15,451,689	9,582,432	-	-
Trade payables	33,185,996	35,803,412	-	-
Other payables	7,411,632	7,549,596	72,622	54,757
Amount due to a Director	-	24,000	-	-
	56,049,317	52,959,440	72,622	54,757

(b) Financial risk management objectives and policies

The Group's and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group and of the Company's operations whilst managing its credit, liquidity and market risks. The Group and the Company operate within clearly defined guidelines that are approved by the Board and the Group's and the Company's policy is not to engage in speculative transactions.

NOTES TO THE FINANCIAL STATEMENTS

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35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

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

(i) Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its trade receivables, other receivables, amount due from an associate, fixed deposits with licensed banks and cash and bank balances. The Company's exposure to credit risk arises principally from its other receivables, amount due from subsidiaries and cash and bank balances. There are no significant changes as compared to previous financial year.

The Group and the Company have adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposits with banks with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

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

The Company provides corporate guarantees to financial institutions as disclosed in Note 37 to the financial statements. The Group and the Company monitor on an ongoing basis the results of the customer and the subsidiaries and repayments made by the customer and the subsidiaries.

The gross carrying amounts of credit impaired receivables and contract assets are written off (either partial or full) when 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. Nevertheless, receivables and contract assets that are written off could still be subject to enforcement activities.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represent the Group's and the Company's maximum exposure to credit risk.

There are no significant changes as compared to previous financial year.

As at the end of the financial year, the Group have 1 (2021: 2) major customers and accounted for approximately 29% (2021: 38%) of the trade receivables outstanding.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group and the Company will encounter difficulty in meeting their financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group and the Company finance their liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(ii) Liquidity risk (continued)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand within 1 year RM	2 to 5 years RM	More than 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Group					
2022					
<u>Non-derivative</u>					
<u>financial liabilities</u>					
Lease liabilities	1,229,149	2,331,630	15,341	3,576,120	3,336,147
Loan and borrowings	3,183,998	8,391,822	7,460,325	19,036,145	15,451,689
Trade payables	33,185,996	-	-	33,185,996	33,185,996
Other payables	7,411,632	-	-	7,411,632	7,411,632
	45,010,775	10,723,452	7,475,666	63,209,893	59,385,464
Financial guarantee*	669,425	-	-	669,425	
2021					
<u>Non-derivative</u>					
<u>financial liabilities</u>					
Lease liabilities	1,021,533	2,127,132	-	3,148,665	2,838,487
Loan and borrowings	2,725,919	6,638,833	1,192,450	10,557,202	9,582,432
Trade payables	35,803,412	-	-	35,803,412	35,803,412
Other payables	7,549,596	-	-	7,549,596	7,549,596
Amount due to a Director	24,000	-	-	24,000	24,000
	47,124,460	8,765,965	1,192,450	57,082,875	55,797,927
Financial guarantee*	268,475	-	-	268,475	

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(ii) Liquidity risk (continued)

	On demand within 1 year RM	2 to 5 years RM	More than 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Company					
2022					
<u>Non-derivative</u>					
<u>financial liabilities</u>					
Other payables	72,622	-	-	72,622	72,622
Financial guarantee*	17,054,779	-	-	17,054,779	
2021					
<u>Non-derivative</u>					
<u>financial liabilities</u>					
Other payables	54,757	-	-	54,757	54,757
Financial guarantee*	11,377,237	-	-	11,377,237	

* Based on the maximum amount that can be called for under the financial guarantee contract

(iii) Market risk

(a) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of the Company. The currencies giving rise to this risk are primarily EUR, SGD, GBP, USD and RMB.

The Group has not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(iii) Market risk (continued)

(a) Foreign currency risk (continued)

The carrying amounts of the Group's foreign currency denominated financial asset and financial liability at the end of the reporting period are as follows:

	Financial assets RM	Financial liabilities RM	Total RM
Group 2022			
EUR	420,942	(2,809,592)	(2,388,650)
SGD	1,310,170	-	1,310,170
GBP	29,547	(59,465)	(29,918)
USD	12,329,990	(7,857,205)	4,472,785
RMB	165,960	-	165,960
	14,256,609	(10,726,262)	3,530,347
2021			
EUR	308,939	(1,079,810)	(770,871)
SGD	5,376,974	(11,521)	5,365,453
GBP	29,547	(49,025)	(19,478)
USD	14,572,450	(13,844,441)	728,009
RMB	90,338	-	90,338
	20,378,248	(14,984,797)	5,393,451

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Group's profit before tax for the financial year to a reasonably possible change in the EUR, SGD, GBP, USD and RMB exchange rates against the functional currencies of the Group, with all other variables held constant.

	Change in currency rate	Effect on profit before tax	
		2022 RM	2021 RM
EUR	Strengthened 1% (2021: 1%)	(23,887)	(7,709)
	Weakened 1% (2021: 1%)	23,887	7,709
SGD	Strengthened 1% (2021: 1%)	13,102	53,655
	Weakened 1% (2021: 1%)	(13,102)	(53,655)
GBP	Strengthened 2% (2021: 2%)	(598)	(390)
	Weakened 2% (2021: 2%)	598	390
USD	Strengthened 1% (2021: 1%)	44,728	7,280
	Weakened 1% (2021: 1%)	(44,728)	(7,280)
RMB	Strengthened 1% (2021: 1%)	1,660	903
	Weakened 1% (2021: 1%)	(1,660)	(903)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(iii) Market risk (continued)

(b) Interest rate risk

The Group's lease liabilities are exposed to a risk of change in their fair value due to changes in interest rates.

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at end of the reporting period was:

	Group	
	2022 RM	2021 RM
Fixed rate instruments		
Financial assets	60,256,753	37,574,288
Financial liabilities	(4,141,147)	(3,668,487)
Net financial assets	56,115,606	33,905,801

Floating rate instruments		
Financial liabilities	(14,646,689)	(8,752,432)

	Company	
	2022 RM	2021 RM
Fixed rate instruments		
Financial assets	6,124,418	3,177,500

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/ (decreased) the Group's profit before tax by RM146,467 (2021: RM87,524), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

35. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value of financial instruments

The carrying amounts of short-term receivables and payables, cash and cash equivalents and short-term borrowings approximate their fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

The carrying amount of long-term floating rate loans approximate their fair value as the loans will be re-priced to market interest rate on or near reporting date.

It was not practicable to estimate the fair value of investment in unquoted equity due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

(i) Policy on transfer between levels

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

There were no transfers between levels during the current and previous financial years.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(iv) Level 3 fair value

Level 3 fair value for the financial assets and liabilities are estimated using unobservable inputs.

36. CAPITAL COMMITMENT

	Group	
	2022 RM	2021 RM
Authorised but not contracted for:		
- Property, plant and equipment	-	6,800,000
Authorised but contracted for:		
- Property, plant and equipment	453,000	212,600

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

37. FINANCIAL GUARANTEE

	2022 RM	2021 RM
Group		
Unsecured		
Bank guarantees given to customers against any breach of contracts by a subsidiary	669,425	268,475
Company		
Unsecured		
Corporate guarantees given to licensed financial institutions for credit facilities granted to subsidiaries	17,054,779	11,377,237

38. CAPITAL MANAGEMENT

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry the Group and the Company monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings' as shown in the statements of financial position) less cash and cash equivalents. The debt-to-equity ratio of the Group and of the Company as at the end of the reporting year is not presented as its cash and cash equivalents exceeded the total debts.

There were no changes in the Group's and the Company's approach to capital management during the financial year.

39. SUBSEQUENT EVENT

On 17 February 2023, the Company and its subsidiary, UTC Engineering Sdn Bhd ("UTC"), approved the acquisition of 51,000 ordinary shares (representing 51% equity interest) and 19,000 ordinary shares (representing 19% equity interest) (collectively, the "Sale Shares") in JusEV Charging Network Sdn Bhd ("JusEV"), from Yew Teik Choon for a cash consideration of RM51,000 and RM19,000, respectively (collectively, the "Acquisition") subject to the completion of the transfers of the Sale Shares in JusEV to the Company and UTC respectively pursuant to Sections 105 and 106 of the Companies Act 2016. The Acquisition was completed on 1 March 2023.

40. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 March 2023.

ANALYSIS OF SHAREHOLDINGS

AS AT 17 MARCH 2023

Number of Issued Shares : 442,550,214
 Class of Shares : Ordinary shares
 Voting Rights : One (1) vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 – 99	10	0.302	182	0.000
100 – 1,000	276	8.326	157,698	0.036
1,001 – 10,000	1,495	45.098	9,061,520	2.048
10,001 – 100,000	1,260	38.009	43,490,500	9.827
100,001 – 22,127,510 *	271	8.175	197,439,352	44.614
22,127,511 and above **	3	0.090	192,400,962	43.476
Total	3,315	100.000	442,550,214	100.000

Notes:

* Less than 5% of the issued shares

** 5% and above of the issued shares

DIRECTORS' SHAREHOLDINGS

Name	Direct Interest		Indirect Interest	
	No. of Shares Held	%	No. of Shares Held	%
Datuk Zainal Abidin Bin Ujud	200,000	0.045	-	-
Aik Swee Tong				
- own	23,868,616	5.393	147,663,730 *	33.367
- others	-	-	5,155,000 ^	1.165
Aik Cwo Shing	23,868,616	5.393	147,663,730 *	33.367
Gong Wooi Teik	300,000	0.068	-	-
Lee Chen Yow	141,100	0.032	-	-
Sharon Lee Ching Yee	-	-	-	-

Notes:

* Deemed interest by virtue of his shareholdings in ABC Equity Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016

^ Disclosure of interest held by his spouse pursuant to Section 59(11)(c) of the Companies Act 2016

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

Name	Direct Interest		Indirect Interest	
	No. of Shares Held	%	No. of Shares Held	%
ABC Equity Sdn Bhd	147,663,730	33.367	-	-
Aik Swee Tong	23,868,616	5.393	147,663,730 *	33.367
Aik Cwo Shing	23,868,616	5.393	147,663,730 *	33.367

Note:

* Deemed interest by virtue of his shareholdings in ABC Equity Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016

ANALYSIS OF SHAREHOLDINGS

AS AT 17 MARCH 2023

TOP 30 SHAREHOLDERS

No.	Name	No. of Shares Held	%
1	ABC EQUITY SDN BHD	147,663,730	33.367
2	AIK CWO SHING	22,368,616	5.054
3	AIK SWEE TONG	22,368,616	5.054
4	YAYASAN GURU TUN HUSSEIN ONN	14,784,800	3.341
5	FEDERLITE HOLDINGS SDN BHD	14,507,500	3.278
6	AIK KWO LIANG	14,137,714	3.195
7	WONG CHIAU SIEW	13,896,352	3.140
8	AIK HUI LUAN	11,763,628	2.658
9	AIK AI KOK	10,730,902	2.425
10	AIK SENG KAH	9,802,910	2.215
11	LIM BEE TENG	5,155,000	1.165
12	PHILLIP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHENG HUAT	5,101,000	1.153
13	SOH WAI HAR	3,843,300	0.868
14	WONG SZE YUN	3,800,000	0.859
15	CHAN CHOP TONG @ AIK CHOP TONG	3,138,132	0.709
16	WONG SEIK SIANG	3,050,000	0.689
17	TAN KIN SENG	2,818,000	0.637
18	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAI CHEN HOE (7011881)	1,967,000	0.444
19	LIM THUANG BOO	1,640,000	0.371
20	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN HER SIN	1,500,000	0.339
21	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AIK CWO SHING	1,500,000	0.339
22	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AIK SWEE TONG	1,500,000	0.339
23	TOH SEK PIEW	1,370,000	0.310
24	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEE SAI MUN	1,296,000	0.293
25	MOHAMMAD SUBHI BIN PURNOMO	1,181,200	0.267
26	AIK HUI CHYN	1,157,014	0.261
27	TAN LIAN TONG	1,100,000	0.249
28	B-OK SDN BHD	1,069,000	0.242
29	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIN FOO KONG (6000000)	1,068,700	0.241
30	CHEU LAI KUAN	1,018,800	0.230
TOTAL		326,297,914	73.731

NOTICE OF TENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of Dancomech Holdings Berhad ("the Company") will be conducted on a virtual basis through live streaming from the Broadcast Venue at No. 19, Jalan Pelukis U1/46, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan on Thursday, 25 May 2023 at 2.00 p.m. or at any adjournment thereof to transact the following business:-

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 and the Reports of Directors and Auditors thereon.
2. To re-elect the following Directors who are retiring by rotation pursuant to the Constitution of the Company:-
 - 2.1 Mr Gong Wooi Teik **Resolution 1**
 - 2.2 Mr Lee Chen Yow **Resolution 2**
3. To approve the payment of Directors' Fees of up to RM200,000 and benefits of up to RM20,000 to the Non-Executive Directors from 26 May 2023 until the next Annual General Meeting of the Company. **Resolution 3**
4. To re-appoint TGS TW PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 4**

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions, with or without modifications:-

5. **AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE SHARES** **Resolution 5**

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016 ("the Act"), and subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant governmental and/or regulatory authorities (if any), the Directors be and are hereby empowered to allot and issue new shares in the Company at any time, without first offer to holders of existing issued shares of the Company, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company at the time of issue.

THAT pursuant to Section 85 of the Act to be read together with the Company's Constitution, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares of the Company ranking equally to the existing issued shares arising from any issuance of new shares in the Company pursuant to Sections 75 and 76 of the Act.

THAT the Directors be and are also empowered to obtain the approval from Bursa Securities for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company."

NOTICE OF TENTH ANNUAL GENERAL MEETING

6. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")

Resolution 6

"THAT subject always to the provisions of the Act, the Constitution of the Company, the Main Market Listing Requirements of Bursa Securities or other relevant regulatory authorities, approval be and is hereby given to the Company and/or its subsidiaries to enter into related party transactions with such related parties, details and particulars of which as set out in the Circular to Shareholders dated 25 April 2023 provided that such transactions are:-

- (a) recurrent transactions of a revenue or trading nature;
- (b) necessary for the day-to-day operations of the Company and/or its subsidiaries;
- (c) carried out in the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms in line with those generally available to the public; and
- (d) not detrimental to the interests of the minority shareholders of the Company;

AND THAT such authority, once renewed, shall continue to be in force until:-

- (a) the conclusion of the next AGM of the Company, at which time the authority will lapse unless by a resolution passed at that AGM, such authority is renewed; or
- (b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by a resolution passed by the shareholders of the Company at a general meeting;

whichever is earlier;

AND THAT the Directors of the Company be authorised to do, carry out and complete all such acts, things and arrangements (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions as contemplated/ authorised by the Proposed Shareholders' Mandate."

7. To transact any other business for which due notice shall have been given in accordance with the Act and the Company's Constitution.

**By Order of the Board
DANCOMECH HOLDINGS BERHAD**

TAN FONG SHIAN
SSM PC NO. 201908004045 (MAICSA 7023187)
LIEW CHAK HOOI
SSM PC NO. 201908004042 (MAICSA 7055965)
Secretaries

Kuala Lumpur
25 April 2023

NOTICE OF TENTH ANNUAL GENERAL MEETING

Notes:

- (1) *The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairman of the meeting to be present at the main venue of the meeting. Shareholders/ proxies from the public will NOT be allowed to be physically present at the Broadcast Venue. Shareholders who wish to participate in the AGM will have to register online and attend remotely.*

Kindly read and follow the procedures in the Administrative Guide for the AGM in order to participate remotely.

- (2) *A member of the Company entitled to attend, speak and vote at the meeting is entitled to appoint not more than two proxies to attend, speak and vote in his/her stead. Where a member appoints more than one proxy to attend, speak and vote at the meeting, such appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.*
- (3) *Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.*
- (4) *Only a depositor whose name appears in the Company's Record of Depositors as at 18 May 2023 shall be regarded as a member and entitled to attend, speak and vote at this meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.*
- (5) *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.*
- (6) *The original instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Poll Administrator's Office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur or submitted via email at AGM-support.Dancomech@megacorp.com.my not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting. You also have the option to register directly at <https://vps.megacorp.com.my/UUetnS> to submit the proxy appointment electronically. For further information on the electronic submission of proxy form, kindly refer to the Administrative Guide.*
- (7) *The Personal Data Protection Act 2010, which regulates the processing of personal data in commercial transactions, applies to the Company. By providing to us or our agents your personal data which may include your name, contact details and mailing address, you hereby consent, agree and authorise the processing and/or disclosure of any personal data of or relating to you for the purposes of issuing the notice of this meeting and convening the meeting, including but not limited to preparation and compilation of documents and other matters, whether or not supplied by you. You further confirm to have obtained the consent, agreement and/or authorisation of all persons whose personal data you have disclosed and/or processed, in connection with the foregoing.*

NOTICE OF TENTH ANNUAL GENERAL MEETING

EXPLANATORY NOTES

Resolution 5 – Authority for Directors to Allot and Issue Shares

The proposed Ordinary Resolution 5, if passed, will renew the authority given to the Directors of the Company to allot and issue new shares in the Company pursuant to Sections 75 and 76 of the Act (“General Mandate”), without first offer to holders of existing issued shares of the Company, provided that the number of shares issued pursuant to this General Mandate, when aggregated with the number of shares issued during the preceding twelve (12) months, does not exceed 10% of the total number of issued shares of the Company at the time of issue and waive the statutory pre-emptive rights of shareholders of the Company (“Waiver”). The renewed General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

With the renewed General Mandate, the Company will be able to raise funds expeditiously for the purpose of funding future investment project(s), working capital, repayment of borrowings and/or acquisition(s) without having to convene a general meeting to seek shareholders’ approval when such opportunities or needs arise.

The Waiver will allow the Directors of the Company to issue new shares of the Company which rank equally to existing issued shares of the Company, to any person without having to offer the new shares to all existing shareholders of the Company prior to issuance of new shares in the Company under the General Mandate.

As at the date of this Notice, the Company did not issue any new shares pursuant to the mandate obtained at the Ninth AGM of the Company held on 24 May 2022.

Resolution 6 – Proposed Shareholders’ Mandate

The proposed Ordinary Resolution 6, if passed, will renew the mandate for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with specified related parties in accordance with the applicable regulatory rules and requirements. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next AGM of the Company.

Details of the Proposed Shareholders’ Mandate are contained in the Circular to Shareholders of the Company dated 25 April 2023.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

No individual is standing for election as Director at the forthcoming Tenth Annual General Meeting of the Company.



DANCOMECH HOLDINGS BERHAD
Registration No. 201301020455 (1050285-U)
(Incorporated in Malaysia)

ADMINISTRATIVE GUIDE FOR THE VIRTUAL 10th ANNUAL GENERAL MEETING (“10th AGM”)

Date : Thursday, 25 May 2023
Time : 2.00 p.m.
Broadcast Venue : No. 19, Jalan Pelukis U1/46
Seksyen U1, 40150 Shah Alam
Selangor Darul Ehsan

MODE OF MEETING

1. With reference to the revised ‘Guidance and FAQs on the Conduct of General Meetings for Listed Issuers’ issued by the Securities Commission Malaysia on 7 April 2022, Dancomech Holdings Berhad (“the Company”) will continue to leverage on technology to facilitate communication and engagement with its shareholders by conducting 10th AGM of the Company on a virtual basis through live streaming and online remote voting from the Broadcast Venue.
2. The Broadcast Venue is strictly to comply with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue of the Meeting. Shareholders/proxies from the public will NOT be allowed to be physically present at the Broadcast Venue on the day of the 10th AGM.
3. Kindly ensure that you are connected to the internet at all times to participate and vote when our virtual 10th AGM has commenced. Therefore, it is your responsibility to ensure that connectivity for the duration of the Meeting is maintained. Kindly note that the quality of the live webcast is dependent on the bandwidth and stability of the internet connection of the participants.

You may post your questions in relation to matters of discussion in the 10th AGM in advance to the Company by email to: DANCO_AGM@dancomech.com.my.

REGISTRATION AND DIGITAL BALLOT FORM (“DBF”) VOTING PROCEDURES

4. As no shareholder/proxies should be physically present at the Broadcast Venue on the day of the Meeting, shareholders/proxies who wish to participate in the 10th AGM will have to register online and participate remotely. Pre-registration of attendance is required via the link at <https://vps.megacorp.com.my/UUetnS> (please refer to paragraph 7 for further details). After the registration is validated and accepted, shareholders will receive an email with a link to grant access to the DBF.
5. With the DBF and the meeting link, you may exercise your right as a shareholder of the Company to participate (including to pose questions to the Board / Management of the Company) and vote during the 10th AGM, at the comfort of your home or from any location.
6. Shareholders may use the *Questions’ Pane* facility (located at the top right corner of the screen) to submit questions in real time during the Meeting via the Live-Streaming solution. Shareholders may also submit questions before the Meeting via email to AGM-support.Dancomech@megacorp.com.my in relation to the agenda items for the 10th AGM.
7. Kindly follow the steps below to ensure that you can obtain your DBF and details to log in to the Live-Streaming session to participate and vote remotely during the 10th AGM online:
 - (a) Open this link <https://vps.megacorp.com.my/UUetnS>, or scan the QR code at the top right corner of this document, and submit all the details requested at least forty-eight (48) hours before the time of the 10th AGM.
 - (b) Only shareholders are allowed to register their details online. Shareholders can also appoint proxies or Chairman of the Meeting as proxy via online, as in Step (a) above. Please ensure that your details are accurate as any non-compliance may result in you not being able to receive your DBF or participate in the Meeting.

- (c) Alternatively, you may deposit your Form of Proxy, duly completed with the proxy's email address and mobile phone number, at the office of Poll Administrator, **Mega Corporate Services Sdn Bhd** ("MegaCorp") at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur or email to **AGM-support.Dancomech@megacorp.com.my** at least forty-eight (48) hours before the time appointed for holding the Meeting or adjourned meeting at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid.
- (d) For corporate shareholders / nominee accounts, please execute Form of Proxy as per step (c) above.
- (e) Upon verification on your registration, the Poll Administrator, MegaCorp, will send the following via email:
- Meeting Link** – for the Live-Streaming Session; and
 - DBF** – for Voting Purposes.

POLL VOTING

8. The voting of the 10th AGM will be conducted by a poll in accordance with Paragraph 8.29A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company has appointed MegaCorp as the Poll Administrator to conduct the polling process by way of electronic voting, and Cygnus Technology Solutions Sdn Bhd as Scrutineers to verify the poll results.
9. Shareholders/proxies can proceed to vote on the resolutions and submit your votes during the voting period as stipulated in the DBF. Upon completion of the voting session at the 10th AGM, the Scrutineers will verify the poll results after which the Chairman of the 10th AGM will announce the poll results of the resolutions.

RECORD OF DEPOSITORS ("ROD") FOR THE 10th AGM

10. The date of ROD for the 10th AGM is 18 May 2023. As such, only members whose names appear in the ROD as at 18 May 2023 shall be entitled to attend, participate, speak and vote at the 10th AGM or appoint proxy(ies) / corporate representative(s) to attend, participate and vote on his / her behalf.

NO DOOR GIFTS / VOUCHER

11. There will be no distribution of door gifts or voucher for the 10th AGM of the Company.

RECORDING OR PHOTOGRAPHY

12. Unauthorised recording or photography of the proceedings of the 10th AGM are strictly prohibited.

ENQUIRY

If you have any enquiries prior to the 10th AGM, please contact the following persons during office hours from 8.30 a.m. to 5.30 p.m. (Monday to Friday):

Poll Administrator

Mega Corporate Services Sdn. Bhd.

E-mail : **AGM-support.Dancomech@megacorp.com.my**
Telephone No. : +603 2694 8984
Alfred : +6012 912 2734
Hisham : +6012 252 9136

Dancomech Holdings Berhad

Mr Tang Yuen Kin

E-mail : **DANCO_AGM@dancomech.com.my**
Telephone No. : +603 5569 2929
Facsimile No. : +603 5569 2935 / 37

PERSONAL DATA POLICY

By registering for the remote participation and electronic voting meeting and/or submitting the instrument appointing a proxy(ies) and/or representative(s), the member of the Company has consented to the use of such data for purposes of processing and administration by the Company (or its agents); and to comply with any laws, listing rules, regulations and/or guidelines. The member agrees that he/she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

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DANCOMECH HOLDINGS BERHAD
Registration No. 201301020455 (1050285-U)
(Incorporated in Malaysia)

FORM OF PROXY

I/We _____ NRIC/Passport/Company No. _____
(FULL NAME IN BLOCK LETTERS)

Mobile No. _____ of _____
(ADDRESS)

being a member of **DANCOMECH HOLDINGS BERHAD** ("the Company"), hereby appoint:-

Full name as per NRIC No./Passport No.	NRIC No./Passport No.	Proportion of shareholding	
		No. of Shares	%
Email Address	Mobile No.		
Mailing Address			

* and/or failing him/her

Full name as per NRIC No./Passport No.	NRIC No./Passport No.	Proportion of shareholding	
		No. of Shares	%
Email Address	Mobile No.		
Mailing Address			

or failing him/her, the CHAIRMAN OF THE MEETING* as my/our proxy(ies) to vote for me/us and on my/our behalf at the Tenth Annual General Meeting of the Company to be conducted on a virtual basis through live streaming from the Broadcast Venue at No. 19, Jalan Pelukis U1/46, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan on Thursday, 25 May 2023 at 2.00 p.m. or at any adjournment thereof. My/Our proxy(ies) shall vote as indicated below:

NO.	RESOLUTIONS	FOR	AGAINST
Resolution 1	Re-election of Mr Gong Wooi Teik as Director		
Resolution 2	Re-election of Mr Lee Chen Yow as Director		
Resolution 3	Approval of the payment of Directors' Fees and benefits		
Resolution 4	Re-appointment of TGS TW PLT as Auditors		
Resolution 5	Authority for Directors to allot and issue shares		
Resolution 6	Proposed Shareholders' Mandate		

Please indicate with a "✓" or "X" in the appropriate space how you wish your votes to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy will vote as he or she thinks fit, or, at his or her discretion, abstain from voting.

Dated this day of

Number of ordinary shares held
Central Depository System Account No.

Signature of Member / Common Seal

* Delete the words "the CHAIRMAN OF THE MEETING" if you wish to appoint some other person(s) only to be your proxy/proxies.

Notes:

- The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairman of the meeting to be present at the main venue of the meeting. Shareholders/proxies from the public will NOT be allowed to be physically present at the Broadcast Venue. Shareholders who wish to participate in the AGM will have to register online and attend remotely.
Kindly read and follow the procedures in the Administrative Guide for the AGM in order to participate remotely.
- A member of the Company entitled to attend, speak and vote at the meeting is entitled to appoint not more than two proxies to attend, speak and vote in his/her stead. Where a member appoints more than one proxy to attend, speak and vote at the meeting, such appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
- Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
- Only a depositor whose name appears in the Company's Record of Depositors as at 18 May 2023 shall be regarded as a member and entitled to attend, speak and vote at this meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
- The original instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Poll Administrator's Office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur or submitted via email AGM-support.Dancomech@megacorp.com.my not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting. You also have the option to register directly at <https://vps.megacorp.com.my/UUetnS> to submit the proxy appointment electronically. For further information on the electronic submission of proxy form, kindly refer to the Administrative Guide.
- The Personal Data Protection Act 2010, which regulates the processing of personal data in commercial transactions, applies to the Company. By providing to us or our agents your personal data which may include your name, contact details and mailing address, you hereby consent, agree and authorise the processing and/or disclosure of any personal data of or relating to you for the purposes of issuing the notice of this meeting and convening the meeting, including but not limited to preparation and compilation of documents and other matters, whether or not supplied by you. You further confirm to have obtained the consent, agreement and/or authorisation of all persons whose personal data you have disclosed and/or processed, in connection with the foregoing.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

DANCOMECH HOLDINGS BERHAD
Registration No. 201301020455 (1050285-U)
c/o Poll Administrator's Office
Mega Corporate Services Sdn Bhd
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

1st fold here

Specialised in Valves, Gauges, Recorders & Pumps

DANCOMECH HOLDINGS BERHAD

Registration No. 201301020455 (1050285-U)

No. 19 Jalan Pelukis U1/46,

Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan.

Tel : (603) 5569 2929 Fax : (603) 5569 2935/37

dancomech.com.my