LSK
Since 1975

LEE SWEE KIAT GROUP BERHAD
[Registration No. 200301005163 (607583-T)]

2022 ANNUAL REPORT

THE MALAYSIA BOOK of RECORDS®

Amber Chia
Supermodel, Celebrity
Napure Brand Ambassador

Diana Danielle
Malaysian Actress and Singer
Napure Brand Ambassador

Global Organic Latex Standard

1st Aniline Free Natural Latex Bedding

Largest Natural Latex Bedding Manufacturer

Napure® | ENGLANDER® USA since 1894 | TEMPUR® | MFO LEADING IN SLEEP INNOVATION

CONTENTS

CORPORATE STRUCTURE

LEE SWEE KIAT GROUP BERHAD
[Registration No. 200301005163 (607583-T)]

100%
Lee Swee Kiat Holdings Sdn Bhd
Investment holding and management

100%
LSK Napure Latex Sdn Bhd
Manufacturing of natural latex bedding

100%
LSK Mattressworld Sdn Bhd
Manufacturing of mattresses and bedding accessories

100%
LSK Mattress Marketing Sdn Bhd
Marketing and distribution of mattresses and related products

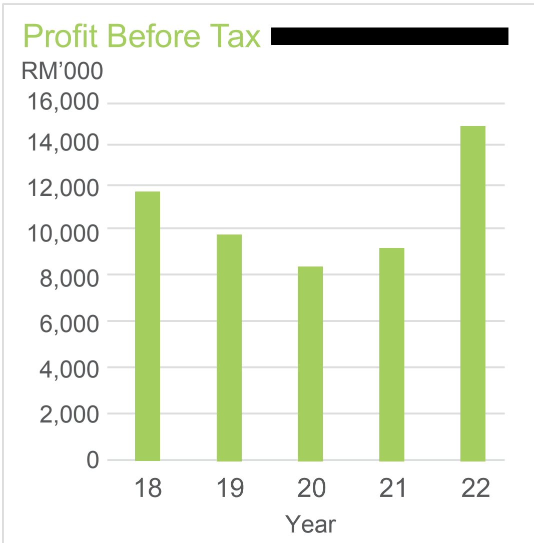
100%
LSK Lamifoam Sdn Bhd
Dormant Company

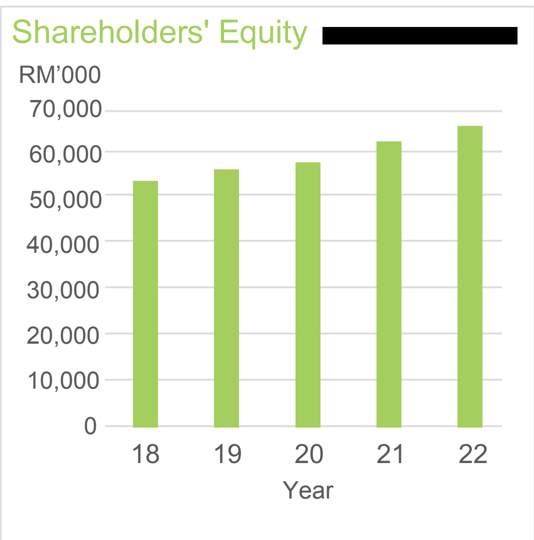
100%
LSK Italhouse Sdn Bhd
Marketing and distribution of mattresses, furniture, related products and retail sale of mattresses

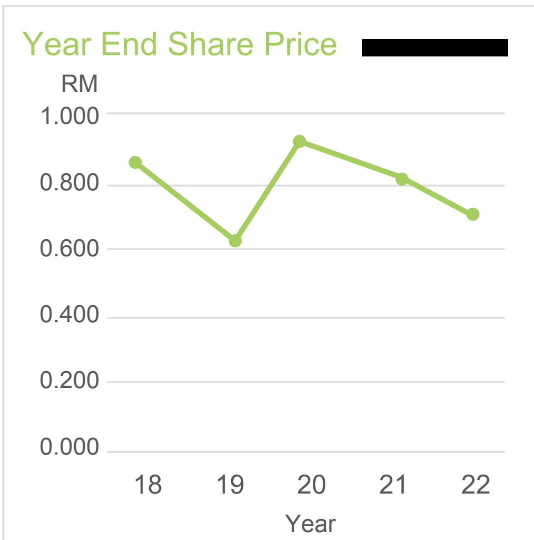
60%
Homeplus Furniture Sdn Bhd
Marketing and distribution of mattresses, household furniture and related products

5- YEAR KEY FINANCIAL PERFORMANCE

	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Revenue	100,031	101,748	96,608	104,633	129,024
Profit before tax	11,736	9,712	8,309	9,047	15,079
Profit attributable for ordinary shares	10,246	8,053	6,497	7,517	10,809
Earnings per share (sen)	6.28	4.94	4.02	4.69	6.72
Total shares issued					
(net of treasury shares)	163,128	163,128	161,755	161,755	161,412
Shareholders' equity	52,547	56,544	58,316	61,854	68,427
Total borrowings	(6,796)	(9,927)	(7,514)	(10,474)	(6,590)
Cash and bank balances	18,136	21,722	24,509	21,111	23,426
Net cash	11,340	11,795	16,995	10,637	16,836
Return on equity (%)	19.5%	14.2%	11.1%	12.2%	15.8%
Net gearing ratio	Net cash	Net cash	Net cash	Net cash	Net Cash
Dividend per share (sen)	2.5	2.5	2.5	2.5	3.5
Year end share price (RM)	0.85	0.61	0.89	0.82	0.725







CORPORATE INFORMATION

DIRECTORS

LEE AH BAH @ LEE SWEE KIAT	(Executive Chairman)
TAN KUIN LUAN	(Alternate Director to Lee Ah Bah @ Lee Swee Kiat)
DATO' LEE KONG SIM, ERIC	(Managing Director)
LEE KONG YAM, VINCENT	(Executive Director)
SEOW NYOKE YOONG	(Independent Non-Executive Director)
WONG YOKE SAN	(Senior Independent Non-Executive Director)
LEE KONG HOOI	(Non-Independent Non-Executive Director/Deputy Chairman)
NG FONG FONG	(Independent Non-Executive Director)

AUDIT COMMITTEE

WONG YOKE SAN
(Chairman, Senior Independent Non-Executive Director)
SEOW NYOKE YOONG
(Member, Independent Non-Executive Director)
LEE KONG HOOI
(Member, Non-Independent Non-Executive Director/Deputy Chairman)
NG FONG FONG
(Member, Independent Non-Executive Director)

NOMINATION AND REMUNERATION COMMITTEE

NG FONG FONG
(Chairperson, Independent Non-Executive Director)
WONG YOKE SAN
(Member, Senior Independent Non-Executive Director)
SEOW NYOKE YOONG
(Member, Independent Non-Executive Director)
LEE KONG HOOI
(Member, Non-Independent Non-Executive Director/Deputy Chairman)

SECRETARIES

WONG WAI FOONG (MAICSA 7001358)
(SSM PC No. 202008001472)
WONG PEIR CHYUN (MAICSA 7018710)
(SSM PC No. 202008001742)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Wisma LSK
Lot 6122, Jalan Haji Abdul Manan
Off Jalan Meru, 41050 Klang
Selangor Darul Ehsan
Tel : +(603) 3392 4488
Fax : +(603) 3392 5588
Website : www.lsk.com.my

PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad
Hong Leong Bank Berhad

SOLICITOR

JM Chong, Vincent Chee & Co.

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia
Tel : +(603) 2783 9299
Fax : +(603) 2783 9222

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name : LEESK
Stock Code : 8079

AUDITORS

Nexia SSY PLT
(LLP0019490-LCA & AF 002009)
Chartered Accountants
UOA Business Park
Tower 3, 5th Floor, K03-05-08
1 Jalan Pengaturcara U1/51A
Section U1, 40150 Shah Alam
Selangor Darul Ehsan
Tel : +(603) 5039 1811
Fax : +(603) 5039 1822
Website : www.nexiassy.com

PROFILE OF THE DIRECTORS

EXECUTIVE DIRECTORS

LEE AH BAH @ LEE SWEE KIAT
Executive Chairman
Aged 84, Male, Malaysian

Mr. Lee Ah Bah @ Lee Swee Kiat was appointed to the Board of Directors of Lee Swee Kiat Group Berhad ("LSK" or "the Company") on 3 February 2004. He is the founder of LSK and its subsidiaries ("the Group"). He started his business venture in 1975 as a furniture wholesaler under Sun Sun Furniture (M) Sdn Bhd and ventured into manufacturing of laminated foam in the 1980s. He has since laid the foundation for the Company to expand until today.

DATO' LEE KONG SIM ("DATO' ERIC LEE")
Managing Director
Aged 48, Male, Malaysian

Dato' Eric Lee was appointed to the Board of Directors of LSK on 3 February 2004 as Executive Director. He was appointed as Managing Director on 25 August 2011.

Dato' Eric Lee is a fellow member of the Association of Chartered Certified Accountants (FCCA), a member of the Malaysian Institute of Accountants (MIA) and a member of the Malaysian Institute of Taxation (MIT). He obtained his Master of Business Administration from the University of Gloucestershire, United Kingdom in 2020. He joined the Group since 1997 and currently also hold the position as Chief Financial Officer of the Group. He is the vice president of the Malaysia Furniture Council (MFC) since 2019 and was the President of Kuala Lumpur and Selangor Furniture Association (KSFA) from 2015 till April 2021.

LEE KONG YAM
Executive Director
Aged 55, Male, Malaysian

Mr. Lee Kong Yam was appointed to the Board of Directors of LSK on 3 February 2004 as Executive Director.

Mr. Lee Kong Yam obtained his Master of Business Administration from Honolulu University, United States of America ("USA") in 1999. He joined LSK Group since 1991 and oversaw the Group's foam and lamination business.

NON-EXECUTIVE DIRECTORS

LEE KONG HOOI
Non-Independent Non-Executive Director/Deputy Chairman
Aged 56, Male, Malaysian

Mr. Lee Kong Hooi was appointed to the Board of Directors of LSK as Non-Independent Non-Executive Director/Deputy Chairman on 1 April 2021. He is a member of the Audit Committee ("AC") as well as Nomination and Remuneration Committee ("NRC").

He obtained his Master of Business Administration from Honolulu University, USA in 1999. He has more than 25 years of experience in the bedding industry. He is the Founder and Chief Executive Officer of Reztec Group Sdn Bhd, a manufacturing company specialising in foam mattresses and bedding products. He had served as Managing Director of LSK from February 2004 to April 2008.

SEOW NYOKE YOONG
Independent Non-Executive Director
Aged 61, Female, Malaysian

Ms. Seow Nyoke Yoong was appointed as Independent Non-Executive Director of LSK on 20 August 2018. She is a member of the AC as well as NRC.

She graduated with a Bachelor of Commerce degree from University of New South Wales, Australia in 1984 and went on to complete her Bachelor of Law degree from University of Melbourne, Australia in 1985. She was admitted as an advocate and solicitor to the High Court of Malaya in 1987. Upon graduation, she commenced legal practice, concentrating on banking, corporate, real estate and conveyancing matters. She was the Managing Partner of Messrs. Soo Thien Ming & Nashrah, Klang office for more than 20 years but has since opted for early retirement.

She sits on the Board of Directors of AYS Ventures Berhad as Independent Non-Executive Director.

PROFILE OF THE DIRECTORS *(cont'd)*

NON-EXECUTIVE DIRECTORS (Cont'd)

WONG YOKE SAN
Senior Independent Non-Executive Director
Aged 67, Male, Malaysian

Mr. Wong Yoke San was appointed as Independent Non-Executive Director of LSK on 26 August 2019. He is the Chairman of the AC and a member of the NRC.

He is a Chartered Accountant and a member of the Malaysian Institute of Accountants (MIA), a member of the Chartered Tax Institute of Malaysia (CTIM) and a member of the Malaysian Institute of Chartered Secretaries and Administration (MAICSA).

He graduated with Bachelor of Commerce and Administration (BCA) degree from Victoria University, Wellington, New Zealand. He received audit training with Arthur Young, Singapore. Currently, he manages his own audit and tax practice in Kuala Lumpur and Seremban.

He has served as advisor to the Malaysia Furniture Council and Kuala Lumpur and Selangor Furniture Association (KLSFA) for many years.

NG FONG FONG
Independent Non-Executive Director
Aged 50, Female, Malaysian

Ms. Ng Fong Fong was appointed as Independent Non-Executive Director of LSK on 1 November 2021. She is the Chairperson of the NRC and a member of the AC.

She is the founder and Chief Executive Officer of Ergoland Alliance Sdn Bhd, a leading ergonomics solutions provider in Malaysia with multiple sales outlets and online presence.

She graduated with a Bachelor of Economics in University of Malaya and has more than 10 years of international experience in Business-to-Business (B2B) and Business-to-Consumer (B2C) marketing from multinational listed companies, BMI Group and Grundfos Asia Pacific.

ALTERNATE DIRECTOR

TAN KUIN LUAN
Alternate Director to Mr Lee Ah Bah @ Lee Swee Kiat
Aged 82, Female, Malaysian

Madam Tan Kuin Luan was appointed to the Board of Directors of LSK as Alternate Director to Mr. Lee Ah Bah @ Lee Swee Kiat on 3 February 2004. She is the co-founder of the Group with Mr. Lee Ah Bah @ Lee Swee Kiat.

Note:-
Mr. Lee Kong Hooi, Mr. Lee Kong Yam and Dato' Eric Lee are brothers and they are the sons of Mr. Lee Ah Bah @ Lee Swee Kiat and Madam Tan Kuin Luan.

Saved as disclosed, none of the Directors have:-
(1) any family relationship with any Director and/or major shareholder of the Company;
(2) any conflict of interest with the Company; and
(3) any conviction for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2022 other than traffic offences.

Details of the Directors' attendance at Board of Directors' meetings for financial year 2022 is provided in the page 21 of this Annual Report.

PROFILE OF THE MANAGEMENT TEAM

GOH KOK THAI

Technical Director for Latex Division
Aged 65, Male, Malaysian

Mr. Goh Kok Thai joined LSK Napure Latex Sdn Bhd, a wholly-owned subsidiary of the Group, as Technical Director since 1 November 2006. Mr. Goh has more than 30 years of experience in natural latex foam and related products. He holds a degree in Polymer Science & Technology from the University of Science Malaysia. He is responsible for the manufacturing and Research and Development of the latex division.

RATNADEWI A/P BAHWANDI @ FAN CHERN HUI

General Manager
Aged 44, Female, Malaysian

Ms. Ratna joined LSK Mattressworld Sdn Bhd, a wholly-owned subsidiary of the Group, as Export Manager on 16 February 2004. She was promoted to General Manager of the Group's mattress division on 1 February 2009. She holds a degree in Economics & Management from the University of London. Ms. Ratna is responsible for the sales and marketing for local and exports of mattress and latex divisions.

YAP KOK SEONG

Factory Manager
Aged 59, Male, Malaysian

Mr. Yap joined LSK Mattressworld Sdn Bhd, a wholly-owned subsidiary of the Group, as Factory Manager on 4 September 2017. He has more than 30 years of experience in bedding industry. Mr. Yap is currently in-charge of the production of all finished mattress and bedding accessories.

CHAI MUI CHICK, JASON

National Sales Manager
Aged 45, Male, Malaysian

Mr. Jason Chai joined LSK Mattressworld Sdn Bhd, a wholly-owned subsidiary of the Group, as National Sales Manager on 5 September 2017. He holds a Certificate from Chartered Institute of Marketing. He has more than 20 years of marketing and sales experience in the bedding industry, including 8 years in DMIB bedding division.

GAN LAY HONG, JANICE

Accountant
Aged 42, Female, Malaysian

Ms. Janice Gan joined LSK Napure Latex Sdn Bhd, a wholly-owned subsidiary of the Group, as Assistant Accountant on 26 March 2007. She was promoted to the position of Accountant on 1 January 2010 and is responsible for the Group's finance and accounting functions. She is a Chartered Accountant of Malaysian Institute of Accountants (MIA). She holds a Bachelor Degree in Accounting from University of Utara Malaysia. Prior to her joining to the Group, she worked as an external auditor for two years in a medium size audit firm.

None of the Management has:-

(1) any family relationship with any Director and/or major shareholder of the Company;
(2) any directorship in public companies and listed issuers;
(3) any conflict of interest with the Company; and
(4) any conviction for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2022 other than traffic offences.

MANAGEMENT DISCUSSION & ANALYSIS

Executive Summary of the Group

Core Business

LSK is a niche natural latex bedding company that embraces environmental sustainability through its core value proposition. LSK specialises in 100% natural latex and spring mattresses. The Group was established in 1975 and listed on Bursa Stock Exchange in 2004. For financial year ended 2022, approximately 25% of its products are exported while 46% of total revenue are derived from direct Business-to-Consumer ("B2C") sales channels within Malaysia.

Corporate Mission

LSK's mission is to help people to sleep healthier by using sustainable and renewable natural latex material, through energy efficient green technologies to reduce carbon footprint to the environment. Our main Corporate Social Responsibility is to generate reasonable returns responsibly by balancing the returns to stakeholders and impact on the environment.

Business Model

LSK operates as a niche player focusing on high value added natural latex & premium branded bedding. We adopt an asset-light model avoiding excessive investment in properties and venturing into non-core diversifications. LSK focuses on building brand-equity through branding, efficiencies and sustainability initiatives via continual improvement in operations to compete on equal footing at the world market.

The strategic management principles adopted by LSK in its major business decision making are as follows:-

Strategic Management Principles for LSK

(1) Focus – We strive to focus on our core competitive strength. We avoid diversification into non-related business of which we do not have competitive advantage.

(2) Sustainability – We endeavour to ensure sustainability in our business operations by using renewable natural latex as our core materials and utilising green technology in our manufacturing operations.

(3) Asset light – We avoid investment in properties other than those for our core business operations to keep our capital employed to those essential to our operations, so that to improve our return on equity.

(4) Building competitive advantage – We focus on brand building through investment in intellectual properties, improving efficiencies through technologies advancement and automation to remain competitive at the world market.

(5) Conservatively financed – We manage our finance conservatively to be prepared for any unforeseen circumstances as well as to timely capture any good investment opportunity that may arise from time to time.

(6) Increase per share earnings – Our main business objective is to increase earnings on per share basis to create shareholder value. We do not wish to build the size of company by doubling profit through doubling shareholding base, which do not create value on per share basis for existing shareholders.

(7) Avoid dilution in shareholdings – We shun issuance of new shares through placements to new shareholders that may dilute the shareholdings for the existing shareholders. Unless the issue of new share is for acquisition of a business could provide incremental profit that is accretive on earnings per share basis for the existing shareholders or to bring in strategic shareholders that would create long-term value to the Group.

(8) Avoid unnecessary capital raising – We endeavour to avoid the need to raise additional capital from shareholders through right issues. The Company is ready to draw on debt for major expansions or merger and acquisition ("M&A") activities which is earnings accretive should the opportunities arise.

(9) Capital allocation – We practise due care in our capital allocation decision to bring in incremental profit on every ringgit we reinvested. We may keep more funds than needed in our operation as war chest for future expansion or potential M&A activities.

(10) Reward shareholders – We had adopted a dividend policy of a minimum 30% payout of the consolidated profit after tax and we strive to increase earnings on per share basis as well as reward shareholders on increasing dividend on per share basis in line with the growth of the Company.

Key Performance Indicators at a Glance

TURNOVER
RM129.024 MILLION
(INCREASED BY 23.3%)

PBT
RM15.079 MILLION
(INCREASED BY 66.7%)

PAT
RM10.809 MILLION
(INCREASED BY 43.8%)

EPS
6.72 SEN
(INCREASED BY 43.3%)

RETURN
ON EQUITY 15.8%
(2021: 12.2%)

NET CASH POSITION
OF RM16.836 MILLION
(INCREASED BY 58.3%)

PROPOSED
DIVIDEND 3.5 SEN
(2021: 2.5 SEN)

MANAGEMENT DISCUSSION & ANALYSIS *(cont'd)*

Dear Fellow shareholders

On behalf of the Board of Directors, we are pleased to present to you the annual report of LSK for the financial year ended 31 December 2022 ("FY 2022"). The Group turnover for FY 2022 was RM129.024 million with Profit Before Tax ("PBT") and Net Profit of RM15.079 million and RM10.809 million respectively. The Company was in net cash position of RM16.836 million as at December 2022.

The key financial highlights are as follows:-

Financial Highlights

RM'000	FY 2022	FY 2021	Change
Turnover	129,024	104,633	+ 23.3%
Profit before tax	15,079	9,047	+ 66.7%
Net profit for the year	10,809	7,517	+ 43.8%
Earnings per share (sen)	6.72	4.69	+ 43.3%
Return on equity	15.8%	12.2%	+ 3.6%
Net cash	16,836	10,637	+ 58.3%
Dividend per share (sen)	3.5	2.5	+ 40%

Financial Analysis

The Group achieved record performance in FY 2022, with historical high turnover and net profit. Turnover increased by 23.3% from RM104.633 million in financial year ended 31 December 2021 ("FY 2021") to RM129.024 million in FY 2022. Profit before tax increased by 66.7% from RM9.047 million in FY 2021 to RM15.079 million in FY 2022. Net profit for the year increased from RM7.517 million in FY 2021 to RM10.809 million in FY 2022.

The Group's net cash position increased from RM10.637 million as at December 2021 to RM16.836 million as at December 2022, as a result of strong operating cashflows.

The Group's total shareholder's fund stood at RM68.427 million as at December 2022 with no gearing. The Group generated a return on equity of 15.8% in FY 2022 against 12.2% in FY 2021.

General Operations

Balanced Sales Channels

Sales by Channels	2022 RM'000	%	2021 RM'000	%
Exports	31,663	24.5%	46,547	44.5%
Direct B2C	59,047	45.8%	32,848	31.4%
Wholesale	12,768	9.9%	9,700	9.3%
Cuckoo Napure	20,869	16.2%	9,798	9.4%
Others	4,677	3.6%	5,740	5.4%
Total	129,024	100%	104,633	100%

General Operations (continued)

Balanced Sales Channels (continued)

The Group has strong presence in a wide variety of sales channels including oversea and domestic market. The export and domestic market ratio was 25:75 in FY 2022, compared to 45:55 in FY 2021 as our export division was facing headwinds with weaker demand caused by global inflation. For domestic market, the Group has had a banner year with stellar performance in our sales channels. Our direct B2C channel contributed 45.8% of total Group revenue or 60.7% of our total domestic revenue, up from 31.4% and 56.6% respectively in FY 2021. The Cuckoo Napure Collaboration contributed revenue of RM20.869 million or 16.2% of total revenue. These strong domestic performance helped to overcome export headwinds to register record turnover and profit for the Group in FY 2022.

A Year of High Inflationary Pressure

FY 2022 was a year with high increases in various operating costs. Raw materials, including centrifuged latex and spring, witnessed unusual hike in prices. The implementation of minimum wages from RM1,200 to RM1,500, representing a 25% increase in labour cost. The fuel gas joined the bandwagon with an increase of close to 60% during the year. We countered the cost pressure through greater efficiencies, better product mix as well as economies of scale through continual market penetration for greater market share.

Acquisition of Italhouse

Italhouse has become a wholly-owned subsidiary of the Group from August 2022 after acquiring the remaining 30% shareholdings for a nominal sum of RM10. The Group has sent in a new management team to oversee the operations, and it has since turned around. The Group does not foresee any further impairment is required for Italhouse.

Land and Building at Historical Cost Valuation

Our two factories with freehold titles and a total land size of approximately 10 acres were recorded at historical cost as far as 20 years ago. Based on the recent transacted market value in the vicinity, the increase in value is very substantial.

Collaboration with Cuckoo International (MAL) Sdn Bhd

This collaboration contributed RM20.869 million in revenue to the Group in FY 2022, representing 16.2% of overall Group Turnover. This Rental Based Business Model required substantial upfront working capital to finance the rent, which resulted in lower net cash position in FY 2021. With current volume, the monthly cash inflow has surpassed the working capital requirements and thus our net cash position has improved in FY 2022.

NAPURE – The No. 1 Selling Natural Latex Bedding

Our flagship brand Napure, is the proud owner of 3 Malaysia Book of Records, namely i) the largest natural latex bedding manufacturer, ii) the first and only "Aniline-free" natural latex bedding, and iii) the first and only certified organic latex bedding manufacturers under the Global Organic Latex System ("GOLS"). These records are solid proof of our achievement which again set us apart from our competitors. We obtained another global sustainability certification under FSC – Forest Stewardship Council, which certifies the traceability of sustainably maintained latex source.

No.1
Latex Bedding Brand

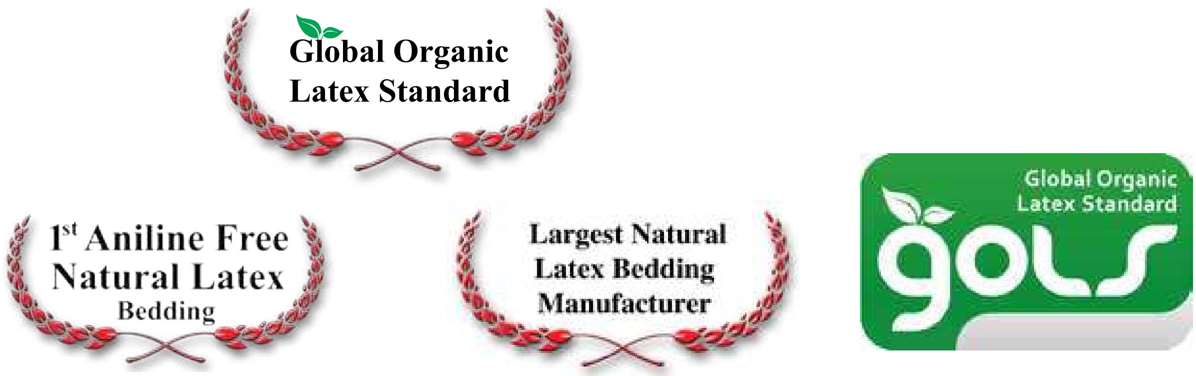
Top 10
American Bedding Brand

World Leading
Recliner Chair

World Leading Visco Elastic
Bedding Brand

Strategic Management Principles

We have included our 10 strategic management principles on page 8 which form the central management philosophy of the present management in managing LSK. This serves to let shareholders and potential investors understand the process and rationales of decision making by the Management of LSK. We wish to attract likeminded investors and shareholders who share the same management concept with us over the long-term.



Awards

The Group obtained various awards over the years with our achievements, including the latest Malaysia Book of Records ("MBR"). In 2019, we won the Sustainable Development Award organised by Junior Chamber International for our sustainable green natural latex building, as well as the MBR for the first Aniline-free latex bedding. In FY 2020, we were certified by MBR as the first organic latex bedding manufacturers under Global Organic Latex Standard ("GOLS").

Specific Business Risks

(i) Foreign labour

The Group is principally a manufacturing company and thus would rely on the use of foreign labour. The Group is targeting at mid to high end market and thus in a stronger position to absorb and pass on any increase in labour cost.

(ii) Centrifuged latex cost

Any huge fluctuation in the price may have an impact on the margin for our latex operations. The average centrifuged latex cost was about 6.6% higher in FY 2022 as compared to FY 2021. The Management has implemented hedging techniques to minimise any short-term fluctuation in the price of centrifuged latex. In the event when the latex price is on an uptrend over the longer term, we have a pricing mechanism to pass on the increase cost to our customers.

(iii) Distribution agreement with Tempur

The Group has been the exclusive distributor for Tempur since 2006. The agreement is subject to review annually and there is no guarantee that Tempur would extend the distribution rights in the future. The total contribution from Tempur to the turnover of the Group was about 5% in FY 2022.

Group Culture

Our Group culture could be summarised as EIIE, being the acronym for Effective, Integrity, Improve and Efficient. We inculcate our team to strive for effectiveness in achieving our Group strategies, be one of the most efficient players in the market, constantly improve oneself and grow with the Company, and finally the most important aspect, with strong integrity. We believe EIIE would be critical for the Group to face all economic challenges facing the Group from time to time, and allow us to excel over the long-term.

Share Buy-back

The Board of Directors commenced share buy-back since November 2017. The shares will be kept under treasury shares and may be used, inter alia, as share dividend, share considerations for acquisitions, Employee Share Options Scheme, etc in future as permitted by the relevant regulatory requirements. This exercise allows the Group to utilise its cash flow into good use and increase the EPS of the Group. The Group bought back 343,000 shares at an average price of about RM0.66 in FY 2022. As at December 2022, a total of 6.403 million shares at an average cost of about RM0.44 per share were purchased and kept as treasury shares.

Dividend Policy

The Group has a dividend policy of declaring a minimum of 30% of consolidated profit after tax for dividend payment and is subject to factors such as the Group's earnings, capital commitment, general financial conditions, distributable reserves as well as the Group's solvency. Dividend will be in the form of cash or share dividends of equivalent market value at the time of declaration.

As for FY 2022, the Board of Directors had declared a single tier interim dividend of 3.5 sen per ordinary share, representing an increase of 40% over the dividend payout of 2.5 sen in FY 2021.

Forward Looking Statement

The Management strives to build a sustainable business model to maximise long-term shareholder value. Overall, the Group has had a stellar performance in FY 2022 despite the huge challenge on inflationary pressure. The performance of the Group will be affected from time to time by external factors including fluctuations in raw latex cost and exchange rate, as well as general economic situation. The Management is always cautious on various external risk factors that may affect the Group. We strive to have a relatively well-balanced structure in terms of composition of export and domestic sales, as well as a natural hedging of exports and imports which would minimise the impact of any sudden fluctuation in foreign exchange.

Acknowledgement

I would like to take this opportunity to express my sincere appreciation to the Board of Directors and Management team for their positive contributions, and to thank all customers, suppliers, bankers and our dedicated team of staff for their unwavering support throughout the years.

Dato' Eric Lee
Managing Director

SUSTAINABILITY STATEMENT

Sustainability is one of the core strategic management principle for LSK. The Group embraces the essence of sustainability through its core value proposition via green and sustainable natural latex. The sustainability management is headed by the Managing Director who reports to the Audit Committee and the Board. The corporate mission statement for LSK covers the key aspects as follows.

We are a socially responsible company endeavour to:-

(i) assist consumer to sleep better and healthier;
(ii) use renewable and environmentally friendly natural latex as materials;
(iii) utilise energy-efficient green technology in production; and
(iv) minimise carbon footprint to the environment.

These four pillars lay the foundation of LSK's operation as we strive to generate reasonable returns for shareholders while conserving our environment. We believe that by embedding sustainability in our corporate mission is more meaningful for LSK as a responsible corporate citizen to live in harmony with the eco-system.

LSK practices Leadership by Design concept in its sustainability leadership management. Three (3) major aspects of the concept are:-

(i) To have critical awareness of issues facing the Group;
(ii) To formulate long-term strategy with innovative solutions to those issues; and
(iii) To ensure long-term sustainability of the Group.

The foundation of our sustainability is centred around three key pillars, namely Economic, Environment and Social aspects.

(A) Economic

Balancing Profit and Impact on Environment

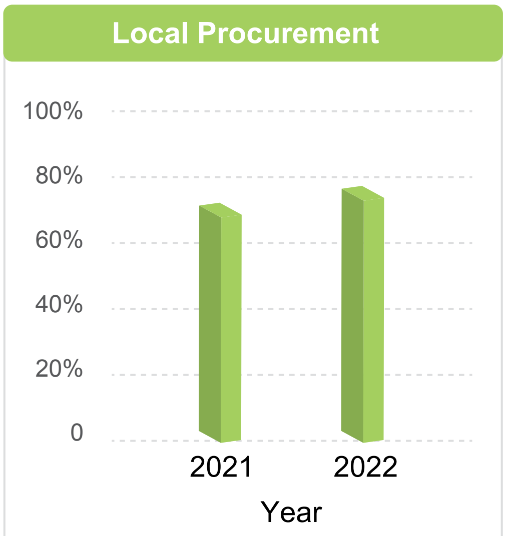
The Group strives to generate reasonable returns responsibly by balancing the returns to stakeholders and impact on the environment.

Domestic Latex Technology for Export

LSK focuses to be niche player in high value-added 100% natural latex bedding. The Group's products are exported to various advanced countries including USA, Korea, China, Europe, Canada, Japan, etc. 100% natural latex is having a competitive edge in the world market both by our geographical proximity to raw material source as well as technical know-how involved.

Local Procurement

We favour local procurement to support the economy of our local business community. We believe that most of our Malaysian products are as good as those from overseas. By sourcing through our local counterparts, we help to retain our money flow within the Malaysian economy to minimise adverse impact on our national current account. In FY 2022, approximately 77% (2021: 71%) of the Group's procurements were purchased from Malaysian suppliers while the remaining were directly imported from overseas.

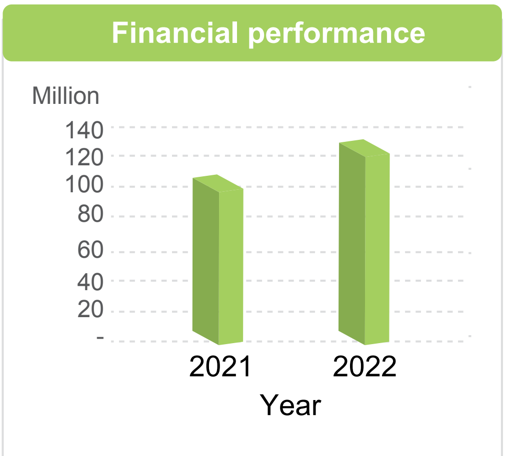


(A) Economic (continued)

Balancing Profit and Impact on Environment (continued)

Financial Performance

LSK's total revenue increased from RM105 million to RM129 million, contributed mainly from our growth in domestic market share. The Group endeavours to grow our business in harmony with the environment through natural and green initiatives for long-term sustainability.

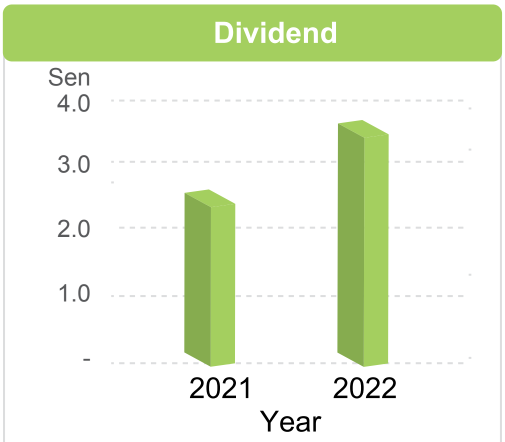


Investment for the Future

LSK is actively engaged in mechanisation and green technology in our operation. The Group invested RM1.1 million to install Solar PV system. This is expected to bring our green energy consumption to about 25% of our total power consumption.

Wealth Generation

The Group's share price dropped to RM0.725 in FY 2022 from RM0.82 in FY 2021. The Group increased its dividend payment to 3.5 sen per ordinary share in FY 2022, representing a 40% increase over 2.5 sen in FY 2021.



Cloud-based System

LSK has invested in cloud-based system for real time connectivity in our operations. We also practise 30 days cloud-based back up of our key systems to minimise any disruptions to our operations in terms of cyber-risk involving virus or ransomware.

Investment in Intellectual Properties ("IP")

LSK embraces IP as a key value for the Group. IP as an intangible asset may be more important than tangible assets over the long-term. Besides building our own trademark, LSK extends its international reach by acquiring the Englander trademark for the ASEAN countries to further strengthen its bedding division. The Group has eliminated the risk of non-renewal of licensing agreement by acquiring the trademark right of Englander from the USA principals. We are the owner of more than 40 registered trademarks worldwide (including certain trademarks in different countries).

(A) Economic (continued)

Balancing Profit and Impact on Environment (continued)

LSK adopts an asset-light business model and avoids unnecessary investment into non-core businesses or properties. The Group practices financial prudence by incorporating profitability, returns on shareholders fund and gearing into the Key Performance Indicators ("KPIs") for the Management. The Group is currently enjoying a comfortable net cash position.

LSK endeavours to build brand equity through its portfolio of brands under management. The Group used to be a 10-years contracted licensee to produce Englander branded mattress, a top ten bedding brand from USA. In 2015, the Group acquired the Englander Trademark for the ASEAN countries from the American principals to ensure perpetual control over the trademark.

(B) Environment

Renewable, Environmental Friendly and Biodegradable Natural Latex

LSK uses 100% natural latex as its core materials. Natural latex is an environmental friendly product, tapped from rubber trees. According to a publication from the Malaysia Rubber Board, rubber tree helps to reduce global warming through carbon sequestration. Carbon sequestration is a process that removes greenhouse gases, such as carbon dioxide, from the atmosphere. Simply put, sequester means to lock transiently. Total carbon sequestered in rubber plantation ranged from 235 to 574 tonnes per hectare over 30 years, which is one of the best natural carbon sink available.

(B) Environment (continued)

Renewable, Environmental Friendly and Biodegradable Natural Latex (continued)

Natural latex is bio-degradable. According to a research paper published by the Rubber Research Institute of Malaysia, natural latex has superior bio-degradable properties compared to synthetic foams. This is in-line with the Group's mission to go-green and ensure environmental sustainability.

GOLS

The Group has launched its organic latex since beginning of 2020 as our effort to discourage the use of artificial fertilizers and pesticides. The demand for organic latex as well as FSC certified sustainably sourced latex is on the rise which would further enhance our ESG initiative.

FSC

The Group obtained the world-reknowned Forest Stewardship Council - FSC certification in 2022. FSC certification ensures that products come from responsibly managed forests that provide environmental, social and economic benefits.

Solar PV System

The Group has invested RM1.1 million in FY 2022 - FY 2023 for solar power generation. Upon full commissioning, it would be able to generate green energy for approximately 25% of the Group's current power consumption. This project generates electricity from sunlight via solar PV system installed. Solar PV system is deemed as an "emission free" system because its operation does not emit any carbon dioxide or greenhouse gas. With the implementation of this solar PV system, it would reduce the impact on environment while having unlimited resources for electricity generation from the sun. The estimated annual yield is approximately 600,000 kWh, which would have resulted in reduction in greenhouse gas emissions of approximately 350 tons per year, or equivalent of approximately 1,700 trees offset.

(B) Environment (continued)

Green Technology

LSK uses energy efficient production systems to minimise energy consumption as well as reducing carbon emissions. The co-generator is a qualified green technology recognised by the Malaysia Investment Development Authority ("MIDA"). MIDA encourages the industries to embed green technology by offering special tax incentives. Besides having lower electricity generation cost on per kWh basis compared to our Tenaga Nasional Berhad ("TNB") power rate, we are able to recover the heat from generation to be used in our production.

LSK uses natural gas which is high grade fuel as power source. Natural gas is a clean combustion with higher heat factor, which virtually does not have smoke pollutants.

Solid Waste Management

The Group minimises its production wastage by re-producing off-cuts of latex foam into reinforced latex which could be reused as mattress padding. This has effectively reduced the wastage disposal cost of the Group and converting them into income-generating products. We reprocess the waste latex scum into thin latex crepe which could be sold for further processing in other rubber industry users.

Waste Water Treatment

LSK has an in-built waste water treatment plant to treat all effluent water from the production. The waste water treatment plant is in full compliance with the requirements of the Department of Environment Malaysia ("DOE"). The Group regularly conducts test on the quality of the treated water to ensure compliance with the Chemical Oxygen Demand (COD) and Biological Oxygen Demand (BOD) requirements before being discharged into the sewerage systems. The solid scheduled wastes are collected and stored separately for disposal to a local licensed company.

(C) Social

The key stakeholder group of the Company and their respective engagement are as follows:-

Key Stakeholders	Engagement Type	Material Sustainable Issues		
		Economic	Environmental	Social
Customers	Surveys and meeting	Financial stability	Eco-friendly product	Culture, welfare
Controlling Shareholders	Meetings	Profit maximisation	Compliance with all DOE and other relevant requirements	Occupational health and safety
Investors	Annual General Meeting / analyst meetings	Sustainable dividend payment	In compliance with eco-friendly practice	Corporate social responsibility
Suppliers	Periodic meetings and discussions	Financial stability	Eco-friendly operation	Corporate social responsibility
Employees	Performance appraisals and periodic meetings	Healthy long-term growth for employment security	Eco-friendly operation	Employee welfare, happy culture and career advancement
Government Agencies	Direct engagement on compliance requirements	Job creation, reliance on foreign labour	Compliance with all relevant environmental regulations	Corporate social responsibility

(C) Social (continued)

Commitment to Quality

The Group acknowledges its social responsibilities to the community. The Group's products are produced or managed to the highest standards in quality control. The Group uses food grade purified water in the washing of its natural latex product to ensure highest level of cleanliness. Every piece of latex foam is subject to vigorous tensile test through centrifugalforce cleaning to ensure top quality products are produced.

LSK's products were lab tested to be hypo-allergenic and are formulated with minimum protein content that was approximately 80% lower than those found in the market.

LSK' latex is the first to be certified free from Aniline by ECOUnweltinstitut.

Occupational Health and Safety

LSK maintains high standards of occupational health and safety. A dedicated safety team led by a health and safety officer conducts regular meetings to ensure operational safety and minimise workmen injuries. Safety helmets, masks, gloves and safety boots are provided for relevant production departments with approximately a first aid box for every 50 workers.

The Group strives to provide a conducive working environment for both administrative and production workers. Staff are sent for external training to better equip them with relevant skills and knowledge of work. All employees are covered by personal accident insurance in addition to the Social Security Organisation (SOCSO) coverage.

(a) Happy and healthy life – All employees are encouraged to pursue a happy and healthy life, be it during work or after work. The Group formed a sports club that provides Zumba and Yoga facilities and organised other activities such as group hiking, group cycling, participating in 5 km charity run and annual team building activities to create close bonding among the employees.

(b) Besides, the Group organised health talk by external speakers to create awareness on the importance of healthy and balanced food intake on overall health. The Group invested in a health check machine which could check and analyse the fat, muscle, metabolism level of the staff. Certain long serving staff with serious health problems were sent to attend nutrition club program where expenses fully paid by the Group.

(c) The Group introduced annual self-assessment and appraisals for the employees together with their superiors. KPIs are set and clearly conveyed for performance measurements. LSK is a result-oriented company that stresses on performance output rather than numbers of hours worked. Through the process, various weaknesses of individuals were identified. The Human Resource Department would arrange for specific training course for each relevant individual to assist them to excel in their respective fields.

The breakdown of employee category of the Group (excluding Directors) according to gender, age group and ethnicity as at December 2022 was as follows:-

Gender	Male	Female	Total
	324	67	391

Age Group	<25	25-40	41-55	>55	Total
	61	258	62	10	391

Ethnicity	Malay	Chinese	Indian	Others	Total
	54	72	7	258	391

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of Lee Swee Kiat Group Berhad ("LSK" or "the Company") and its subsidiaries ("the Group") remain fully committed in maintaining good corporate governance practices in accordance with the Malaysian Code on Corporate Governance ("MCCG") and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Board has therefore strived to formulate policies and objectives as a fundamental part of discharging their responsibilities in protecting and enhancing shareholders' value with the practice of openness and corporate accountabilities.

The Board further acknowledged and applied the principles and best practices embodied in the MCCG in the manner set below.

This corporate governance ("CG") overview statement report is prepared in compliance with Paragraph 15.25(1) of the MMLR of Bursa Securities and it is to be read together with the Corporate Governance Report 2022 ("CG Report 2022") of the Company which is available on the Company's website at www.lsk.com.my.

This CG overview statement covers the three principles of MCCG, namely:-

(A) Board leadership and effectiveness;
(B) Effective audit and risk management; and
(C) Integrity in corporate reporting and meaningful relationship with stakeholders.

Principle A – Board Leadership and Effectiveness

Part I: Board Responsibilities

(1) The Board

(1.1) The main responsibility of the Board is to set a strategic direction of the Group with measurable objectives and goals. The Group's strategic plan is to be one of the leading bedding companies focusing on environmental, social and governance ("ESG") initiatives.

(1.2) The Company endeavours to become a responsible corporate citizen by incorporating Corporate Social Responsibilities ("CSR"). The Board embedded Economic, Environment and Social ("EES") into our corporate mission to ensure sustainability of the Group.

Mission Statement of the Group

LSK is a responsible corporate citizen helping people to sleep better by using environmentally friendly natural latex as raw materials, through utilising energy-efficient green technology production methods, in order to minimise carbon footprint to the environment.

(1.3) The Board strives to incorporate a happy and healthy culture through our core values "EIIE", which stands for Effective, Integrity, Improve and Efficient. The Group establishes internal control and risk management controls to uphold integrity and to encourage critical awareness of various risks and issues facing the Group. The Board would formulate innovative solutions to manage the risks and issues identified.

(1.4) The Board has in place a Management Succession Plan listing out the potential candidates for each and every Board member and Senior Management and will review the plan on an annual basis or when the need arises.

(1.5) The Board maintains a corporate website at www.lsk.com.my for corporate communication. Detail information about the Group, including explanation of corporate background, principal business, portfolio of brands as well as latest announcement of the Groups are published on the website. Besides, the corporate website also contains the Board Charter, Terms of Reference of the Board Committees including Audit Committee ("AC") and Nomination and Remuneration Committee ("NRC") as well as policies of the Group. The Management welcomes interviews from business press as well as research house for further analysis and exposure on the Group's profile.

Principle A – Board Leadership and Effectiveness (continued)

Part I: Board Responsibilities (continued)

(1) The Board (continued)

(1.6) The Board strives to maintain high standard of compliance on disclosure of financial and non-financial reporting with relevant standards and authorities. Management focuses on core business and keep the Group's financial accounting simple and easy to understand. The Group avoids derivatives and businesses that require complex accountings and valuations that make understanding the financial reports difficult.

(1.7) The Board seeks to have a clear division of responsibilities between running the Board and the Group's operational business. The positions of Chairman and Managing Director are separated and their roles and responsibilities are clearly defined in the Company's Board Charter.

(1.8) The Chairman of the Board, Mr Lee Ah Bah @ Lee Swee Kiat ("Mr Lee"), is not a member of the AC and NRC ("Board Committees") of the Company since the date of his appointment to the Board on 3 February 2004. Further, Mr Lee had not been invited to participate in the meeting and deliberation of the Board Committees to ensure there is check and balance as well as objective review by the Board.

(1.9) All Board members are expected to commit their time in proper discharging of their duties by attending at least 75% of meetings conducted by the Company. All Directors do not hold more than 5 directorships in listed companies as required under Paragraph 15.06 of the MMLR.

(1.10) The Board was supported by qualified and competent Company Secretaries where both the Company Secretaries are qualified pursuant to Section 235(2) of the Companies Act 2016 as they are members of the Malaysian Institute of Chartered Secretaries and Administrators. All Directors have access to the advice and services of the Company Secretaries. The Company Secretaries play important advisory role by providing sound governance advice and advocate adoption of CG best practices. In order to contribute and function effectively, the Company Secretaries keep themselves abreast of relevant corporate governance and regulatory requirements by undertaking continuous professional development.

(1.11) Meetings

The Board endeavours to meet at least four (4) times a year, with additional meetings to be convened when necessary. The annual meeting calendar was prepared and distributed to all Directors at the beginning of the financial year.

The Company practices timely dissemination of all relevant Board Papers with at least five (5) business days prior to the Board meetings. The dissemination includes both electronic copy or hard copy as needed for ease of reference for all Board members. The external Company Secretaries are required to be present to ensure smooth conduct of meetings in accordance to the relevant regulations in effect. Minutes are taken by the external Company Secretaries and are circulated in a timely manner to all Board members. The Board ensures that the Minutes accurately reflect the deliberations and decisions of the Board, including dissenting views and Directors' abstention from deliberations and decisions on a particular manner.

Five (5) Board meetings were held during the financial year ended 31 December 2022 and the details of attendance are as follows:-

Directors	Attendance
(1) Lee Ah Bah @ Lee Swee Kiat	5/5
(2) Dato' Eric Lee	5/5
(3) Lee Kong Yam	3/5
(4) Seow Nyoke Yoong	5/5
(5) Wong Yoke San	5/5
(6) Lee Kong Hooi	5/5
(7) Ng Fong Fong	5/5

Principle A – Board Leadership and Effectiveness (continued)

Part I: Board Responsibilities (continued)

(2) Board Charter

The Board maintains a Board Charter which is reviewed at least once a year and published on the Company's website at www.lsk.com.my. The Board Charter clearly defines the respective roles and responsibilities of the Board, Board Committees, the Executive Chairman, Managing Director, Executive Directors and Non-Executive Directors, Independent Non-Executive Directors, Senior Independent Non-Executive Director and Senior Management. There are limits of authority in place for various Management positions and there are certain material issues and decisions reserved for the Board. The Board Charter was reviewed by the Board on 21 February 2023 and published on the Company's website at www.lsk.com.my.

(3) Corporate Culture

(3.1) The Board establishes a Code of Conducts and Ethics ("the Code") for the Group, and together with Management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering. The Code was reviewed by the Board on 21 February 2023 and published on the Group's website at www.lsk.com.my.

(3.2) The Board maintains a Whistle Blowing Policy with clear objectives, scopes as well as fraud reporting and investigation procedures. Any employee that suspected fraud could report directly to the Management, the internal auditors, Executive Directors and even directly to the AC Chairman through his designated email. The identity of the whistle blower will be kept anonymous and external investigators may be engaged to carry out necessary investigations. The AC Chairman may decide on the next course of action to be taken, including making a formal police report if the situation warrants it. The Whistle Blowing Policy was reviewed by the Board on 21 February 2023 and published on the Group's website at www.lsk.com.my.

(3.3) The Board establishes an Anti-Corruption and Bribery Policy for the Group since June 2020 in compliance with the Malaysian Anti-Corruption Commission (Amendment) Act 2018. This policy serves to provide guidance on how to recognise and deal with bribery and corruption issues and act as a deterrence to such practices. This is to promote fair and equitable business practices with business ethics. The policy was reviewed by the Board on 21 February 2023 and published on the Group's website at www.lsk.com.my.

(4) Environmental, Social and Governance

(4.1) The Board recognises the need for strategies and plans to promote and contribute towards sustainable development with particular focus on economic and ESG aspect of business, and together with Management ensure that the strategic plan of the Group supports the long-term shareholder value creation and includes strategies on ESG considerations underpinning sustainability in the Group's operations.

(4.2) The governance and reporting on the Group's sustainability agenda are led by the Managing Director and overseen by the Board. Management is tasked to integrate sustainability considerations in the day-to-day operations of the Group and ensure the effective implementation of the Group's sustainability strategies and plans.

(4.3) The Group endeavours to use renewable natural latex as its key raw material in the production of its bedding products, which reduces its reliance on fossil based material and thus help to reduce carbon emissions.

(4.4) The Group pioneered the use or organic latex in its production in Malaysia to further encourage environmental friendly supply chain without using artificial pesticides and fertilizers. Further, the Group invested in co-generator which qualified under the Green technology as promoted by the Malaysian Investment Development Authority.

(4.5) The Group's sustainability strategies are communicated via its annual Sustainability Statement to its internal and external stakeholders, which is available on the Company's website at www.lsk.com.my.

Principle A – Board Leadership and Effectiveness (continued)

Part I: Board Responsibilities (continued)

(4) Environmental, Social and Governance (continued)

(4.6) The Board through the NRC:-

(i) reviewed the training needs of the Directors to ensure that they stay abreast with the latest development in the industry as well as the sustainability issues which are relevant to the Group; and

(ii) conducted the performance evaluation for the Board and Board Committees in which the relevant ESG considerations and sustainability targets had been integrated into the annual Board and Board Committee Performance Evaluation to ensure accountability in the performance of the Directors against sustainability targets. Senior Management is required to follow the Group's pursuits in achieving its sustainability initiatives.

(5) Directors' Training and Continuing Education

All Directors of the Company have attended the Mandatory Accreditation Programme ("MAP") and continue to undergo relevant programmes and attend similar seminars from time to time to further enhance their knowledge to enable them to discharge their duties and responsibilities more effectively.

During the FY 2022, the Directors after assessing their own training needs, had attended the following training programmes/seminars:-

(i) Lee Ah Bah @ Lee Swee Kiat

(1) New requirements on Act 446 on the minimum requirement on workers' accommodations on 11 March 2022 by LSK.
(2) Latest sustainability reporting requirement on 18 May 2022 by LSK.

(ii) Lee Kong Yam

(1) New requirements on Act 446 on the minimum requirement on workers' accommodations on 11 March 2022 by LSK.
(2) Latest sustainability reporting requirement on 18 May 2022 by LSK.

(iii) Dato' Eric Lee

(1) Investing with Conscience – the Future is ESG on 26 March 2022 by RHB Research.

(iv) Lee Kong Hooi

(1) New requirements on Act 446 on the minimum requirement on workers' accommodations on 11 March 2022 by LSK.
(2) Latest sustainability reporting requirement on 18 May 2022 by LSK.

(v) Seow Nyoke Yoong

(1) Malaysia's Corporate Taxes and Incentives Updates on 9 March 2022 by BoardRoom Smart Business Solutions.
(2) Minority Shareholder's Rights on 27 April 2022 by MahWengKwai & Associates.
(3) Creating Competitive Advantage Through Sustainability on 11 May 2022 by Grant Thornton.
(4) Conversation with Audit Committees Session 2 on 6 December 2022 by Securities Commission Malaysia.
(5) Accelerating Sustainability For Corporate Malaysia - Building a Better Future by Unlocking ESG Opportunities on 7 December 2022 by Malaysian Institute of Management.

Principle A – Board Leadership and Effectiveness (continued)

Part I: Board Responsibilities (continued)

(5) Directors' Training and Continuing Education (continued)

(vi) Wong Yoke San

(1) International Standard On Quality Management Webinar - Starting Your Implementation Journey on 18 May 2022 by Malaysian Institute of Accountants.
(2) National Tax Conference 2022 from 2 August 2022 to 3 August 2022 by Lembaga Hasil Dalam Negeri Malaysia.
(3) MIA Webinar Series: Preparing Your Firm For The New Standards On Quality Management: ISQM 1 and ISA 220 (Revised) on 27 September 2022 by Malaysian Institute of Accountants.
(4) MIA Webinar Series: Hands-on Excel Training For Standard MFRS on 31 October 2022 by Malaysian Institute of Accountants.

(vii) Ng Fong Fong

(1) Strategic HR Management on 25 March 2022 by Skills Network Training & Consultancy.
(2) Digital Trade, Cross Border e-commerce on 24 May 2022 by SME Corp Malaysia.
(3) Mastering Leadership, Coaching and Supervisory Skills on 13 July 2022 by Skills Network Training & Consultancy.

(6) Board Composition

(6.1) The Board through the NRC conducted a fit and proper assessment and an annual review of its composition, assessed the suitability of the candidates for re-election of Directors by shareholders under the annual re-election provisions or retirement in accordance with the Company's Constitution, with due consideration to the extent to which the interplay of the Director's expertise, skills, knowledge, tenure and experience with those of other board members and fit and proper criteria, as well as their roles as committee members. The re-election of a Director is contingent on satisfactory evaluation of the Director's performance and contribution to the Board as well as the receipt of the fit and proper declarations in accordance with the Directors' Fit and Proper Policy from the retiring Directors.

(6.2) The Board comprised seven (7) Directors, i.e. three (3) Executive Directors (including the Executive Chairman and Managing Director) and four (4) Non-Executive Directors, of which three (3) are Independent Directors. The Senior Independent Director of the Company is Mr. Wong Yoke San. None of the Board members is person linked directly with the executive powers such as heads of states, heads of government and ministers. Further, none of the Board members is an active politician.

(6.3) The Company complies with the requirements under Paragraph 15.02 of the MMLR of Bursa Securities, i.e. at least two (2) Independent Directors or one-third of the Board, whichever is the higher, are Independent Directors.

(6.4) The Board has delegated specific functions to the following Board Committees with the functions, duties and responsibilities were set out in the Terms of Reference of the respective Board Committees, approved and adopted by the Board:-

- AC
- NRC

The Terms of Reference of the Board Committees were revised in line with the Practices and Guidance recommended under the new Malaysian Code of Corporate Governance and approved by the Board on 21 February 2023.

(6.5) The Board Charter stipulates that the tenure of the Company's Independent Directors shall not exceed a cumulative term limit of nine (9) years. Upon completion of the nine (9) years, the Independent Director may continue to serve on the Board as Non-Independent Director. If the Board intends to retain an Independent Non-Executive Director beyond nine (9) years, the Board should provide justification and seek annual shareholders' approval through a two-tier voting process.

(6.6) The tenure of all the current Independent Non-Executive Directors does not exceed a cumulative term of nine (9) years.

Principle A – Board Leadership and Effectiveness (continued)

Part I: Board Responsibilities (continued)

(6) Board Composition (continued)

(6.7) Any appointment of a new Director shall first be reviewed of which the fit and proper assessment shall be conducted by the NRC before recommending it to the Board for approval. Any new appointment would have to be notified to the Executive Chairman.

(6.8) The Group practices meritocracy in the appointment of Board and Senior Management members, based on the objective criteria, skills, experience, gender, age and integrity. The Board encourages a mix of gender on both the Board and Senior Management positions.

(6.9) At present, the Board has five (5) male Directors and two (2) female Directors, representing 28.6% female participation. The Alternate Director to the Executive Chairman is also a female. The Group has gender diversity at the Senior Management level. There are two female out of the top five Senior Management, which representing 40% female representation.

(6.10) The Board is open to various sources to identify suitable candidates for the Board and Senior Management and does not rely solely on the recommendations from the existing Board members, Management or major shareholders. Any new appointment of Director will be interviewed and reviewed by the NRC, who would determine the suitability of the candidate based on the criteria of selection which include the appropriate mix of skill, knowledge, expertise and experience, time commitment, character, professionalism and integrity, before recommending the proposed appointment to the Board for approval. In addition, the proposed candidate shall not be an active politician.

(6.11) The Board ensures that shareholders are kept informed on the changes in the composition of the Board and Board Committees via announcements on Bursa Link within the prescribed timeline under the MMLR of Bursa Securities.

(6.12) Pursuant to the Company's Constitution, at least one-third (1/3) of the Directors are required to retire by rotation from office at each Annual General Meeting ("AGM") and may offer themselves for re-election. Every Director must retire from office at least once in every three (3) years. The name and details of the Directors standing for re-election at the Company's forthcoming AGM are disclosed in the Notice of AGM and their Profile are set out in pages 5 to 6 of this Annual Report.

(6.13) The Board through the NRC carries out formal annual evaluation to determine the effectiveness of the Board, Board Committees and each individual Director. Each individual Director has specific tasks and some comes with general functions within a committee. The evaluation of individual Director includes their performance for both specific and general functions, integrity, commitment and confidence to stand up for his view. There was no apparent weaknesses or shortcomings identified that warrant specific action plan to address the same during the most recent evaluation done in 21 February 2023.

Principle A – Board Leadership and Effectiveness (continued)

Part I: Board Responsibilities (continued)

(7) Nomination and Remuneration Committee

The NRC is chaired by an Independent Director and the members of the NRC are as follows:-

Chairperson

Ng Fong Fong – Independent Non-Executive Director

Members

Wong Yoke San – Senior Independent Non-Executive Director
Seow Nyoke Yoong – Independent Non-Executive Director
Lee Kong Hooi – Non-Independent Non-Executive Director/Deputy Chairman

The Terms of Reference of the NRC is published on the Group's website at www.lsk.com.my.

The terms of office of NRC are reviewed annually and may be re-nominated and re-appointed by the Board. Its role and function are to assist the Board in nominating and recommending suitable candidates to the Board of Directors, reviewing succession planning for the position as Board Chairman, Directors and key management personnel, assessing the performance of the Board, Board Committees and individual Directors on an on-going basis and assessing and reviewing the remuneration package of the Executive Directors and Senior Management.

The NRC also takes recognition of the requirement that the Board has to consist of an appropriate balance of a broad range of skills, knowledge, expertise and experience, character and competence and encourages diversity in gender, age, culture and socioeconomic backgrounds.

During the FY 2022, the NRC has conducted one (1) meeting and the attendance of the NRC members are as follows:-

NRC	Attendance
(1) Ng Fong Fong	1/1
(2) Seow Nyoke Yoong	1/1
(3) Wong Yoke San	1/1
(4) Lee Kong Hooi	1/1

The following activities were carried out by the NRC in FY 2022:-

(i) Reviewed and revised the following evaluation forms, which had been revised to be in line with the new Malaysian Code on Corporate Governance and Corporate Governance Guide (4th Edition):

(a) AC Evaluation Form;
(b) Board and Board Committees Evaluation Form; and
(c) Directors' Self and Peer Evaluation Form.

Principle A – Board Leadership and Effectiveness (continued)

Part I: Board Responsibilities (continued)

(7) Nomination and Remuneration Committee (continued)

(ii) Carried out an annual assessment on the independence of the Independent Directors as well as the contribution and performance of Board, Board Committees and each individual Director against a variety of assessment criteria that encompasses a diverse set of skills and experience via the following performance evaluation form, facilitated by the Company Secretaries:-

(a) Directors' Self and Peer Evaluation; and
(b) Board and Board Committee Evaluation Form.

The NRC is satisfied with the contribution and performance of each individual Director. The Independent Directors comply with the criteria of independence based on the MMLR of Bursa Securities. All the Directors complied with the fit and proper criteria approved by the Board.

(iii) Reviewed the establishment of the Directors' Fit and Proper Policy and Directors' Declaration of Fit and Proper Assessment Form, in accordance with Paragraph 15.01A of the MMLR of Bursa Securities. The Directors' Fit and Proper Policy is made available on the Group's website at www.lsk.com.my.

(iv) Conducted the fit and proper assessment on the Directors who were proposed for re-election at the AGM of the Company before recommending the said proposed re-election.

(v) Reviewed and evaluated the term of office and performance of the AC and its members to determine whether such AC and members have carried out their duties in accordance with their Terms of Reference.

(vi) Reviewed the remuneration of the Directors including salary increment and benefit payable to the Executive Directors and incentives payable to the Executive Directors under the Executive Directors Incentive Scheme ("EDIS") and recommended to the Board for approval.

(vii) Reviewed the remuneration package of the Senior Management and recommended to the Board for approval.

(viii) Reviewed the succession plan for Directors and Senior Management.

(ix) Reviewed the Terms of Reference of the NRC and the Remuneration Policy.

(8) Remuneration

(8.1) The Board has adopted a Remuneration Policy for determining the remuneration of Directors and Senior Management. The policy was reviewed by the Board on 21 February 2023 and published on the Group's website at www.lsk.com.my. KPIs are set for the Executive Directors in the EDIS covering profitability target, return on shareholders' fund and gearing control to ensure conservative financing. For FY 2022, approximately 42% (FY 2021: 37%) of the remunerations to the Executive Directors are incentive-based. Should the Group make a loss, no incentive will be payable. The remunerations of the Senior Management are tied to their individual responsibilities aligned to the long-term strategic plan of the Group. Their remunerations include salaries, commissions and output incentives.

(8.2) The Directors who are shareholders of the Company shall abstain from voting at general meetings to approve their fees. Executive Directors shall not be involved in deciding their own remuneration package.

(8.3) The main objective of remuneration procedures is to attract and retain talents that contribute positively to the Group, and provides basis for assessment with KPIs to link remunerations to performances.

Principle A – Board Leadership and Effectiveness (continued)

Part I: Board Responsibilities (continued)

(9) Details of Remuneration

(9.1) The details of remuneration for the individual Board members on named basis of the Company and the Group, including fees, salaries, incentives, defined contributions, benefits-in-kinds and others for FY 2022 were RM2.555 million (FY 2021: RM2.342 million).

Group						
Directors	Fee RM'000	Meeting allowance RM'000	Salaries RM'000	Performance incentive RM'000	Benefit-in-kind RM'000	Total RM'000
Executive Directors:-						
Lee Ah Bah @ Lee Swee Kiat	-	-	222.0	180.0	13.3	415.3
Tan Kuin Luan	-	-	165.6	180.0	-	345.6
Dato' Lee Kong Sim	24.0	-	609.6	500.0	13.3	1,146.9
Lee Kong Yam	-	-	347.4	140.0	13.3	500.7
Non – Executive Directors:-						
Seow Nyoke Yoong	33.6	3.0	-	-	-	36.6
Wong Yoke San	33.6	3.0	-	-	-	36.6
Lee Kong Hooi	33.6	3.0	-	-	-	36.6
Ng Fong Fong	33.6	3.0	-	-	-	36.6
Total	158.4	12.0	1,344.6	1,000.0	39.9	2,554.9

Company						
Directors	Fee RM'000	Meeting allowance RM'000	Salaries RM'000	Performance incentive RM'000	Benefit-in-kind RM'000	Total RM'000
Executive Directors:-						
Lee Ah Bah @ Lee Swee Kiat	-	-	-	-	-	-
Tan Kuin Luan	-	-	-	-	-	-
Dato' Lee Kong Sim	24.0	-	-	-	-	24.0
Lee Kong Yam	-	-	-	-	-	-
Non – Executive Directors:-						
Seow Nyoke Yoong	33.6	3.0	-	-	-	36.6
Wong Yoke San	33.6	3.0	-	-	-	36.6
Lee Kong Hooi	33.6	3.0	-	-	-	36.6
Ng Fong Fong	33.6	3.0	-	-	-	36.6
Total	158.4	12.0	-	-	-	170.4

(9.2) The Board is of the opinion that the disclosure of the remuneration of the Top Five Senior Management does not bring advantage and business interest to the Group, instead it will increase the risk of external pinching of talent which may be detrimental to the operation of the Group. Nevertheless, the total remuneration for Top Five Senior Management including salary, bonus, incentives, defined contributions, benefits-in-kind and other emoluments for FY 2022 were RM1,704,131 (FY 2021: RM1,505,189).

Principle B – Effective Audit and Risk Management

(10) Audit Committee

(10.1) The Chairman of AC shall not be the Chairman of the Board. The Chairman of the AC is Mr. Wong Yoke San whilst the Chairman of the Board is Mr. Lee Ah Bah @ Lee Swee Kiat. This is to ensure objectivity of the Board's review of the AC's findings and recommendations.

(10.2) The main role of the AC Chairman and its members is to facilitate proper compliance of the financial reporting of the Group. This includes working closely and communicate directly with both the external auditors and internal auditors. The AC shall assess the key audit matters highlighted by the external auditors and recommend appropriate measures should the need arise. The AC should facilitate the external auditors to conduct proper audits to ensure a true and fair view of the financial position of the Group.

(10.3) The Terms of Reference of the AC is published on the Company's website at www.lsk.com.my.

(10.4) The AC has incorporated in its Terms of Reference that requires a former key audit partner to observe a cooling-off period of at least three (3) years before being appointed as member of the AC and it shall apply to all former partners of the external audit firm and/or the affiliate firm (including those providing advisory services, tax consulting, etc.) of the Company or any entity within the Group. This is to avoid potential undue influence the former audit partner may exert over the external auditors. Nonetheless, it does not apply if the external auditor is from a different audit firm.

(10.5) The AC has formal procedures to assess the suitability, objectivity and independence of the external auditors. The assessment is conducted annually in written form, includes the competence, audit quality, and timeliness in performing the audit. The external auditors are required to give a written assurance confirming their independence to the AC annually. The AC would take into accounts any non-audit services rendered by the external auditors (if any) in their evaluation. For the FY 2022, there is no non-audit service rendered by the external auditors. At least two (2) private meetings are held with the external auditors without the presence of Executive Directors and Management annually.

(10.6) All members of the AC are financially literate and possess the requisite experience, skills and specialised knowledge to discharge their duties. They are encouraged to undertake continual professional development to keep themselves updated with the latest accounting standards and relevant practices.

(10.7) The details of activities of the AC are disclosed in the AC Report on pages 33 to 34 of this Annual Report.

(11) Risk Management and Internal Control Framework

(11.1) The Board maintains an internal control system to safeguard shareholders' investment and Group's assets. The Board has taken an active approach to establish a Risk Management Framework to identify various risks facing the Group and drawn up measures to contain and mitigate the risks.

(11.2) The Board actively identifies, assesses and monitor key business risks and determine the level of risk tolerance for the Group. There is a Risk Management Committee consist of the Executive Directors and certain Senior Management. The AC would review quarterly the risk management reports submitted by the internal auditors and report to the Board to take appropriate actions to review and improve on the risk management and internal control functions.

(11.3) A detailed statement on how the Group evaluate key risk areas, the control in place to mitigate the risks, the periodic reviews and changes made are disclosed in the Statement on Risk Management and Internal Control on pages 35 to 37 of this Annual Report.

Principle B – Effective Audit and Risk Management (continued)

(12) Internal Audit Function

(12.1) The AC ensures that the internal audit function be carried out effectively and function independently by determining the reporting structure of the internal auditors directly under the AC. Any appointment or termination of senior staff members of the internal audit function is decided by the AC on criteria of skills, experience and independence.

(12.2) The AC sets annual Internal Audit Plan with clear scope of audit and instruct the internal auditors to carry out the audits according to the plan. The AC would facilitate the internal auditors with appropriate authority and resources to carry out the role effectively. The AC conducts quarterly review on the Internal Audit Reports presented by the internal auditors and take appropriate actions including making suggestions and remedial measures to the Board to enhance any weakness in the internal controls and risk management. The internal auditors should continue with professional developments to keep abreast with the development in the relevant internal audit and risk management fields.

(12.3) A report on internal audit function is disclosed in the Statement on Risk Management and Internal Control on page 37 of this Annual Report.

Principle C – Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

(13) Engagement with Stakeholder

(13.1) The Board is mindful on the disclosure requirements of Bursa Securities in relation to the proper and timely dissemination of information to the shareholders. The Company is cautious not to provide undisclosed material information to any party to the disadvantage of other shareholders. The Company maintains an official website at www.lsk.com.my which channels the updates of all announcements made to Bursa Securities, annual report and other corporate information as well as corporate governance documents. There is also a link to the Group's marketing website showing portfolio of international brands.

(13.2) The Managing Director is the Group's spokesperson for the investor relation of the Group. The Group welcomes the visit and interview of financial reporters and investment analysts from investment house as well as fund managers. The Group is currently covered by research houses including CGS-CIMB and Aminvestment Bank.

(13.3) The Group continues to participate in investor and analyst briefings to improve the profile of the Group and attract fund managers to strengthen the shareholder profile of the Group.

(14) Conduct of General Meeting

(14.1) The AGM is the principal forum for dialogue with shareholders for effective communications with the Company. The Company conducted its 19th AGM on a virtual basis through live streaming and online remote voting using Remote Participation and Voting facilities ("RPV") provided by Aegis Communication Sdn Bhd ("Aegis Communication") on 23 May 2022.

(14.2) The 19th AGM was conducted in accordance with the Company's Constitution, Paragraph 8.29A of the MMLR of Bursa Securities, Section 327(2) of the Companies Act 2016 and in line with revised Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 7 April 2022.

(14.3) The Company gave at least 28 days notices to the shareholders prior to the 19th AGM to provide sufficient time for shareholders to consider the resolutions tabled at the 19th AGM. Detailed explanations to the resolutions are provided with background information and report (if applicable) in the notice to enable shareholders to make an informed decision in exercising their voting rights.

Principle C – Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders (continued)

(14) Conduct of General Meeting (continued)

(14.4) Detailed procedures for RPV were provided to shareholders in the Administrative Guide. Dedicated Help Lines and email contact of Aegis Communication were published in the Administrative Guide for the 19th AGM to assist meeting participants on any issues logging-in, connection to the live stream meeting or online voting on the meeting day.

(14.5) All the Directors attended the Company's 19th AGM held on 23 May 2022 and the Chairperson of each Board Committee was ready to provide meaningful response to questions addressed to them. Mr Wong Yoke San, the Chairman of the meeting, together the Managing Director, were physically present at the Broadcast Venue of the 19th AGM whilst the remaining Directors, Company Secretary and external auditors participated in the AGM remotely as part of the safety measures in light of the COVID-19 outbreak.

(14.6) Active participation from the shareholders, proxies and/or corporate representatives in the 19th AGM is greatly encouraged. Shareholders, proxies and/or corporate representatives were allowed to submit questions before the meeting by email. During the 19th AGM, shareholders, proxies and/or corporate representatives also took the opportunity to raise questions via real time submission of typed texts. The Managing Director responded to all questions raised and the questions which were not answered at the 19th AGM were addressed on the Company's website.

(14.7) For similar questions posed by shareholders, proxies and/or corporate representatives, the Managing Director had summarised and answered them collectively. The questions raised by the shareholders, proxies and/or corporate representatives were made visible to all participants during the 19th AGM.

(14.8) The minutes together with the summary of key matters discussed at the 19th AGM were published on the Company's website at www.lsk.com.my as soon as practicable after the conclusion of the AGM.

Future priorities in key areas of Corporate Governance Practices

The Company aimed to conduct or participate in more investor relations activities for better engagement with the investment community.

This Statement on the Company's CG practices is made in compliance with Paragraph 15.25(1) of the MMLR and approved by the Board on 3 April 2023.

OTHER COMPLIANCE DISCLOSURES

(1) Utilisation of Proceeds

The Company did not raise any funds through any corporate proposals during the financial year.

(2) Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature

The Company did not seek any shareholders' mandate in respect of the RRPT of a revenue or trading nature as there is no significant RRPT involving the Directors or Substantial Shareholders of the Company.

(3) Audit and Non-Audit Fees

The amount of audit and non-audit fees paid or payable to the external auditors of the Company and its subsidiaries for FY 2022 are as follows:-

Fees paid / payable	Group RM'000	Company RM'000
Audit	150	30
Non-Audit	11	-

(4) Material Contracts or Loans

During FY 2022, there was no material contract or loans entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests.

(5) Employee Share Scheme

The Company did not establish any Employee Share Scheme and does not have any subsisting Employee Share Scheme during the FY 2022.

AUDIT COMMITTEE REPORT

The Board of Directors ("the Board") of Lee Swee Kiat Group Berhad ("LSK" or "the Company") and its subsidiaries ("the Group") is pleased to present the report of the Audit Committee ("AC") for the financial year ended 31 December 2022 ("FY 2022").

Audit Committee

Chairman

Wong Yoke San – Senior Independent Non-Executive Director

Members

Seow Nyoke Yoong – Independent Non-Executive Director
Lee Kong Hooi – Non-Independent Non-Executive Director/Deputy Chairman
Ng Fong Fong – Independent Non-Executive Director

The AC meets the requirements of Paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The AC Chairman, Mr. Wong Yoke San, is a member of the Malaysian Institute of Accountants. Accordingly, the Company complies with Paragraph 15.09(1)(c) of the MMLR of Bursa Securities.

None of the AC members are former audit partners who are required to observe a cooling-off period of at least three (3) years before being appointed in accordance with the Terms of Reference of the AC.

The full Terms of Reference of the AC outlines the Composition and Membership, Duties and Responsibilities Rights and Reporting of the AC as well as the Procedure of AC Meeting is accessible via the Company's website at www.lsk.com.my.

Meetings and Attendance of Audit Committee

The Members of AC met five (5) times during FY 2022 and the minutes of the AC meetings were formally tabled to the Board for its attention and notation. The attendance of the AC members is as follows:-

Directors		Attendance
(1)	Wong Yoke San	5/5
(2)	Seow Nyoke Yoong	5/5
(3)	Lee Kong Hooi	5/5
(4)	Ng Fong Fong	5/5

Summary of Work for the Financial Year 2022

Summary of activities and work of the AC in the discharge of its duties and responsibilities for the FY 2022 is as follows:-

(1) Financial Reporting

(a) Reviewed the unaudited quarterly financial results of the Group for the fourth quarter of 2021 and the annual audited financial statements for FY 2021 of the Company at the meetings held on 21 February 2022 and 4 April 2022 respectively; and

(b) Reviewed the unaudited quarterly financial results of the Group for the first, second and third quarters of 2022, which were prepared in compliance with the Malaysian Financial Reporting Standards (MFRS), International Accounting Standards (IAS) and Paragraph 9.22, including Appendix 9B of the MMLR of Bursa Securities before recommending to the Board for consideration and approval at the meetings held on 23 May 2022, 22 August 2022 and 21 November 2022 respectively.

(2) Recurrent Related Party Transactions

Reviewed recurrent related party transactions entered into by the Group and its subsidiaries quarterly to ensure that such transactions were undertaken in line with the Group's normal commercial terms, the MMLR of Bursa Securities and relevant accounting and financial reporting standards.

AUDIT COMMITTEE REPORT *(cont'd)*

Summary of Work for the Financial Year 2022 (continued)

(3) External Auditors

(a) Reviewed the annual audited financial statements for FY 2021 together with external auditors' and Management's responses, before recommending for the Board of Directors' approval on meeting held on 4 April 2022;

(b) Reviewed and discussed with external auditors on their 2022 Audit Planning Memorandum outlining their scope of work and proposed fee for the statutory audit as well as the audit procedures on 21 November 2022;

(c) Obtained the written assurance from external auditors which confirmed that they were and had been independent throughout the conduct of the audit engagement in accordance to the terms of all relevant professional and regulatory requirements, including the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants on meeting held on 21 November 2022;

(d) Reviewed the independence and suitability of the external auditors on meeting held on 4 April 2022; and

(e) Had two private meetings with external auditors on 4 April 2022 and 21 November 2022 without the presence of Executive Directors and Management staff.

(4) Internal Audit

(a) Reviewed with the internal auditors, the Internal Audit Reports of the Group and their follow-up on the audit findings at the meetings held on 21 February 2022, 23 May 2022, 22 August 2022 and 21 November 2022; and

(b) Reviewed and approved the Internal Audit Plan of the Group for 2023 proposed by the internal auditors at the meeting held on 21 November 2022.

(5) Internal Control and Risk Management Reviews

(a) Assessed the operational risk profile of the Group to identify risk areas of and impacts to the Group and to recommend the remedial action plans;

(b) Reviewed the reports and recommendations of the internal and external auditors on areas of concern relating to the risk management framework and internal control system of the Group and made the appropriate recommendations to the Board of Directors; and

(c) Reviewed the Statement on Risk Management and Internal Control and Audit Committee Report for inclusion in the Group's Annual Report 2021 on 4 April 2022.

(6) Reviewed the Terms of Reference of the AC on 21 February 2023.

Summary of Work of Internal Audit Function

An Internal Audit Plan approved by the AC is in place and during FY 2022, the internal audit department has conducted audits in various areas and controls put in place to strengthen the Group's operating procedures.

In 2022, the internal auditors have completed the key areas of audit in accordance to the Internal Audit Plan and Risk Management Framework, including debtors credit control, fire risk, related parties transactions, standard operating procedure compliance, credit risk, competitive risk, stock control, receivables risk in terms of new account control, billing control and selling price control, payables risk in terms of goods received control, new account control, purchase order control and approved pricing control, accounting risk in terms of journals control, backups and customer deposits, human resources risk in terms of payroll reconciliation and human control, DOE in terms of waste water treatment test and scheduled waste control, production risk in terms of wastage control and recoveries and JKKP licences. Please refer to the Statement on Risk Management and Internal Control as contained in pages 35 to 37 of this Annual Report for more information.

The Internal Audit Reports and recommended actions were presented to the AC at their quarterly meetings.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

The Code of Conducts and Ethics ("the Code") requires the Board of listed companies to maintain a sound internal control system to safeguard shareholders' investment and Group's assets. The Board has taken an active approach to establish a Risk Management Framework to identify various risks facing the Group and drawn up measures to contain and mitigate the risks. The Board is pleased to provide the following statement, which outlines the state of internal control of the Group pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

Board Responsibilities

The Board is responsible for the Group's system of internal control and for reviewing its adequacy, effectiveness and integrity. In view of the limitations that are inherent in any system of internal control, this system is designed to manage rather than eliminate risk of failure to achieve business objectives, and to provide only reasonable and not absolute assurance against material misstatement or loss.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process is regularly reviewed by the Board.

The key features of the internal control framework include the following:-

(1) Company's policies and procedures are documented and communicated to the staff so as to ensure clear accountabilities. The effectiveness of internal control procedures are subject to continuous assessments, reviews and improvements;

(2) Organisation structure is clearly defined with clear line of responsibilities and delegation of authorities. Key responsibilities are properly segregated;

(3) The Board meets regularly and is kept updated on the progress and operations of the Group, and any significant changes in both the internal and external business environment, which may result in significant risk;

(4) The financial results are reviewed quarterly by the Audit Committee and the Board, and if necessary with the presence of the external auditors; and

(5) The Executive Directors and Management meet regularly to discuss various operational issues and market changes to decide tactical plan.

Risk Management Framework

The Board is aware of the importance of effective risk management system to get the Company prepared amidst the turbulent business environment. This system should be capable of responding quickly to risk factors arising from factors within the Group as well as external factors. The Group has on-going process for identifying and monitoring of significant risks through continuous review of potential risk areas by regular meetings and discussions. Where a particular risk is identified, the Board will implement precautionary measures to mitigate the risk, if possible.

Identify, Evaluation, Managing and Review of Risks

A Risk Management Framework was established after detail review and brainstorming between the Board and the Management. A total of 6 major risks are identified as key risks, including Foreign Exchange Risk, Credit Risk, Default Risk, Fire Risk, Competitive Risk and Information Technology or Cyber Risk. Various measures to contain and mitigate the identified risks were established.

(a) Foreign Exchange Risk - The Group has substantial export billings in foreign currencies and any fluctuation, especially US Dollar, will have a direct impact on the performance of the Group. The Group classifies the risk level as low. The mitigation measures include having a diversity of billing currencies, having natural hedging by matching export proceeds with import payments as well as entering into forward forex contract.

Identify, Evaluation, Managing and Review of Risks (continued)

(b) Credit Risk – The risk of default by debtors in both domestic and international markets. The Group classifies the risk level as medium. The mitigation measures include control on credit term and credit limit, as well as requesting for personal guarantor from certain customers as feasible.

(c) Default Risk – The Group monitors the total borrowing level in relation to the shareholders' fund size to minimize risk of over-gearing that may substantially increase the default risk. The Group classifies the risk level as low. The mitigation measures include quarterly financial analysis on liquidity and gearing ratio of the Group as well as establish gearing ratio as one of the key performance indicators ("KPIs") in Executive Directors' Compensation Scheme.

(d) Fire Risk – The risk of accidental fire on principal premises of operation that may seriously disrupt or even jeorpardise the operations of the Group. The Group classifies the risk level as high based on the nature of the Group's product. The Group has established mitigation measures with installations of various firefighting systems under the recommendations of external consultants, work closely with insurance company and brokers on fire risk survey and fire insurance coverage.

(e) Competitive Risk – The Group is principally a manufacturing company which are subject to fluctuation of raw materials cost especially raw latex price, increasing labour cost that may affect the competitiveness of the Group. The Group operates in a free market environment that is subject to strong competition in both domestic and international markets. The Group classifies the risk level as medium. The mitigation measures include investing in intellectual properties like trademarks, hedging of key raw material, actively engaging in mechanisation of its operations to improve efficiencies, as well as endeavour to have a diversity of customers in both export and domestic market.

(f) Information Technology ("IT") or Cyber Risk – The risk of system and data corruption that my affect the operations of the Group. The Group classifies the risk level as low. The mitigation measures include engaging external IT support consultants, installation of external fire walls on company server and regular back-ups of important data to external cloud-based data centres.

The Board has empowered the Audit Committee to oversee the continual monitoring and implementation of the various measures of containment and mitigation of risks with the assistance of the Internal Audit team. The internal auditors have to verify and confirm the measures taken by the Management and submit quarterly updates on all development in accordance to the Risk Management Framework. The Board would carry out annual assessment of the adequacy and effectiveness of the risk management and internal control by the end of every year and issue directives to amend and improve the Internal Audit Plan as the Board deem necessary.

In 2022, the Board has assessed the adequacy and effectiveness of the risk management and internal control for reasonable assurance that significant risks which impact the Company's strategies and objectives are within levels appropriate to the Company's business. The Board acknowledged that neither risk management nor internal control processes could provide absolute assurance.

The Board has taken steps to highlight the importance of risk management by embedding risk management in the KPIs for the Management in the annual assessment and in determining Director's remuneration and incentives. The KPIs includes profitability, return on shareholders' fund and gearing level.

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

The external auditors have reviewed the Group's Statement on Risk Management and Internal Control for financial year 2022.

Internal Audit Function

The Group has in place an in-house Internal Audit team which provides the Board with much of the assurance it requires regarding the effectiveness, adequacy and integrity of the systems of internal control put in place. This function adopts a risk-based approach drawn in accordance to the International Professional Practices Framework ("IPPF") of the Institute of Internal Auditors. The main function of the Internal Audit is to provide reasonable assurance to the Audit Committee and Board of Directors of the Company concerning the adequacy and operating effectiveness in relation to Governance, Risk Management and Internal Control processes in realizing corporate objectives. The head of internal audit team is Ms Wong Huey Mei. Ms Wong is a member of the Institute of Internal Auditors Malaysia and she reports directly to the Audit Committee of the Company. All the Internal Audit team members are free from any relationship or conflicts of interest which could impair their objectivities and independence.

The Internal Audit Plan for 2022 covers areas including:-

(a) Debtors' credit control on both new customers as well as customer overdue aging details which overdue for more than 6 months.

(b) Control on purchasing cycle, stock cycle, product specification, selling price, general ledger, export procedures, payroll processing and petty cash system.

(c) Control of documentations including safe upkeep and ease of retrievals.

(d) Control on compliance with standard operating procedures.

(e) Risk Management covering Foreign Exchange Risk, Credit Risk, Default Risk, Fire Risk, Competitive Risk and Information Technology or Cyber Risk, with periodic reports on latest development and management actions to contain the identified risks.

(f) Control and report on related party transactions.

(g) Fire and Safety Risk to prevent the premises and potential for fire to occur and harm the people around the premises.

(h) Personal Guarantee for customer with high credit limit as legal promise to repay the credit issued to a business.

(i) Control and report on compliance to DOE, Occupational Safety & Health Act 1994 ("OSHA").

A total of four (4) reports were submitted directly to Audit Committee in 2022 covering 11 key audit areas identified in Annual Audit Plan which was approved by the Audit Committee.

The Board, in striving for continuous improvement, will put in place appropriate action plans, where necessary, to further enhance the Group's system of internal control.

The Internal Audit Reports and Risk Management Reports are made available to the external auditors to provide assistance to the risk-based audit approach.

For FY 2022, the cost incurred for our internal audit function was approximately RM60,000.

DIRECTORS' RESPONSIBILITY STATEMENT FOR THE AUDITED FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities as required by the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad to prepare the financial statements for each financial year so as to give a true and fair view of the state of affairs of the Group and the Company as at end of the financial year and of the results and cash flow of the Group and the Company for the financial year then ended.

In the preparation of the financial statements, the Directors have:-

- Adopted appropriate accounting policies and apply them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Ensured that applicable approved accounting standards have been complied with; and
- Ensured the financial statements has been prepared on a going concern basis.

The Directors are responsible for ensuring that proper accounting and other records are kept which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act 2016. The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

REPORTS AND FINANCIAL STATEMENTS

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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 the subsidiaries are as stated in Note 9 to the financial statements.

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

Financial results

	Group RM'000	Company RM'000
Profit for the year	10,809	5,387
Profit attributable to:		
Owners of the Company	10,844	5,387
Non-controlling interests	(35)	-
	10,809	5,387

Dividends

The Company paid the following dividends since the end of the previous financial year:

	Company RM'000
Interim single tier dividend of 2.5 sen per ordinary share on 161,755,304 ordinary shares, declared on 21 February 2022 and paid on 31 March 2022 in respect of financial year ended 31 December 2021	4,044

The Directors recommended and approved the interim single tier dividend of 3.5 sen per ordinary share on 161,412,304 ordinary shares, declared on 21 February 2023 and paid on 31 March 2023 in respect of financial year ended 31 December 2022 at the Board of Directors' meeting held on 21 February 2023.

Reserves and provisions

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

Issue of shares and debentures, treasury shares

During the financial year, the Company repurchased 343,000 ordinary shares of its issued share capital from the open market. The average price paid for the shares repurchased was RM0.664 per ordinary share.

There were no issue of shares or debentures by the Company during the financial year.

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 and during the period from the end of the financial year to the date of this report are:

Lee Ah Bah @ Lee Swee Kiat
Tan Kuin Luan (alternate Director to Lee Ah Bah @ Lee Swee Kiat)
Lee Kong Yam
Dato' Lee Kong Sim
Lee Kong Hooi
Ng Fong Fong
Seow Nyoke Yoong
Wong Yoke San

The directors of the subsidiaries who were in office during the financial year and during the period from the end of the financial year to the date of this report are:

Lee Ah Bah @ Lee Swee Kiat
Tan Kuin Luan
Lee Kong Yam
Dato' Lee Kong Sim
Wong Shyh Chyuan

Directors' interests

According to the Register of Directors' Shareholdings, particulars of interests in the shares of the Company and its related companies during the financial year of those Directors who held office at the end of the financial year were as follows:

	Number of ordinary shares in the Company			
	At 1.1.2022	Additions	Disposals	At 31.12.2022
Shareholdings in the name of the Directors:				
Lee Ah Bah @ Lee Swee Kiat	3,000,000	-	-	3,000,000
Tan Kuin Luan	-	-	-	-
Lee Kong Yam	1,519,700	-	-	1,519,700
Dato' Lee Kong Sim	11,250,000	630,000	-	11,880,000
Lee Kong Hooi	-	-	-	-
Ng Fong Fong	-	-	-	-
Seow Nyoke Yoong	-	-	-	-
Wong Yoke San	-	-	-	-
Shareholdings in which the Directors are deemed to have an interest:				
Lee Ah Bah @ Lee Swee Kiat*	85,978,700	-	-	85,978,700
Tan Kuin Luan*	85,978,700	-	-	85,978,700
Lee Kong Yam*	85,978,700	-	-	85,978,700
Dato' Lee Kong Sim*	85,978,700	-	-	85,978,700

* Deemed interest by virtue of their interests in Lee Swee Kiat & Sons Sdn. Bhd.

DIRECTORS' REPORT *(cont'd)*

FOR THE YEAR ENDED 31 DECEMBER 2022

Directors' interests (continued)

	Number of ordinary shares in Lee Swee Kiat & Sons Sdn. Bhd.			
	At 1.1.2022	Additions	Disposals	At 31.12.2022
Shareholdings in the name of the Directors:				
Lee Ah Bah @ Lee Swee Kiat	30,000	-	-	30,000
Tan Kuin Luan	30,000	-	-	30,000
Lee Kong Yam	20,000	-	-	20,000
Dato' Lee Kong Sim	20,000	-	-	20,000

	Redeemable Non-Cumulative Non-Convertible Preference shares in Lee Swee Kiat & Sons Sdn. Bhd.			
	At 1.1.2022	Additions	Disposals	At 31.12.2022
Shareholdings in the name of the Directors:				
Lee Ah Bah @ Lee Swee Kiat	195,000	-	-	195,000
Tan Kuin Luan	195,000	-	-	195,000
Lee Kong Yam	130,000	-	-	130,000
Dato' Lee Kong Sim	130,000	-	-	130,000

By virtue of their interest in the shares of the Company, Lee Ah Bah @ Lee Swee Kiat, Tan Kuin Luan, Lee Kong Yam and Dato' Lee Kong Sim are deemed to have interests in the shares of all the subsidiaries as at the financial year to the extent the Company has an interest.

None of the other Directors in office at the end of the financial year held any interest in the shares of the Company or its related companies during the financial year.

Directors' benefits

In respect of the Directors or past Directors of the Company, no fees and other benefits distinguished separately, have been paid to or receivable by them as remuneration for their services to the Company, other than Directors' remuneration, as disclosed in Note 25 to the financial statements.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related company with the Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest, except as disclosed in the financial statements.

Neither during nor at the end of the financial year was the Company or a related 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 for Directors, Officers and Auditors

(a) Directors and Officers

The Directors and Officers of the Group and the Company are covered by Directors' and Officers' Liability Insurance ("DOL Insurance") basis for the purpose of Section 289 of the Companies Act 2016. The total insured limit for the DOL Insurance effected for the Directors and Officers of the Group and of the Company was RM10,000,000. The insurance premium for the DOL Insurance paid during the financial year amounted to RM10,063.

(b) Auditors

Any indemnity given to or insurance effected for the auditors of the Company is to be made to the extent as permitted under Section 289 of the Companies Act 2016. There is no amount of such indemnity given or insurance effected for this auditors during the financial year.

Other statutory information

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

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

(b) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount to which they might be expected so to realise.

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

(a) 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

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

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

(d) not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

(a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) no contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due, except as disclosed in the financial statements.

In the interval between the end of the financial year and the date of this report:

(a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the Directors, would affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(b) no charge has arisen on the assets of the Group and of the Company which secures the liability of any other person nor has any contingent liability arisen in the Group and in the Company.

Significant events

The details of significant events are disclosed in Note 37 to the financial statements.

Subsequent event

The details of subsequent event are disclosed in Note 38 to the financial statements.

Ultimate and immediate holding company

The ultimate and immediate holding company of the Company is Lee Swee Kiat & Sons Sdn. Bhd., a company incorporated and domiciled in Malaysia.

Auditors

The auditors, Nexia SSY PLT, have indicated their willingness to continue in office.

The auditors' remuneration is disclosed in Note 23 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 3 April 2023.

Lee Ah Bah @ Lee Swee Kiat
Executive Chairman

Dato' Lee Kong Sim
Managing Director

Klang

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	**39,778**	39,503	**-**	-
Right-of-use assets	7	**5,643**	4,132	**-**	-
Intangible assets	8	**5,858**	6,034	**-**	-
Investment in subsidiaries	9	**-**	-	**69,000**	69,000
Trade receivables	10	**3,346**	1,218	**-**	-
		54,625	50,887	**69,000**	69,000
Current assets					
Inventories	11	**15,654**	14,960	**-**	-
Trade receivables	10	**18,413**	12,169	**-**	-
Other receivables, deposits and prepayments	12	**1,913**	3,055	**2**	2
Amount due from a subsidiary	13	**-**	-	**803**	-
Tax recoverable		**225**	151	**-**	-
Cash and bank balances	14	**23,426**	21,111	**118**	336
		59,631	51,446	**923**	338
TOTAL ASSETS		**114,256**	102,333	**69,923**	69,338

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

STATEMENTS OF FINANCIAL POSITION *(cont'd)*

AS AT 31 DECEMBER 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
EQUITY AND LIABILITIES					
Equity					
Share capital	15	**16,782**	16,782	**16,782**	16,782
Treasury shares	16	**(2,821)**	(2,594)	**(2,821)**	(2,594)
Capital reserves		**5,410**	5,410	**5,410**	5,410
Retained profits		**49,056**	42,256	**50,516**	49,173
Equity attributable to owners of the Company		**68,427**	61,854	**69,887**	68,771
Non-controlling interests	9(b)	**135**	170	**-**	-
TOTAL EQUITY		**68,562**	62,024	**69,887**	68,771
Non-current liabilities					
Borrowings	17	**4,183**	6,190	**-**	-
Lease liabilities	18	**2,659**	2,221	**-**	-
Deferred tax liabilities	19	**5,155**	2,865	**-**	-
		11,997	11,276	**-**	-
Current liabilities					
Trade payables	20	**19,634**	17,024	**-**	-
Other payables, accruals and deposits received	21	**8,311**	5,692	**34**	52
Borrowings	17	**2,407**	4,284	**-**	-
Lease liabilities	18	**3,108**	1,978	**-**	-
Amount due to a subsidiary	13	**-**	-	**-**	511
Provision for tax		**237**	55	**2**	4
		33,697	29,033	**36**	567
TOTAL LIABILITIES		**45,694**	40,309	**36**	567
TOTAL EQUITY AND LIABILITIES		**114,256**	102,333	**69,923**	69,338

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Revenue	22	**129,024**	104,633	**5,744**	4,766
Cost of sales		**(78,598)**	(70,045)	**-**	-
Gross profit		**50,426**	34,588	**5,744**	4,766
Other operating income		**4,198**	2,442	**5**	5
Administrative expenses		**(14,426)**	(13,683)	**(357)**	(383)
Selling and distribution expenses		**(19,194)**	(9,449)	**-**	-
Other operating expenses		**(5,386)**	(4,396)	**-**	-
Profit from operations	23	**15,618**	9,502	**5,392**	4,388
Finance costs	26	**(539)**	(455)	**-**	-
Profit before taxation		**15,079**	9,047	**5,392**	4,388
Taxation	27	**(4,270)**	(1,530)	**(5)**	(7)
Profit for the year		**10,809**	7,517	**5,387**	4,381
Profit attributable to:					
Owners of the Company		**10,844**	7,582		
Non-controlling interests		**(35)**	(65)		
Profit for the year		**10,809**	7,517		
Basic earnings per share (sen)	28	**6.72**	4.69		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Share capital RM'000	Treasury shares RM'000	Capital reserves RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group								
At 1 January 2022		**16,782**	**(2,594)**	**5,410**	**42,256**	**61,854**	**170**	**62,024**
Profit for the year		-	-	-	**10,844**	**10,844**	**(35)**	**10,809**
Shares repurchased	16	-	**(227)**	-	-	**(227)**	-	**(227)**
Dividends	29	-	-	-	**(4,044)**	**(4,044)**	-	**(4,044)**
At 31 December 2022		**16,782**	**(2,821)**	**5,410**	**49,056**	**68,427**	**135**	**68,562**
At 1 January 2021		16,782	(2,594)	5,410	38,718	58,316	235	58,551
Profit for the year		-	-	-	7,582	7,582	(65)	7,517
Dividends	29	-	-	-	(4,044)	(4,044)	-	(4,044)
At 31 December 2021		16,782	(2,594)	5,410	42,256	61,854	170	62,024
Company								
At 1 January 2022		**16,782**	**(2,594)**	**5,410**	**49,173**	**68,771**		
Profit for the year		-	-	-	**5,387**	**5,387**		
Shares repurchased	16	-	**(227)**	-	-	**(227)**		
Dividends	29	-	-	-	**(4,044)**	**(4,044)**		
At 31 December 2022		**16,782**	**(2,821)**	**5,410**	**50,516**	**69,887**		
At 1 January 2021		16,782	(2,594)	5,410	48,836	68,434		
Profit for the year		-	-	-	4,381	4,381		
Dividends	29	-	-	-	(4,044)	(4,044)		
At 31 December 2021		16,782	(2,594)	5,410	49,173	68,771		

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Cash flows from operating activities					
Profit before taxation		**15,079**	9,047	**5,392**	4,388
Adjustments for:					
Allowance for impairment loss on goodwill	8	**5,229**	-	**-**	-
Allowance for impairment loss on trade receivables	10	**210**	58	**-**	-
Allowance of expected credit loss	10	**352**	-	**-**	-
Allowance for impairment loss on amount due from a related party		**-**	2,700	**-**	-
Bad debts written off		**4**	2	**-**	-
Depreciation of property, plant and equipment	6	**3,182**	3,141	**-**	-
Depreciation of right-of-use assets	7	**3,004**	2,757	**-**	-
Dividend income		**-**	-	**(5,500)**	(4,500)
Impairment for inventories		**912**	-	**-**	-
Interest expenses		**539**	455	**-**	-
Interest income		**(235)**	(182)	**(5)**	(5)
Forfeited deposits		**(397)**	(1,127)	**-**	-
Loss on disposal of investment		**-**	*	**-**	-
Loss on disposal of property, plant and equipment		**78**	-	**-**	-
Loss/(gain) on lease modification		**21**	(2)	**-**	-
Property, plant and equipment written off		**9**	3	**-**	-
Rental income		**(142)**	(134)	**-**	-
Reversal for impairment loss on trade receivables		**(58)**	-	**-**	-
Reversal for impairment loss on amount due from a related party		**(3,700)**	-	**-**	-
Waiver of lease payment		**(15)**	(336)	**-**	-
Unrealised foreign exchange gain - net		**(279)**	(72)	**-**	-
Unrealised MTM (gain)/loss on investment - net		**(42)**	2	**-**	-
Operating profit/(loss) before working capital changes		**23,751**	16,312	**(113)**	(117)
Increase in inventories		**(945)**	(5,170)	**-**	-
Increase in receivables		**(7,539)**	(7,080)	**-**	(2)
Increase/(decrease) in payables		**3,535**	212	**(18)**	19
Increase/decrease in amount due from/(to) a subsidiary		**-**	-	**(1,314)**	(355)
Cash generated from/(used in) operations		**18,802**	4,274	**(1,445)**	(455)
Income tax paid		**(1,866)**	(1,908)	**(7)**	(3)
Net cash generated from/(used in) operating activities		**16,936**	2,366	**(1,452)**	(458)

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

STATEMENTS OF CASH FLOWS *(cont'd)*

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Cash flows from investing activities					
Acquisition of subsidiary, net of cash and cash equivalents	9	**179**	-	**-**	-
Dividend received		**-**	-	**5,500**	4,500
Interest received		**235**	182	**5**	5
Proceeds from disposal of property, plant and equipment		**360**	-	**-**	-
Purchase of property, plant and equipment	32	**(3,683)**	(2,001)	**-**	-
Rental received		**142**	134	**-**	-
Net cash (used in)/generated from investing activities		**(2,767)**	(1,685)	**5,505**	4,505
Cash flows from financing activities					
(Repayment)/drawdown of borrowings		**(1,754)**	4,754	**-**	-
Repayment of lease liabilities - hire purchase arrangements		**(352)**	(216)	**-**	-
Repayment of term loans		**(2,182)**	(1,823)	**-**	-
Interest paid		**(539)**	(455)	**-**	-
Payment of lease liabilities		**(2,947)**	(2,436)	**-**	-
Purchase of treasury shares	16	**(227)**	-	**(227)**	-
Dividend paid	29	**(4,044)**	(4,044)	**(4,044)**	(4,044)
Net cash used in financing activities		**(12,045)**	(4,220)	**(4,271)**	(4,044)
Net increase/(decrease) in cash and cash equivalents		**2,124**	(3,539)	**(218)**	3
Cash and cash equivalents at beginning of the year		**21,111**	24,509	**336**	333
Effect of changes in exchange rates on cash and cash equivalents		**191**	141	**-**	-
Cash and cash equivalents at end of the year	14	**23,426**	21,111	**118**	336

** Denotes amount below RM1,000.*

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

1. Corporate information

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

The registered office and the principal place of business of the Company are located at Wisma LSK, Lot 6122, Jalan Haji Abdul Manan, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are as disclosed in Note 9. There have been no significant changes in the nature of these activities during the financial year.

The ultimate and immediate holding company of the Company is Lee Swee Kiat & Sons Sdn. Bhd., a company incorporated and domiciled in Malaysia.

The number of employees in the Group and in the Company at the end of the financial year were 395 (2021: 346) and 5 (2021: 5) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 3 April 2023.

2. Basis of preparation of the financial statements

The financial statements have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards 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 summary of significant accounting policies (Note 3).

The preparation of financial statements in conformity with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

The financial statements are presented in Ringgit Malaysia (RM), which is the Group's functional currency. All financial information have been rounded to the nearest thousand (RM'000), unless otherwise stated.

3. Significant accounting policies

All significant accounting policies set out below are consistent with those applied in the previous financial year.

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the financial year end. The financial statements of the subsidiaries used in the preparation of consolidated financial statements are prepared for the same financial year end as the Company. Consistent accounting policies are applied to like transactions and events of similar circumstances. Subsidiaries are consolidated from the date on which control exists. They are deconsolidated from the date that control ceases. All intra-group balances, income and expenses and unrealised gains and losses resulting from intragroup transactions are eliminated in full.

Acquisition of subsidiaries are accounted for using the purchase method except for business combinations arising from common control transfers. Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve or merger deficit. Merger deficit is adjusted against suitable reserves of the entity acquired to the extent that laws or statutes do not prohibit the use of such reserves. The consolidated financial statements reflect the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

Under the purchase method of accounting, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statements of financial position. The accounting policy for goodwill is set out in Note 3(b). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Transactions with non-controlling interest

Non-controlling interest represents the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from the equity of the owners of the Company. Transactions with non-controlling interest are accounted for as transactions with owners. On acquisition of non-controlling interest, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interest is recognised directly in equity.

(b) Goodwill or reserve arising from consolidation

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's Cash-Generating Units (CGUs) that are expected to benefit from the synergies of the combination.

The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired, by comparing the carrying amount of the CGU, including the allocated goodwill, with the recoverable amount of the CGU. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.

(c) Property, plant and equipment, and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance are charged to profit or loss as incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

No depreciation is provided for capital work-in-progress until the assets are ready for their intended use.

3. Significant accounting policies (continued)

(c) Property, plant and equipment, and depreciation (continued)

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Freehold buildings	2%
Plant and machinery	10%
Furniture, fittings, factory and office equipment	10% - 50%
Motor vehicles	20%

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

The residual values, useful lives and depreciation methods are reviewed at each financial year end, and adjusted prospectively, if appropriate to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss in the year the property, plant and equipment is derecognised.

(d) Intangible assets

Trademarks

The cost of trademarks acquired represents its fair value as at the date of acquisition. Following initial recognition, trademarks are carried at cost less any accumulated impairment losses. Trademarks, which are considered to have indefinite useful lives, are not amortised but tested for impairment, annually or more frequently when indicators of impairment are identified. The useful lives of trademarks are reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Goodwill

As disclosed in Note 3(b).

(e) Investment in subsidiaries

Subsidiaries are 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.

In the Company's separate financial statements, investment in subsidiaries which are eliminated on consolidation are stated at cost less impairment losses, unless the investment is held for sale.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in profit or loss.

(f) Inventories

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value. Cost of finished goods and work-in-progress include cost of raw material, direct labour, other direct costs and appropriate production overheads.

Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

3. Significant accounting policies (continued)

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, fixed deposits, demand deposits, bank overdrafts and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Provision for liabilities

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

Provisions are reviewed at each financial year end 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 finance cost.

(i) Interest bearing loans and borrowings

Borrowings are recognised initially at fair value net of transaction cost incurred. Subsequently, borrowings are stated at amortised cost using the effective interest method. Any difference between the amount recorded as borrowings and the associated redemption value is recognised in the profit or loss over the period of the borrowings. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan and are capitalised and amortised over the period of the facility to which it relates. All other borrowing costs are charged to profit or loss. Borrowings are derecognised from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the borrowings that have been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred and liabilities assumed, is recognised in profit or loss. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

(j) Leases

<u>As Lessee</u>

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

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

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease liability is presented as a separate line in the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest methods and by reducing the carrying amount to reflect the lease payments made).

3. Significant accounting policies (continued)

(j) Leases (continued)

As Lessee (continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the financial year.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MRFS 137: Provision, Contingent Liabilities and Contingent Assets. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies MFRS 136: Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

As Lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to financial periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies MFRS 15: Revenue from Contract with Customers to allocate the consideration under the contact to each component.

3. Significant accounting policies (continued)

(k) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are equity instruments.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

(l) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the financial year end.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax is provided for, using the liability method on temporary differences at the financial year end between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit or loss nor taxable profit or loss.

The carrying amount of deferred tax assets are reviewed at each financial year end and reduced to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

Unrecognised deferred tax assets are reassessed at each financial year end and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3. Significant accounting policies (continued)

(m) Employee benefits

i Short term benefits

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

ii Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or construction obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

As required by law, the Group makes contributions to the statutory provident fund, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss in the period as incurred.

iii Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the financial year end are discounted to present value.

(n) Revenue recognition

The Group recognises revenue from contracts with customers for the sale of goods and provision of services based on the five-step model as set out below:

i Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

ii Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

iii Determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

iv Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

v Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognise revenue over time if the Group's performance:

i Does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to-date; or

ii Creates or enhances an asset that the customer controls as the asset is created or enhanced; or

iii Provides benefits that the customer simultaneously receives and consumes as the Group performs.

3. Significant accounting policies (continued)

(n) Revenue recognition (continued)

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligations in contracts with customers:

i Revenue

a. Sale of goods

Revenue is recognised at the point in time when the control of goods is transferred to customer with a right of return within a specified period.

An element of significant financing is deemed present for the Group's credit sales, as the payment terms provide customers with a significant benefit of financing.

The Group adjust the promised consideration (total future instalment payments receivable) for the effect of the significant financing component using the discount rate that would be reflected in a separate financing transaction between Group and its customer at contract inception. Any discount or premium arising from the adjustment of the consideration price will be allocated to the performance obligations using a relative stand-alone selling price basis.

The significant financing component is recognised as service income over the credit period using the effective interest method applicable at the inception date. Unearned service incomes as the reporting date are deferred to future periods, and are deducted from the trade receivables balance.

The Group recognised non-refundable trade deposits as revenue, when customers fail to proceed with their purchases from deposits placed as evidenced in sales orders with validity of two years from the date of issue.

b. Management fee

Management fee is recognised as and when the services are performed.

c. Dividend income

Dividend income represents dividend received from unquoted investments, and is recognised when the right to receive payment is established.

d. Royalty income

Royalty fee is recognised on an accrual basis in accordance with the substance of relevant agreement.

e. Service income

Service income is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the period of maturity, unless collectability is in doubt, in which case it is recognised on a cash receipt basis.

ii Other income

a. Interest income

Interest income is recognised on an accrual basis (taking into account the effective yield on the asset) unless its collectability is in doubt.

3. Significant accounting policies (continued)

(o) Foreign currencies transactions

i Functional and presentation currency

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

ii Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's reporting currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the date of the transactions. At each financial year end, monetary items denominated in foreign currencies are translated at the rates prevailing at financial year end. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on 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 translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operation, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Group's financial statements or the individual financial statements of the foreign operation, as appropriate.

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

The principal closing rates used in translation of foreign currency amounts are as follows:

	2022 RM	2021 RM
1 United States Dollar (USD)	**4.40**	4.17
1 Australian Dollar (AUD)	**3.00**	3.03
1 Euro (EUR)	**4.72**	4.74
1 Singapore Dollar (SGD)	**3.29**	3.09
1 Chinese Yuan (CNY)	**Not applicable**	0.66

3. Significant accounting policies (continued)

(p) Impairment of non-financial assets

The Group assesses at each financial year end whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

For goodwill, the recoverable amount is estimated at each financial year end or more frequently when indicators of impairment are identified.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. CGUs). In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

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

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

(q) Financial instruments

Financial instruments carried on the statements of financial position include cash and bank balances, deposits with financial institutions, investments, receivables, payables and borrowings. The recognition methods adopted are disclosed in the respective accounting policy statements.

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends and gains and losses relating to financial instruments classified as assets or liabilities, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets

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

When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss ("FVTPL"), directly attributable transaction costs.

3. Significant accounting policies (continued)

(q) Financial instruments (continued)

Financial assets (continued)

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial assets are as below:

i Financial assets measured at amortised cost

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process and when the financial assets are impaired or derecognised.

ii Financial assets measured subsequently at fair value

Financial assets that are debt instruments are measured at fair value through other comprehensive income ("FVTOCI") if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in other comprehensive income, except for impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Financial assets that are debt instruments which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL.

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Equity instruments are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives).

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in other comprehensive income and are not subsequently transferred to profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

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 and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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 and sales of financial assets are recognised or derecognised on the settlement date, i.e. the date that the asset is delivered to or by the Group.

3. Significant accounting policies (continued)

(q) Financial instruments (continued)

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

i Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This includes derivatives entered into by the Group that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

ii Other financial liabilities

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, 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 extinguished.

When an existing financial liability is replaced by another instrument 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 amount is recognised in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

(r) Impairment of financial assets

At the end of each financial year, the Group assesses whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring as at the financial year end with the risk of default since initial recognition.

In determining whether credit risk on a financial asset has increased significantly since initial recognition, the Group uses external credit rating and other supportive information to assess deterioration in credit quality of a financial asset. The Group assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For collective basis evaluation, financial assets are grouped on the basis of similar risk characteristics.

3. Significant accounting policies (continued)

(r) Impairment of financial assets (continued)

The Group considers past loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

The amount of impairment loss is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cashflows that are due to the Group and all the cash flows that the Group expects to receive.

The Group measures the allowance for impairment loss on trade and other receivables based on the two-step approach as follows:

i 12-months expected credit loss

For a financial asset for which there is no significant increase in credit risk since initial recognition, the Group measures the allowance for impairment loss for that financial asset at an amount based on the probability of default occurring within the next 12 months considering the loss given default of that financial asset.

ii Lifetime expected credit loss

For a financial asset for which there is a significant increase in credit risk since initial recognition, a lifetime expected credit loss for that financial asset is recognised as the allowance for impairment loss by the Group. If, in a subsequent period the significant increase in credit risk since initial recognition is no longer evident, the Group reverts the allowance for impairment loss measurement from lifetime expected credit loss to 12-months expected credit loss.

For trade and other receivables which are financial assets, the Group applies the simplified approach in accordance with MFRS 9: Financial Instruments and measure the allowance for impairment loss based on a 12-months expected credit loss from initial recognition.

The carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.

(s) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants act in their economic best interest when pricing the asset or liability.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the financial year end.

3. Significant accounting policies (continued)

(t) Contingencies

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises in extremely rare cases where these is a liability that cannot be recognised because it cannot be measured reliably.

The Group does not recognise a contingent liability but discloses its existence in the financial statements, if any.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(u) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment manager reports directly to the management of the Company who regularly review the segments results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 31, including the factors used to identify the reportable segments and measurement basis of segment information.

(v) Related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to 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 party are subject to common control or common significant influence. Related parties may be individual or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

(w) Earnings per share

i Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

ii Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

4. Adoption of new and revised Malaysian Financial Reporting Standards and interpretations

MFRSs that have been issued and effective

The following new and revised MFRSs issued by MASB, have been adopted, and the adoptions do not have any or significant impact to the financial statements:

Title		Effective Date
Amendments to MFRS 16:	Leases	1 April 2021
Amendments to MFRS 1:	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022
Amendments to MFRS 3:	Business Combinations	1 January 2022
Amendments to MFRS 9:	Financial Instruments	1 January 2022
Amendments to MFRS 116:	Property, Plant and Equipment	1 January 2022
Amendments to MFRS 137:	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
Amendments to MFRS 141:	Agriculture	1 January 2022

MFRSs that have been issued but only effective for financial period beginning on 1 January 2023 and onwards

The following new and revised MFRSs issued by MASB, have not been adopted, and the adoptions are not expected to have any or significant impact to the financial statements:

Title		Effective Date
MFRS 17:	Insurance Contracts	1 January 2023
Amendments to MFRS 17:	Insurance Contracts	1 January 2023
Amendments to MFRS 108:	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
Amendments to MFRS 112:	Income taxes	1 January 2023
Amendments to MFRS 16:	Leases	1 January 2024
Amendments to MFRS 101:	Presentation of Financial Statements	1 January 2024
Amendments to MFRS 10:	Consolidated Financial Statement	Deferred
Amendments to MFRS 128:	Investments in Associates and Joint Ventures	Deferred

5. Significant accounting judgement and estimates

Key sources of estimation uncertainty

The preparation of financial statements in accordance with MFRSs requires the use of certain accounting estimates and exercise of judgement. Estimates and judgements are continually evaluated and are based on past experience, reasonable expectations of future events and other factors.

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

(a) Depreciation of property, plant and equipment

The Group depreciates property, plant and equipment over their estimated useful lives after taking into account their estimated residual values, using the straight-line method. The estimated useful lives applied by the Group as disclosed in Note 3(c) reflect the Directors' estimates of the periods that the Group expects to derive future economic benefits from the use of the Group's property, plant and equipment. Technological advancements could impact the useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

5. Significant accounting judgement and estimates (continued)

Key sources of estimation uncertainty (continued)

(b) Impairment of property, plant and equipment

The Group carries out the impairment test based on a variety of estimation including the value-in-use of the cash-generating unit (CGU) to which the property, plant and equipment are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(c) Impairment of investments

The investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the accounting policy. The recoverable amounts of these investments have been determined based on their fair value less costs to sell. The fair value less costs to sell was arrived at by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market condition existing at each statement of financial position date.

There could be further adjustments to the carrying value of the investments should the going concern basis be inappropriate.

(d) Impairment of intangible assets

The Group determines whether the goodwill which has indefinite useful lives, are tested for impairment either annually or on a more frequent interval, depending on events or changes in circumstances that indicate the carrying value may be impaired. This requires an estimation of the value in use of the CGU to which the goodwill belongs to.

In assessing value in use, the management is required to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate to their present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are as disclosed in Note 8.

(e) Loss allowances for financial assets

The Group recognises impairment losses for receivables under the expected credit loss model. Individually significant trade receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Group's ageing of past due amounts and current economic trends. The actual eventual losses may be different from the allowance made and this may affect the Group's financial position and result.

(f) Write-down of inventories to the lower of cost and net realisable value

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs to completion and costs to be incurred on marketing, selling and distribution. Estimates of net realisable value are based on the most reliable evidence available at the time of the estimates are made, of the amount the inventories are expected to realise. Due to the nature of the inventories, significant judgement is required in estimating the net realisable value of premium products that are targeted towards the niche market segment and the moving life style trends.

(g) Income taxes

Significant 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. 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.

5. Significant accounting judgement and estimates (continued)

Key sources of estimation uncertainty (continued)

(h) Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses and unutilised capital allowances to the extent that it is probable that future taxable profit will be available against which the losses and allowances 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.

(i) Fair value estimates of certain financial instruments

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

(j) Determination of lease term

The Group determine 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. As disclosed in Note 7, the Group has a lease contract that include extension and termination option. The Group apply judgement in evaluating whether they are reasonably certain to exercise the option to renew or terminate the lease. The Group consider all relevant factors that create an economic incentive for them to exercise the renewal or termination. After the commencement date, the Group reassess 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.

6. Property, plant and equipment

Group	Freehold land RM'000	Freehold buildings RM'000	Plant and machinery RM'000	Furniture, fittings, factory and office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost							
At 1 January 2022	**6,841**	**20,194**	**28,756**	**10,085**	**4,243**	**3,855**	**73,974**
Acquisition of subsidiary (Note 9)	**-**	**-**	**2**	**26**	**39**	**-**	**67**
Additions (Note 32)	**60**	**362**	**361**	**806**	**451**	**2,048**	**4,088**
Write-offs	**-**	**-**	**-**	**(309)**	**(372)**	**-**	**(681)**
Disposals	**-**	**-**	**-**	**(147)**	**(423)**	**(431)**	**(1,001)**
Reclassifications	**-**	**-**	**2,303**	**1,544**	**-**	**(3,847)**	**-**
Reversal of cost	**-**	**-**	**-**	**-**	**-**	**(216)**	**(216)**
Expensed off	**-**	**-**	**-**	**-**	**-**	**(35)**	**(35)**
At 31 December 2022	**6,901**	**20,556**	**31,422**	**12,005**	**3,938**	**1,374**	**76,196**
Accumulated depreciation							
At 1 January 2022	**-**	**(4,556)**	**(19,520)**	**(6,744)**	**(3,651)**	**-**	**(34,471)**
Charge for the financial year	**-**	**(407)**	**(1,709)**	**(768)**	**(298)**	**-**	**(3,182)**
Write-offs	**-**	**-**	**-**	**300**	**372**	**-**	**672**
Disposals	**-**	**-**	**-**	**140**	**423**	**-**	**563**
At 31 December 2022	**-**	**(4,963)**	**(21,229)**	**(7,072)**	**(3,154)**	**-**	**(36,418)**
Carrying amount							
At 31 December 2022	**6,901**	**15,593**	**10,193**	**4,933**	**784**	**1,374**	**39,778**
Cost							
At 1 January 2021	6,776	19,972	28,091	9,476	3,929	3,575	71,819
Additions (Note 32)	65	222	665	614	314	365	2,245
Write-offs	-	-	-	(90)	-	-	(90)
Reclassifications	-	-	-	85	-	(85)	-
At 31 December 2021	6,841	20,194	28,756	10,085	4,243	3,855	73,974
Accumulated depreciation							
At 1 January 2021	-	(4,154)	(17,972)	(5,985)	(3,306)	-	(31,417)
Charge for the financial year	-	(402)	(1,548)	(846)	(345)	-	(3,141)
Write-offs	-	-	-	87	-	-	87
At 31 December 2021	-	(4,556)	(19,520)	(6,744)	(3,651)	-	(34,471)
Carrying amount							
At 31 December 2021	6,841	15,638	9,236	3,341	592	3,855	39,503

6. Property, plant and equipment (continued)

(a) The carrying amount of plant and machinery, factory equipment and fittings held under capital work-in-progress is RM1,373,800 (2021: RM3,855,324).

(b) The freehold land and buildings of the Group are pledged to licensed banks for banking facilities granted to a subsidiary, as disclosed in Note 17.

(c) Included in motor vehicles with carrying amount of RM688,608 (2021: RM502,570) are right-of-use assets in which is held under hire purchase arrangements with their corresponding lease liabilities disclosed in Note 17.

7. Right-of-use assets

	Group Buildings 2022 RM'000	2021 RM'000
Carrying amount		
At beginning of the year	**4,132**	2,055
Acquisition of subsidiary (Note 9)	**1,164**	-
Additions	**841**	573
Remeasurement/modification of lease liabilities	**2,510**	4,497
Derecognition due to lease termination	**-**	(236)
Depreciation charges	**(3,004)**	(2,757)
At end of the year	**5,643**	4,132

(a) The Group has lease contracts for showrooms used in its operations. Their lease terms range from 1 to 3 years (2021: 1 to 3 years).

(b) The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the portfolio of leased asset and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

(c) In view of the uncertain economic conditions affected by the pandemic, a tenancy agreement has not been renewed but by mutual consent, the affected premise has continued to be utilised by the Group and the lease deemed as on a rolling basis. Included in depreciation of right-of-use assets and lease liabilities interest amounting to RM144,834 (2021: RM187,904) and RM1,798 (2021: RM4,096) respectively, totalling RM146,633 (2021: RM192,000) is equivalent to the certain period rental for the said outlet.

8. Intangible assets

	Group 2022 RM'000	2021 RM'000
At beginning of the year	**6,034**	6,034
Acquisition of subsidiary (Note 9)	**5,053**	-
Less: Allowance for impairment	**(5,229)**	-
At end of the year	**5,858**	6,034
Intangible assets comprise:		
Intellectual properties	**5,858**	5,858
Goodwill on consolidation	**-**	176
	5,858	6,034

8. Intangible assets (continued)

(a) Trademark

i. On 3 March 2015, the Group entered into an asset sale and purchase agreement with Englander Sleep Products, L.L.C ("ESP") for the acquisition of ESP's rights to certain intellectual properties, including the trademarks, trade names, service marks and domain names for a cash consideration of RM4,608,100.

ii. On 21 May 2018, the Group entered into an asset sale and purchase agreement with Mattress Factory Outlet Sdn. Bhd. ("MFO") for the acquisition of MFO's rights to certain intellectual properties, including the trademarks, trade names, service marks and domain names for a cash consideration of RM1,250,000.

iii. The Group has assessed its recoverable amount which is determined using the value in use approach.

Value in use was determined by discounting the future cash flows generated from the continuing operation of the natural latex and mattress related products segment and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and a 5-year (2021: 5-year) projection.
- The anticipated revenue growth rate is estimated to be 5% per annum (2021: 5% per annum).
- A discount rate of 4.42% (2021: 4.00%) was applied in determining the recoverable amount. The discount rate was estimated based on the borrowing rate.

With regard to the assessment of value in use for the natural latex and mattress related products segment, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount to materially exceed its recoverable amount.

(b) Goodwill

The Group recognised an impairment loss of RM5,229,028 (2021: RMNil) during the financial year in respect of the goodwill arising on consolidation.

9. Investment in subsidiaries

	Company 2022 RM'000	Company 2021 RM'000
Unquoted shares		
Cost		
At beginning/end of the year	**69,000**	69,000

Name of company	Equity interest held 2022	Equity interest held 2021	Principal activities
Lee Swee Kiat Holdings Sdn. Bhd.	**100%**	100%	Investment holding and management.
Subsidiaries of Lee Swee Kiat Holdings Sdn. Bhd.			
LSK Napure Latex Sdn. Bhd.	**100%**	100%	Manufacturing of natural latex bedding.
LSK Mattressworld Sdn. Bhd.	**100%**	100%	Manufacturing of mattresses and bedding accessories.
LSK Mattress Marketing Sdn. Bhd.	**100%**	100%	Marketing and distribution of mattresses and related products.
LSK Lamifoam Sdn. Bhd.	**100%**	100%	Dormant company.
Homeplus Furniture Sdn. Bhd. ("HFSB")	**60%**	60%	Marketing and distribution of mattresses, household furniture and related products.
LSK Italhouse Sdn. Bhd. ("LIH")	**100%**	70%	Marketing and distribution of mattresses, furniture, related products and retail sale of mattresses.

All of the above subsidiaries were incorporated in Malaysia and audited by Nexia SSY PLT, a member of Nexia International.

9. Investment in subsidiaries (continued)

(a) Acquisition of LIH

On 18 June 2019, LIH was incorporated as a wholly owned subsidiary of Lee Swee Kiat Holdings Sdn. Bhd. ("LSKH"). On 27 June 2019, LIH entered into an Assets and Business Purchase Agreement ("ABPA") with The Mattress House Sdn. Bhd. ("TMH"), Amos Italsofa House Sdn. Bhd. ("AIH") and Yeow Kian Ting ("YKT") (controlling shareholder of TMH and AIH) (collectively known as the "Sellers") for the acquisition of the Goodwill and Specified Assets valued at RM6,950,000 and the deemed date of acquisition was 1 July 2019. Subsequently, on 24 September 2019, the share capital of LIH was increased by 249,999 shares to 250,000 shares with 75,000 shares allotted to YKT as part satisfaction of 30% of the purchase consideration. In December 2019, negotiations to terminate the ABPA commenced since certain conditions of the said agreement were not fulfilled as at 31 December 2019. Consequently, the Directors have resolved that the Sellers in the ABPA may not fulfil their obligations and LIH have not been given control of the businesses by the Sellers. Therefore, LIH has not assumed the operations of the said business of which they have no management control until the terms of the ABPA has been resolved. Accordingly, LIH has not been consolidated in the Group Financial Statements as at 31 December 2020 and 31 December 2021.

On 18 July 2022, LSKH and its subsidiary, LIH, entered into a Deed of Settlement in relation to the shortfall of profit guarantee in respect of the acquisition of the goodwill and assets concerning the furniture retail showroom business with TMH, AIH and YKT. As per the Deed of Settlement, YKT would transfer all his 75,000 shares, amounting to thirty percent (30%) of the issued and paid-up capital of the LIH to the LSKH at a consideration of RM10. Consequently, LIH had become an indirect wholly-owned subsidiary of the Group and had been consolidated from 1 August 2022 onwards.

(i) Effects of acquisition of LIH to the statements of financial position of the Group

Fair value of the identifiable assets acquired and liabilities recognised:	RM'000
Asset	
Property, plant and equipment (Note 6)	67
Right-of-use assets (Note 7)	1,164
Inventories	661
Trade receivables	5
Other receivables, deposits and prepayments	188
Tax recoverable	6
Cash and bank balances	354
	2,445
Liabilities	
Lease liabilities (Note 18)	(1,170)
Trade payables	(1,005)
Other payables, accruals and deposits received	(5,148)
Fair value of total identifiable liabilities	(4,878)
Total identifiable net liabilities acquired	(4,878)
Goodwill arising on acquisition	5,053
Total consideration paid	175

9. Investment in subsidiaries (continued)

(a) Acquisition of LIH (continued)

(i) Effects of acquisition of LIH to the statements of financial position of the Group (continued)

	RM'000
Effect of acquisition on cash flows	
Fair value of consideration transfer	(175)
Less: Cash and cash equivalent of subsidiary acquired	354
Net inflow on acquisition	179

(ii) Effects of acquisition of LIH to the statements of comprehensive income of the Group

From the date of acquisition, the subsidiary's contributed revenue and profit net of tax are as follows:

	RM'000
Revenue	1,685
Profit for the financial year	257

If the acquisition had occurred on 1 January 2022, the consolidated results for the financial year ended 31 December 2022 would have been as follows:

	RM'000
Revenue	3,475
Profit for the financial year	445

(b) Material partly-owned subsidiary

Set out below is the Group's subsidiary which has a material non-controlling interests:

Name of company	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated profit of non-controlling interests	
	2022 %	2021 %	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Homeplus Furniture Sdn. Bhd.	40	40	(35)	(65)	135	170

Summarised financial information for the subsidiary that has non-controlling interests that are material to the Group is set out below before inter-company eliminations.

9. Investment in subsidiaries (continued)

(b) Material partly-owned subsidiary (continued)

i Summarised statement of financial position

	2022 RM'000	2021 RM'000
Non-current assets	**172**	276
Current assets	**485**	628
Non-current liabilities	**(78)**	(178)
Current liabilities	**(241)**	(301)
Net assets	**338**	425
Equity attributable to owners of the Company	**203**	255
Non-controlling interest	**135**	170
	338	425

ii Summarised statement of profit or loss and other comprehensive income

	2022 RM'000	2021 RM'000
Revenue	**631**	972
Loss before taxation	**(87)**	(162)
Taxation	**-**	-
Loss for the year, representing total comprehensive loss for the financial year	**(87)**	(162)

iii Summarised statement of cash flows

	2022 RM'000	2021 RM'000
Net cash (used in)/generated from operating activities	**(28)**	31
Net cash generated from investing activities	**30**	-
Net cash used in financing activities	**(103)**	(183)
Net decrease in cash and cash equivalents	**(101)**	(152)

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

FOR THE YEAR ENDED 31 DECEMBER 2022

10. Trade receivables

	Group 2022 RM'000	2021 RM'000
Non-current		
Instalment payment receivables (a)	**3,346**	1,218
Current		
Instalment payment receivables (a)	**13,091**	4,775
Other trade receivables	**5,788**	6,389
Less: Allowance for impairment loss on trade receivables	**(210)**	(58)
Less: Allowance of expected credit loss	**(352)**	-
	18,317	11,106
Amount due from related parties (b)	**3**	697
	18,320	11,803
Trade deposits	**93**	366
	18,413	12,169
Total	**21,759**	13,387

(a) Instalment payment receivables

	Group 2022 RM'000	2021 RM'000
Instalment receivables including unearned service income		
- due within one year	**13,091**	4,775
- due between one year and five years	**17,864**	7,596
	30,955	12,371
Less: Unearned service income	**(14,518)**	(6,378)
Less: Allowance for impairment loss on trade receivables	**(210)**	(55)
Less: Allowance of expected credit loss	**(352)**	-
	15,875	5,938
Analyse as follows:		
Current	**12,529**	4,720
Non-current	**3,346**	1,218
	15,875	5,938

(b) The amount due from related parties is as follows:

	Group 2022 RM'000	2021 RM'000
LSK Italhouse Sdn. Bhd.	**-**	687
Luis Furniture Centre Sdn. Bhd.	**3**	10
	3	697

The amount due from related parties is unsecured, interest free and is repayable on demand.

10. Trade receivables (continued)

The currency exposure profile of trade receivables of the Group is as follows:

	Group	
	2022	2021
	RM'000	RM'000
RM	**20,014**	10,836
USD	**1,118**	1,526
EUR	**523**	793
AUD	**46**	163
SGD	**58**	69
	21,759	13,387

The above foreign currency financial assets are exposed to foreign currency risk.

11. Inventories

	Group	
	2022	2021
	RM'000	RM'000
Raw materials	**5,761**	5,164
Work-in-progress	**111**	112
Finished goods	**9,782**	9,684
	15,654	14,960
Recognised in profit and loss:		
Inventories recognised as cost of sales	**(78,598)**	(70,045)
Amount written down to net realisable value	**(912)**	-

12. Other receivables, deposits and prepayments

	Group		Company	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
Deposits - others	**1,159**	927	**-**	-
Deposits for acquisition of property, plant and equipment	**30**	336	**-**	-
Other receivables	**397**	711	**-**	-
Prepayment	**327**	281	**2**	2
Amount due from a related party	**-**	4,500	**-**	-
Less: Allowance for impairment loss on amount due from a related party	**-**	(3,700)	**-**	-
	-	800	**-**	-
	1,913	3,055	**2**	2

12. Other receivables, deposits and prepayments (continued)

The amount due from a related party, LSK Italhouse Sdn. Bhd., is interest free and is repayable on demand.

An aggregate amount of RM30,033 (2021: RM336,126) included in the deposits for acquisition of property, plant and equipment has been accounted for in capital commitments, as disclosed in Note 33.

Included in previous year's deposit for acquisition of property, plant and equipment is a foreign currency financial asset with an aggregate amount RM94,986 denominated in USD which is exposed to foreign currency risk.

Included in previous year's other receivables is a foreign currency financial asset with an aggregate amount RM6,166 denominated in USD which is exposed to foreign currency risk.

13. Amount due from/(to) a subsidiary

The amount due from/(to) a subsidiary is as follows:

	Company	
	2022	2021
	RM'000	RM'000
Lee Swee Kiat Holdings Sdn. Bhd.	**803**	(511)

Amount due from/(to) a subsidiary represents non-trade advances and is unsecured, interest free and is repayable on demand.

14. Cash and bank balances

	Group		Company	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
Cash in hand	**210**	190	**-**	-
Cash at bank (USD)	**894**	3,108	**-**	-
Cash at bank (RM)	**22,322**	17,813	**118**	336
Cash and bank balances	**23,426**	21,111	**118**	336

The cash at bank (USD) is a foreign currency financial asset which is exposed to foreign currency risk.

The money market funds which amount to RM3,680,931 (2021: RM3,472,619) represent investments in highly liquid money market instruments and deposits with financial institutions in Malaysia which are redeemable with one (1) day notice at known amounts of cash, and are subject to an insignificant risk of changes in value.

15. Share capital

	Group and Company			
	2022	2021	**2022**	2021
	'000 Unit	'000 Unit	**RM'000**	RM'000
Issued and fully paid ordinary shares				
At beginning/end of the year	**167,816**	167,816	**16,782**	16,782

16. Treasury shares

During the financial year, the Company repurchased 343,000 (2021: Nil) ordinary shares of its issued share capital from the open market. The average price paid for the shares repurchased was RM0.664 (2021: Nil) per ordinary share.

As at the end of the financial year, the Company held 6,403,400 (2021: 6,060,400) treasury shares out of its 167,815,704 issued and paid-up ordinary shares. Such treasury shares are held at a carrying amount of RM2,821,292 (2021: RM2,593,623).

17. Borrowings

	Group	
	2022	2021
	RM'000	RM'000
Current		
Bills payable (secured)	**-**	1,755
Lease liabilities under hire purchase arrangements	**254**	327
Term loans (secured)	**2,153**	2,202
	2,407	4,284
Non-current		
Lease liabilities under hire purchase arrangements	**425**	299
Term loans (secured)	**3,758**	5,891
	4,183	6,190
Total borrowings		
Bills payable (secured)	**-**	1,755
Lease liabilities under hire purchase arrangements	**679**	626
Term loans (secured)	**5,911**	8,093
	6,590	10,474

Interest rates during the financial year are as follows:

	Group	
	2022	2021
	Per annum	Per annum
Bank overdrafts	**7.64%-8.60%**	6.64%-7.60%
Bills payable	**1.50%-4.65%**	1.75%-1.85%
Lease liabilities under hire purchase arrangements	**2.03%-3.51%**	2.37%-3.51%
Term loans	**3.31%-5.08%**	3.28%-4.00%

The bank overdrafts, bills payable and term loans are secured by the following:

(a) specific debenture over gas generator and machinery/equipment;
(b) freehold land and buildings of a subsidiary, as disclosed in Note 6(b); and
(c) corporate guarantee by the Company.

17. Borrowings (continued)

As at the end of the financial year, there was no bank overdraft balance, however the facility is still available.

As at the end of the previous financial year, the bills payable is a foreign currency financial liability with an aggregate amount of RM1,755,040 denominated in USD and is exposed to foreign currency risk.

	Group 2022 RM'000	2021 RM'000
Lease liabilities under hire purchase arrangements		
Repayment terms:		
- not later than 1 year	**280**	352
- later than 1 year and not later than 2 years	**176**	213
- later than 2 years and not later than 5 years	**198**	99
- later than 5 years	**99**	-
Total lease payments	**753**	664
Future finance charges on lease liabilities	**(74)**	(38)
Present value of lease liabilities	**679**	626
Present value of lease liabilities		
- not later than 1 year	**254**	327
- later than 1 year and not later than 2 years	**152**	202
- later than 2 years and not later than 5 years	**177**	97
- later than 5 years	**96**	-
	679	626

The movement of lease liabilities under hire purchase arrangements during the financial year is as follows:

	Group 2022 RM'000	2021 RM'000
At beginning of the year	**626**	598
Additions (Note 32)	**405**	244
Lease payments	**(386)**	(277)
Interest expense recognised in the statements of comprehensive income		
- Lease liabilities interest under hire purchase arrangements	**34**	61
At end of the year	**679**	626

	Group 2022 RM'000	2021 RM'000
Term loans		
Repayment terms:		
- not later than 1 year	**2,153**	2,202
- later than 1 year and not later than 2 years	**2,101**	2,188
- later than 2 years and not later than 5 years	**1,657**	3,703
	5,911	8,093

18. Lease liabilities

	Group 2022 RM'000	2021 RM'000
Current	**3,108**	1,978
Non-current	**2,659**	2,221
	5,767	4,199
The repayment terms of lease liabilities is as follows:		
- not later than 1 year	**3,285**	2,105
- later than 1 year and not later than 5 years	**2,732**	2,291
Total lease payments	**6,017**	4,396
Future finance charges on lease liabilities	**(250)**	(197)
Present value of lease liabilities	**5,767**	4,199
Present value of lease liabilities		
- not later than 1 year	**3,108**	1,978
- later than 1 year and not later than 5 years	**2,659**	2,221
	5,767	4,199

The movement of lease liabilities during the financial year is as follows:

	Group 2022 RM'000	2021 RM'000
At beginning of the year	**4,199**	2,139
Acquisition of subsidiary (Note 9)	**1,170**	-
Additions	**841**	573
Termination of lease	**-**	(238)
Reversal of prior year waiver of lease payment	**(12)**	-
Remeasurement/modification of lease	**2,531**	4,497
Waiver of lease payment	**(15)**	(336)
Repayment of principal	**(2,947)**	(2,436)
Repayment of interest expenses	**(205)**	(140)
Interest expense recognised in the statements of comprehensive income		
- Lease liabilities interest	**205**	140
At end of the year	**5,767**	4,199

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

FOR THE YEAR ENDED 31 DECEMBER 2022

19. Deferred tax (assets)/liabilities

	Group 2022 RM'000	Group 2021 RM'000
At beginning of the year	**2,865**	2,662
Recognised in the statements of comprehensive income (Note 27)	**2,290**	203
At end of the year	**5,155**	2,865
Presented after appropriate offsetting as follows:		
Deferred tax assets	**(109)**	(17)
Deferred tax liabilities	**5,264**	2,882
	5,155	2,865

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

	Group Other deductible temporary differences 2022 RM'000	Group Other deductible temporary differences 2021 RM'000
Deferred tax assets		
At beginning of the year	**(17)**	(27)
Recognised in the statements of comprehensive income	**(92)**	10
At end of the year	**(109)**	(17)

Group	Other taxable temporary differences RM'000	Temporary differences between capital allowances and depreciation RM'000	Total RM'000
Deferred tax liabilities			
At 1 January 2022	**-**	**2,882**	**2,882**
Recognised in the statements of comprehensive income			
- current year	**2,000**	**382**	**2,382**
At 31 December 2022	**2,000**	**3,264**	**5,264**
At 1 January 2021	-	2,689	2,689
Recognised in the statements of comprehensive income			
- current year	-	193	193
At 31 December 2021	-	2,882	2,882

20. Trade payables

	Group 2022 RM'000	2021 RM'000
Trade payables	**9,186**	8,816
Amount due to related parties	**18**	18
Trade deposits received	**10,430**	8,190
	19,634	17,024

The amount due to related parties is as follows:

	2022 RM'000	2021 RM'000
LSK Italhouse Sdn. Bhd.	**-**	*
Luis Furniture Centre Sdn. Bhd.	**18**	18
	18	18

The normal trade credit terms granted to the Group ranged from 30 to 90 days (2021: 30 to 90 days).

The currency exposure profile of trade payables of the Group is as follows:

	Group 2022 RM'000	2021 RM'000
RM	**16,565**	14,378
USD	**3,069**	2,646
	19,634	17,024

The above foreign currency financial liabilities are exposed to foreign currency risk.

** Denotes amount below RM1,000*

21. Other payables, accruals and deposits received

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Sundry payables	**8,113**	5,550	**-**	23
Amount due to a related party	**6**	12	**-**	-
Accruals	**192**	130	**34**	29
	8,311	5,692	**34**	52

The amount due to related party, Luis Furniture Centre Sdn. Bhd., is interest free and is payable on demand.

21. Other payables, accruals and deposits received (continued)

The currency exposure profile of other payables, accruals and deposits received of the Group and the Company is as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
RM	**8,135**	5,440	**34**	52
USD	**99**	175	**-**	-
EUR	**77**	77	**-**	-
	8,311	5,692	**34**	52

The above foreign currency financial liabilities are exposed to foreign currency risk.

22. Revenue

Revenue consists of the followings:

	Group		Company	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
Sale of goods	**122,090**	102,750	**-**	-
Management fee	**-**	30	**244**	266
Dividend income	**-**	-	**5,500**	4,500
Service income	**6,934**	1,853	**-**	-
	129,024	104,633	**5,744**	4,766

Revenue arising from sales of goods is recognised at the point in time as or when the customer obtains control of the promised goods for each performance obligation. Earned service income on instalment sales is recognised using the effective interest method over time, over 36 months or 60 months (2021: 36 months).

Included in the sales of goods are trade deposits forfeited amounting to RM397,227 (2021: RM1,127,072).

	Group		Company	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
Timing of revenue recognition:				
At a point in time	**122,090**	102,780	**5,744**	4,766
Over time	**6,934**	1,853	**-**	-

23. Profit from operations

	Group		Company	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
Profit from operations is arrived at after charging:				
Auditor remuneration:				
Statutory audit				
- current year	**150**	96	**30**	24
- underprovision in prior year	**5**	-	**-**	-
Non-statutory audit	**11**	-	**-**	-
Allowance for impairment loss on goodwill	**5,229**	-	**-**	-
Allowance of expected credit loss	**352**	-	**-**	-
Allowance for impairment loss on trade receivables	**210**	58	**-**	-
Allowance for impairment loss on amount due from a related party	**-**	2,700	**-**	-
Bad debts written-off	**4**	2	**-**	-
Depreciation of property, plant and equipment	**3,182**	3,141	**-**	-
Depreciation of right-of-use assets	**3,004**	2,757	**-**	-
Loss on disposal of investment	**-**	*	**-**	-
Loss on disposal of property, plant and equipment	**78**	-	**-**	-
Loss on lease modification	**21**	-	**-**	-
Property, plant and equipment written-off	**9**	3	**-**	-
Realised foreign exchange loss - net	**417**	-	**-**	-
Staff costs (Note 24)	**20,115**	18,477	**180**	210
Unrealised MTM loss on investment	**-**	2	**-**	-
and at after crediting:				
Interest income	**235**	182	**5**	5
Gain on lease modification	**-**	2	**-**	-
Realised foreign exchange gain - net	**-**	47	**-**	-
Rental income	**142**	134	**-**	-
Reversal for impairment loss on trade receivables	**58**	-	**-**	-
Reversal for impairment loss on amount due from a related party	**3,700**	-	**-**	-
Unrealised foreign exchange gain - net	**279**	72	**-**	-
Unrealised MTM gain on investment	**42**	-	**-**	-
Waiver of lease payment	**15**	336	**-**	-

** Denotes amount below RM1,000*

24. Staff costs

	Group		Company	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
Salaries, wages and remuneration	**18,213**	16,787	**170**	198
Employees Provident Fund	**1,143**	1,003	**-**	-
Social security costs	**178**	170	**-**	-
Employment Insurance Scheme	**10**	9	**-**	-
Others staff related expenses	**571**	508	**10**	12
	20,115	18,477	**180**	210

24. Staff costs (continued)

The remuneration of Directors and other members of key management during the year are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
Directors				
Executive:				
Salaries and other emoluments	**2,345**	2,094	**-**	-
Fees	**24**	24	**24**	24
	2,369	2,118	**24**	24
Non-executive:				
Other emoluments	**12**	42	**12**	42
Fees and allowances	**134**	132	**134**	132
	146	174	**146**	174
Grand total	**2,515**	2,292	**170**	198

The remuneration of Executive Directors and other members of key management during the year are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
Short-term employee benefits	**2,145**	1,894	**24**	24
Post-employment benefits:				
Defined contribution plan	**224**	224	**-**	-
	2,369	2,118	**24**	24
Included in the total key management personnel is:				
Executive Directors' remuneration	**2,369**	2,118	**24**	24

Details of Directors' remuneration of the Group and the Company are further analysed in Note 25.

25. Directors' remuneration

	Group		Company	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
Directors				
Executive:				
Salaries and other emoluments	**2,369**	2,118	**24**	24
Non-executive:				
Fees and allowances	**146**	174	**146**	174
Grand total	**2,515**	2,292	**170**	198

25. Directors' remuneration (continued)

The remuneration of each Director is as follows:

	Group		Company	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
Lee Ah Bah @ Lee Swee Kiat	**402**	372	**-**	-
Tan Kuin Luan	**346**	316	**-**	-
Lee Kong Yam	**487**	447	**-**	-
Dato' Lee Kong Sim	**1,134**	983	**24**	24
Au Thin An @ Low Teen Ann*	**-**	67	**-**	67
Wong Yoke San	**37**	37	**37**	37
Seow Nyoke Yoong	**37**	37	**37**	37
Lee Kong Hooi	**36**	27	**36**	27
Ng Fong Fong	**36**	6	**36**	6
	2,515	2,292	**170**	198

* The Director's remuneration has been accounted for up to his date of retirement.

26. Finance costs

	Group	
	2022	2021
	RM'000	RM'000
Interest expenses on borrowings:		
- bills payable	**70**	14
- lease liabilities under hire purchase arrangements	**34**	61
- lease liabilities	**205**	140
- term loans	**230**	240
	539	455

27. Taxation

	Group		Company	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
Malaysian income tax				
Current year	**2,132**	1,383	**5**	5
(Over)/underprovision in prior years	**(152)**	(56)	**(*)**	2
	1,980	1,327	**5**	7
Deferred tax (Note 19)				
Current year	**1,852**	205	**-**	-
Under/(over)provision in prior years	**438**	(2)	**-**	-
	2,290	203	**-**	-
	4,270	1,530	**5**	7

27. Taxation (continued)

The reconciliations of income tax expense applicable to the results of the Group and of the Company at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
Profit before taxation	**15,079**	9,047	**5,392**	4,388
Tax at Malaysian statutory tax rate of 24% (2021: 24%)	**3,619**	2,171	**1,294**	1,053
Tax effects of:				
- expenses not deductible for tax purposes	**1,575**	853	**31**	32
- income not subject to tax	**(947)**	(692)	**(1,320)**	(1,080)
- double tax deductions	**(66)**	(48)	**-**	-
- other deductible tax incentive	**(42)**	(56)	**-**	-
- utilisation of deferred tax assets arising from tax allowances not recognised previously	**(131)**	(673)	**-**	-
- deferred tax (liability)/assets arising from (taxable)/deductible temporary differences	**(24)**	33	**-**	-
(Over)/underprovision of income tax in prior years	**(152)**	(56)	**(*)**	2
Under/(over)provision in prior years	**438**	(2)	**-**	-
Tax expense for the year	**4,270**	1,530	**5**	7

The unabsorbed tax lossess are allowed to be utilised for 10 (2021:7) consecutive years of assessment while the unutilised capital allowances are allowed to be carried forward indefinitely.

Subject to the agreement by Inland Revenue Board, the certain subsidiaries of the Group has estimated unutilised tax allowances, unabsorbed tax losses and unutilised capital allowances carried forward of RM9,885,000 (2021: RM10,430,000), RM4,084,000 (2021: RM708,000) and RM288,000 (2021: RM46,000) respectively at year end to set off against future chargeable income.

The certain subsidiaries of the Group's unabsorbed tax losses of RM2,565,000, RM1,418,000, RM101,000 can be carried forward up to YA2030, YA2031 and YA2032 (2021: RM622,000 and RM86,000 can be carried forward up to YA2030 and YA2031) respectively.

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

	Group	
	2022 RM'000	2021 RM'000
Tax allowances:		
- unutilised tax allowances	**(2,372)**	(2,503)
Unabsorbed tax losses	**(980)**	(170)
Unutilised capital allowances	**(69)**	(11)
Deductible temporary differences:		
- property, plant and equipment	**(84)**	(15)
- right-of-use assets	**(5)**	(1)
	(1,138)	(197)

The above deferred tax assets have not been recognised in financial statements as the Directors are uncertain whether future taxable profit will be available against which the Group can recover all or part of these assets.

** Denotes amount below RM1,000*

28. Earnings per share

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

	Group	
	2022 RM'000	2021 RM'000
Profit after taxation attributable to owners of the Company	**10,844**	7,582
Weighted average number of ordinary shares in issue	**161,412**	161,755
Basic earnings per share (sen)	**6.72**	4.69

29. Dividends

	Group and Company	
	2022 RM'000	2021 RM'000
Interim single tier dividend of 2.5 sen per ordinary share on 161,755,304 ordinary shares, declared on 21 February 2022 and paid on 31 March 2022 in respect of financial year ended 31 December 2021	**4,044**	-
Interim single tier dividend of 2.5 sen per ordinary share on 161,755,304 ordinary shares, declared on 26 February 2021 and paid on 31 March 2021 in respect of financial year ended 31 December 2020	**-**	4,044
	4,044	4,044

30. Financial risk management policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:

(a) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-bearing financial assets are mainly short term in nature and have mostly been placed in short term money market placement or occasionally, in short term commercial papers.

The Group's interest rate risk arises primarily from interest-bearing borrowings. The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

30. Financial risk management policies (continued)

(a) Interest rate risk (continued)

Interest rate sensitivity analysis

i Fair value sensitivity analysis for fixed rate instrument

The Group does not account for any fixed rate financial liabilities at 'fair value through profit or loss' and does not designate derivatives as hedging instrument under fair value hedge accounting method. Therefore, a change in interest rate at the end of the reporting year would not affect profit or loss.

ii Sensitivity analysis

If the interest rates have been higher or lower and all other variables were held constant, the Group's results would decrease or increase accordingly. This is mainly attributable to the Group's exposure to interest rates on its floating rate borrowings which are not hedged. The Group's floating rate borrowings in RM are exposed to variability in future interest payments. If the Bank's Base Lending Rate (BLR) were to increase/decrease by 0.5%, it would impact the Group's total equity and profit by approximately RM29,560 (2021: RM49,240).

(b) Liquidity risk

The Group and the Company manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group and the Company maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group and the Company strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group and the Company raises committed funding from both capital markets and financial institutions and balances its portfolio with some short-term funding so as to achieve overall cost effectiveness.

The maturity profiles of the Group and the Company's liabilities at the financial year end based on contractual undiscounted repayment obligations are as follows:

				Maturity	
Group	**Effective interest rate %**	**Carrying amount RM'000**	**Contractual undiscounted cash flow RM'000**	**Less than 1 year RM'000**	**Between 2 and 5 years RM'000**
2022					
Trade payables	**-**	**19,634**	**19,634**	**19,634**	**-**
Other payables, accruals and deposits received	**-**	**8,311**	**8,311**	**8,311**	**-**
Term loan	**3.31 – 5.08**	**5,911**	**6,260**	**2,343**	**3,917**
Lease liabilities under hire purchase arrangements	**2.03 – 3.51**	**679**	**753**	**280**	**473**
Lease liabilities	**4.00 – 4.67**	**5,767**	**6,017**	**3,285**	**2,732**
		40,302	**40,975**	**33,853**	**7,122**
2021					
Trade payables	-	17,024	17,024	17,024	-
Other payables, accruals and deposits received	-	5,692	5,692	5,692	-
Bills payable	1.75 – 1.85	1,755	1,762	1,762	-
Term loan	3.28 – 4.00	8,093	8,567	2,413	6,154
Lease liabilities under hire purchase arrangements	2.37 – 3.51	626	664	352	312
Lease liabilities	4.00 – 4.92	4,199	4,396	2,105	2,291
		37,389	38,105	29,348	8,757

30. Financial risk management policies (continued)

(b) Liquidity risk (continued)

Company	Effective interest rate %	Carrying amount RM'000	Contractual undiscounted cash flow RM'000	Maturity: Less than 1 year RM'000	Maturity: Between 2 and 5 years RM'000
2022					
Other payables, accruals and deposits received	**-**	**34**	**34**	**34**	**-**
Financial guarantee contracts*	**-**	**-**	**6,260**	**2,343**	**3,917**
		34	**6,294**	**2,377**	**3,917**
2021					
Other payables, accruals and deposits received	-	52	52	52	-
Amount due to a subsidiary	-	511	511	511	-
Financial guarantee contracts*	-	-	10,329	4,175	6,154
		563	10,892	4,738	6,154

* Being corporate guarantees granted for banking facilities of the subsidiaries, which will only be encashed in the event of the default by the subsidiaries. The contractual undiscounted cash flows represent the outstanding credit facilities of the subsidiaries at the end of the reporting year. The financial guarantees have not been recognised in the financial statements since their fair value on initial recognition were not material.

Other payables, accruals and deposits received which are financial liabilities are disclosed in Note 21.

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group is exposed to credit risk primarily from their trade receivables, other receivables and cash and bank balances, all which are financial assets.

As at the current and previous financial year end, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial asset recognised in the statements of financial position.

For cash and bank balances, the Group minimises credit risk by adopting an investment policy which allows dealing with counterparties with good credit ratings only. The Group closely monitors the credit worthiness of their counterparties by reviewing their credit ratings and credit profiles on a regular basis. Receivables are monitored to ensure that exposure to bad debts is minimised.

For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval from the Head of Credit Control. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Cash and bank balances

The Group's and the Company's cash and bank balances at the financial year end are as follows:

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Cash and bank balances	14	**23,426**	21,111	**118**	336

No expected credit loss on the Group's and the Company's balances were recognised arising from the cash and bank balances because the probability of default by these financial institutions were negligible.

30. Financial risk management policies (continued)

(c) Credit risk (continued)

Receivables

The management's ageing analysis of the Group and the Company's gross receivables (before deducting allowance of expected credit loss) are as follows:

				Not credit impaired					
					Past due				
	Note	Total RM'000	Credit impaired RM'000	Current RM'000	30 days RM'000	60 days RM'000	90 days RM'000	>90 days RM'000	Total RM'000
Group									
2022									
Trade receivables	10	**18,975**	**210**	**18,358**	**368**	**39**	**-**	*****	**407**
Other receivables which are financial assets	12	**1,586**	**-**	**1,571**	**4**	**8**	**3**	*****	**15**
		20,561	**210**	**19,929**	**372**	**47**	**3**	*****	**422**
2021									
Trade receivables	10	12,227	58	11,486	236	24	180	243	683
Other receivables which are financial assets	12	6,474	3,700	2,774	-	-	-	*	*
		18,701	3,758	14,260	236	24	180	243	683
Company									
2022									
Other receivables which are financial assets	12	-	-	-	-	-	-	-	-
2021									
Other receivables which are financial assets	12	-	-	-	-	-	-	-	-

* *Denotes amount below RM1,000*

30. Financial risk management policies (continued)

(c) Credit risk (continued)

Receivables (continued)

Receivables that are neither past due nor credit impaired are creditworthy debtors with good payment records with the Group. The Group's trade receivables credit term ranges from 30 days to 90 days (2021: 30 days to 90 days). Certain receivables' credit terms are assessed and approved on a case by case basis.

Other receivables which are financial assets include sundry receivables and deposits.

None of the Group's receivables that are neither past due nor credit impaired have been renegotiated during the current and previous financial years. Receivables are not secured by any collaterals or credit enhancements.

The Group's concentration of credit risk relates to the amount owing by one (2021: one) major customers which constituted 70% (2021: 41%) of its trade receivables at the end of the reporting year.

The exposure of credit risks for trade receivables as at the end of the reporting period by geographical region is as follows:

	Group	
	2022	2021
	RM'000	RM'000
Domestic	**16,585**	9,516
United States of America	**-**	793
Korea	**676**	119
Netherland	**286**	271
Belgium	**236**	522
Others	**630**	948
	18,413	12,169

As at the end of the reporting period, the maximum exposure of credit risk arising from trade receivables is represented by the carrying amount in the statements of financial position.

Impairment on receivables

The Group and the Company apply the simplified approach whereby allowance for impairment are measured at lifetime ECL. The movement of the allowance for impairment loss on receivables is as follows:

	Trade receivables			Other receivables		
Group	Lifetime ECL allowance RM'000	Credit impaired (Note i) RM'000	Total allowance RM'000	Lifetime ECL allowance RM'000	Credit impaired (Note i) RM'000	Total allowance RM'000
At 1 January 2022	**-**	**58**	**58**	**3,700**	**-**	**3,700**
Charge during the year (Note ii)	**352**	**210**	**562**	**-**	**-**	**-**
Reversal during the year (Note ii)	**-**	**(58)**	**(58)**	**(3,700)**	**-**	**(3,700)**
At 31 December 2022	**352**	**210**	**562**	**-**	**-**	**-**
At 1 January 2021	-	-	-	1,000	-	1,000
Charge during the year (Note ii)	-	58	58	2,700	-	2,700
Reversal during the year (Note ii)	-	-	-	-	-	-
At 31 December 2021	-	58	58	3,700	-	3,700

30. Financial risk management policies (continued)

(c) Credit risk (continued)

Impairment on receivables (continued)

i Receivables that are individually determined to be credit impaired at the financial year end relate to debtors who are in significant financial difficulties and have defaulted on payments.

ii The Group's allowance for impairment loss on trade and other receivables during the current financial year decreased by RM3,196,297 mainly due to the provision for lower impaired trade and other receivables. In the previous financial year, the Group's allowance for impairment loss on trade and other receivables increased by RM2,758,513 mainly due to the provision for higher impaired trade and other receivables.

	Trade receivables			Other receivables		
Company	**Lifetime ECL allowance RM'000**	**Credit impaired (Note i) RM'000**	**Total allowance RM'000**	**Lifetime ECL allowance RM'000**	**Credit impaired (Note i) RM'000**	**Total allowance RM'000**
At 1 January 2022	-	-	-	-	-	-
Charge during the year (Note ii)	-	-	-	-	-	-
Reversal during the year (Note ii)	-	-	-	-	-	-
At 31 December 2022	-	-	-	-	-	-
At 1 January 2021	-	-	-	-	-	-
Charge during the year (Note ii)	-	-	-	-	-	-
Reversal during the year (Note ii)	-	-	-	-	-	-
At 31 December 2021	-	-	-	-	-	-

i Receivables that are individually determined to be credit impaired at the financial year end relate to debtors who are in significant financial difficulties and have defaulted on payments.

ii The Company's allowance for impairment loss on trade and other receivables during the current and previous financial years is RMNil.

Financial guarantees

The Company provides financial corporate guarantees to licensed banks in respect of banking facilities granted to the subsidiaries.

The maximum exposure to credit risk amounts to RM6,260,384 (2021: RM10,328,891) representing the outstanding banking facilities of the subsidiaries as at end of the reporting year.

As at the end of the reporting year, there was no indication that any subsidiary would default on repayment.

(d) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars (USD) and Euro (EUR). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts, if any.

30. Financial risk management policies (continued)

(d) Foreign currency risk (continued)

The following table shows the accumulated amount of financial assets and liabilities in foreign currency:

Group	Note	USD RM'000	EUR RM'000	AUD RM'000	SGD RM'000	Total RM'000
2022						
Financial assets						
Trade receivables	10	**1,118**	**523**	**46**	**58**	**1,745**
Cash and bank balances	14	**894**	**-**	**-**	**-**	**894**
		2,012	**523**	**46**	**58**	**2,639**
Financial liabilities						
Trade payables	20	**3,069**	**-**	**-**	**-**	**3,069**
Other payables, accruals and deposits received	21	**99**	**77**	**-**	**-**	**176**
		3,168	**77**	**-**	**-**	**3,245**
Net financial (liabilities)/assets		**(1,156)**	**446**	**46**	**58**	**(606)**
2021						
Financial assets						
Trade receivables	10	1,526	793	163	69	2,551
Other receivables and deposits	12	101	-	-	-	101
Cash and bank balances	14	3,108	-	-	-	3,108
		4,735	793	163	69	5,760
Financial liabilities						
Borrowings	17	1,755	-	-	-	1,755
Trade payables	20	2,646	-	-	-	2,646
Other payables, accruals and deposits received	21	175	77	-	-	252
		4,576	77	-	-	4,653
Net financial assets		159	716	163	69	1,107

30. Financial risk management policies (continued)

(d) Foreign currency risk (continued)

Sensitivity analysis

The following table demonstrates the sensitivity of the Group's and the Company's total equity and profit after tax to a reasonable possible change in the exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	Group Impact on total equity and profit for the year	
	2022	2021
	RM'000	RM'000
USD/RM – strengthened/(weakened) 3%	**(35)**	5
EUR/RM – strengthened/(weakened) 3%	**13**	21
AUD/RM – strengthened/(weakened) 3%	**1**	5
SGD/RM – strengthened/(weakened) 3%	**2**	2

(e) 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.

The gearing ratios at 31 December 2022 and 2021 were as follows:

	Note	**2022 RM'000**	2021 RM'000
Total borrowings	17	**6,590**	10,474
Total lease liabilities	18	**5,767**	4,199
		12,357	14,673
Less: Cash and bank balances	14	**(23,426)**	(21,111)
Net cash		**(11,069)**	(6,438)
Total equity		**68,562**	62,024
Gearing ratio		**N/A**	N/A

N/A – Not applicable

31. Segment reporting

Primary segment reporting - business

The Group is organised into two major business segments as follows:

Business segments	**Business activities**
Investment holding	Investment holding.
Natural latex and mattress related products	Manufacturing, trading and distribution of mattresses, bedding accessories, laminated foam, polyurethane foam, natural latex foam and other related products.

	Investment holding RM'000	Natural latex and mattress related products RM'000	Total RM'000	Elimination RM'000	Consolidation RM'000
2022					
Revenue					
External revenue	-	129,024	129,024	-	129,024
Intersegment revenue	13,924	38,273	52,197	(52,197)	-
Total revenue	13,924	167,297	181,221	(52,197)	129,024
Results					
Segment results	9,652	17,008	26,660	(11,277)	15,383
Interest income	5	230	235	-	235
Profit from operations	9,657	17,238	26,895	(11,277)	15,618
Interest expenses	-	(593)	(593)	54	(539)
Profit from ordinary activities before taxation	9,657	16,645	26,302	(11,223)	15,079
Taxation	(25)	(4,245)	(4,270)	-	(4,270)
Profit for the financial year	9,632	12,400	22,032	(11,223)	10,809
Other information					
Segment assets	84,723	129,298	214,021	(99,990)	114,031
Tax recoverable	-	225	225	-	225
Consolidated assets	84,723	129,523	214,246	(99,990)	114,256
Segment liabilities	5,216	62,744	67,960	(27,421)	40,539
Deferred taxation	-	5,155	5,155	-	5,155
Consolidated liabilities	5,216	67,899	73,115	(27,421)	45,694
Allowance of impairment loss	1,306	504	1,810	223	2,033
Capital expenditure on property, plant and equipment	-	4,088	4,088	-	4,088

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

FOR THE YEAR ENDED 31 DECEMBER 2022

31. Segment reporting (continued)

Primary segment reporting – business (continued)

	Investment holding RM'000	Natural latex and mattress related products RM'000	Total RM'000	Elimination RM'000	Consolidation RM'000
2022					
Other information (continued)					
Depreciation of property, plant and equipment	-	**3,182**	**3,182**	**-**	**3,182**
Depreciation of right-of-use assets	-	**5,470**	**5,470**	**(2,466)**	**3,004**
Unrealised foreign exchange gain - net	-	**(279)**	**(279)**	**-**	**(279)**
Realised foreign exchange loss - net	-	**417**	**417**	**-**	**417**
2021					
Revenue					
External revenue	30	104,603	104,633	-	104,633
Intersegment revenue	11,646	23,646	35,292	(35,292)	-
Total revenue	11,676	128,249	139,925	(35,292)	104,633
Results					
Segment results	6,196	12,237	18,433	(9,113)	9,320
Interest income	5	177	182	-	182
Profit from operations	6,201	12,414	18,615	(9,113)	9,502
Interest expenses	-	(507)	(507)	52	(455)
Profit from ordinary activities before taxation	6,201	11,907	18,108	(9,061)	9,047
Taxation	(17)	(1,513)	(1,530)	-	(1,530)
Profit for the financial year	6,184	10,394	16,578	(9,061)	7,517
Other information					
Segment assets	89,634	117,557	207,191	(105,009)	102,182
Tax recoverable	-	151	151	-	151
Consolidated assets	89,634	117,708	207,342	(105,009)	102,333
Segment liabilities	9,568	55,241	64,809	(27,365)	37,444
Deferred taxation	-	2,865	2,865	-	2,865
Consolidated liabilities	9,568	58,106	67,674	(27,365)	40,309

31. Segment reporting (continued)

Primary segment reporting – business (continued)

	Investment holding RM'000	Natural latex and mattress related products RM'000	Total RM'000	Elimination RM'000	Consolidation RM'000
2021					
Other information (continued)					
Allowance of impairment loss	2,700	58	2,758	-	2,758
Capital expenditure on property, plant and equipment	-	2,245	2,245	-	2,245
Depreciation of property, plant and equipment	-	3,141	3,141	-	3,141
Depreciation of right-of-use assets	-	5,164	5,164	(2,407)	2,757
Unrealised foreign exchange gain - net	-	(72)	(72)	-	(72)
Realised foreign exchange gain - net	-	(47)	(47)	-	(47)

Information about major customer

There is one (2021: one) customer whose transactions arising from sales in the natural latex and mattress related product segment amounting to RM21,544,465 (2021: RM19,044,160) representing more than 10% of the Group's revenue.

32. Purchase of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with aggregate cost of RM4,088,410 (2021: RM2,244,673) which were satisfied as follows:

	Group 2022 RM'000	2021 RM'000
Cash payments	**3,683**	2,001
Lease liabilities under hire purchase arrangements (Note 17)	**405**	244
	4,088	2,245

33. Capital commitments

	Group	
	2022	2021
	RM'000	RM'000
Approved and contracted for: Property, plant and equipment*	**170**	775
Approved and not contracted for: Property, plant and equipment	**Nil**	Nil

* Included is an amount of RM30,033 (2021: RM336,126) which has been recognised in the deposits for acquisition of property, plant and equipment, as disclosed in Note 12.

34. Significant related party transactions

(a) Transactions with related parties

Transactions arising from normal business transactions of the Company and its subsidiaries with their related parties during the financial year are as follows:-

	Group		Company	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
Sales to related parties				
Luis Furniture Centre Sdn. Bhd.	**77**	88	**-**	-
LSK Italhouse Sdn. Bhd.	**149**	865	**-**	-
Purchases from related parties				
Luis Furniture Centre Sdn. Bhd.	**88**	59	**-**	-
LSK Italhouse Sdn. Bhd.	**-**	52	**-**	-
Reztec Marketing Sdn. Bhd.	**64**	43	**-**	-
Management fee charged to a related party				
LSK Italhouse Sdn. Bhd.	**-**	30	**-**	-
Wages recharged to a related party				
LSK Italhouse Sdn. Bhd.	**12**	1	**-**	-
Transportation charged by a related party				
Luis Furniture Centre Sdn. Bhd.	**30**	44	**-**	-
Rental charged by ultimate and immediate holding company				
Lee Swee Kiat & Sons Sdn. Bhd .	**120**	120	**-**	-

34. Significant related party transactions (continued)

(b) Compensation of key management personnel

The remuneration of key management personnel including Directors during the financial year are as follows:

	Group		Company	
	2022 **RM'000**	2021 RM'000	**2022** **RM'000**	2021 RM'000
Salaries, allowances and incentive	**2,132**	1,912	**12**	42
Fees	**158**	156	**158**	156
Employees Provident Fund	**224**	224	**-**	-
Social security costs	**1**	-	**-**	-
Employment Insurance Scheme	*****	-	**-**	-
Grand total	**2,515**	2,292	**170**	198

Included in total remuneration of key management personnel are the Executive Directors' remuneration of the Group and of the Company amounting to RM2,368,643 (2021: RM2,118,180) and RM24,000 (2021: RM24,000) respectively.

The detailed remuneration of each named Directors of the Group during the current financial year is as follows:

	Salaries, allowance, fees and incentives RM'000	Employees Provident Fund RM'000	Social security costs RM'000	Employment Insurance Scheme RM'000	Total RM'000
Lee Ah Bah @ Lee Swee Kiat	**402**	-	-	-	**402**
Tan Kuin Luan	**346**	-	-	-	**346**
Lee Kong Yam	**416**	**71**	-	-	**487**
Dato' Lee Kong Sim	**980**	**153**	**1**	*	**1,134**
Wong Yoke San	**37**	-	-	-	**37**
Seow Nyoke Yoong	**37**	-	-	-	**37**
Lee Kong Hooi	**36**	-	-	-	**36**
Ng Fong Fong	**36**	-	-	-	**36**
	2,290	**224**	**1**	*	**2,515**

* *Denotes amount below RM1,000*

35. Categories of financial instruments

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

(a) Amortised cost ["AC"]
(b) Fair value through profit or loss ["FVTPL"]

	Carrying amount RM'000	AC RM'000	FVTPL RM'000
2022			
Group			
Non-derivative financial assets			
Trade receivables	18,413	18,413	-
Other receivables and deposits	1,586	1,586	-
Cash and bank balances	23,426	23,426	-
At 31 December 2022	43,425	43,425	-
Non-derivative financial liabilities			
Trade payables	19,634	19,634	-
Other payables, accruals and deposits received	8,311	8,311	-
Lease liabilities	5,767	5,767	-
Borrowings	6,590	6,590	-
At 31 December 2022	40,302	40,302	-
Company			
Non-derivative financial assets			
Amount due from a subsidiary	803	803	-
Cash and bank balances	118	118	-
At 31 December 2022	921	921	-
Non-derivative financial liabilities			
Other payables, accruals and deposits received	34	34	-
At 31 December 2022	34	34	-

35. Categories of financial instruments (continued)

	Carrying amount RM'000	AC RM'000	FVTPL RM'000
2021			
Group			
Non-derivative financial assets			
Trade receivables	12,169	12,169	-
Other receivables and deposits	2,774	2,774	-
Cash and bank balances	21,111	21,111	-
At 31 December 2021	36,054	36,054	-
Non-derivative financial liabilities			
Trade payables	17,024	17,024	-
Other payables, accruals and deposits received	5,692	5,692	-
Lease liabilities	4,199	4,199	-
Borrowings	10,474	10,474	-
At 31 December 2021	37,389	37,389	-
Company			
Non-derivative financial assets			
Cash and bank balances	336	336	-
At 31 December 2021	336	336	-
Non-derivative financial liabilities			
Other payables, accruals and deposits received	52	52	-
Amount due to a subsidiary	511	511	-
At 31 December 2021	563	563	-

36. Fair values

(a) Financial instruments that are measured at fair value

Forward currency contracts are measured at fair value at different measurement hierarchies (i.e. Levels 1, 2, 3). The hierarchies reflect the level of objectiveness of inputs used when measuring the fair value.

(i) Level 1: Quoted prices (unadjusted) of identical asset in active markets
(ii) Level 2: Inputs other at quoted prices included within Level 1 that are observable for the asset, either directly (i.e. prices) or indirectly (i.e. derived from prices)
(iii) Level 3: Inputs for the assets are not based on observable market data (unobservable inputs)

The Group and the Company do not have any financial instruments measured at fair value in the current and previous financial years.

(b) Financial instruments that are not measured at fair value

The carrying amount of the financial instruments measured at amortised cost are reasonable approximation of their fair values due to their short-term nature.

	Note
Trade receivables - current	10
Other receivables and deposits	12
Amount due from/(to) a subsidiary	13
Cash and bank balances	14
Borrowings - current	17
Lease liabilities - current	18
Trade payables	20
Other payables, accruals and deposits received	21

37. Significant events

(a) Lee Swee Kiat Holdings Sdn. Bhd. ("LSKH") and its subsidiary, LSK Italhouse Sdn. Bhd. ("LIH"), have on 27 June 2019 entered into an Assets and Business Purchase Agreement with The Mattress House Sdn. Bhd. ("TMH"), Amos Italsofa House Sdn. Bhd. ("AIH") and Yeow Kian Ting ("YKT") (controlling shareholders of TMH and AIH) for the acquisition of 70% equity interest based on the Goodwill and Specific Assets for a total consideration of RM4,865,000. The acquisition was not completed as certain conditions precedent were not fulfilled, and the negotiation to terminate the agreement for the exercise is still on-going within 2021. Consequently, the subsidiary has not been consolidated in 2021.

On 18 July 2022, LSKH and its subsidiary, LIH, entered into a Deed of Settlement in relation to the shortfall of profit guarantee in respect of the acquisition of the goodwill and assets concerning furniture retail showroom business with TMH, AIH and YKT.

As per the Deed of Settlement, YKT would transfer all his 75,000 shares amounting to thirty percent (30%) of the issued and paid-up capital of the LIH to LSKH at consideration RM10. Consequently, LIH had become an indirect wholly-owned subsidiary of the Group.

37. Significant events (continued)

(b) On 10 September 2020, LSK Napure Latex Sdn. Bhd. ("LSKNL") was granted banking facilities aggregating to RM5,000,000. The first tranche of term loan which amounts to RM3,000,000 for the purpose of refinancing the existing plant and machinery has been approved and was drawdown during the financial year. The second tranche of term loan which amounts to RM2,000,000 for the purposes of financing the acquisition of new plant and machinery is still pending acceptance as at to date.

(c) On 18 and 19 December 2021, heavy rain resulted in flash floods occurred in certain areas of Klang Valley and affected factories and warehouses belonging to LSK Mattressworld Sdn Bhd ("LSKMW") and LSKNL situated at Lot 6122, Jalan Haji Abdul Manan, Off Jalan Meru, 41050, Klang, Selangor. Due to the abovementioned event, certain plant and equipment, and inventories of LSKMW and LSKNL were destroyed by the flood. However, these were covered by insurance, and the companies had received the claim total amounting to RM2,947,988 during the year.

(d) During the financial year, LSKNL executed a total of two (2) Sale and Purchase Agreements to acquire one (1) floor unit of a 3-storey shop office and one (1) floor unit of a shop office for a total consideration of RM383,000. The vacant possessions were obtained during the year.

38. Subsequent event

On 18 January 2023, LSK Mattressworld Sdn. Bhd. ("LSKMW") was granted banking facilities aggregating to RM950,000 for the purpose of installation of Solar PV Rooftop Systems.

STATEMENT BY DIRECTORS

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

We, Lee Ah Bah @ Lee Swee Kiat and Dato' Lee Kong Sim, being two of the Directors of Lee Swee Kiat Group Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 45 to 103 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 in accordance with a resolution of the Directors dated 3 April 2023.

Lee Ah Bah @ Lee Swee Kiat
Executive Chairman

Dato' Lee Kong Sim
Managing Director

Klang

STATUTORY DECLARATION

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

I, Dato' Lee Kong Sim, being the Director primarily responsible for the financial management of Lee Swee Kiat Group Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 45 to 103 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
the abovenamed Dato' Lee Kong Sim
at Puchong in the state of Selangor
on 3 April 2023.

Dato' Lee Kong Sim
Managing Director

Before me,

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LEE SWEE KIAT GROUP BERHAD
[REGISTRATION NO. 200301005163 (607583-T)] (INCORPORATED IN MALAYSIA)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lee Swee Kiat Group Berhad, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 45 to 103.

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 their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current 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 (continued)

1. Intangible assets

The carrying amount of intangible assets as at 31 December 2022: RM5,858,100.

We refer to the consolidated financial statements: Note 3(d) "Intangible assets", Note 5(d) "Impairment of intangible assets" and Note 8 "Intangible assets".

Key audit matter

On an annual basis, Management is required to perform an impairment assessment for their intangible assets.

We determine this to be a key audit matter as it involves significant estimation of the value in use and is based on assumptions that are affected by expected future market and economic conditions.

Our response

Our audit procedures included, among others:

- Examine the cash flow forecasts which support Management's intangible assets impairment assessment. We evaluate the evidence supporting the underlying assumptions in those forecasts, by comparing revenue and expense to approved budgets, considering prior budget accuracy, and comparing expected growth rates to relevant market expectations;
- Perform sensitivity analysis on the key inputs to impairment models, to understand the impact that reasonable alternative assumptions would have on the overall carrying value;
- Review the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive;
- Challenge the appropriateness of the useful lives of intangible assets.

2. Inventories

The carrying amount of inventories as at 31 December 2022: RM15,654,006.

We refer to the consolidated financial statements: Note 3(f) "Inventories", Note 5(f) "Write-down of inventories to the lower of cost and net realisable value" and Note 11 "Inventories".

Key audit matter

The cost of inventories may not be recoverable if those inventories are damaged, if they become wholly or partially obsolete, or if their selling prices have declined. The Management reviews for any necessary write-down at the financial year end.

We determine this as a key audit matter as inventories represent a significant component of the Group's statements of financial position and, due to the nature of the inventories, the estimation of the net realisable values of the inventories involved significant judgement by the Management.

Our response

Our audit procedures included, among others:

- Obtain and review the list of slow moving, damaged or obsolete inventories;
- Assess the Group's processes used to identifying slow moving, damaged or obsolete inventories;
- Assess the Group's judgement made to the net realisable value of slow moving, damaged or obsolete inventories;
- Inquire Management the reasons if slow moving, damaged or obsolete inventories are not written-down to its net realisable value.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information included in the 2022 Annual Report. The other information comprises the Directors' Report which was obtained prior to the date of this auditors' report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon. The other sections of the 2022 Annual Report, including the Statement on Risk Management and Internal Control are expected to be made available to us subsequently.

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

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

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

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

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

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

Other Matters

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

Nexia SSY PLT
201906000679 (LLP0019490-LCA) & AF 002009
Chartered Accountants

Bavany a/p Chellappan
No. 03138/09/2023 J
Chartered Accountant

Shah Alam
3 April 2023

LIST OF PROPERTIES

	Location	Desciption	Exisitng Use	Tenure	Land area/built up area	Net book value @ 31/12/2022 (RM)
(1)	Wisma LSK, Lot 6122, Jalan Haji Abdul Manan, Off Jalan Meru, 41050 Klang, Selangor D.E.	Office cum factory	Corporate head office and mattress factory	Freehold	Approximately 210,000 sq feet / 150,000 sq feet	12,045,585
(2)	Wisma LSK, Lot 6122, Jalan Haji Salleh, Off Jalan Meru, 41050 Klang, Selangor D.E.	Factory II	Factory for latex foam	Freehold	Approximately 210,000 sq feet / 120,000 sq feet	8,813,292
(3)	No. 19-2, Jalan Klang Sentral 9/KU5, Bukit Raja Meru, 41050 Klang, Selangor D.E.	Shop office	Workers accommodation	Freehold	Approximately 1,875 sq feet	160,400
(4)	No. 9-2, Jalan Klang Sentral 9/KU5, Bukit Raja Meru, 41050 Klang, Selangor D.E.	Shop office	Workers accommodation	Freehold	Approximately 1,650 sq feet	149,859
(5)	No. 26-1, Jalan Klang Sentral 5/KU5, Bukit Raja Meru, 41050 Klang, Selangor D.E.	Shop office	Workers accommodation	Freehold	Approximately 1,187 sq feet	147,424
(6)	No. 9-2, Jalan Klang Sentral 5/KU5, Bukit Raja Meru, 41050 Klang, Selangor D.E.	Shop office	Workers accommodation	Freehold	Approximately 1,371 sq feet	185,174
(7)	No. 30-2, Jalan Klang Sentral 5/KU5, Bukit Raja Meru, 41050 Klang, Selangor D.E.	Shop office	Workers accommodation	Freehold	Approximately 1,371 sq feet	152,000
(8)	No. 32-2, Jalan Klang Sentral 5/KU5, Bukit Raja Meru, 41050 Klang, Selangor D.E.	Shop office	Workers accommodation	Freehold	Approximately 1,385 sq feet	156,031
(9)	No. 21-2, Jalan Klang Sentral 5/KU5, Bukit Raja Meru, 41050 Klang, Selangor D.E.	Shop office	Workers accommodation	Freehold	Approximately 1,575 sq feet	143,084
(10)	No. 7-2, Jalan Klang Sentral 6/KU5 Bukit Raja Meru, 41050 Klang, Selangor D.E.	Shop office	Workers accommodation (Temporary renting out)	Freehold	Approximately 1,450 sq feet	137,176
(11)	No. 34-2, Jalan Klang Sentral 5/KU5, Bukit Raja Meru, 41050 Klang, Selangor D.E.	Shop office	Workers accommodation	Freehold	Approximately 1,540 sq feet	189,324
(12)	No. 31-1, Jalan Klang Sentral 5/KU5 Bukit Raja Meru, 41050 Klang, Selangor D.E.	Shop office	Workers accommodation	Freehold	Approximately 1,216 sq feet	214,322

ANALYSIS OF SHAREHOLDINGS
AS AT 22 MARCH 2023

Total Number of Issued Shares	: 167,815,704 Ordinary Shares
Number of Treasury Shares	: 6,403,400 Ordinary Shares
Class of Shares	: Ordinary Shares
Voting Rights	: One Vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS (As Per Record of Depositors)

Size of Holdings	No. of Shareholders	%	No. of Shares	%(^)
1 - 99	2,404	39.624	117,550	0.073
100 – 1,000	2,338	38.536	582,734	0.361
1,001 – 10,000	830	13.681	4,481,407	2.776
10,001 – 100,000	420	6.923	13,490,389	8.358
100,001 – 8,070,614 (*)	74	1.220	80,161,524	49.663
8,070,615 and above (**)	1	0.016	62,578,700	38.769
Total	**6,067**	**100.000**	**161,412,304**	**100.000**

(*) Less than 5% of issued shares.
(**) 5% and above of issued shares.
(^) Based on the total number of issued shares in the Company excluding 6,403,400 Ordinary Shares bought back by the Company and retained as treasury shares as at 22 March 2023.

SUBSTANTIAL SHAREHOLDERS (As Per Register of Substantial Shareholders)

		Direct Interest		Indirect Interest	
	Name of Shareholders	No. of Shares	%(^)	No. of Shares	%(^)
1.	Lee Swee Kiat & Sons Sdn Bhd	89,978,700	55.745	-	-
2.	Lee Ah Bah @ Lee Swee Kiat	3,000,000	1.859	89,978,700(#)	55.745
3.	Lee Kong Yam	1,519,700	0.942	89,978,700(#)	55.745
4.	Dato' Lee Kong Sim	11,880,000	7.360	89,978,700(#)	55.745
5.	Tan Kuin Luan	-	-	89,978,700(#)	55.745

(#) Deemed interested by virtue of their interests in Lee Swee Kiat & Sons Sdn Bhd pursuant to Section 8 of the Companies Act 2016.
(^) Based on the total number of issued shares in the Company excluding 6,403,400 Ordinary Shares bought back by the Company and retained as treasury shares as at 22 March 2023.

DIRECTORS' SHAREHOLDINGS (As Per Register of Directors' Shareholdings)

		Direct Interest		Indirect Interest	
	Name of Directors	No. of Shares	%(^)	No. of Shares	%(^)
1.	Lee Ah Bah @ Lee Swee Kiat	3,000,000	1.859	89,978,700(#)	55.745
2.	Lee Kong Hooi	-	-	-	-
3.	Lee Kong Yam	1,519,700	0.942	89,978,700(#)	55.745
4.	Dato' Lee Kong Sim	11,880,000	7.360	89,978,700(#)	55.745
5.	Tan Kuin Luan	-	-	89,978,700(#)	55.745
6.	Seow Nyoke Yoong	-	-	-	-
7.	Wong Yoke San	-	-	-	-
8.	Ng Fong Fong	-	-	-	-

(#) Deemed interested by virtue of their interests in Lee Swee Kiat & Sons Sdn Bhd pursuant to Section 8 of the Companies Act 2016.
(^) Based on the total number of issued shares in the Company excluding 6,403,400 Ordinary Shares bought back by the Company and retained as treasury shares as at 22 March 2023.

LIST OF TOP 30 HOLDERS AS AT 22 MARCH 2023

NO.	NAME	HOLDINGS	%(^)
1.	LEE SWEE KIAT & SONS SDN. BHD.	62,578,700	38.769
2.	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEE SWEE KIAT & SONS SDN BHD*	8,000,000	4.956
3.	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEE SWEE KIAT & SONS SDN BHD*	8,000,000	4.956
4.	ULTIMATE ARROW SDN BHD	7,363,200	4.562
5.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEE KONG SIM (8036608)*	7,040,000	4.361
6.	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEE SWEE KIAT & SONS SDN BHD (E-KLG)*	5,000,000	3.100
7.	MAPLE RAINBOW SDN BHD	4,806,600	2.978
8.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEE SWEE KIAT & SONS SDN BHD (MY2077)*	3,350,000	2.075
9.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEE SWEE KIAT & SONS SDN BHD (8109706)*	3,050,000	1.890
10.	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEE AH BAH @ LEE SWEE KIAT*	3,000,000	1.859
11.	GOH KOK THAI	2,849,900	1.766
12.	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEE KONG SIM*	2,130,000	1.320
13.	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR LEE KONG SIM (PB)*	1,800,000	1.115
14.	HARMONY EFFECTIVE SDN BHD	1,625,000	1.007
15.	AMINAH BINTI MOHD TAIB	1,503,000	0.931
16.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *YAP KOON TECK*	1,288,000	0.797
17.	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHONG AH KAIM (E- JBU)*	1,284,600	0.796
18.	AMANAHRAYA TRUSTEES BERHAD *AFFIN HWANG AIIMAN QUANTUM FUND*	1,250,000	0.774
19.	HOE KIAN CHOON	1,247,600	0.773

ANALYSIS OF SHAREHOLDINGS *(cont'd)*

AS AT 22 MARCH 2023

LIST OF TOP 30 HOLDERS AS AT 22 MARCH 2023 (continued)

NO.	NAME	HOLDINGS	%(^)
20.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEE KONG YAM*	1,226,700	0.759
21.	TEH LAY KOON	1,014,000	0.628
22.	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEE KONG SIM*	910,000	0.564
23.	CHAI MOOI CHONG	600,000	0.372
24.	RATNADEWI A/P BAHWANDI @ FAN CHERN HUI	530,000	0.328
25.	OOI EWE CHOON	500,000	0.310
26.	TAN CHU CHIN	500,000	0.310
27.	LING CHIN TIONG	461,500	0.286
28.	PHILLIP NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD*	450,000	0.279
29.	DAMANSARA REALTY BERHAD	448,174	0.278
30.	LIM KEAN KHOON	419,000	0.260
	TOTAL	**134,225,974**	**83.157**

(^) *Based on the total number of issued shares in the Company excluding 6,403,400 Ordinary Shares bought back by the Company and retained as treasury shares as at 22 March 2023.*

NOTICE OF TWENTIETH (20TH) ANNUAL GENERAL MEETING

NOTICE IS GIVEN THAT the 20th Annual General Meeting ("AGM") of the Company will be held at Function Room 7, Setia City Convention Centre, No. 1, Jalan Setia Dagang AG U13/AG, Setia Alam, Seksyen 13, 40170 Shah Alam, Selangor Darul Ehsan on Monday, 29 May 2023 at 10.00 a.m. to transact the following businesses:-

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Reports of the Directors and Auditors thereon. (Please refer to Note 2)

2. To re-elect the following Directors who retire pursuant to Clause 76(3) of the Company's Constitution, as Directors of the Company:-

   (i) Lee Ah Bah @ Lee Swee Kiat (Resolution 1)
   (ii) Lee Kong Yam (Resolution 2)

3. To approve the payment of Directors' fees to each of the following Non-Executive Directors for the period from the 20th AGM until the next AGM of the Company:-

   (i) Lee Kong Hooi – RM42,000 (Resolution 3)
   (ii) Wong Yoke San – RM48,000 (Resolution 4)
   (iii) Seow Nyoke Yoong – RM42,000 (Resolution 5)
   (iv) Ng Fong Fong – RM42,000 (Resolution 6)
   (v) Additional Directors' Fees – RM50,000 (Resolution 7)

4. To approve the payment of Directors' benefits up to an amount of RM50,000 to the Non-Executive Directors for the period from the 20th AGM until the next AGM of the Company. (Resolution 8)

5. To re-appoint Messrs Nexia SSY PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 9)

Special Business

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

6. **SPECIAL RESOLUTION** (Resolution 10)
   WAIVER OF PRE-EMPTIVE RIGHTS PURSUANT TO SECTION 85 OF THE COMPANIES ACT 2016

   "THAT the shareholders of the Company do hereby waive their statutory pre-emptive rights to be offered new shares ranking equally to the existing issued shares of the Company pursuant to Section 85 of the Companies Act 2016, read together with Clause 12(3) of the Constitution of the Company.

   AND THAT the Directors be and are hereby authorised to issue any new shares (including rights or options over subscription of such shares) and with such preferred, deferred, or other special rights or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, for such consideration and to any person as the Directors may determine subject to passing Ordinary Resolution on Authority to Allot Shares of the Company pursuant to Sections 75 and 76 of the Companies Act 2016."

7. **ORDINARY RESOLUTION** (Resolution 11)
AUTHORITY TO ALLOT SHARES OF THE COMPANY PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016

"THAT contingent upon the passing of the Special Resolution on Waiver of Pre-emptive Rights under Section 85 of the Companies Act 2016 ("the Act") and pursuant to Sections 75 and 76 of the Act, Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approval of the relevant regulatory authorities, where such approval is required, the Directors of the company be and are hereby authorised to allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares allotted pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued from Bursa Securities AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company after the approval was given or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by the Company at a general meeting."

8. **ORDINARY RESOLUTION** (Resolution 12)
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR THE AUTHORITY TO THE COMPANY TO PURCHASE ITS OWN SHARES OF UP TO TEN PER CENTUM (10%) OF THE TOTAL NUMBER OF ISSUED SHARES

"THAT subject always to the Companies Act 2016 ("the Act"), the Constitution of the Company, the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

(i) the aggregate number of issued shares in the Company ("Shares") purchased ("Purchased Shares") and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at point of purchase; and
(ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase,

("Proposed Share Buy-Back").

AND THAT the authority to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such resolution is passed at which time the authority shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
(b) the expiration of the period within which the next AGM of the Company is required by law to be held; or
(c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own Shares before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

AND THAT the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:-

(i) To cancel all or part of the Purchased Shares;
(ii) To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;
(iii) To distribute all or part of the treasury shares as dividends to the shareholders of the Company;
(iv) To resell all or part of the treasury shares;
(v) To transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company and/or its subsidiaries;
(vi) To transfer all or part of the treasury shares as purchase consideration;
(vii) To sell, transfer or otherwise use the treasury shares for such other purposes as the Minister charged with responsibility for companies may by order prescribe; and/or
(viii) To deal with the treasury shares in any other manners as allowed by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are authorised to take all such steps as are necessary or expedient [including without limitation, the opening and maintaining of central depository account(s) under Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties] to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities."

9. To consider any other business of which due notice shall be given in accordance with the Companies Act 2016.

By Order of the Board
WONG WAI FOONG (MAICSA 7001358)
(SSM PC No. 202008001472)
WONG PEIR CHYUN (MAICSA 7018710)
(SSM PC No. 202008001742)
Company Secretaries
Kuala Lumpur

28 April 2023

NOTES:-

1. Appointment of Proxy

(i) For the purpose of determining who shall be entitled to attend this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 22 May 2023. Only a member whose name appears on this Record of Depositors shall be entitled to attend this AGM or appoint a proxy to attend, speak and vote (collectively, "participate") on his/her/its behalf.

(ii) A member who is entitled to participate in this AGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.

NOTICE OF TWENTIETH (20TH) ANNUAL GENERAL MEETING *(cont'd)*

(iii) A member of the Company who is entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate instead of the member at the AGM.

(iv) If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("MMLR").

(v) Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

(vi) Where a member of the Company is an exempt authorised nominee 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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.

(vii) Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

(viii) The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned AGM at which the person named in the appointment proposes to vote:

(a) In hard copy form

In the case of an appointment made in hard copy form, the proxy form must be deposited at the registered office of the Company at Wisma LSK, Lot 6122, Jalan Haji Abdul Manan, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan.

(b) By electronic means

The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at https://tiih.online. Please refer to the Administrative Guide for the 20th AGM on the procedures for electronic lodgement of proxy form via TIIH Online.

(ix) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the registered office of the Company at Wisma LSK, Lot 6122, Jalan Haji Abdul Manan, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned AGM at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

(x) Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.

(xi) Last date and time for lodging this proxy form is Saturday, 27 May 2023 at 10.00 a.m.

(xii) Please bring an **ORIGINAL** of the following identification papers (where applicable) and present it to the registration staff for verification:

(a) Identity card (NRIC) (Malaysian); or
(b) Police report (for loss of NRIC) / Temporary NRIC (Malaysian); or
(c) Passport (Foreigner).

(xiii) For a corporate member who has appointed a representative instead of a proxy to attend this AGM, please deposit the **ORIGINAL** certificate of appointment of authorised representative executed in the manner as stated in the proxy form with the registered office of the Company at Wisma LSK, Lot 6122, Jalan Haji Abdul Manan, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan. Alternatively, please bring the ORIGINAL certificate of appointment of authorised representative if it has not been deposited at the Company's registered office earlier.

2. Audited Financial Statements for the financial year ended 31 December 2022

This agenda item is meant for discussion only as the provision of Section 340(1) of the Companies Act 2016 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on this agenda item is not put forward for voting by shareholders.

3. Resolutions 1 to 2 – Re-election of Directors

Lee Ah Bah @ Lee Swee Kiat and Lee Kong Yam ("Retiring Directors") are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 20th AGM.

The Retiring Directors had provided the fit and proper declarations and the Board had through the Nomination and Remuneration Committee ("NRC") carried out the assessment on the Retiring Directors and agreed that they met the criteria as prescribed by Paragraph 2.20A of the MMLR on character, experience, integrity, competence and time to effectively discharge their role as Directors.

4. Resolutions 3 to 8 – Directors' Fees and Benefits

Pursuant to Section 230(1) of the Companies Act 2016, the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

The proposed Directors' fees for the period from the 20th AGM until the date of next AGM under Resolutions 3 to 6 are calculated based on the current Board composition. The said Resolutions are to allow the Company to make payment of Directors' fees to the Non-Executive Directors up till next AGM of the Company.

Resolution 7 is to facilitate the payment of additional Directors' fees which were budgeted for the period from the 20th AGM until the date of next AGM in the event the Company appoints additional Non-Executive Director(s).

The proposed Directors' benefits under Resolution 8 are calculated based on the current Board size and the number of scheduled Board and Committee meetings from the 20th AGM until the date of next AGM. In the event the proposed amount is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next AGM for the shortfall.

5. Resolution 9 – Re-appointment of Auditors

The Board had on 3 April 2023 through the Audit Committee ("AC") assessed the suitability, objectivity and independence of the External Auditors, Messrs Nexia SSY PLT and considered the re-appointment of Messrs Nexia SSY PLT as Auditors of the Company. The Board and AC collectively agreed and satisfied that Messrs Nexia SSY PLT has the relevant criteria prescribed by Paragraph 15.21 of the MMLR.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Resolution 10 – Waiver of Pre-Emptive Rights pursuant to Section 85 of the Companies Act 2016

This Special Resolution is pertaining to the waiver of pre-emptive rights granted to the shareholders pursuant to Section 85 of the Companies Act 2016. By voting in favour of the Special Resolution, the shareholders of the Company would be waiving their statutory pre-emptive right. The Special Resolution if passed, would allow the Directors to issue new shares to any person without having to offer the new Company shares to be issued equally to all existing shareholders of the Company prior to issuance.

NOTICE OF TWENTIETH (20TH) ANNUAL GENERAL MEETING *(cont'd)*

2. **Resolution 11 – Authority to Allot Shares of the Company pursuant to Sections 75 and 76 of the Companies Act 2016**

This resolution is proposed for the purpose of granting a renewed general mandate ("General Mandate") and empowering the Directors to allot shares in the Company up to an amount not exceeding in total ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for such purposes as the Directors consider would be in the interest of the Company.

Subject to passing of the Special Resolution on waiver of pre-emptive rights pursuant to Section 85 of the Companies Act 2016, this resolution, if passed, would provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this renewed General Mandate is for possible fund raising activities including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings and acquisition.

This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM or at the expiration of the period within which the next AGM is required to be held, whichever is earlier.

As at the date of this notice, the Company did not issue any shares pursuant to the General Mandate granted to the Directors at the Nineteenth AGM as there were no investment(s), acquisition(s) or working capital that require fund raising activity.

3. **Resolution 12 – Proposed Renewal of Share Buy-Back Mandate**

This resolution, if passed, will give the Company the authority to purchase its own ordinary shares of up to ten per centum (10%) of the total number of issued shares of the Company. Please refer to the Statement to Shareholders dated 28 April 2023 for further information.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Authority for Directors to allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016.

Kindly refer to item (2) of Explanatory Notes on Special Business on page 118.

ADMINISTRATIVE GUIDE FOR THE TWENTIETH ANNUAL GENERAL MEETING ("20TH AGM")

Day and Date	:	Monday, 29 May 2023
Time	:	10.00 a.m.
Venue	:	Function Room 7, Setia City Convention Centre, No. 1, Jalan Setia Dagang AG U13/AG, Setia Alam, Seksyen 13, 40170 Shah Alam, Selangor Darul Ehsan

1. SAFETY MEASURES TO MINIMISE THE RISK OF COVID-19 INFECTION

In transition to the endemic phase of COVID-19, the following steps will be taken for members, proxies and invited guests who will be attending the 20th AGM in order to minimise the risks of spreading the COVID-19 virus:

a) If you are unwell with sore throat/fever/flu/cough/shortness of breath or any symptoms of the COVID-19, you will not be allowed to attend the 20th AGM. You are strongly advised to appoint a proxy or the Chairman of the meeting to attend and vote at the AGM on your behalf.

b) All persons must practice proper hygiene including the use of hand sanitizer and wear a face mask before entering the meeting venue and throughout the 20th AGM as well as maintaining social distancing throughout the meeting.

c) Members are advised to check the Company's website at http://www.lsk.com.my/investor-relation and Bursa's website at www.bursamalaysia.com from time to time for any changes to the administration of the 20th AGM that may be necessitated by changes to the directives, safety and precautionary requirements and guidelines prescribed by the Government of Malaysia, the Ministry of Health, the Malaysian National Security Council, Securities Commission Malaysia and/or other relevant authorities.

2. ELIGIBILITY TO ATTEND BASED ON THE RECORD OF DEPOSITORS

Only a member whose name appears on the Record of Depositors as at 22 May 2023 shall be entitled to attend or appoint proxy(ies) to attend, speak and/or vote on his/her/its behalf.

3. NO DOOR GIFTS OR FOOD VOUCHERS

There will be no door gifts or vouchers provided to members, proxies and invited guests who attend the 20th AGM.

4. REGISTRATION ON THE DAY OF THE 20TH AGM

Registration will start at 9.00 a.m. at the foyer of Function Room 7, Setia City Convention Centre, No. 1, Jalan Setia Dagang AG U13/AG, Setia Alam, Seksyen 13, 40170 Shah Alam, Selangor Darul Ehsan.

Please produce your original MyKad or passport (for Non-Malaysian) during registration for verification purposes. You will not be allowed to register on behalf of another person even with the original MyKad or passport of that person.

Upon verification of your MyKad or passport and signing of attendance list, you will be given the voting slip for voting purposes before entering the meeting room. Please vacate the registration area immediately after registration to prevent congestion.

5. POLL VOTING

The voting at the 20th AGM will be conducted by poll in accordance with Paragraph 8.29A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company has appointed Tricor Investor & Issuing House Services Sdn Bhd as Poll Administrator to conduct the poling process and independent scrutineers to verify the poll results.

6. APPOINTMENT OF PROXY

The appointment of proxy may be made in hard copy form or by electronic form in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding AGM or adjourned AGM at which the person named in the appointment proposes to vote:

a) In hard copy form

In case of an appointment made in hard copy form, the proxy form must be deposited at the registered office of the Company at Wisma LSK, Lot 6122, Jalan Haji Manan, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan.

b) By electronic means

The proxy appointment can be lodged electronically with the Share Registrar of the Company via TIIH Online at https://tiih.online. Please refer to the procedures below for electronic lodgement of proxy form via TIIH Online.

7. ELECTRONIC LODGEMENT OF PROXY FORM

The procedures to lodge your proxy form electronically via Tricor’s TIIH Online website are summarised below:-

Procedure	Action
i. Steps for Individual Members	
Register as a User with TIIH Online	• Using your computer, please access the website at https://tiih.online. Register as a user under the “**e-Services**”. Please refer to the tutorial guide posted on the homepage for assistance. • If you are already a user with TIIH Online, you are not required to register again.
Proceed with Submission of Proxy Form	• After the release of the Notice of Meeting by the Company, login with your username (i.e. email address) and password. • Select the corporate event “**LEE SWEE KIAT GROUP BERHAD 20TH AGM - Submission of Proxy Form**”. • Read and agree to the Terms & Conditions and confirm the Declaration. • Insert your CDS account number and indicate the number of shares for your proxy(ies) to vote on your behalf. • Appoint your proxy(ies) and insert the required details of your proxy(ies) or appoint the Chairman as your proxy. • Indicate your voting instructions – FOR or AGAINST, otherwise your proxy(ies) will decide on your votes. • Review and confirm your proxy(ies) appointment. • Print the proxy form for your record.
ii. Steps for Corporation or Institutional Members	
Register as a User with TIIH Online	• Access TIIH Online at https://tiih.online. • Under e-Services, the authorised or nominated representative of the corporation or institutional member selects “**Create Account by Representative of Corporate Holder**”. • Complete the registration form and upload the required documents. • Registration will be verified, and you will be notified by email within one (1) to two (2) working days. • Proceed to activate your account with the temporary password given in the email and re-set your own password. Note: The representative of a corporation or institutional member must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.
Proceed with Submission of Proxy Form	• Login to TIIH Online at https://tiih.online. • Select the corporate event “**LEE SWEE KIAT GROUP BERHAD 20TH AGM - Submission of Proxy Form**”. • Agree to the Terms & Conditions and Declaration. • Proceed to download the file format for “**Submission of Proxy Form**” in accordance with the Guidance Note set therein. • Prepare the file for the appointment of proxy(ies) by inserting the required data. • Login to TIIH Online, select corporate event “**LEE SWEE KIAT GROUP BERHAD 20TH AGM - Submission of Proxy Form**”. • Proceed to upload the duly completed proxy appointment file. • Select “**Submit**” to complete your submission. • Print the confirmation report of your submission for your record.

8. NO RECORDING OR PHOTOGRAPHY

No recording or photography of the 20th AGM proceedings is allowed without prior written permission of the Company.

9. ENQUIRY

If you have any enquiry on the above, please contact the following person-in charge during office hours on Mondays to Fridays from 9.00 a.m. to 5.30 p.m. (except on public holidays):

Tricor Investor & Issuing House Services Sdn Bhd

General/Fax No.	:	+603-2783 9299 / +603-2783 9222
Email	:	is.enquiry@my.tricorglobal.com
Nor Faeayzah	:	+603-2783 9272 / nor.faeayzah@my.tricorglobal.com
Nur Shafikah	:	+603-2783 9293 / nur.shafikah@my.tricorglobal.com

LEE SWEE KIAT GROUP BERHAD
[Registration No. 200301005163 (607583-T)]
(Incorporated in Malaysia)

PROXY FORM

No of shares held	CDS Account No.

I/We..NRIC No./ Passport No...
[Full name in block and as per NRIC/Passport/Registration No.]
of...
[Address]
being member(s) of **Lee Swee Kiat Group Berhad**, hereby appoint:-

Full Name (in block capitals and as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			
Email Address		Mobile Phone No.	

^ and/or

Full Name (in block capitals and as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			
Email Address		Mobile Phone No.	

or failing him/her, the Chairman of the Meeting, as ^my/our proxy/proxies to vote for ^me/us and on ^my/our behalf at the Twentieth (20th) Annual General Meeting of the Company, which will be held at Function Room 7, Setia City Convention Centre, No. 1, Jalan Setia Dagang AG U13/AG, Setia Alam, Seksyen 13, 40170 Shah Alam, Selangor Darul Ehsan on Monday, 29 May 2023 at 10.00 a.m. or any adjournment thereof, and to vote as indicated below:

Resolution no.	Description of Resolution	For	Against
1	Re-election of Lee Ah Bah @ Lee Swee Kiat as Director of the Company.		
2	Re-election of Lee Kong Yam as Director of the Company.		
3	Approval on payment of Director's fees to Lee Kong Hooi amounting to RM42,000 for the period from the 20th Annual General Meeting until the next Annual General Meeting of the Company.		
4	Approval on payment of Director's fees to Wong Yoke San amounting to RM48,000 for the period from the 20th Annual General Meeting until the next Annual General Meeting of the Company.		
5	Approval on payment of Director's fees to Seow Nyoke Yoong amounting to RM42,000 for the period from the 20th Annual General Meeting until the next Annual General Meeting of the Company.		
6	Approval on payment of Director's fees to Ng Fong Fong amounting to RM42,000 for the period from the 20th Annual General Meeting until the next Annual General Meeting of the Company.		
7	Approval on payment of additional Directors' fees amounting to RM50,000 for the period from the 20th Annual General Meeting until the next Annual General Meeting of the Company.		
8	Approval on payment of Directors' benefits up to an amount of RM50,000 to the Non-Executive Directors for the period from the 20th AGM until the next Annual General meeting of the Company.		
9	Re-appointment of Messrs Nexia SSY PLT as Auditors of the Company.		
10	Waiver of Pre-Emptive Rights pursuant to Section 85 of the Companies Act 2016.		
11	Authority to allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
12	Proposed Renewal of Share Buy-Back Mandate.		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fits.

Signed this ______________ day of _______________ 2023

____
Signature*
Member

^ Delete whichever is inapplicable
** Manner of execution:*
(a) If you are an individual member, please sign where indicated.
(b) If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
(c) If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:
(i) at least two (2) authorised officers, of whom one shall be a director; or
(ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

Fold this flap for sealing

NOTES:-

1. For the purpose of determining who shall be entitled to attend this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 22 May 2023. Only a member whose name appears on this Record of Depositors shall be entitled to attend this AGM or appoint a proxy to attend, speak and vote (collectively, "participate") on his/her/its behalf.
2. A member who is entitled to participate in this AGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
3. A member of the Company who is entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate instead of the member at the AGM.
4. If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("MMLR").
5. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
6. Where a member of the Company is an exempt authorised nominee 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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
7. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
8. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned AGM at which the person named in the appointment proposes to vote:
   (a) In hard copy form
   In the case of an appointment made in hard copy form, the proxy form must be deposited at the registered office of the Company at Wisma LSK, Lot 6122, Jalan Haji Abdul Manan, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan.
   (b) By electronic means
   The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at https://tiih.online. Please refer to the Administrative Guide for the 20th AGM on the procedures for electronic lodgement of proxy form via TIIH Online.
9. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the registered office of the Company at Wisma LSK, Lot 6122, Jalan Haji Abdul Manan, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned AGM at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
10. Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.
11. Last date and time for lodging this proxy form is Saturday, 27 May 2023 at 10.00 a.m.
12. Please bring an **ORIGINAL** of the following identification papers (where applicable) and present it to the registration staff for verification:
   (a) Identity card (NRIC) (Malaysian); or
   (b) Police report (for loss of NRIC) / Temporary NRIC (Malaysian); or
   (c) Passport (Foreigner).
13. For a corporate member who has appointed a representative instead of a proxy to attend this AGM, please deposit the **ORIGINAL** certificate of appointment of authorised representative executed in the manner as stated in the proxy form with the registered office of the Company at Wisma LSK, Lot 6122, Jalan Haji Abdul Manan, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan. Alternatively, please bring the ORIGINAL certificate of appointment of authorised representative if it has not been deposited at the Company's registered office earlier.

Fold here

Affix
Stamp
Here

LEE SWEE KIAT GROUP BERHAD
[Registration No. 200301005163 (607583-T)]

Wisma LSK
Lot 6122, Jalan Haji Abdul Manan,
Off Jalan Meru, 41050 Klang,
Selangor Darul Ehsan, Malaysia.

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Fold here

Since 1975

LEE SWEE KIAT GROUP BERHAD
[Registration No. 200301005163 (607583-T)]

Wisma LSK
Lot 6122, Jalan Haji Abdul Manan,
Off Jalan Meru, 41050 Klang,
Selangor Darul Ehsan,
Malaysia.

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Website : www.lsk.com.my