



**PAOS HOLDINGS BERHAD**

Registration No: 199701037036 (452536-W)

Incorporated in Malaysia



LAPORAN TAHUNAN  
ANNUAL REPORT

**2023**



# 26<sup>th</sup> ANNUAL GENERAL MEETING



Wednesday, 29 November 2023



10.30 a.m.

**Online Meeting Platform :**  
<https://meeting.boardroomlimited.my>

(Domain Registration No. with MYNIC - D6A357657), provided  
by Boardroom Share Registrars Sdn. Bhd. in Malaysia

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## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Twenty Sixth Annual General Meeting of the Company will be conducted on a fully virtual basis through live streaming and online Remote Participation and Electronic Voting (“RPEV”) facilities via online meeting platform at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC - D6A357657), provided by Boardroom Share Registrars Sdn. Bhd. in Malaysia on Wednesday, 29 November 2023 at 10.30 a.m. or at any adjournment thereof for the following purposes:

### AGENDA

#### ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 May 2023 together with the Directors’ and Auditors’ Reports thereon. **(Please refer to Explanatory Note (a))**
2. To approve the payment of Directors’ Fees of RM179,471 in respect of the financial year ended 31 May 2023. **(Ordinary Resolution 1)**
3. To approve the payment of Directors’ benefits to the Directors up to an amount of RM60,000 for the period commencing from 30 November 2023 up to the next Annual General Meeting of the Company. **(Ordinary Resolution 2)**
4. To re-elect the following Directors who retire by rotation in accordance with Article 109 of the Company’s Constitution:-
  - (a) Mr. Lim Zhen Qi **(Ordinary Resolution 3)**
  - (b) Ms. Goh Ying Li **(Ordinary Resolution 4)**
5. To re-elect the following Directors who retire in accordance with Article 108 of the Company’s Constitution:-
  - (a) Mr. Lee Kok Wei **(Ordinary Resolution 5)**
  - (b) Mr. Oscar Kin Yin Tuet **(Ordinary Resolution 6)**
6. To re-appoint Messrs. KPMG PLT (LLP0010081-LCA & AF 0758) as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 7)**

#### SPECIAL BUSINESS

7. To consider and if thought fit, to pass the following resolutions:-
  - a) Ordinary Resolution - Authority to Directors to Allot and Issue Shares

“THAT subject to Sections 75 and 76 of the Companies Act 2016, the Company’s Constitution and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised and empowered to allot and issue shares in the Company, at any time, to such persons 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 to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company.

AND THAT pursuant to Section 85 of the Companies Act 2016 to be read together with Article 61 of the Company’s Constitution, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares arising from the allotment and issuance of the new shares pursuant to Sections 75 and 76 of the Companies Act 2016 AND THAT the Directors of the Company is exempted from the obligation to offer such new shares first to the existing shareholders of the Company.” **(Ordinary Resolution 8)**

## Notice of Annual General Meeting

- b) Ordinary Resolution - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

**"THAT** subject always to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries ("Paos Group") to enter into the recurrent related party transactions of a revenue or trading nature as specified in Section 2.4 of the Circular to Shareholders dated 27 September 2023, which are necessary for the Paos Group's day-to-day operations and are in the ordinary course of business and are carried out at arm's length basis on normal commercial terms which are not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders of the Company;

**THAT** the authority conferred by such mandate shall commence immediately upon the passing of this Ordinary Resolution and continue to be in force until:-

- i. the conclusion of the next Annual General Meeting of the Company at which time the mandate will lapse, unless by a resolution passed at the next Annual General Meeting, the authority is renewed; or
- ii. the expiration of the period within which the next Annual General Meeting of the Company after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
- iii. revoked or varied by a resolution passed by the shareholders in general meeting,

whichever is the earlier;

**AND THAT** the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution." **(Ordinary Resolution 9)**

8. To transact any other business of which due notice shall have been given.

BY ORDER OF THE BOARD

**HO MENG CHAN** (MACS 00574)

SSM PC No. 202008003175

**WU SIEW HONG** (MAICSA 7039647)

SSM PC No. 202008002457

Company Secretaries

Petaling Jaya

Selangor Darul Ehsan

27 September 2023

### Notes :-

1. The Twenty Sixth Annual General Meeting will be conducted on a fully virtual basis through live streaming and online RPEV facilities provided by Boardroom Share Registrars Sdn. Bhd. in Malaysia via <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC - D6A357657). Members are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the Twenty Sixth Annual General Meeting via RPEV. Please read these Notes carefully and follow the procedures in the Administrative Guide for the fully virtual Twenty Sixth Annual General Meeting in order to participate remotely via RPEV.
2. A member of the Company entitled to attend and vote at the meeting shall be entitled to appoint more than one (1) proxy to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company.
3. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his/her attorney duly authorised in writing, and in the case of a corporation, shall either be given under its common seal or under the hand of an officer or attorney of the corporation duly authorised.

## Notice of Annual General Meeting

4. Where a member of a Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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.
6. The instrument appointing a proxy and the power of attorney or other authority duly authorised in writing or if such appointor is a Corporation, under its common seal or under the hand of an officer or attorney of the Corporation duly authorised, shall either be deposited at the office of the Company’s Share Registrar at 11<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan or be electronically deposited through the Share Registrar’s website, Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>, not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting.
7. Depositors who appear in the Record of Depositors as at 22 November 2023 shall be regarded as Member of the Company entitled to attend the Twenty Sixth Annual General Meeting or appoint a proxy or proxies to attend and vote on his/her behalf.

### EXPLANATORY NOTES

(a) Audited Financial Statements

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 the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

(b) Ordinary Resolution 1 and Ordinary Resolution 2 - Directors’ fees and Directors’ benefit payable

Section 230(1) of the Companies Act 2016 provides amongst others, that the fees of the Directors and any benefits payable to the Directors of a listed company shall be approved at a general meeting. The proposed Ordinary Resolution 1 and Ordinary Resolution 2 are to facilitate the payment of Directors’ fees and Directors’ benefits to the Directors.

The proposed Directors’ benefits payable comprises allowances and other benefits. The total estimated amount of Directors’ benefits payable is calculated based on the estimated number of Board’s and Board Committees’ meetings for the period from 30 November 2023 until the next Annual General Meeting and the provision for other benefits (if any).

In the event that the proposed Directors’ Benefits payable is insufficient, approval will be sought at the next Annual General Meeting for additional Directors’ Benefits to meet the shortfall.

(c) Ordinary Resolution 3 and Ordinary Resolution 4 - Retirement of Directors by rotation

Article 109 of the Company’s Constitution states that one-third (1/3) of the Directors shall retire from office and shall be eligible for re-election at each Annual General Meeting. All Directors shall retire from office at least once in three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he/she retires.

Mr. Lim Zhen Qi and Ms. Goh Ying Li being eligible, have offered themselves for re-election at this Annual General Meeting. The Board is satisfied with the performance of the retiring Directors upon the assessment conducted by the Nomination Committee and hence, recommended their proposed re-election to be tabled for shareholders’ approval at the Twenty Sixth Annual General Meeting. The information of their personal profiles is provided in the Company’s Annual Report for the financial year ended 31 May 2023.

(d) Ordinary Resolution 5 and Ordinary Resolution 6 - Retirement of Directors

Article 108 of the Company’s Constitution states that any newly appointed Director shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election at such meeting.

Mr. Lee Kok Wei and Mr. Oscar Kin Yin Tuet were appointed as the Directors of the Company on 29 May 2023 and 28 August 2023, respectively. Mr. Lee Kok Wei and Mr. Oscar Kin Yin Tuet being eligible, have offered themselves for re-election at this Annual General Meeting. The Board recommended their proposed re-election to be tabled for shareholders’ approval at the Twenty Sixth Annual General Meeting. The information of their personal profiles is provided in the Company’s Annual Report for the financial year ended 31 May 2023.

## Notice of Annual General Meeting

### (e) Ordinary Resolution 8 - Authority to Directors to Allot and Issue Shares

The proposed Ordinary Resolution 8 is to seek a renewal of the general mandate for the authority to allot and issue of new ordinary shares which was approved by the shareholders at the Twenty Fifth Annual General Meeting held on 25 November 2022. This general mandate will expire at the conclusion of the Twenty Sixth Annual General Meeting. As at the date of this Notice, no new shares in the Company were allotted and issued pursuant to this general mandate.

The proposed Ordinary Resolution 8, if passed,

- a) will empower the Directors pursuant to Sections 75 and 76 of the Companies Act 2016, from the conclusion of this Annual General Meeting, to allot and issue shares in the Company provided that the aggregate number of shares issued does not exceed ten per centum (10%) of the total number of issued share capital of the Company for the time being for such purposes as they consider would be in the best interest of the Company (“General Mandate”); and
- b) shall have the effect of the shareholders having agreed to waive their statutory pre-emptive rights pursuant to Section 85 of the Companies Act 2016 and Article 61 of the Company’s Constitution and would allow the Directors of the Company to allot and issue new shares to any person under the General Mandate without having to offer the new shares to be issued to all existing shareholders of the Company prior to issuance which will result in a dilution to their shareholding percentage in the Company.

The General Mandate would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. The General Mandate will provide flexibility to the Company for any possible fund raising activities for the purpose of funding future investment, working capital and/or acquisitions.

### (f) Ordinary Resolution 9 - Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The Proposed Ordinary Resolution 9 is to seek a Renewal of Shareholders’ Mandate granted by the shareholders of the Company at the Twenty Fifth Annual General Meeting held on 25 November 2022.

The proposed Ordinary Resolution 9, if passed, will empower the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the Paos Group’s day-to-day operations and are in the ordinary course of business and are carried out at arm’s length basis on normal commercial terms which are not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders of the Company.

Further information on the Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature is set out in the Circular to Shareholders dated 27 September 2023.

## PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, participate, speak and vote at the Twenty Sixth Annual General Meeting and/or any adjournment thereof, a member of the Company:

- (i) consents to the collection, use and disclose of the member’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Twenty Sixth Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Twenty Sixth Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agent) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “Purposes”);
- (ii) warrants that the member has obtained the prior consent of such proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies), and/or representative(s) for the Purposes; and
- (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses, and damages as a result of the member’s breach of warranty.

# ADMINISTRATIVE GUIDE FOR THE FULLY VIRTUAL TWENTY SIXTH ANNUAL GENERAL MEETING

## 1. FULLY VIRTUAL TWENTY SIXTH ANNUAL GENERAL MEETING (“26<sup>TH</sup> AGM”)

<b>Day, Date and Time of Meeting</b>	Wednesday, 29 November 2023 at 10.30 a.m.
<b>Meeting Venue and Online Meeting Platform</b>	<a href="https://meeting.boardroomlimited.my">https://meeting.boardroomlimited.my</a> (Domain Registration No. with MYNIC - D6A357657) provided by Boardroom Share Registrars Sdn. Bhd. in Malaysia

The Company’s forthcoming 26<sup>th</sup> AGM will be conducted on a fully virtual basis through live streaming and online Remote Participation and Electronic Voting (“**RPEV**”) facilities via Online Meeting Platform as stated above.

In line with the Malaysian Code on Corporate Governance Practice 13.3, conducting a virtual 26<sup>th</sup> AGM would promote greater shareholder participation as it facilitates electronic voting and remote shareholders’ participation. With the RPEV facilities, you may exercise your right as a member of the Company to participate (including to pose questions to the Board of Directors and/or Management of the Company) and vote at the virtual 26<sup>th</sup> AGM. Alternatively, you may also appoint the Chairman of the Meeting as your proxy to attend and vote on your behalf at the virtual 26<sup>th</sup> AGM.

Kindly note that the quality of the live streaming is highly dependent on the bandwidth and stability of the internet connection of shareholders and proxies. Hence, you are to ensure that internet connectivity throughout the duration of the meeting is maintained.

## 2. ENTITLEMENT TO PARTICIPATE AND VOTE REMOTELY

Only shareholders whose names appear on the Record of Depositors as at **22 November 2023** shall be eligible to participate and vote remotely in the virtual 26<sup>th</sup> AGM or appoint proxy(ies)/ the Chairman of the meeting to participate and/or vote on his/her behalf.

## 3. VOTING PROCEDURE

The voting procedure will be conducted by poll in accordance with Paragraph 8.29A of the Listing Requirements. The Company has appointed Boardroom Share Registrars Sdn. Bhd. (“**Boardroom**”) as Poll Administrator to conduct the poll by way of electronic voting (“**e-voting**”) and SKY Corporate Services Sdn Bhd (“**Scrutineers**”) as the scrutineers to verify and validate the poll results.

For the purposes of this virtual 26<sup>th</sup> AGM, e-voting will be carried out via personal smart mobile phones, tablets or Laptops.

The polling will only commence after the announcement of poll being opened by the Chairman and until such time when the Chairman announces the closure of poll.

The Scrutineers will verify the poll result reports upon closing of the poll session by the Chairman and the Chairman will declare whether the resolutions put to vote were successfully carried or not.

You must ensure that you are connected to the internet at all times in order to participate and vote remotely when the virtual 26<sup>th</sup> AGM has commenced. Therefore, it is your responsibility to ensure that connectivity for the duration of the virtual 26<sup>th</sup> AGM is maintained. Kindly note that the quality of the connectivity to Virtual Meeting Portal for live webcast as well as for remote online voting is dependent on the bandwidth and stability of the internet connection at the location of the remote participants.



## Administrative Guide for the Fully Virtual Twenty Sixth Annual General Meeting

### 4. PROCEDURE FOR RPEV

Please note that the RPEV facilities are available to (i) Individual Members; (ii) Corporate Shareholders; (iii) Authorised Nominee; and (iv) Exempt Authorised Nominee shall use the RPEV facilities to participate and vote remotely at the virtual 26<sup>th</sup> AGM.

If you choose to participate in the Meeting online, you will be able to view a live webcast of the Meeting, ask questions and submit your votes in real time whilst the Meeting is in progress. Kindly follow the steps below on how to request for login ID and password.

Procedure	Action
<b>BEFORE THE DAY OF VIRTUAL 26<sup>TH</sup> AGM</b>	
<p><b>Step 1</b> <b>Register Online with Boardroom Smart Investor Portal "BSIP" (for first time registration only)</b></p> <p><i>Note:</i></p> <p><i>If you have already signed up with BSIP, you are not required to register again. You may proceed to Step 2 to submit your request for Remote Participation user ID and password.</i></p>	<ol style="list-style-type: none"> <li>Access BSIP website at <a href="https://investor.boardroomlimited.com">https://investor.boardroomlimited.com</a></li> <li>Click &lt;&lt;<b>Register</b>&gt;&gt; to sign up as a user.</li> <li>Please select the correct account type i.e. sign up as "Shareholder" or "Corporate Holder".</li> <li>Complete the registration with all required information. Upload a softcopy of your or representative's MyKAD/Identification Card (front and back) or Passport.</li> <li>For Corporate Holder, kindly upload the authorisation letter as well. Click "<b>Sign Up</b>".</li> <li>You will receive an email from Boardroom for email address verification. Click "<b>Verify Email Address</b>" from the email received to continue with the registration.</li> <li>Once your email address is verified, you will be re-directed to Boardroom Smart Investor Portal for verification of mobile number. Click "<b>Request OTP Code</b>" and an OTP Code will be sent to the registered mobile number. You will need to enter the OTP Code and click "<b>Enter</b>" to complete the process.</li> <li>Your registration will be verified and approved within one (1) business day and email notification will be provided to you.</li> </ol>
<p><b>Step 2</b> <b>Submit Request for Remote Participation User ID and Password</b></p>	<p><i>(Note: Registration for remote access will be opened on <b>27 September 2023</b>. The RPEV facilities will open for registration from <b>Wednesday, 27 September 2023 until 10.30 a.m. on Monday, 27 November 2023</b>)</i></p> <p><b>For Shareholders</b></p> <ol style="list-style-type: none"> <li>Login to <a href="https://investor.boardroomlimited.com">https://investor.boardroomlimited.com</a> using your user ID and password from Step 1 above.</li> <li>Select "<b>PAOS HOLDINGS BERHAD TWENTY SIXTH (26<sup>TH</sup>) VIRTUAL ANNUAL GENERAL MEETING</b>" from the list of Meeting Event(s) and click "<b>Enter</b>".</li> </ol> <p><b>To attend the virtual 26<sup>th</sup> AGM remotely</b></p> <ol style="list-style-type: none"> <li>Click on "<b>Register for RPEV</b>".</li> <li>Read and agree to the Terms &amp; Conditions and click "<b>Next</b>".</li> <li>Enter your CDS Account and thereafter submit your request.</li> </ol> <p><i>(Note: Registration for remote access will be opened on <b>27 September 2023</b>. Please note that the closing time to appoint proxy and submit your request is not less than forty eight (48) hours before the time of holding the virtual 26<sup>th</sup> AGM, i.e. latest by <b>10:30 a.m. on Monday, 27 November 2023</b>.)</i></p>

# Administrative Guide for the Fully Virtual Twenty Sixth Annual General Meeting

## 4. PROCEDURE FOR RPEV (Continued)

Procedure	Action
<b>BEFORE THE DAY OF VIRTUAL 26<sup>TH</sup> AGM</b>	
<p><b>Step 2</b> <b>Submit Request for Remote Participation User ID and Password</b></p>	<p><b>To appoint proxy</b></p> <ol style="list-style-type: none"> <li>a. Click on “<b>Submit eProxy Form</b>”.</li> <li>b. Select the company you would like to represent (applicable to Corporate Shareholder that represent more than one company only).</li> <li>c. Enter your CDS Account Number and number of securities held.</li> <li>d. Select your proxy - either the Chairman of the meeting or individual named proxy(ies).</li> <li>e. Read and accept the General Terms and Conditions by clicking “<b>Next</b>”.</li> <li>f. Enter the required particulars of your proxy(ies).</li> <li>g. Indicate your voting instructions - “<b>FOR</b>” or “<b>AGAINST</b>”, otherwise your proxy will decide your vote.</li> <li>h. Click “<b>Apply</b>”.</li> <li>i. Download or print the eProxy form as acknowledgment.</li> </ol> <p><i>Note for Corporate Shareholders: if you are representing more than one (1) company, kindly click the home button and select “Edit Profile” in order to add Company name</i></p> <p><b>Corporate Shareholders (via email)</b></p> <ol style="list-style-type: none"> <li>a. To submit the request, Corporate Shareholders need to deposit the original hardcopy to BSR and write in to BSR at <a href="mailto:bsr.helpdesk@boardroomlimited.com">bsr.helpdesk@boardroomlimited.com</a> by providing softcopy of the Certificate of Appointment of Corporate Representative or Proxy Form, the name of shareholder and CDS Account Number.</li> <li>b. Please provide a copy of Corporate Representative’s MyKad/ Identification Card (front and back) or Passport as well as his/ her email address.</li> </ol> <p><b>Authorised Nominee and Exempt Authorised Nominee</b></p> <p><b>Via BSIP</b></p> <ol style="list-style-type: none"> <li>a. Login to <a href="https://investor.boardroomlimited.com">https://investor.boardroomlimited.com</a> using your user ID and password from Step 1 above.</li> <li>b. Select “<b>PAOS HOLDINGS BERHAD TWENTY SIXTH (26<sup>TH</sup>) VIRTUAL ANNUAL GENERAL MEETING</b>” from the list of Meeting Event(s) and click “<b>Enter</b>”.</li> <li>c. Click on “<b>Submit eProxy Form</b>”.</li> <li>d. Select the company you would like to represent (if more than one).</li> <li>e. Proceed to download the file format for “<b>Submission of Proxy Form</b>” from BSIP.</li> <li>f. Prepare the file for the appointment of proxies by inserting the required data.</li> <li>g. Proceed to upload the duly completed proxy appointment file.</li> <li>h. Review and confirm your proxy appointment and click “<b>Submit</b>”.</li> <li>i. Download or print the eProxy form as acknowledgement.</li> </ol> <p><i>Note: if you wish to appoint more than one (1) company, kindly click the home button and select “Edit Profile” in order to add Company name</i></p>

## Administrative Guide for the Fully Virtual Twenty Sixth Annual General Meeting

### 4. PROCEDURE FOR RPEV (Continued)

Procedure	Action
<b>BEFORE THE DAY OF VIRTUAL 26<sup>TH</sup> AGM</b>	
<p><b>Step 2</b> <b>Submit Request for Remote Participation User ID and Password</b></p>	<p><b>Via email</b></p> <ol style="list-style-type: none"> <li>a. To submit the request, Authorised Nominee and Exempt Authorised Nominee need to deposit the original hardcopy Proxy Form to BSR and write in to BSR at <a href="mailto:bsr.helpdesk@boardroomlimited.com">bsr.helpdesk@boardroomlimited.com</a> by providing softcopy of the Proxy Form, the name of shareholders and CDS Account Number.</li> <li>b. Please provide a copy of the proxy holder's MyKad/Identification Card (front and back) or Passport in JPEG, PNG or PDF format as well as his/her email address.</li> </ol> <p><b>Email Notification</b></p> <ol style="list-style-type: none"> <li>a. You will receive notification from Boardroom that your request(s) has been received and is being verified.</li> <li>b. Upon system verification against the General Meeting Record of Depositors of the virtual 26<sup>th</sup> AGM as at <b>22 November 2023</b>, you will receive an email from Boardroom either approving or rejecting your registration for remote participation.</li> <li>c. If your registration is approved, you will also receive your remote access user ID and password in the same email from Boardroom after the closing date.</li> </ol>
<b>ON THE DAY OF THE VIRTUAL 26<sup>TH</sup> AGM</b>	
<p><b>Step 3</b> <b>Login to Online Meeting Platform</b></p> <p><i>Please note that the quality of the connectivity to Virtual Meeting Portal for the live web cast as well as for remote online voting is highly dependent on the bandwidth and the stability of the internet connectivity available at the location of the remote users.</i></p>	<p><b>Virtual Meeting</b></p> <ol style="list-style-type: none"> <li>a. The Online Meeting Platform will be opened for login starting an hour (1 hour) before the commencement of virtual 26<sup>th</sup> AGM at <b>9.30 a.m. on Wednesday, 29 November 2023</b>.</li> <li>b. Follow the steps given to you in the email, along with your remote access user ID and password to login to the Online Meeting Platform (Refer to Step 2 above).</li> <li>c. The steps will also guide you on how to view the live web cast, ask questions and vote.</li> <li>d. The live web cast will end, and the Messaging window will be disabled once the Chairman announces the closure of the virtual 26<sup>th</sup> AGM.</li> <li>e. You can then logout from the Online Meeting Platform.</li> </ol>

### 5. PARTICIPATION THROUGH LIVE WEBCAST, QUESTIONS AND VOTING AT THE VIRTUAL 26<sup>TH</sup> AGM

The Chairman and the Board will endeavour their best to respond to the questions submitted by shareholders, which are related to the resolution to be tabled at the virtual 26<sup>th</sup> AGM.

**(a) Prior to the virtual 26<sup>th</sup> AGM**

Shareholders may submit questions in relation to the agenda items by logging in to the Boardroom Portal at <https://investor.boardroomlimited.com>, select "**PAOS HOLDINGS BERHAD TWENTY SIXTH (26<sup>TH</sup>) VIRTUAL ANNUAL GENERAL MEETING**" from the list of Corporate Meeting and select "**Submit Questions**" and pose your questions (Pre-26<sup>th</sup> AGM Meeting Questions) latest by **10:30 a.m. on Monday, 27 November 2023**.

**(b) During the virtual 26<sup>th</sup> AGM**

Shareholders may type their questions in the chat box at any time during the virtual 26<sup>th</sup> AGM. Our Board and Management will endeavor to provide the responses to the questions at the virtual 26<sup>th</sup> AGM. However, being mindful of time constraints, some responses may be emailed after the conclusion of the virtual 26<sup>th</sup> AGM.

Shareholders may proceed to cast votes on the proposed resolution, to be tabled at the virtual 26<sup>th</sup> AGM, after the Chairman has opened the poll on the resolution. Shareholders are reminded to cast their votes before the poll is closed.

Shareholders who participate in the virtual 26<sup>th</sup> AGM are able to view the Company's presentation or slides via the live webcast.

## Administrative Guide for the Fully Virtual Twenty Sixth Annual General Meeting

### 6. ENTITLEMENT TO PARTICIPATE AND VOTE

In respect of deposited securities, only members whose names appear in the Record of Depositors on **22 November 2023** (General Meeting Record of Depositors) shall be eligible to participate in the virtual 26<sup>th</sup> AGM or appoint proxy(ies) to participate and/or vote on his/her behalf.

### 7. PROXY FORM(S)

If you are unable to attend the virtual 26<sup>th</sup> AGM and wish to appoint any proxy(ies) or the Chairman of the virtual 26<sup>th</sup> AGM as your proxy to vote on your behalf, please deposit your Proxy Form at the office of the Company's share registrar, Boardroom Share Registrars Sdn. Bhd. at **11<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan** no later than **10.30 a.m. on Monday, 27 November 2023** (forty eight (48) hours before the virtual 26<sup>th</sup> AGM). Any alteration to the Proxy Form must be initialed.

Alternatively, the proxy appointment may also be lodged electronically at <https://investor.boardroomlimited.com>, which is free and available to all individual shareholders no later than 10.30 a.m. on **Monday, 27 November 2023** (forty eight (48) hours before the virtual 26<sup>th</sup> AGM). For further information, kindly refer to the "Procedure for RPEV" above.

**If you wish to participate in the virtual 26<sup>th</sup> AGM yourself, please do not submit any Proxy Form for the virtual 26<sup>th</sup> AGM. You will not be allowed to participate in the virtual 26<sup>th</sup> AGM together with a proxy appointed by you.**

### 8. REVOCATION OF PROXY

If you have submitted your Proxy Form and subsequently decide to appoint another person or wish to participate in our electronic virtual 26<sup>th</sup> AGM by yourself, please write in to [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com) to revoke the earlier appointed proxy forty eight (48) hours before the meeting.

### 9. NO RECORDING OR PHOTOGRAPHY

No recording or photography of the virtual 26<sup>th</sup> AGM proceeding is allowed without the prior written permission of the Company.

### PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, participate, speak and vote at the virtual 26<sup>th</sup> AGM and/or any adjournment thereof, a member of the Company:

- (i) consents to the collection, use and disclose of the member's personal data by our Company (or our agents) for the purpose of the processing and administration by our Company (or our agents) of proxies and representatives appointed for the virtual 26<sup>th</sup> AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the virtual 26<sup>th</sup> AGM (including any adjournment thereof), and in order for our Company (or our agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**");
- (ii) warrants that the member has obtained the prior consent of such proxy(ies) and/or representative(s) to our Company (or our agents), the member has obtained the prior consent of such proxy(ies), and/or representative(s) for the Purposes; and
- (iii) agrees that the member will indemnify our Company in respect of any penalties, liabilities, claims, demands, losses, and damages as a result of the member's breach of warranty.

## CORPORATE INFORMATION

## Board of Directors

**LIM CHANG CHING**

*Executive Chairman,  
Non-Independent Executive Director*

**LIM ZHEN QI**

*Non-Independent Executive Director*

**ALICE BOO MIAU LI**

*Non-Independent Executive Director*

**CHEAH YEE LENG**

*Non-Independent  
Non-Executive Director*

**GOH YING LI**

*Independent Non-Executive Director*

**LEE KOK WEI**

*Independent Non-Executive Director*

**OSCAR KIN YIN TUET**

*Independent Non-Executive Director*

## COMPANY SECRETARIES

**Ho Meng Chan** (MACS 00574)

SSM PC No. 202008003175

**Wu Siew Hong** (MAICSA 7039647)

SSM PC No. 202008002457

## AUDIT COMMITTEE

**Lee Kok Wei** (Chairman)

**Goh Ying Li**

**Oscar Kin Yin Tuet**

## NOMINATION COMMITTEE

**Goh Ying Li** (Chairman)

**Lee Kok Wei**

## REMUNERATION COMMITTEE


**Oscar Kin Yin Tuet** (Chairman)

**Lim Chang Ching**

**Cheah Yee Leng**

## REGISTERED OFFICE


No. 308, Block A (3<sup>rd</sup> Floor),  
Kelana Business Centre,  
97, Jalan SS7/2, Kelana Jaya,  
47301 Petaling Jaya,  
Selangor Darul Ehsan.


 : 03-7492 1818

 : [secretarial@projectventures.com.my](mailto:secretarial@projectventures.com.my)


## HEAD OFFICE

No. 65, Persiaran Selangor,  
Section 15,  
40200 Shah Alam,  
Selangor Darul Ehsan.

 : 03-5510 4219

 : 03-5510 4230


 : [info@paos.com.my](mailto:info@paos.com.my)


 : [www.paos.com.my](http://www.paos.com.my)

## REGISTRARS

**Boardroom Share Registrars Sdn. Bhd.**

11<sup>th</sup> Floor, Menara Symphony,  
No. 5, Jalan Prof. Khoo Kay Kim,  
Seksyen 13, 46200 Petaling Jaya,  
Selangor Darul Ehsan.

 : 03-7890 4700

 : 03-7890 4670


 : [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com)


## AUDITORS

**KPMG PLT**

(LLP0010081-LCA & AF 0758)

Chartered Accountants  
Level 10, KPMG Tower,  
8, First Avenue, Bandar Utama,  
47800 Petaling Jaya,  
Selangor Darul Ehsan.

 : 03-7721 3388

 : 03-7721 3399

## PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Berhad

Public Bank Berhad

CIMB Bank Berhad

Hong Leong Bank Berhad

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities  
Berhad

Stock Name : **PAOS**

Stock Code : **5022**

## PROFILE OF DIRECTORS



**LIM CHANG CHING**

*Executive Chairman,  
Non-Independent Executive Director*  
Malaysian , Female , Aged 49

**Ms. Lim Chang Ching**, was appointed to the Board of Paos Holdings Berhad ("PHB") on 31 January 2007 and redesignated as Executive Chairman of PHB on 25 January 2011. She holds a Bachelor Degree in Business Studies (Honors) from University of Sheffield (United Kingdom) in 1996.

Ms. Lim Chang Ching served as Commercial Manager of Asia Poly Industrial Sdn. Bhd. in May 1998 to March 2000. She then held position as a Business Development Manager in

Paos Industries Sdn. Bhd. in April 2000 to May 2001. Subsequently, she was appointed as Business Development Director of Asia Poly Industrial Sdn. Bhd. in June 2001 to August 2005. She was the Chief Operating Officer of Hospital Pantai Indah Sdn. Bhd. from September 2005 to August 2006. She was Non-Executive Director of Esthetics International Group Berhad from July 2007 to December 2012. Currently, she is holding directorship in various private limited companies and subsidiaries of PHB.



**LIM ZHEN QI**

*Non-Independent Executive Director*  
Malaysian , Male , Aged 38

**Mr. Lim Zhen Qi**, was appointed to the Board of PHB on 27 January 2011. He holds a Bachelor of Business (Marketing) in Victoria University, Melbourne, Australia in year 2008. Before his

appointment as the Executive Director of PHB, he was the Regional Manager at Loyal Oil Services Pte Ltd in Singapore. Currently, he is holding directorship in subsidiaries of PHB.



**ALICE BOO MIAU LI**

*Non-Independent Executive Director*  
Malaysian , Female , Aged 54

**Ms. Alice Boo**, was appointed to the Board of PHB on 17 April 2007. She is a Fellow of The Association of Chartered Certified Accountants (FCCA). She has over 10 years of experience in the fields of auditing, accounting and corporate

finance. Her previous appointments include an auditor with a major public accounting firm in Kuala Lumpur, Finance Manager and Senior Corporate Finance Manager of several Malaysian public listed companies.

## Profile of Directors



**CHEAH YEE LENG**

*Non-Independent  
Non-Executive Director*

Malaysian , Female , Aged 55

**Ms. Cheah Yee Leng**, was appointed to the Board of PHB on 14 June 2012. She holds a Bachelor of Economics Degree and Bachelor of Laws Degree from Monash University, Australia.

She joined Hap Seng Consolidated Berhad (“HSCB”) group of companies in 1997 and was appointed as Executive Director of HSCB on 1 June 2014 and Hap Seng Plantations Holdings Berhad

(“HSP”), a listed subsidiary of HSCB on 1 March 2016. In addition, she is a Non-Independent Non-Executive Director of Hafary Holdings Limited, a company listed on the Mainboard of the Singapore Exchange Securities Trading Limited. She is presently the Director of Corporate Affairs and the Legal Counsel of HSCB Group and also the Group Company Secretary of HSP.



**GOH YING LI**

*Independent Non-Executive Director*

Malaysian , Female , Aged 55

**Ms. Goh Ying Li**, was appointed to the Board of PHB on 25 April 2018. She holds a Bs(c) Economics, specialising in International Trade and Development from London School of Economics, London.

She is the managing director of LP Jewellery Sdn. Bhd. (La Putri) from 1992 to current. La Putri is a high end luxury jewellery retailer. As managing director and lead designer, she directs the creation of in-house collections and bespoke pieces as well as strategising on business development.



**LEE KOK WEI**

*Independent Non-Executive Director*

Malaysian , Male , Aged 63

**Mr. Lee Kok Wei**, was appointed to the Board of PHB on 29 May 2023. He is a member of the Malaysian Institute of Accountants (MIA), member of Asean Chartered Professional Accountant as well as a fellow member of the Chartered Tax Institute of Malaysia (CTIM).

He is the founder and Chairperson of LKW & Co., a chartered accounting firm established since 1990 and had retired from the firm on 31 October 2021.

Currently, he is a director of 2 private limited companies providing taxation and consulting services.

Mr. Lee was an Independent Non-Executive Director of UMS Holdings Berhad since 3 May 2001 and tendered his resignation after having served as an Independent Non-Executive Director of the UMS Holdings Berhad for more than 12 years.

## Profile of Directors



**OSCAR KIN YIN TUET**

*Independent Non-Executive Director*

*Canadian , Male , Aged 47*

**Mr. Oscar Kin Yin Tuet**, was appointed to the Board of PHB on 28 August 2023. He holds Bachelor of Science in Business and Information Systems from Indiana University, Bloomington, USA.

Mr. Tuet started his career in the consulting and information technology sector. Between year 1998 to 2008, he held positions from developer to business technology manager for various companies in San Francisco, Hong Kong & China.

From 2009 to 2014, Mr. Tuet was a

director and board member for ESG Holdings Limited (Hong Kong), one of the largest facility management service provider in greater China with over 20,000 professional working in more than 30 China major cities, focusing primarily in operations and business development for the group in the regions of Hong Kong, Macau and Southern China.

Since 2015, Mr. Tuet relocated to Malaysia and joined SMD Development Sdn. Bhd. as a group company director.

### Notes :

**1. Family Relationship with Director and/or Major Shareholder**

Ms. Lim Chang Ching and Mr. Lim Zhen Qi are sister and brother. The Late Tan Sri Dato' Lim Tong Yong @ Lim Tong Yaim, a major shareholder of PHB is the father of Ms. Lim Chang Ching and Mr. Lim Zhen Qi. Save as disclosed herein, none of the Directors has any family relationship with any other Director and/or major shareholder of PHB.

**2. Conflict of Interest**

None of the Directors has any conflict of interest with PHB.

**3. Conviction of Offences**

None of the Directors has any conviction for offences, public sanction or penalty imposed by the relevant regulatory bodies within the past five (5) years, other than traffic offences.

**4. Attendance of Directors**

Details of Board meeting attendance of each Director are disclosed in the Corporate Governance Overview Statement in the Annual Report.



## PROFILE OF KEY SENIOR MANAGEMENT

### LIM MAY KUIN

*Personnel and  
Administration Director*  
Malaysian , Female , Aged 54

**Lim May Kuin**, was appointed as Personnel and Administration Director of the Group on 31 December 1995. She is responsible for overseeing the Human Resource and Administrative functions of the Group.

She obtained her Diploma in Private Secretarial; following her graduation in 1991, she joined Lion Property Sdn. Bhd. as Credit Control Assistant. She

was recruited into the management of Paos Industries Sdn. Bhd. ("PISB") in 1992 as an Executive Secretary to oversee the Sales, Purchase and the Human Resource Management. She was appointed to the Board of PISB in 1995. She is also a Director of Alpine Legacy (M) Sdn. Bhd. ("ALSB") and Premier Oil Industries Sdn. Bhd. ("POISB") (Subsidiaries of PHB).

### NG WENG YUEN

*General Manager of ALSB*  
Malaysian , Male , Aged 60

**Ng Weng Yuen**, was appointed as General Manager of ALSB on 14 February 2008. He is responsible for overseeing the day to day running of the Property Investment Division.

He obtained his membership with the Chartered Institute of Management Accountants (CIMA) in 1995 and he is also a Chartered Accountant of

Malaysian Institute of Accountants (MIA) since 1996. He has over twenty (20) years of experience in the field of auditing, accounting and administration of business operation. Before joining the Group, he held various positions with a public listed healthcare group and was Chief Executive Officer of one of the hospital units.

### WONG MEI YOONG

*Finance Manager*  
Malaysian , Female , Aged 59

**Wong Mei Yoong**, was appointed as Finance Manager of the Group on 1 June 2001. She is responsible for overseeing the banking and finance aspects of the Group.

She obtained her Diploma in Accounting in 1983. She possesses more than twenty (20) years of accounting and financing experiences in manufacturing company. She joined PISB in 1995 as an account executive and subsequently was promoted to Finance Manager in 2001.

### HO SWEE KWAN

*Factory Manager*  
Malaysian , Male , Aged 66

**Ho Swee Kwan**, was appointed as Factory Manager of POISB on 1 August 2011. He is entrusted with the responsibility of ensuring the smooth running of the factory operation and the production process at POISB's plant in Banting.

He obtained his Senior Middle Three from La Salle, Brickfields, Kuala Lumpur

in 1972. Prior to joining POISB in 1999, he has a total of twenty four (24) years of experience in technical aspect of the production process of various palm oil (Non Lauric), palm kernel oil (Lauric), exotic fat and blended vegetable oil and fats, after having served at Lam Soon (Malaysia) Berhad as Supervisor and Production Executive, since the start of his career in 1975.

#### 1. Directorship in public companies and listed issuers

None of the Key Senior Management has any directorship in public companies and listed issuers.

#### 2. Family Relationship with Director and/or Major Shareholder

None of the Key Senior Management has any family relationship with any other Director and/or major shareholder of PHB.

#### 3. Conflict of Interest

None of the Key Senior Management has any conflict of interest with PHB.

#### 4. Conviction of Offences

None of the Key Senior Management has any conviction for offences, public sanction or penalty imposed by the relevant regulatory bodies within the past five (5) years, other than traffic offences.

## 5 - YEAR FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 MAY	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>Financial Results</b>					
Revenue	326,700	282,844	404,863	378,670	683,951
Profit/(Loss) Before Tax	1,637	(1,060)	(444)	(2,825)	618
Profit/(Loss) After Tax	743	(1,344)	(1,151)	(3,195)	(46)
Return on Shareholders' Equity (%)	0.77	(1.45)	(1.26)	(3.62)	(0.05)
<b>Financial Position</b>					
Shareholders' Equity	96,796	92,553	91,402	88,207	88,161
Total Assets	103,256	99,810	104,504	103,110	132,860
Total Borrowings	-	690	371	260	707
<b>Share Statistics</b>					
Earnings/(Loss) Per Share (sen)	0.41	(0.74)	(0.64)	(1.76)	(0.03)
Dividend Per Share (sen)	1.60	1.60	0.00	0.00	0.00
Net Assets Per Share (RM)	0.53	0.51	0.50	0.49	0.49



## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

Paos Holdings Berhad and its' subsidiaries ("the Group") operate in three business segments namely manufacturing, trading and integrated hotel operations and property investment.

The Group's main manufacturing activities are that of contract manufacturing of bar soap and toll manufacturing of products from palm oil and specialty fats. The Group is also involved in trading of specialty fats produced from palm oil and trading of marine gas oil. The Group has two manufacturing operations that are located in Shah Alam and Banting, Selangor.

Additionally, the Group owns Kompleks Selangor which consists of a retail podium and office space located at Jalan Sultan, Kuala Lumpur as well as The 5 Elements Hotel which is located at the adjoining property.

Revenue of the Group for the financial year ended 31 May 2023 consists of 94.7% domestic sales and 5.3% export sales. Our export revenue mainly comes from our contract manufacturing of bar soap and animal feed to countries like Japan, Indonesia, Thailand and the Philippines.

As at the financial year ended 31 May 2023, the Group has a total of 148 employees.



### REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION

For the financial year under review, the Group achieved revenue of RM683.95 million, an increase of 80.6% from RM378.67 million recorded in the preceding financial year. Correspondingly, the Group recorded a profit before tax of RM0.62 million in comparison to the preceding year loss before tax of RM2.83 million. The increase in revenue and profit before tax for the year was mainly due to higher trading fuel oil prices and volume, increase in occupancy rate of our hotel operations and foreign exchange gain.

Trade receivables of the Group had increased from RM35.14 million as at the last financial year to RM63.59 million as at the current financial year. The increase in trade receivables amount was mainly due to timing of collection from the higher sales of marine gas oil during the financial year. The trade receivables amount was subsequently collected after the financial year end.

The Group maintains a level of cash and cash equivalents deemed adequate to ensure that it has sufficient liquidity to meet its liabilities as and when they fall due. The Group's cash and cash equivalents balance as at the financial year end amounted to RM4.45 million against preceding year's balances of RM1.23 million. The Group's borrowings amounted to RM0.71 million as at end of the current financial year as compared to RM0.26 million as at last financial year.

Loss per share for the financial year stood at 0.03 sen (2022 : loss per share of 1.76 sen) and net assets per share were RM0.49 as at 31 May 2023 (31 May 2022 : RM0.49).

Kindly refer to the "5 - Year Financial Highlights" contained in this annual report for the Group's previous five years financial performance from financial years ended 2019 to 2023.



### REVIEW OF OPERATING ACTIVITIES

During the financial year ended 31 May 2023, our manufacturing segment recorded higher revenue of RM45.73 million, an increase of 17.4%, during the financial year ended 31 May 2023 against revenue of RM38.96 million recorded in the previous financial year. The increase in revenue was mainly due to increase in demand of our bar soap as well as manufacturing of specialty fats which contributed to the lower segment loss of RM0.19 million during the year as compared to RM1.26 million recorded in the last financial year.

As our bar soap is mainly for the export market, we are exposed to foreign currency risk. As a means of mitigating this risk, we manage our foreign currency risk to an acceptable level by entering into forward contracts where necessary. The Group also enters into contracts with customers which allow us to adjust the exchange rates on our sales when there is a significant variation.

Being in the manufacturing industry, we are constantly faced with increasing production costs as a result of increase in wages and utilities in recent years. Measures are taken to minimise the impact of rising costs such as proper planning and purchase of materials based on customer purchase orders and also investigating and rectifying any inefficiencies and to minimise any wastages accordingly. Overall production cost management assessment including electricity savings exercise and efficiency improvement exercise are constantly monitored. The manufacturing segment purchases raw materials like soap chips and palm stearin which are subject to fluctuations in commodity prices i.e. crude palm oil prices. However, the Group mitigates the risks of fluctuations in commodity prices by entering into contracts with customers based on the contracted raw material prices.

During the financial year under review, the trading segment recorded an increase in revenue of 87.9% to RM632.87 million from RM336.89 million reported last year. Our main trading product is trading of marine gas oil. Revenue increased mainly due to increase in fuel oil prices and volume. Correspondingly, segment profit had increased to RM2.42 million in the current year from RM1.58 million in the previous year. Our trading segment operates on a back to back arrangement with our suppliers and customers. This has effectively minimised our risk exposure.

## Management Discussion and Analysis

### REVIEW OF OPERATING ACTIVITIES (Continued)

The increase in revenue of our integrated hotel operations and property investment segment was attributable to the resumption of economic and tourism activities following the reopening of international borders since 1 April 2022. This segment's revenue has increased by 89.6% to RM5.34 million as compared to last financial year's revenue of RM2.82 million. The higher revenue registered in the current financial year has contributed to the lower segment loss of RM0.60 million against last financial year's segment loss of RM1.45 million. The average occupancy rate of the hotel operations was higher at 53.7% against the previous year's average occupancy rate of 10.7%. However, the average occupancy rate of the retail and office space was lower at 51.7% against last year's average occupancy rate of 55.2% mainly due to the excess supply of retail and office spaces in the Klang Valley.

### CAPITAL

#### Capital Equity and Structure

Paos Holdings Berhad's paid up and issued capital consists of 181,164,000 ordinary shares, and a market price of RM0.285 per share bringing with it a market capitalisation value of RM51.63 million as at 31 May 2023.

The Group has been financing its operations through internally generated funds during the financial year.

#### Capital Commitments

The Group's total capital commitment contracted but not provided for, as at 31 May 2023, amounted to RM0.05 million.

Capital expenditure incurred for financial year 2023 amounted to RM1.49 million. These were principally investments made in the upkeep of the factory premises, purchase of plant and machinery and motor vehicle as well as the upkeep of the investment property and hotel.

### PROSPECTS

Prevailing economic conditions and financial outlook continue to present challenging business conditions for the Group. Soft consumer market sentiment and higher operational costs in terms of rising costs of wages, utilities, logistics, other operating expenses and also fluctuations in foreign currency exchange rates remain as main challenges for the Group.

The Group has taken cost containment measures and will remain cautious and vigilant in addressing these challenges in its' business activities. In order to cushion the impact of rising costs, measures will continuously be taken to improve productivity and efficiency of our operations as well as cost management exercises to keep our production costs competitive and to reduce redundancy and wastages. We will strive to improve returns on existing assets by optimising and consolidating our business operations and resources. We will also continue to expand and diversify our customer base as well as ensuring product innovation and technology is up-to-date and pricing offered to customers remain competitive.

We are currently in the final stage of completion of our fractionation plant in Banting, Selangor. We are also monitoring the crude palm oil market price closely to ensure that the fractionation plant will commence at a viable level so that our prices remain competitive. This fractionation plant will provide consistent palm stearin raw material supply for our toll manufacturing of animal feed. The shortage and timeliness of competitively priced supply of palm stearin had impacted our tolling operations previously. This fractionation plant will also increase our product variation and diversify our customer base as well as supply raw material for our own homebrand of animal feed Nutripid. We anticipate this investment to contribute favourably to the Group in the long run.

We foresee the performance of our integrated hotel operations and property investment segment to continue to improve in the coming year. We will strengthen our efforts to improve the overall occupancy rates of our hotel rooms and retail and office space despite operating under a very challenging business environment and intense competition from the surrounding hotels and retail and office space within the vicinity area. In order to remain competitive, we will continue to collaborate with the online travel portals by creating awareness and organising promotional activities to increase market reach and improve room sales. Ongoing measures such as upgrading of our hotel website to attract more direct bookings and improving hotel facilities and room amenities when necessary are regularly monitored. We will also provide continuous training for our staff to ensure consistent quality service and improvements.

We are cautiously optimistic of the future that lies ahead amidst challenges from the prevailing economic conditions. We will remain vigilant and continue to seek more business opportunities to improve our financial position. Efforts will continuously be made to ensure that our businesses continue to be sustainable and viable.

### DIVIDENDS

Paos Holdings Berhad did not declare any dividends for the financial year ended 31 May 2023 (2022 : Nil).

The Board of Directors continues to maintain a reasonable balance between dividend payments, funding requirements and the future business growth of the Group as well as the objective of maximising stakeholders' returns.



# SUSTAINABILITY STATEMENT



## Our Commitment to Business Sustainability

This Sustainability Statement (“the Statement”) is prepared in accordance with Sustainability Reporting Guide issued by Bursa Malaysia Main Market Securities Berhad. Unless otherwise stated, this Sustainability Statement covers our sustainability performance of the operations of PAOS Holdings Berhad (“the Company”) and its subsidiaries (“the Group”, “we” or “our”) in the financial year ended 31 May 2023 (“FY2023”).

Over the past years, the Group has reported in the Annual Report on its social responsibility, considering its commitment to its shareholders, employees, customers, suppliers, local communities and other stakeholders. In light of the Listing Requirements issued by Bursa Malaysia Securities Berhad (“the Exchange”), the Group has prepared a Sustainability Statement in a manner as prescribed by the Exchange. The aim of this Sustainability Statement is to communicate the way in which we identify the economic, environmental, social risks and opportunities considered material to our business by us and our stakeholders as well as to inform our stakeholders the initiatives which we have taken to improve our policies, processes, procedures and sustainability database information in meeting the requirement under the Global Reporting Initiative (“GRI”) Guidelines 4.0.

We are aware that the performance and success of the Group does not solely rest on financial or economic outcomes, as such, we are committed to not only strengthening economic perspective, but also from the societal and environmental perspectives.

## Stakeholders’ Engagement

We define our stakeholders as any individuals, community and entities that may be impacted by the Group’s business operations. We value our stakeholders’ views and undertake various communication channels to understand their interests and concerns towards our business operations and sustainability performance.

The approaches we engaged with stakeholders include conventional documents, electronic documents, web-based media platforms and face-to-face communications detailed as follows:

No.	Key Stakeholders	Description	Communication Channels
1	Shareholders or Investors	Integrity in corporate reporting and meaningful relationship with stakeholders.	<ul style="list-style-type: none"> <li>Annual General Meetings and Extraordinary General Meetings</li> <li>Announcements and Circulars</li> <li>Annual Reports</li> <li>Website</li> </ul>
2	Business Partners or Suppliers	Enhancing ethical and fair procurement system.	<ul style="list-style-type: none"> <li>Suppliers’ audit and review</li> <li>Meeting, discussion, business communication on a day-to-day basis</li> </ul>
3	Customers	Meeting customers’ requirements with high quality products & services and strengthen relationship with clientele.	<ul style="list-style-type: none"> <li>Customers’ audit review</li> <li>Meeting, discussion, business communication on a day-to-day basis</li> <li>Customer satisfaction review</li> </ul>
4	Employees	Career development and training opportunities while providing a safe working environment within the organisation. Promote work-life balance.	<ul style="list-style-type: none"> <li>Circulation of policy and procedures</li> <li>Management and employee meetings</li> <li>Training and development</li> <li>Events and activities</li> </ul>
5	Local authorities/ Regulators/ Government ministries	Embrace transparency within the daily operation and compliance with the industry’s regulatory standard to attain corporate sustainability.	<ul style="list-style-type: none"> <li>Regulatory compliance</li> <li>Submission of reports required under regulations</li> <li>Briefing and trainings</li> <li>Periodic visits and inspection</li> </ul>
6	Community	Continuous support and fund Corporate Social Responsibility (CSR) activities.	<ul style="list-style-type: none"> <li>Fund contribution / donation</li> <li>Participation in CSR activities</li> </ul>

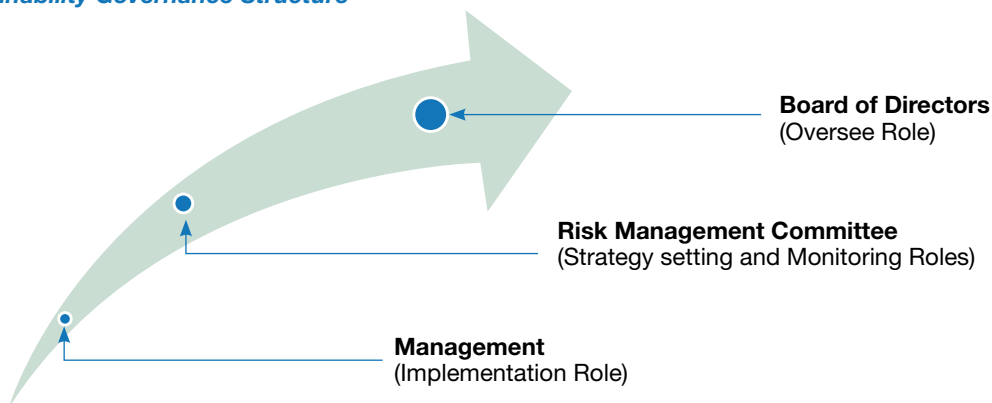
# Sustainability Statement

## Sustainability Governance

Our sustainability efforts are governed through our corporate structure with ultimate responsibility from our Board who is responsible for overseeing sustainability role across the Company. The Risk Management Committee, chaired by the Executive Chairman is tasked for driving and managing the sustainability across the business and ensures that key sustainability results are met with the support of the Management. The Risk Management Committee reports key sustainability matters to the Board of Directors (“BOD”).

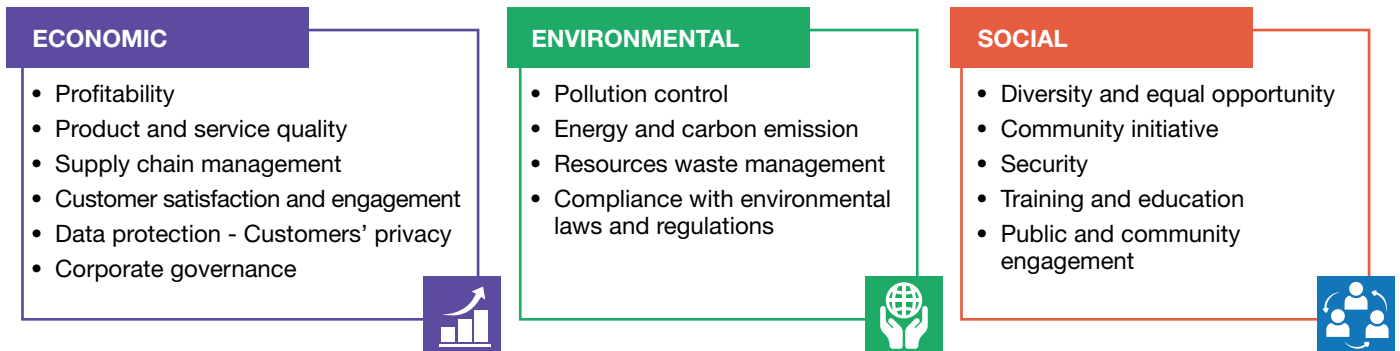
The Management implements sustainability strategies and monitors the progress of the company’s sustainability performance.

## Sustainability Governance Structure



## Materiality Assessment and Key Sustainability Matters

The Group’s key sustainability matters identified based on materiality assessment of the Group’s business operations and risk areas are as outlined below:



### A. ECONOMIC



#### Economic Sustainability

In achieving a sustainable business performance, we believe that we need to create and enhance the stakeholders’ values, create opportunities for employees and contribute to communities in which we operate.

We strive to make a positive difference in the community with our skills and resources. We continue to promote local economic growth by providing employment opportunities to Malaysians. This embraces the diversity of our employees who possess varied skill sets and expertise for the many job functions within its different businesses. We seek local suppliers for our procurement requirements to generate direct economic value in the local community.

Our work processes are constantly monitored and managed, at the same time to identify opportunities for business improvement. We also engage with the local authorities and regulatory bodies which included site visits and fire drill exercises.

We have also adopted an effective approach to collect feedback, analyse and act further to eliminate defects and prevent recurrence of the same causes of customer complaints. This will provide the Group a competitive advantage as we work towards sustainable value creation through our commitment to quality.

## Sustainability Statement

### A. ECONOMIC



#### Profitability

The Group's operations are divided into three business segments namely manufacturing, trading, integrated hotel operations and property investment. The Group's main manufacturing activities are that of contract manufacturing of bar soap and toll manufacturing of products from palm oil and specialty fats. We are also involved in trading in specialty fats produced from palm oil and trading of marine gas oil. The Group also owns the retail podium and office space located at Kompleks Selangor, Jalan Sultan, Kuala Lumpur along with The 5 Elements Hotel which is located at the adjoining property.

Description	FY2022 (In RM'000)	FY2023 (In RM'000)
Revenue	378,670	683,951
(Loss)/Profit Before Tax	(2,825)	618

For the FY2023, revenue of the Group increased by 80.6% to RM683.95 million compared to RM378.67 million recorded in the FY2022. Correspondingly, the Group posted a profit before tax of RM0.62 million in comparison to FY2022 loss before tax of RM2.83 million.

The increase in revenue and the profit before tax for the year was mainly due to higher trading fuel oil prices and volume, increase in occupancy rate of our hotel operations and foreign exchange gain.

#### Product and Services Quality

As one of the leading end contract manufacturer of bar soap in South East Asia region as well as trading in specialty fats produced and marine gas oil, the Group is committed to maintain quality products and services. The Group engages with various certification bodies relevant to their business operations to ensure its products manufactured meet customers' and regulatory requirements.

We are audited by various parties ensuring that we meet specific standards on product quality. These certification bodies include:

No	Certification
1	ISO 9001:2015 Quality Management System Certification issued by SGS
2	ISO 22716 Cosmetic GMP Certification issued by SGS
3	Certificate of Authentication Halal issued by Jabatan Agama Islam Selangor
4	MPOB License issued by Ketua Pengarah MPOB
5	MSPO Supply Chain Certificate issued by SIRIM QAS International Sdn Bhd
6	RSPO Supply Chain Certificate issued by SIRIM QAS International Sdn Bhd
7	Certificate of GMP Compliance of a Manufacturer issued by the Ministry of Health Malaysia

We continuously train our employees to adhere to the Group's standard operating procedures in carrying out their role and duties. These include but not limited to performing tests and analysis on incoming raw and packaging material as well as our finished products. These standard operating procedures are consistently reviewed and improved upon to ensure its effectiveness. Besides providing trainings for our employees, we constantly update our employees with the latest standards, wherever applicable.

#### (i) Supply Chain Management

Ensuring a sustainable supply chain is essential to our business. The Group's quality management system ensures we consistently provide product and services that meet customers' needs and applicable regulatory requirements. We communicate with our suppliers to align to our purchasing standards and practices. Our purchasing policy sets out the requirements and expectations of our suppliers related to legal compliance, safety, process and performance.

## Sustainability Statement

### A. ECONOMIC



#### *Product and Services Quality (Continued)*

##### (i) Supply Chain Management (Continued)

In monitoring our suppliers' performance, we conduct annual key suppliers' performance assessment which generally includes the following:

- a) Quality of materials;
- b) Timeliness of delivery;
- c) Delivery terms; and
- d) Order fulfilment.

We place emphasis on sourcing for quality materials from local and overseas suppliers. This is to ensure that the ingredients that we used to manufacture the product are of high quality. We constantly engage with our suppliers in order to maintain good relationship with them to ensure continuous supply of quality material, timely delivery and reasonable pricing.

Local sourcing has always been our main preference, in FY2023 more than 90% of the materials were sourced in Malaysia. The preference to keep the supply chain locally as close to home as possible provides greater delivery flexibility due to easier communication and coordination with local suppliers. We believe this promotes better control over the supply chain as we are constantly engaged with the local suppliers to enable us to closely monitor the supply chain costs. Localising our supply chain will also help the environment by reducing carbon footprint with lower emissions and energy usage as well as supporting the local economy.

##### (ii) Customer Satisfaction and Engagement

Customer satisfaction has always been our focus. We constantly communicate with our customers to understand their needs whilst ensuring the quality and reliability of our products and services are delivered. In meeting this objective in our manufacturing sites, we assess our customers' feedback on an annual basis. We believe that the customer assessment could be used as a tool to understand the customers' expectations and improve our operational processes. The survey includes assessment such as quality of products and services, timeliness and reliability of delivery, responsiveness to customer needs and communication with customers.

As for our hotel division, customer feedback is collected on daily basis from online portals as well as written comments by in-house guests. These feedbacks are constantly reviewed and responded to as we strive to provide better service quality and delivery to our hotel guests.

#### *Data Protection – Customers' Privacy & Confidential Information*

The Group being involved in the business of contract manufacturing and hospitality, we do not compromise with the protection of our customers' data. We recognise the risks and negative impact that our business and stakeholders may encounter if information such as confidential/sensitive corporate data, personal data of customers, employees and stakeholders, is not adequately protected. Therefore, data security and privacy is a top priority for us.

In particular to our business of hotelier as well as our employees, we comply with the Personal Data Protection Act 2010 ("PDPA") and abide strictly with the guidelines set out in the PDPA. Where applicable, we also sign non-disclosure agreement with the customer to protect confidential material, knowledge or information shared between both parties.





## Sustainability Statement

### A. ECONOMIC



#### Corporate Governance

##### (i) Anti-Bribery & Corruption

We established our ethical standards through the Code of Conducts for Directors, Code of Ethical Conduct and Conflict of Interest (the “Code”) in the Group’s employee handbook as well as expressly stated in the Appointment Letter. The Code requires all employees to observe high ethical business standards, and apply these values in all aspects of the Group’s business and its shareholders. The Code serves as a guidance which is expected to be complied as a part of the Group’s commitment to the stakeholders in preserving good business practices. We have not received any complaints on suspected corrupt or unethical conduct of our employees as of FY2023.

##### (ii) Whistle Blowing Policy

We establish our whistle blowing policy with the objective to facilitate all employees of the Group to report or disclose through established channels, concerns about unethical behaviour, malpractices, illegal acts or failure to comply with regulatory requirements that is taking place or has taken place or may take place in the future.

The Group has developed and implemented an Anti-Corruption Framework that coordinates and regularises anti-corruption activities of the Group that is aligned with the Guidelines on Adequate Procedures pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009. We have also updated our Code of Conduct and Ethics and Whistleblowing Policies and Procedures in order to be in line with the Anti Corruption Framework adopted by the Group.

The Code of Conduct and Ethics and Whistleblowing Policies and Procedures are made available on our corporate website (<http://www.paos.com.my>).

### B. ENVIRONMENTAL



#### Pollution Control

The Group where applicable pursues a variety of environmental activities to raise employee awareness of environmental conservation, and to educate and engage the employees in doing their part to protect the environment.

Training on environmental protection and awareness of the Group’s environmental statement, policy and procedures, detailed action plan to minimise the pollution including monitoring air quality and noise level at our operation sites have been developed as a component towards sustainability.

#### Air Pollutant Emission

We monitor emissions of air pollutants on an ongoing basis for manufacturing site with boiler operation to ensure they are compliant with the guidelines from the Department of Environment (“DOE”).

Isokinetic Stack and Air Emission was conducted by an environmental consultant to ensure that the air pollutant level emitted from the boiler was below the limits of Environmental Quality (Clean Air) Regulation 2014 (gazette by government on 4 June 2014). Likewise for the smoke capacity, the results were monitored to ensure they were below the limit of dark smoke observation.

#### Noise Monitoring

Our manufacturing sites have previously engaged environmental consultants to conduct monitoring of noise exposure level to assess the baseline of noise exposure level at work areas exposed to workers. The findings were interpreted for the compliance of the Factories and Machinery (Noise Exposure) Regulations 1989 and recommendations from the consultant were considered for betterment and improvement.

## Sustainability Statement

### B. ENVIRONMENTAL



#### Energy Efficiency

Our main energy sources - electricity, gas and diesel are mainly used for production in our plants. Electricity remains our key energy source.

We have incorporated environmental innovation such as LED energy saving lights in our hotel and buildings in order to reduce the waste and excessive consumption of energy of traditional lights.

Think Green habits are being cultivated as we continue to encourage our employees to practice turning off lights, air conditioning or other electrical appliances in the rooms, pantries, and washrooms when they are not used. Such simple actions in conserving our planet's energy contribute towards a sustainable future in the long term.

Overall, our energy usage increased by 17% in FY2023 as compared to FY2022. The increase in energy usage was mainly contributed by our integrated hotel operations and property investment segment due to the resumption of economic and tourism activities following the reopening of international borders since 1 April 2022. Nevertheless, we will continue to monitor our energy consumption and explore better techniques to increase the energy efficiency of our plants and buildings.

#### Water

Water is one of the underlying resources to our business. Taking a more mindful approach to our resource consumption helps us avoid using more water than necessary.

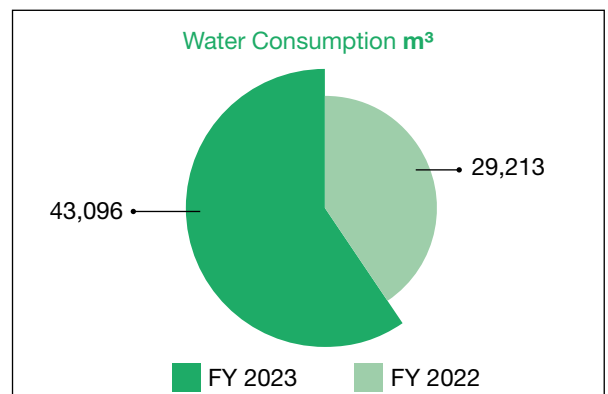
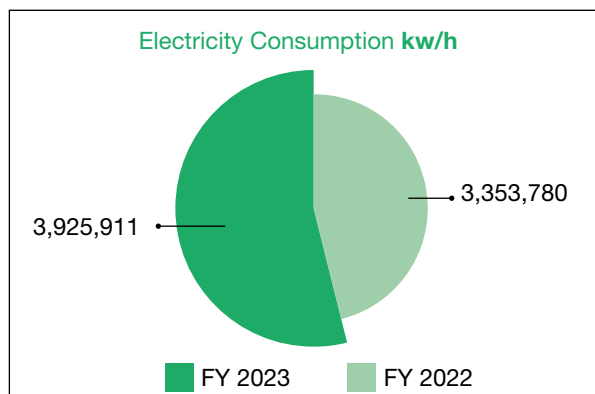
In FY2023, our water consumption was 43,096m<sup>3</sup>, increased by 48% compared to previous year. (FY2022: 29,213m<sup>3</sup>). Similarly, the increase in the water consumption was mainly contributed by our integrated hotel operations and property investment segment due to the resumption of economic and tourism activities following the reopening of international borders since 1 April 2022.

#### Waste Management

We are pursuing green growth by reducing waste generation from our operations through our 3 'R' sustainability practices i.e. Reuse, Reduce and Recycle.

For the manufacturing site of our specialty fats division, monitoring of waste water quality is conducted by an external accredited laboratory to ensure wastewater quality complies with the Environmental Quality (Industrial Effluent) Regulations 2009 under the requirements of DOE. We also monitor scheduled wastes disposal to ensure these wastes comply with the Environmental Quality (Scheduled Wastes) Regulations 2005 by submitting monthly reports to DOE on the type and quantity output of scheduled wastes. These accumulated scheduled wastes are collected by approved external contractors for proper disposal every six months.

We believe that our initiatives to reduce our waste through refurbishment and routine maintenance on machines and equipment may prolong its useful life with minimal environmental costs. Conscientious efforts were taken to extend the life of all machines and equipment wherever possible.



## Sustainability Statement

### B. ENVIRONMENTAL



#### Waste Management (Continued)

The Group's manufacturing site segregates waste into different bins – general waste, paper and plastics. Metal item such as used steel drums are also segregated for disposal. These wastes are collected by third party contractors for disposal or treatment. Our wastes comprises mainly of paper carton, plastic wrappers, corrugated papers, paper bags and wooden pallet. Chemical wastes if any, are disposed by qualified waste collectors.

In all our offices, we promote reduction of paper consumption by encouraging use of information technology including email, use of double-sided printing and recycled papers for printing. Used ink cartridges and toners are returned to the vendors for recycling purpose.

As for our hotel, wastes are created from mainly within the kitchen, Management Office and Housekeeping Department. Wastes are also generated by in-house guests as well as public areas that are properly collected and disposed.

We are committed to managing our wastes from our operations to reduce our impact on both the environment and the local communities.

#### Compliance with Environmental Laws and regulations

We conduct our business in accordance with all relevant laws and regulations. We recognise the importance of product safety and quality and therefore, we endeavour to comply with all relevant laws and regulations. In FY2023, we have not been penalised in relation to any of the environmental laws and regulations to date, neither were we being imposed with any fines or non-monetary sanctions for non-compliance with environmental laws and/or regulations.

Further to compliance, our Group is also supporting the use of sustainable palm oil by being an accredited member of the RSPO Supply Chain Certification Standard since 2017, for our purchase and use of RSPO certified sustainable palm based product in the production of our bar soaps.

### C. SOCIAL

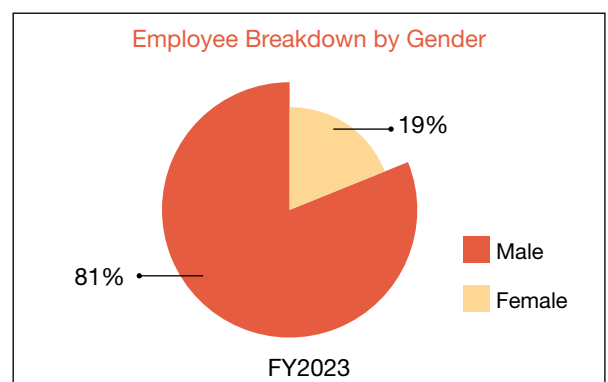
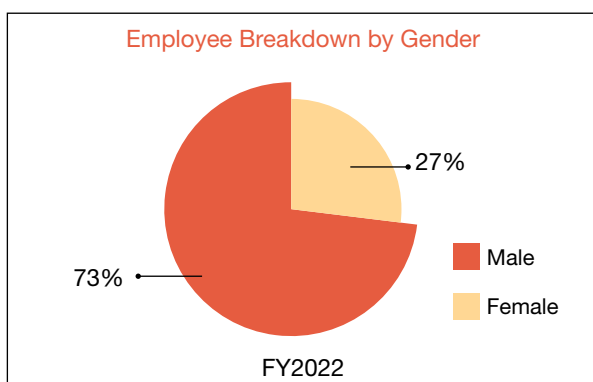


#### Diversity and Equal Opportunity

At the Group, we work to create a diverse workforce which is made up of employees with diverse backgrounds, skills, experience and needs, regardless of race, religion, gender, national origin, disability status, or any other characteristic protected by human resource and human rights regulation.

We emphasise on hiring and promoting employees based on merit, capability and experience. We do not discriminate. We believe that we treat everyone fairly and provide a variety of opportunities for our employees regardless of age, gender, identity, ethnicity, race or religion in the workplace. We provide fair labour practice. We do not hire child labour or forced labour. We complied with applicable laws and procedures in hiring foreign workers.

In the Group, due to the nature of industry, male employees have dominated the operations workforce, of whom they have accounted for 81% while the remaining 19% are female employees.



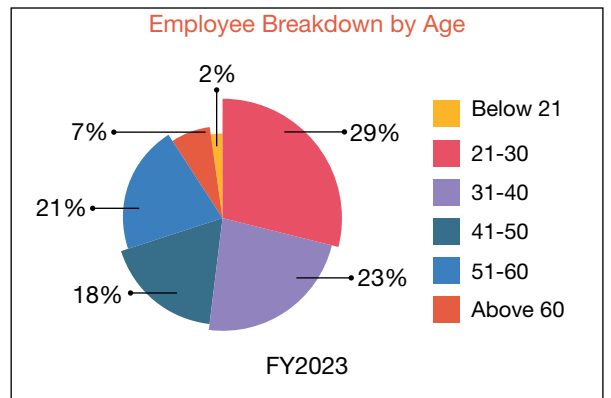
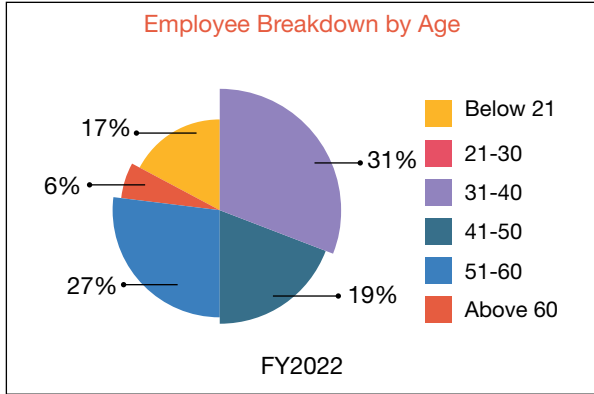
# Sustainability Statement

## C. SOCIAL

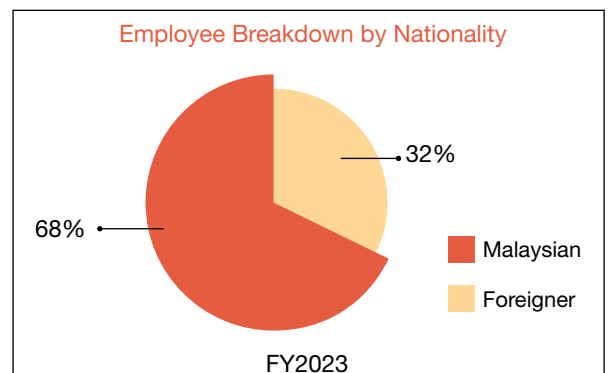
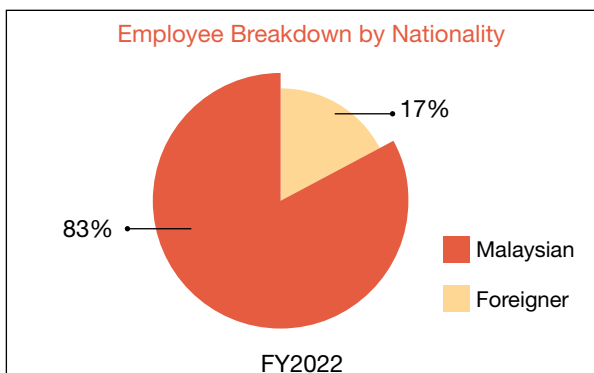
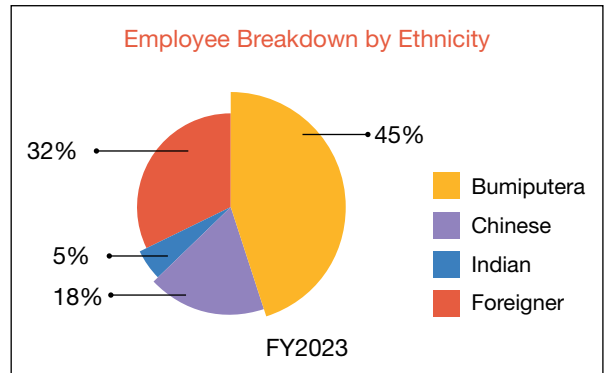
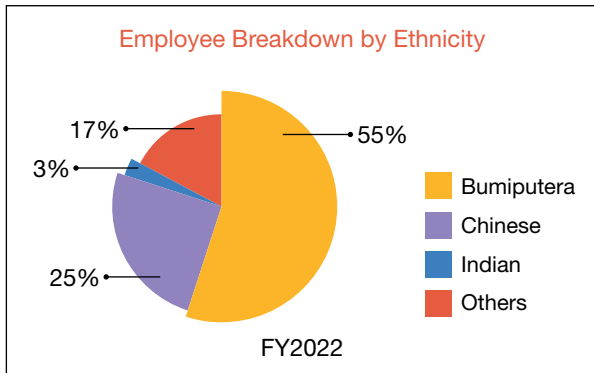


### Diversity and Equal Opportunity (Continued)

The Group has a healthy mix of young and experienced workforce. Approximately 54% of our workforce consists of young people below the age of 40 and age above 41 years old constitute approximately 46% of the workforce in FY2023.



In terms of ethnic diversity, the Group has established a diverse workforce which consists of different ethnicity where majority of the workforce constitute of Bumiputera ethnicity (45%) followed by other ethnics (total 55%). We understand the value of recruiting and retaining diverse employees from different ethnicity.



### Employee Welfare

To allow our employees to pursue their professional growth and support our business and development, we instilled a safe, nurturing and high performing culture, whilst creating positive impact on the local communities.

We provide both monetary and non-monetary incentives to promote employee well-being. We ensure mandatory compliance with the local statutory requirements on wages and benefits such as minimum wages order, employees' provident fund (EPF), employees' social security protection (SOCSSO), employment insurance system (EIS) coverage and leaves provision are complied with. Employees also receive other medical benefits such as Outpatient treatment, Group Personal Accident insurance and Hospitalisation and Surgical insurance coverage.

## Sustainability Statement

### C. SOCIAL



#### Occupational, safety and health

In the Group, we view the safety of our employees seriously. We ensure that the safety practices apply in workplace. In our manufacturing sites, Environmental, Health and Safety Committee (“OSHA Committee”) are set up to ensure we operate and comply with all applicable occupational health and safety laws as well as internal and external, standards and policy which expect all its employees, customers and vendors to follow in their daily work routines.

Both the OSHA Committees in Paos Industries Sdn Bhd (“PISB”) and Premier Oil Industries Sdn Bhd are chaired by the Executive Chairman and Factory Manager respectively. The committees are supported by the respective head of departments, to oversee all health and safety matters as required by applicable laws and regulations for safety working practices. Fire-Fighting & First Aid Committee comprising of representatives from the operation divisions are also in place to complement our OSHA Committee. Both committees meet quarterly to discuss the employees’ safety performance, issues, challenges and accidents avoidance measures.

In promoting high safety and health standards, workplace safety is embedded in the Group Safety and Health Policy as part of the commitment to protect human rights. Both our manufacturing sites, adopt Hazard Identification, Risk Assessment and Risk Control (“HIRARC”) to highlight critical operations of tasks, that are, those tasks posing significant risks to health and safety of employees as well as highlighting those hazards pertaining to certain equipment due to energy sources, working conditions or activities performed.

All injuries are reported to the Management. Work-related accidents are categorised into ‘major’ and ‘minor’ work-related accidents to enable swift responses and to accurately support our performance data on injury frequency rate for industrial accidents. Major work-related accidents are defined as accidents which cause employees to be hospitalised. The superior or other supervisor shall investigate any accident cases and submit the case to OSHA Committee Chairman to determine methods and strategies for preventing occurrence of similar incidents in future.

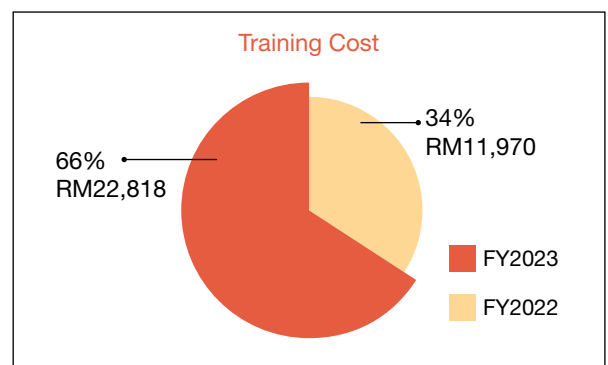
In FY2023 and FY2022, there were no major and minor incidents reported in relation to safety, health and environment. We strive to meet our ESH objectives in our operations through continuous engagements with and trainings for our employees.

In addition to the above, PISB has also conducted Sedex Members Ethical Trade Audit (“SMETA”); social audit through SEDEX’s affiliated audit company. SMETA assesses the company’s standards of labour, health and safety, environment and business ethics which are key areas for assessing an organisation’s responsible business practices and meeting social compliance. Companies with SMETA audits signal to their customers that they have zero tolerance for human rights abuses such as child and forced labour and they are compliant with statutory standards on labour.

We have also enhanced our health and safety procedures at all our facilities to comply with the standard operating procedures (“SOP”) issued by the Government under the Prevention and Control of Infectious Diseases Act 1988.

#### Training & Development

The Group believes in encouraging development opportunities of our employees and grooming them to their fullest potential, personally and professionally. Management decides on the training needs on a case-to-case basis to develop our employees’ skills based on their individual requirements in alignment with our business needs. We spent RM22,818 of training costs in FY2023 (FY2022: RM11,970). The employees in the Group received a total of 96 hours of training hours in FY2023 (FY2022: 32 hours). The training sessions comprised of a series of development programs which trained on product knowledge, operations, quality and job specific skills.



## Sustainability Statement

### C. SOCIAL



#### Community engagement

We strive to positively impact the lives of people where we operate in, through our participation in corporate social responsibility activities.

FY2023 marks our 7th year in supporting GOLD, an NGO generating opportunities for the learning disabled. We continued with our annual subscription of their Kindness Cookies jar where freshly baked cookies are delivered on monthly basis to our Shah Alam office. This initiative helps support the learning disabled on their vocational training and living skill education as they work towards an independent and productive life.

In January 2023, The 5 Elements Hotel and Kompleks Selangor ushered in the Lunar Chinese New Year with our annual tradition of distribution of festive appreciation tokens to hotel guests and our building tenants to thank them for their continuous support. With Malaysia's international borders reopened and domestic travels picking up momentum, we saw a positive recovery in the hospitality industry. Chinatown Kuala Lumpur and its surrounding areas return to being a colourful, vibrant district that is a must-visit for locals and tourists alike.



Our nation has been resilient in its recovery efforts from the Covid-19 pandemic. Nevertheless, some vulnerable households are still struggling and many volunteers have continued to help those in need. In spirit of the month of Ramadan, The 5 Elements Hotel continued to work with Food4U in distributing cooked meals donated by individuals and corporates for the underprivileged community.

With the lifting of pandemic restrictions, company events such as lunchtime socials, festive celebrations during Chinese New Year, Hari Raya and Christmas were organised at subsidiaries level to promote employee engagement in a friendly and inclusive working environment.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Paos Holdings Berhad recognises the importance of maintaining good corporate governance best practices and continues to be committed to ensuring that a high standard of corporate governance is practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

The Board is pleased to present this Corporate Governance Overview Statement ("Statement"), which provide an overview of the Corporate Governance practices adopted by the Group to fulfil the desired objectives outlined in the Malaysian Code on Corporate Governance ("Code") during the financial year 31 May 2023. These practices revolve around three (3) fundamental principles, all of which are diligently overseen by the Board in its role as the steward of the organisation:

Principle A	Board Leadership And Effectiveness
Principle B	Effective Audit And Risk Management
Principle C	Integrity In Corporate Reporting And Meaningful Relationship With Stakeholders

This Statement serves as a means of complying with Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"). In addition to this, the application of each of the practices set out in the Code is disclosed in the Corporate Governance Report 2023 ("CG Report"), which is made available on the Group's website : [www.paos.com.my](http://www.paos.com.my).

### PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS

#### I Board Responsibilities

The Board assumes full responsibilities of the overall performance of the Group by setting strategic direction of the Group while exercising oversight on day-to-day management and operation delegated to Executive Directors and the Senior Management to ensure that the conduct of the business of the Group is in compliance with relevant laws, practices, standards and guidelines applicable to the Group.

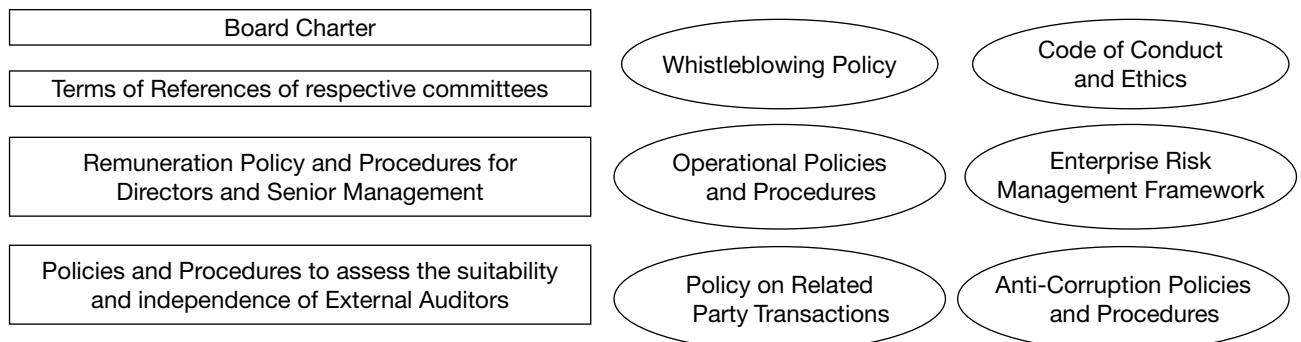
The Board sets the appropriate tone at the top, providing leadership and managing good governance and practices throughout the Group. To ensure the Group continues to adopt the best corporate governance practices, the Board and Senior Management review the internal practices with reference to the Code and the relevant guidelines regularly.

To effectively discharge its duties, the Board established an internal governance model for the delegation of specific powers of the Board to the Senior Management and the following four (4) properly constituted Board Committees:-

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Investment Committee

The delegation of authority to the Committees enables the Board to achieve operational efficiency, by empowering each Committee to review, report and make recommendations to the Board on matters relevant to their roles and responsibilities.

The Board, Board of Committees and/or management are supported by the respective terms of references, various policies and procedures in execution of their duties with the following which constitute the key components of the Group's governance framework :-



*reviewed and updated periodically in accordance with the needs of the Company and of any new regulations that may have an impact on the Group in order to ensure that they continue to remain relevant and appropriate*

## Corporate Governance Overview Statement

### PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (continued)

#### I Board Responsibilities (continued)

In performing its duties, the Board is guided by a Board Charter which sets out the composition, roles, responsibilities, operations and processes of the Board and also outlines the matters and decisions reserved for the Board. It serves as a reference and primary induction literature providing insights to prospective Board members and Senior Management. It is made available on the Group's website at [www.paos.com.my](http://www.paos.com.my) which is in line with the recommendation made by the Code. On 18 January 2023, the Board reviewed the Board Charter to ensure that it continues to remain relevant and appropriate.

The Board is chaired by Ms. Lim Chang Ching, who is responsible for the leadership, effectiveness, conduct and governance of the Board. Although the position of Chairman and Chief Executive Officer ("CEO") are held by Ms. Lim Chang Ching, this is perceived as appropriate and of benefit to the Group, due to her extensive knowledge in the Group's business, products, policies and administration matters. Her outstanding personality and experience have enabled her to perform both roles in accordance with the defined responsibilities stipulated in the Board Charter without conflict.

The Board is mindful of the dual roles but is comfortable that there is no undue risk involved as the functions of the CEO are executed by delegation of the authority approved by the Board to the key management staff to ensure that division and accountability in essence are separated. All major matters and issues which are defined in the Board Charter as "Matters Reserved for the Board" were referred to the Board for consideration and approval. Furthermore, the roles and contributions of Independent Directors also provide an element of objectivity, independent judgement and check and balance to the Board.

Based on the recommendation of the Code, the Chairman should not be a member of Board Committees to ensure there is check and balance as well as objective review by the Board. The Board is of the view that Ms. Lim Chang Ching as a member of the Remuneration Committee is appropriate as she will be able to contribute to more effective discussion on the performance of the Senior Management as she is directly overseeing the Group's operations. Moreover, she will abstain from all deliberations of her remuneration package.

Every Director has unhindered access to the advice and dedicated support services of the two (2) Company Secretaries, who are members of the professional bodies prescribed by the Minister and are qualified to act as company secretaries under the Companies Act 2016. The Company Secretaries ensure that Board procedures are followed and the applicable rules and regulations for the conduct of the affairs of the Board are complied with.

To ensure that the Directors devote sufficient time to carry out their roles and responsibilities and in line with the MMLR, a Director of the Company must not hold directorships of more than five (5) Public Listed Companies. The Directors are required to submit an update on their other directorships from time to time for monitoring of the number of directorships held by the Directors of the Company and for notification to Companies Commission Malaysia accordingly.

The Board is satisfied with the level of commitment given by the Directors in fulfilling their roles and responsibilities as Directors of the Company based on their attendance of the Board and Board Committees meetings held during the financial year 31 May 2023. The attendance of Directors during the financial year ended 31 May 2023 is set out below:

Directors	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting
Lim Chang Ching	4/4	-	-	1/1
Lim Zhen Qi	4/4	-	-	-
Alice Boo Miao Li	4/4	-	-	-
Cheah Yee Leng	4/4	-	-	1/1
Lim Poh Seong - Resigned on 29 May 2023	4/4	4/4	-	1/1
Yap Min Lee - Resigned on 29 May 2023	3/4	3/4	2/2	-
Goh Ying Li	4/4	4/4	2/2	-
Lee Kok Wei - Appointed on 29 May 2023	-	-	-	-



## Corporate Governance Overview Statement

### PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (continued)

#### I Board Responsibilities (continued)

In the intervals between Board Meetings, any matters requiring urgent Board decisions and/or approvals can be sought via circular resolutions which are supported with all the relevant information and explanations required for informed decisions to be made.

The Board views continuous learning and training as an integral part of the Directors' development. The Board is satisfied that the Internal Auditors, External Auditors and the Company Secretaries have provided the relevant updates on statutory and regulatory requirements from time to time during the Audit Committee and Board meetings. During the financial year ended 31 May 2023, the Directors of the Company attended appropriate seminars, training, briefing or courses to update and enhance their knowledge to enable them to discharge their duties effectively as Directors and to keep abreast of the development in the marketplace.

Seminars, training, briefing or courses attended by the Directors as at 31 May 2023 including the following:

Name of Directors	Date	Seminars, training, briefing or courses	Duration
Lim Chang Ching	02.06.2022	SME Malaysia by Entrepreneurs Organisation Malaysia	1½ Hours
	26.07.2022	Building Future Business Resilience Through Technology, Partnerships & Effective Cash Flow Management by Soba Lab	1½ Hours
	10.08.2022	How to scale up fast by Entrepreneurs Organisation Malaysia	5 Hours
	27.09.2022	Human Rights Risk Management for Malaysian Companies by KPMG	1 Hour
	28.09.2022	Emerging Giants in Asia Pacific by KPMG & HSBC	1½ Hours
	28.11.2022	ICDM Advocacy Dialogue on Bursa Malaysia's Enhanced Sustainability Reporting Framework by ICDM	2 Hours
	06.12.2022	Emerging Risks: A Packaged Solution for Maximum Protection by Federation of Malaysian Manufacturers	3 Hours
	17.03.2023	Briefing RSPO & MSPO by Kao Malaysia	2 Hours
Lim Zhen Qi	28.11.2022	ICDM Advocacy Dialogue on Bursa Malaysia's Enhanced Sustainability Reporting Framework by ICDM	2 Hours
	06.12.2022	Emerging Risks: A Packaged Solution for Maximum Protection by Federation of Malaysian Manufacturers	3 Hours
Alice Boo Miao Li	29.11.2022	Coping with Global economic volatility by ACCA	1 Hour
	30.11.2022	Risk culture and future performance: how accountancy professionals make a difference by ACCA	1 Hour
	01.12.2022	Upskilling for sustainability assurance by ACCA	1 Hour
	14.03.2023	ACCA Virtual Seminar - Post Budget 2023 (Remote Online Learning) by ACCA	8 Hours
Cheah Yee Leng	26-27.07.2022	SSM National Conference 2022 by SSM	2 days
	11.08.2022	Companies Act 2016, Directors' Statutory Disclosures by SSM	1 day
	15.08.2022	Resolving Boardroom and Shareholders Disputes by SSM	½ day
	14.09.2022	Corporate Governance & Remuneration Practices For The ESG World by Iclif Executive Education Center	1½ Hours
	08.11.2022	LED - Environmental, Social and Governance Essentials (Core) by Singapore Institute of Directors	½ day
	15.06.2023	Using e-Signatures & Digital Signatures - On my Corporate Documents by Tricor	1 Hour
Goh Ying Li	01.12.2022	Bursa Malaysia Immersive Session: The Board "Agender" by Leadwomen	1½ Hours
	27.03.2023	WEB3 Evolution-Shaping Web 3 Going Forward by Entrepreneurs Organisation Malaysia	1½ Hours
	03.04.2023	Moderator training by Entrepreneurs Organisation Malaysia	1½ Hours
Lee Kok Wei	30.05.2023	Hasil- CTIM Tax Forum 2023 by Chartered Tax Institute of Malaysia	1 day

## Corporate Governance Overview Statement

### PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (continued)

#### I Board Responsibilities (continued)

The Board together with the Senior Management pledge to conduct business ethically and adhere to all applicable laws and regulations whilst embracing zero-tolerance on any form of bribery and corruption. In strengthening its full commitment to govern its business practices with upmost integrity and to deter the occurrence of bribery or corruption within the Group, a set of “Anti- Corruption Policies and Procedures” and “Anti-Corruption Oversight Structure” have been adopted. The Board has also put in place a Code of Conduct and Ethics for Directors and employees and Whistleblowing Policies and Procedures.

The Code of Conduct and Ethics for Directors and employees is made available on the Group’s website. It sets forth the standard of conduct required for all Directors and employees of the Group and reflects the Group’s underlying core ethical values and commitment towards a high standard of integrity, transparency, fairness, accountability, contribution towards the social and environmental growth of the surroundings in which it operates and the pursuit of excellence. The employees are made aware that relevant disciplinary actions will be taken for unethical behaviour and misconduct.

The Whistleblowing Policies and Procedures which facilitate the exposure of any unethical behaviour, malpractices, illegal acts or failure to comply with regulatory requirements within the Group is also made available on the Group’s website. No whistleblowing report was received during financial year 2023.

On 18 January 2023, the Board reviewed the Anti-Corruption Policies and Procedures, Whistleblowing Policies and Procedures and Code of Conduct and Ethics to ensure that they continue to remain relevant and appropriate.

The Board acknowledges the importance of sustainability relating to environmental, social and governance (“ESG”) including their risks and opportunities to/for the Group. The Risk Management Committee consisting of Executive Directors and key management staff has been assisting the Board in fulfilling its oversight responsibilities in relation to the Group’s sustainability strategies and initiatives as well as embedding sustainability practices into the businesses of the Group. The management has strengthened the ESG integration into the Group wide operations in the financial year 2023.

The Group periodically reviews and updates the Group’s sustainability material matters and captured the input from the stakeholders whom the Group collaborates in engaging and assessing the magnitude of risks and opportunities, shape the strategy and the allocation of resources. The Group has engaged with stakeholders in various communication channels to understand stakeholders’ interests and concerns towards the business operations and sustainability performance.

In order to ensure the Board is kept abreast on sustainability issues which are relevant to the Group’s businesses and operations, the management updates the Board from time to time on the stakeholders’ needs and expectations and identify the areas that matter most to the Group gauged upon frequent and robust engagement with stakeholders. Moving forward, the management will organise seminars or talks in relation to ESG for the Board when the need arises. In addition, the article, journal, updates or reports in relation to the Group’s businesses will be distributed to the Board to ensure the Board is kept abreast on the latest developments and trends of the Group’s businesses.

#### II Board Composition

##### DEMOGRAPHIC

	As at 1 June 2022	As at 31 May 2023	As at date of this Statement
<b>Independent Non-Executive Directors</b>	3	2	3
<b>Non-Independent Non-Executive Director</b>	1	1	1
<b>Executive Chairman</b>	1	1	1
<b>Non-Independent Executive Directors</b>	2	2	2
<b>Number of Directors</b>	7	6	7
<i>Female</i>	4	4	4
<i>Male</i>	3	2	3

One-Third (1/3) of the Board consists of Independent Non-Executive Directors in compliance with Paragraph 15.02(1)(a) of MMLR  
At least one (1) Director is a woman in compliance with Paragraph 15.02(1)(b) of MMLR

## Corporate Governance Overview Statement

### PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (continued)

#### II Board Composition (continued)

Although less than half of the Board comprises Independent Directors, the Board is of the view that having a majority of Non-Executive Directors of the Board provides reasonably effective checks and balances within the Board. The Board recognises and appreciates the valuable advice, guidance and insight of Non-Independent Non-Executive Director, Ms. Cheah Yee Leng, who was nominated by the Company's substantial shareholder, Hap Seng Consolidated Berhad.

Mr. Lim Poh Seong and Mr. Yap Min Lee had resigned as Independent Non-Executive Directors on 29 May 2023 to be in line with the latest ruling on the twelve (12) years tenure limit of independent non-executive director. In replacement thereof and in order to create a well-balanced Board composition and dynamics, Mr. Lee Kok Wei and Mr. Oscar Kin Yin Tuet were appointed as Independent Non-Executive Directors of the Company on 29 May 2023 and 28 August 2023, respectively.

The Company currently does not have a policy to limit the tenure of its independent directors to nine (9) years. At this juncture, none of the Independent Directors of the Company has exceeded a cumulative term of nine (9) years. However, if the Board intends to retain an independent director beyond nine (9) years, it will justify and seek annual shareholders' approval appropriately.

The Board acknowledges the importance of fostering diversity to enhance effectiveness of the Board and Senior Management. Having a range of diverse dimensions brings different perspectives to the boardroom and to various levels of Management within the Group. The present Directors, with their different backgrounds and specialisation, collectively bring with them experience and expertise in areas such as finance, accounting, business administration, corporate affairs, legal, marketing and operations. With this mix of expertise, the Company is essentially led and guided by an experienced and competent Board. The brief profile of each Director is presented in this Annual Report under Profile of Directors.

The Group is committed to maintaining an environment of respect for people in all business dealings and achieving a workplace environment free of harassment and discrimination on the basis of gender, physical or mental state, ethnicity, nationality, religion or age. As such, all appointments and employment are based on objective criteria including (but not limited to) diversity in skills, experience, age, cultural background and gender.

The Company has in place its procedures and criteria for appointment of new directors and Senior Management. The Company has sourced for the most suitable candidates from various sources such as recommendations from the Directors, Secretary and referrals from external sources. The newly appointed Directors, Mr. Lee Kok Wei and Mr. Oscar Kin Yin Tuet were recommendations from the Company Secretary and a Director. Both of them were appointed as Independent Non-Executive Directors after assessing and evaluating their declarations made on the Directors' Declaration of Fit and Proper and Directors' Declaration of Independence Pursuant to MMLR as stipulated in the Company's Board Charter and the following criteria:

- a) Fulfillment of Para 2.20A of the MMLR in terms of character, experience, integrity, competence and time to effectively discharge their roles as directors;
- b) qualifications;
- c) skills and functional knowledge; and
- d) background.

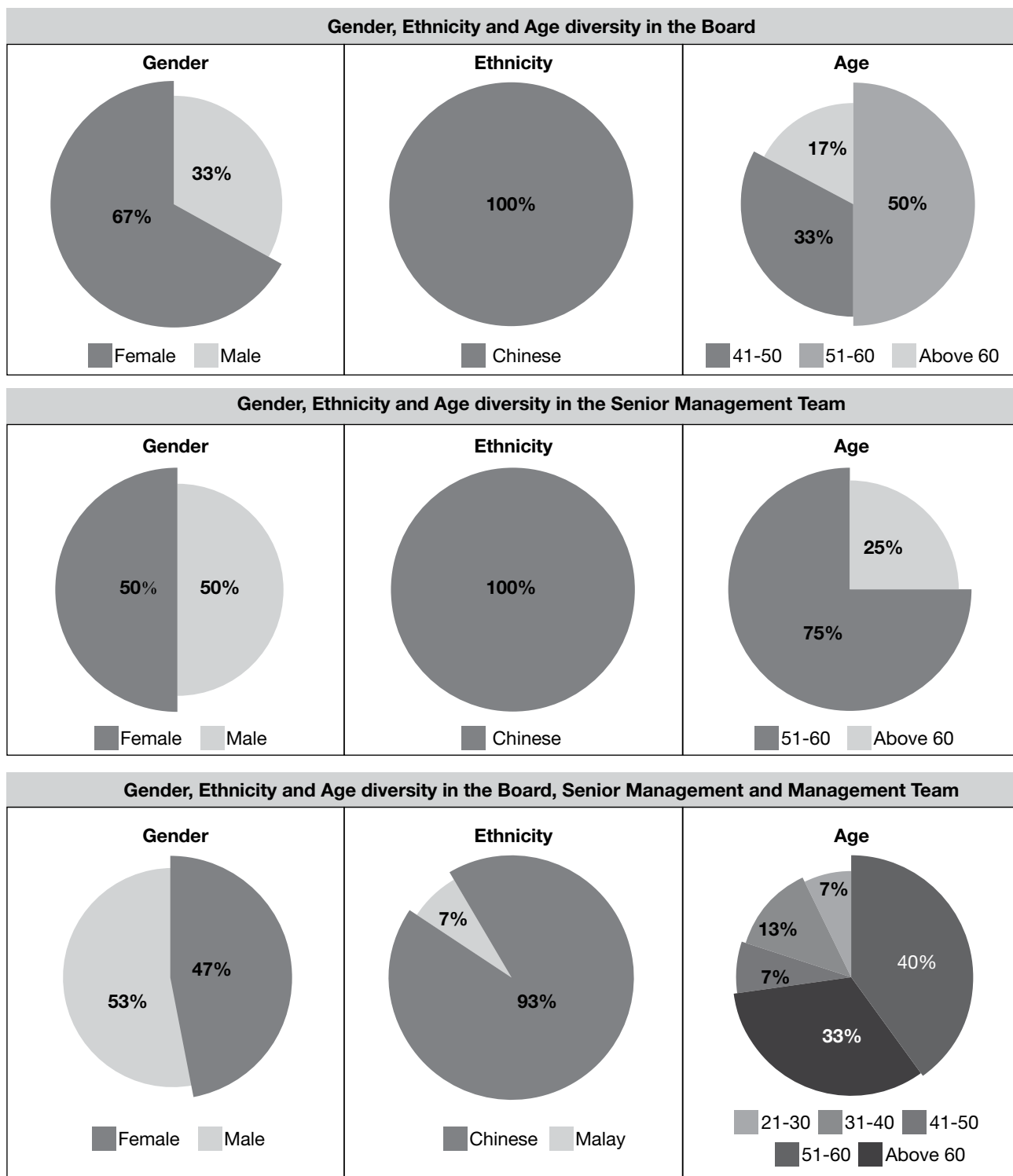
The Board is judicious of the gender diversity recommendation promoted by the Code in order to offer greater depth and breadth for discussions and constructive debates in Board and Senior Management level. As at 31 May 2023, there was 67% female in the Board and 50% female in the Senior Management team. With the appointment of Mr. Oscar Kin Yin Tuet as Director on 28 August 2023, the percentage of female Directors in the Board reduced from 67% to 57% whereas the percentage of female in the Senior Management team remains at 50% as at the date of this Statement. Therefore, the Board is of the view that there is no necessity to set any specific target for female directors to sit in the Board and in the Senior Management team.

## Corporate Governance Overview Statement

### PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (continued)

#### II Board Composition (continued)

##### GENDER, ETHNICITY AND AGE DIVERSITY AS AT 31 MAY 2023



In accordance to the Article 109 of the Company's Constitution, all Directors shall retire from office at the Company's AGM at least once in three (3) years but shall be eligible for re-election in accordance with the Company's Constitution. Whereas Article 108 of the Company's Constitution states that any newly appointed Director shall hold office only until the next following AGM of the Company and shall be eligible for re-election at such meeting.

## Corporate Governance Overview Statement

### PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (continued)

#### II Board Composition (continued)

Based on the recommendation by the Nomination Committee, the Board is proposing the re-election of the following Directors who have offered themselves for re-election at the forthcoming 26<sup>th</sup> AGM:-

- a) Mr. Lim Zhen Qi (pursuant to Article 109 of the Company's Constitution);
- b) Ms. Goh Ying Li (pursuant to Article 109 of the Company's Constitution);
- c) Mr. Lee Kok Wei (pursuant to Article 108 of the Company's Constitution); and
- d) Mr. Oscar Kin Yin Tuet (pursuant to Article 108 of the Company's Constitution).

To assist shareholders in their decision, sufficient information such as personal profiles of the Directors standing for re-election are disclosed in the Profile of Directors whereas the details of their interest in securities of the Company are set out in the Analysis of Shareholdings in this Annual Report.

The Board has adopted a formal and objective annual evaluation of the Board, Board Committees and Directors' performance. The Board through the Nomination Committee conducts the annual assessment on effectiveness of the Board, the Board Committees and the individual Directors of the Company. The Nomination Committee oversees and reviews on an on-going basis, the overall composition of the Board in terms of size, the required mix of skills, experience and other qualities and core competencies for the Directors of the Company.

During financial year ended 31 May 2023, the Company Secretaries assisted in the preparation of documents and facilitation of the annual evaluation. The evaluation process was led by Chairman of the Nomination Committee with the assistance of the Company Secretaries. All Directors participated in the evaluation by answering a set of questionnaires.

The evaluation process was based on self and peer assessments whereby the Directors assessed each other and themselves, the Board as a whole and the performance of each Board Committee. The results of all assessments and comments were collated and summarised by the Company Secretaries and were deliberated at the Nomination Committee meeting and thereafter the Nomination Committee's Chairman reported the results and deliberation to the Board.

The results of the assessments indicated that the performance of the Board, the Board Committees, the individual Directors and Members of the Board Committees during the review period had been satisfactory and therefore, they had been effective in their overall discharge of functions, roles and duties. Also, there were no apparent weaknesses or shortcomings identified as to warrant any specific action plan to address the same.

The details on the activities of the Nomination Committee during the financial year ended 31 May 2023 are disclosed in the CG Report.

#### III Remuneration

The Board has in place a set of policies and procedures for remuneration of Directors and Senior Management ("Remuneration Policy"). The objective of Remuneration Policy of the Company is to attract, retain and motivate Directors and Senior Management of the quality required to manage the business of the Group. The remuneration of Executive Directors and Senior Management comprises basic salary, allowances, bonuses and other customary benefits as appropriate. In the case of the Non-Executive Directors, a basic fee as ordinary remuneration and meeting allowances will be paid. The Executive Directors play no part in deciding their own remuneration. It is the ultimate responsibility of the Board to approve the remuneration package of Executive Directors. The Directors' Fee payable and other benefits payable to Directors are subject to the members' approval at the AGM in accordance with Section 230(1) of the Companies Act 2016.

The Board, through the Remuneration Committee is responsible for establishing, reviewing and recommending to the Board the remuneration packages of each individual Executive Director. The Remuneration Committee is also responsible for reviewing and recommending the remuneration for Senior Management and to ensure that their remuneration commensurate with their responsibilities and commitment.

## Corporate Governance Overview Statement

### PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (continued)

#### III Remuneration (continued)

On 18 January 2023, the Remuneration Committee reviewed the Directors' fee and remuneration packages of the Executive Directors and Senior Management. The Board approved the recommendation by the Remuneration Committee to put forth the Directors' Fee to the shareholders for approval at the 26<sup>th</sup> AGM.

Details of Directors' remuneration of the Company and of the Group for the financial year ended 31 May 2023 are as follow:

#### Company

	Salaries (RM)	Bonuses (RM)	Fees (RM)	Other Remuneration (RM)	Total (RM)
<b>Executive Directors</b>					
Lim Chang Ching	-	-	3,000	2,500	5,500
Lim Zhen Qi	-	-	-	2,500	2,500
Alice Boo Miao Li	-	-	-	2,500	2,500
<b>Non-Executive Directors</b>					
Lim Poh Seong*	-	-	49,000	4,500	53,500
Yap Min Lee*	-	-	44,000	3,500	47,500
Cheah Yee Leng	-	-	39,000	2,500	41,500
Goh Ying Li	-	-	44,000	4,500	48,500
Lee Kok Wei <sup>#</sup>	-	-	471	-	471
<b>Total</b>	-	-	<b>179,471</b>	<b>22,500</b>	<b>201,971</b>

#### Group

	Salaries (RM)	Bonuses (RM)	Fees (RM)	Other Remuneration (RM)	Total (RM)
<b>Executive Directors</b>					
Lim Chang Ching	836,388	61,600	3,000	2,500	903,488
Lim Zhen Qi	448,580	33,000	-	2,500	484,080
Alice Boo Miao Li	277,850	10,250	-	2,500	290,600
<b>Non-Executive Directors</b>					
Lim Poh Seong*	-	-	49,000	4,500	53,500
Yap Min Lee*	-	-	44,000	3,500	47,500
Cheah Yee Leng	-	-	39,000	2,500	41,500
Goh Ying Li	-	-	44,000	4,500	48,500
Lee Kok Wei <sup>#</sup>	-	-	471	-	471
<b>Total</b>	<b>1,562,818</b>	<b>104,850</b>	<b>179,471</b>	<b>22,500</b>	<b>1,869,639</b>

\* resigned as Independent Non-Executive Director on 29 May 2023

<sup>#</sup> appointed as Independent Non-Executive Director on 29 May 2023

#### Remuneration of Top Five Senior Management

The top five (5) Senior Management's remuneration for the financial year ended 31 May 2023 is as follows :-

Range of Remuneration (RM)	Top Five Senior Management
350,000-400,000	2
200,000-250,000	1
150,000-200,000	2
<b>Total</b>	<b>5</b>

The Board is of the view that the disclosure of the Senior Management Personnel names and the various remuneration component (salary, bonus, benefits in-kind, other emoluments) would not be in the best interest of the Group due to confidentiality and sensitivity of each remuneration package.

## Corporate Governance Overview Statement

### PRINCIPLE B EFFECTIVE AUDIT AND RISK MANAGEMENT

#### I Audit Committee

Before 29 May 2023, the Audit Committee was made up of three (3) Independent Non-Executive Directors. On 29 May 2023, Mr. Lim Poh Seong and Mr. Yap Min Lee ceased to be the Chairman and member of Audit Committee respectively and in place thereof, Mr. Lee Kok Wei was appointed as the Chairman of the Audit Committee on the even date. As a result, the Audit Committee was made up of only two (2) Independent Non-Executive Directors as at 31 May 2023. However, with the appointment of Mr. Oscar Kin Yin Tuet as the member of Audit Committee on 28 August 2023, the Audit Committee consist of three (3) Independent Directors which is in compliance with the MMLR. None of the members of Audit Committee was a former key audit partner who is required to observe a cooling off period of at least three (3) years before being appointed as a member of Audit Committee in accordance with the Terms of Reference of Audit Committee.

The Chairman of Audit Committee is distinct from the Chairman of the Board. This has ensured the objectivity of the Board's review of the Audit Committee's findings and recommendations. The Chairman of the Audit Committee is responsible to ensure the overall effectiveness and independence of the Audit Committee.

All members of the Audit Committee are financially literate. The previous Chairman, Mr. Lim Poh Seong is a fellow member of the Association of Chartered Certified Accountants (ACCA) whilst Mr. Lee Kok Wei is a member of the Malaysian Institute of Accountants (MIA) and member of Asean Chartered Professional Accountant. All members of the Audit Committee have full access to both the Internal and External Auditors who, in turn, have access at all times to the Chairman of Audit Committee.

The Company has in place policies and procedures to assess the suitability, objectivity and independence of the External Auditors. In the annual assessment on the suitability, objectivity and independence of the auditors, the Audit Committee is guided by the factors as prescribed under MMLR as well as the policies and procedures which were adopted by the Board.

Details of activities carried out by the Audit Committee during the financial year ended 31 May 2023 are set out in the Audit Committee Report.

#### II Risk Management and Internal Control Framework

The Board recognises the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal control, and for reviewing its adequacy and effectiveness.

The Board adopted the Enterprise Risk Management framework which is guided by the principles set out in ISO31000:2018 Risk Management, which is an internationally recognised risk management framework. The Risk Management Committee is entrusted by the Board to oversee the Group's risk management framework and policies. The composition of Risk Management Committee consists of Executive Directors and key management staff. The Risk Management Committee has clear written Terms of Reference and the Board receives reports of its proceedings and deliberations. The Risk Management Committee will report to the board the outcome of its meetings and such reports are incorporated in the minutes of the Board meetings.

The Risk Management Committee assessed and monitored the efficacy and effectiveness of the risk management controls and measures taken whilst the adequacy and effectiveness of the internal controls were reviewed by the Audit Committee in conjunction with the activities and reports of the outsourced Internal Auditors.

For financial year 31 May 2023, the Group's internal audit function is outsourced to a professional service firm, Tricor Axcelasia Sdn. Bhd. to provide the Audit Committee with an independent assessment on the adequacy and effectiveness of the Group's system of internal controls.

During the financial year under review, the outsourced internal audit function carried out audits in accordance with the risk-based internal audit plan reviewed and approved by the Audit Committee. The results of their review presented in the Internal Audit Report, which include a summary of internal audit findings and management's responses, were discussed with Senior Management and subsequently presented to the Audit Committee. Follow up visits were also conducted by Internal Auditors to ensure that management's action plans in respect of the matters highlighted in the internal audit reports have been adequately addressed. None of the internal control weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Annual Report.

## Corporate Governance Overview Statement

### PRINCIPLE B EFFECTIVE AUDIT AND RISK MANAGEMENT (continued)

#### II Risk Management and Internal Control Framework (continued)

To ensure effectiveness of the Group Internal Audit function, the Audit Committee assessed the following in respect of internal audit amongst others, the terms of engagements, scope of work, timeliness and quality of deliverables :-

- a) the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work; and
- b) the internal audit plan, processes, the results of the internal audit assessment, processes or undertakings and whether or not appropriate action is taken on the recommendations of the internal audit function.

The engagement Executive Director of Tricor Axcelasia Sdn. Bhd., Ms. Melissa Koay who has diverse professional experience in internal audits, risk management and corporate governance advisory. She is a Chartered Member of the Institute of Internal Auditors Malaysia, a member of the Malaysian Institute of Accountants and a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom. Ms. Koay is also a Certified Internal Auditor, an international qualification awarded by the Institute of Internal Auditors.

The internal audit staff on the engagement, are free from any family relationship with any Directors and/or major shareholders and do not have any conflict of interest with the Group.

The internal audit was conducted using a risk-based approach and was guided by the International Professional Practice Framework (IPPF).

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

#### I Engagement with Stakeholders

The Board leverages on a number of formal channels for effective dissemination of information to shareholders and other stakeholders, particularly through Annual Reports, Circular to Shareholders, announcements to Bursa Malaysia Securities Berhad, media releases, AGM, Extraordinary General Meeting and the Group's website, [www.paos.com.my](http://www.paos.com.my).

The Company is not a Large Company as defined by the Code. The Company will consider adopting integrated reporting if the Board is of the view that the benefits of the adoption outweigh the costs.

#### II Conduct of General Meetings

The Company ensured that shareholders were given ample time to review and consider the matters to be discussed and decided at the Company's 25<sup>th</sup> AGM. In line with the recommendations of the Code, the Notice of 25<sup>th</sup> AGM of the Company was issued twenty eight (28) days before the AGM date. Concurrently, the Notice of 25<sup>th</sup> AGM was advertised in a nationally circulated English daily newspaper. In order to facilitate informed decision making by the shareholders, Notice of 25<sup>th</sup> AGM is also accompanied by explanatory notes along with any background information and reports or recommendation that are relevant, where required and necessary.

All Directors, External Auditors together with Company Secretary participated in the 25<sup>th</sup> AGM which was conducted on a fully virtual basis through live streaming and online Remote Participation and Electronic Voting ("RPEV") facilities via online meeting platform at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC - D6A357657), provided by Boardroom Share Registrars Sdn. Bhd. in Malaysia on 25 November 2022. The virtual meeting allowed greater shareholder participation in line with the recommendations of the Code.

Detailed registration and voting procedures were provided to shareholders through an Administrative Guide, both to assist in their participation using the online platform and to encourage their involvement. The shareholders were encouraged to take advantage of the RPEV facilities to participate and vote at the 25<sup>th</sup> AGM. The shareholders were also encouraged to appoint proxy/proxies or chairman of the meeting to vote on their behalf if they are unable to attend the meeting. To further encourage engagement between the Directors and shareholders, the shareholders or proxies were invited to submit questions via real time submission of typed texts through a text box within Boardroom Smart Investor Portal's platform during the live streaming of the meeting or to send questions before 25<sup>th</sup> AGM via Boardroom Portal at <https://investor.boardroomlimited.com>.



## Corporate Governance Overview Statement

### PRINCIPLE C INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (continued)

#### II Conduct of General Meetings

At the Company's 25<sup>th</sup> AGM, the Company had continued to leverage on technology to facilitate remote shareholders' participation and electronic voting for the conduct of poll on the resolutions. The Board had ensured that the required infrastructure and tools were in place to enable the smooth broadcast of the 25<sup>th</sup> AGM and meaningful engagement with the shareholders.

A Questions and Answers session ("Q&A session") had been allocated to deal with the questions in relation to the Company's financial statements and proposed resolutions before putting the resolutions for voting. The Chairman ensured that shareholders and proxies were given ample opportunities to raise questions related to the Company's affairs, and sufficient responses were provided. The questions from Minority Shareholders Watch Group (MSWG) vide its letter dated 14 November 2022 relating to the Company's affairs were made visible to the participants and the answers thereto were read out and addressed during Q&A session. The questions posed by the shareholders/proxies during the meeting were also responded by the Chairman and Executive Director during the Q&A session.

The Company had engaged Boardroom Share Registrars Sdn. Bhd. as the Poll Administrator to provide the electronic polling services for 25<sup>th</sup> AGM. The poll results were verified by the independent scrutineer before the Chairman declared the resolutions tabled were carried. The poll results as well as the name of the independent scrutineer were announced by the Company via Bursa LINK on the same day for the benefit of all shareholders. The Minutes of the 25<sup>th</sup> AGM together with the Questions raised by MSWG, shareholders/proxies and the Answers thereto and as well as poll results were made available on the Group's website within thirty (30) business days after the 25<sup>th</sup> AGM.

#### STATEMENT ON COMPLIANCE

The Company has adopted all the Practices of the Code except for the following:

- |              |  |
|--------------|--|
| Practice 1.3 | The positions of Chairman and CEO are held by different individuals;   |
| Practice 1.4 | The Chairman of the Board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee;   |
| Practice 5.2 | At least half the Board comprises independent directors;   |
| Practice 5.6 | The Board does not solely rely on recommendations from existing board members, management or major shareholders. The Board utilises independent sources to identify suitably qualified candidates; and |
| Practice 8.2 | Disclosure on a named basis of top five senior management's remuneration in bands of RM50,000.   |

The explanations for departure from the above practices are available in the CG Report.

The Board is committed to strengthen the application of the corporate governance practices and procedures as set out in the Code throughout the Group, in pursuit of safeguarding the interest of all shareholders and stakeholders.

This Corporate Governance Overview Statement was approved by the Board of Directors on 22 September 2023.

## OTHER COMPLIANCE INFORMATION

### 1) Utilisation of Proceeds

During the financial year ended 31 May 2023, the Company did not raise any proceed from any corporate proposal.

### 2) Audit and Non-Audit Fees

The amount of audit and non-audit fees paid or payable to the External Auditors or a firm or corporation affiliated to the Auditors' firm for the financial year ended 31 May 2023 are as follows:-

Particular	Company RM	Group RM
Audit Fee paid or payable to External Auditors	60,000	201,000
Non-Audit Fees paid or payable to External Auditors <i>- review of the Statement on Risk Management and Internal Control</i>	15,000	15,000
Non-Audit Fees paid or payable to a firm or corporation affiliated to the Auditors' firm <i>- taxation services</i>	5,500	40,100

### 3) Material Contracts

There were no material contracts (not being contracts entered into the ordinary course of business) entered into by the Company and its subsidiaries involving the interests of Directors and major shareholders of the Company either subsisting at the end of the financial year or entered into since the end of the previous financial year.

### 4) Recurrent Related Party Transactions of a Revenue or Trading Nature

The Company intends to seek its shareholders' approval to renew the existing shareholders mandate for the Group to enter into recurrent related party transactions of a revenue or trading nature ("Proposed Shareholders' Mandate") with the related party which are necessary for the day-to-day operation and are in the ordinary course of business of the Group at the Twenty Sixth Annual General Meeting of the Company. The Proposed Shareholders' Mandate, details as disclosed in the Circular to Shareholders dated 27 September 2023 is sent together with this Annual Report. Details of the Proposed Shareholders' Mandate occurred during the financial year ended 31 May 2023 are disclosed in Note 26 to the Financial Statements set out on page 91 of this Annual Report.

## AUDIT COMMITTEE REPORT

### COMPOSITION OF AUDIT COMMITTEE

<b>Lee Kok Wei</b>	<i>(Chairman of the Committee, Independent Non-Executive Director) (appointed as Chairman of Audit Committee on 29 May 2023)</i>
<b>Goh Ying Li</b>	<i>(Independent Non-Executive Director)</i>
<b>Oscar Kin Yin Tuet</b>	<i>(Independent Non-Executive Director) (appointed as member of Audit Committee on 28 August 2023)</i>
<b>Lim Poh Seong</b>	<i>(Chairman of the Committee, Independent Non-Executive Director) (ceased as Chairman of Audit Committee on 29 May 2023)</i>
<b>Yap Min Lee</b>	<i>(Independent Non-Executive Director) (ceased as member of Audit Committee on 29 May 2023)</i>

The composition of the Audit Committee meets the requirement of paragraph 15.09(1)(a) and (b) and 15.10 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”).

Mr. Lim Poh Seong is a fellow member of the Association of Chartered Certified Accountants and fulfills the requirement of paragraph 15.09 (1)(c)(ii) of the MMLR. Whereas, Mr. Lee Kok Wei is a member of the Malaysian Institute of Accountants (MIA) and member of Asean Chartered Professional Accountant and fulfills the requirement of paragraph 15.09 (1)(c)(i) of the MMLR.

The Board has entrusted the Nomination Committee to review the terms of office of the Audit Committee members and the performance of the Audit Committee and its members through an annual evaluation. The Board is satisfied that the Audit Committee and its members discharged their functions, duties and responsibilities in accordance with the Terms of Reference of the Audit Committee, supporting the Board in ensuring the Group upholds appropriate Corporate Governance standards.

During the financial year ended 31 May 2023, the Chairman of the Audit Committee had engaged on a continuous basis with the management, Internal Auditors and the External Auditors, in order to keep abreast of matters and issues affecting the Company.

The management was invited to all Audit Committee meetings to facilitate direct communication and to provide clarification on audit issues and the Group’s operations. All deliberations during the Audit Committee meetings were duly minuted. Minutes of the Audit Committee meetings were tabled for confirmation at every succeeding Audit Committee meeting and the Minutes were distributed to each Board member for their notation. The Chairman of the Audit Committee reported on key issues discussed at each meeting to the Board.

### ATTENDANCE

During the financial year ended 31 May 2023, the Committee met four (4) times on 27 July, 2022, 28 October 2022, 18 January 2023 and 26 April 2023. The number of meetings attended by each member is as follows :-

Member	Description	No. of Meetings Attended	Percentage (%)
Lim Poh Seong <i>(ceased as Chairman of Audit Committee on 29 May 2023)</i>	Chairman / Independent Non-Executive Director	4/4	100
Yap Min Lee <i>(ceased as Member of Audit Committee on 29 May 2023)</i>	Member / Independent Non-Executive Director	3/4	75
Goh Ying Li	Member / Independent Non-Executive Director	4/4	100
Lee Kok Wei <i>(appointed as Chairman of Audit Committee on 29 May 2023)</i>	Chairman / Independent Non-Executive Director	N/A	N/A

## Audit Committee Report

### SUMMARY OF WORKS

The works carried out by the Audit Committee during the financial year ended 31 May 2023 include the following :-

#### (a) Financial Reporting

The Committee reviewed the unaudited quarterly reports and financial statements of the Company and the Group and recommended the same to the Board for approval prior to the announcement to Bursa Malaysia Securities Berhad. The review is to ensure that the unaudited quarterly reports and audited financial statements of the Company and the Group present a true and fair view of the Group's financial position and performance and compliance with regulatory requirements.

The Committee reviewed the financial reports by focusing on :

- Changes in or implementation of major accounting policies
- Significant adjustment arising from the audit
- Significant and unusual events
- Compliance with accounting standards and other legal requirements

In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with the management and External Auditors on the salient accounting and audit issues, significant risk areas, reasonableness of significant judgements, amendments to the reporting standards and other legal requirements.

The Company's External Auditors, Messrs KPMG PLT ("KPMG") have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors such as impairment on investments, trade receivables, contract assets and inventories.

#### (b) External Audit

On 27 July 2022, the Audit Committee reviewed KPMG's presentation for financial year ended 31 May 2022. A summary of KPMG's key findings was presented to the Audit Committee. The Audit Committee was satisfied that the Financial Statements for the year 2022 did not contain material misstatements and have given a true and fair view of the financial position of the Group. In the same meeting, the Audit Committee carried out an annual assessment/evaluation of the performance of External Auditors including the assessment of their independence in accordance to the Group's "Policies and Procedures to Assess the Suitability and Independence of External Auditors". An evaluation form "External Auditor Evaluation Form" which consists of a set of questionnaires were used to aid the evaluation. Based on the outcome of the questionnaires, the work done, the presentation of the Auditors and the feedback from the management, the Audit Committee was satisfied with KPMG's performance for financial year 2022 and recommended to the Board the re-appointment of KPMG as External Auditors of the Group for financial year 2023.

With the shareholders' approval of the appointment of KPMG as External Auditors for the financial year 2023, the Audit Committee reviewed with KPMG, their Audit Plan for the financial year ended 31 May 2023 on 26 April 2023. The audit highlights, audit materiality, audit scope, audit methodology and timing of audit, significant and other risks ie potential key audit matters and other significant audit matters, key milestones, audit fees, newly effective accounting standards, non-assurance services pre-approval, Section 320A of Capital Markets and Services Act 2007, Directors' responsibilities, KPMG's responsibilities, KPMG's independence and KPMG's in Malaysia Transparency Report and amongst others were discussed and brought to the attention of the Audit Committee. The Audit Committee upon due deliberation, approved KPMG's Audit Plan for the financial year ended 31 May 2023 for implementation in accordance with the audit timelines.

An annual assessment of the quality of the audit has been undertaken by the Audit Committee on 26 July 2023. The Audit Committee was satisfied with KPMG's performance, quality of communication, sufficiency and allocation of resources, competency as well as timelines in completing the audit. The Audit Committee was of the view that KPMG had demonstrated their independence, objectivity and professionalism. In addition, KPMG in its presentations to the Audit Committee confirmed that KPMG are independent of the Group 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' Code of *Ethics for Professional Accountants* ("*IESBA Code*"), and they have fulfilled their other ethical responsibilities in accordance with the By-Laws and IESBA Code.

Further to that, the Audit Committee recommended the re-appointment of KPMG for the financial year ending 31 May 2024 to the Board for approval by its shareholders at the forthcoming Twenty Sixth Annual General Meeting.

## Audit Committee Report

### SUMMARY OF WORKS (continued)

#### (c) Internal Control and Risk Management

During financial year 2023, the Audit Committee met four (4) times with the Internal Auditors at the Audit Committee meetings to carry out its responsibility in reviewing the internal audit function and to assure itself on the soundness of internal control system.

On 27 July 2022, the Audit Committee reviewed and concurred with the comments on the Statement on Risk Management and Internal Control given by the outsourced Internal Auditors, Tricor Axcelasia Sdn. Bhd.. In the same meeting, the Audit Committee reviewed and assessed the adequacy of the scope, functions, competency and resources of the internal audit function. An evaluation questionnaires "Evaluation of Internal Audit Function" was used to aid the evaluation and references have been made to the 7 key criteria of effective Internal Audit Function highlighted by Bursa Malaysia. The Audit Committee was satisfied that Tricor Axcelasia Sdn. Bhd. has been given the necessary authority to carry out its work. The Audit Committee was satisfied with the performance and competency of Tricor Axcelasia Sdn. Bhd..

On 28 October 2022, 18 January 2023 and 26 April 2023, the Audit Committee reviewed and deliberated the Internal Audit Reports containing internal audit findings, management's response and recommendations presented by the Internal Auditors. Follow up reviews from previous audits were also updated to the Committee to track on whether the findings have been resolved.

#### (d) Other activities

The Audit Committee reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group on quarterly basis. The Audit Committee also reported to the Board on significant issues and concerns discussed during the Audit Committee meetings together with applicable recommendations.

On 18 January 2023, the Audit Committee reviewed the summary of Identified Corruption Risks for financial year 2023 of the Company and each subsidiary presented by the Anti-Corruption Oversight Committee. In the same meeting, the Audit Committee also reviewed the Terms of Reference of Anti-Corruption Oversight Committee, Terms of Reference of Audit Committee and Policies and Procedures to Assess the Suitability and Independence of External Auditors to ensure that they remain relevant and applicable.

### INTERNAL AUDIT FUNCTION AND SUMMARY OF WORKS

During financial year ended 31 May 2023, the Group outsourced its internal audit function to Tricor Axcelasia Sdn. Bhd. as internal auditors of the Group to assist the Audit Committee in discharging its duties and responsibility more effectively. Tricor Axcelasia Sdn. Bhd. acted independently and with due professional care and presented the Internal Audit Reports on the findings and recommendations to the Audit Committee.

The internal audit reviews were conducted using a risk-based approach and were guided by the International Professional Practice Framework. The internal audit reviews involved walkthrough or high level reviews of the major operations, discussions held with top management and key workers as limited tests of transactions on a sample basis covering the various related records and documents supplemented with an observation of its current practices.

The Audit Committee has full and direct access to the outsourced Internal Auditors, reviews its internal audit plan and reports on audits performed, and monitors its performance. The Audit Committee also reviews the adequacy of the scope, functions, competency and resources of outsourced internal audit functions from time to time.

In respect of the financial year ended 31 May 2023, the Internal Auditors had carried out the following internal audit reviews :

#### a) Review of Recurrent Related Party Transactions ("RRPTs") Procedures (Group)

Scope of audit

- Assessing the adequacy and effectiveness of the existing review procedures
- Determining if review procedures in respect of RRPTs are adhered to by reviewing RRPTs entered into since the last Annual General Meeting on a sampling basis
- Assessing the adequacy and effectiveness of management's monitoring procedures of actual transactions as compared with the approved shareholders mandate to ensure compliance with the Bursa Malaysia's Listing Requirements

## Audit Committee Report

### INTERNAL AUDIT FUNCTION AND SUMMARY OF WORKS (continued)

#### b) Anti-Corruption Programme Management (Group)

##### Scope of audit

- Adequacy of group-wide Anti-Corruption and Anti-Bribery (“ABAC”) policy and implementation guide
- Evidence of corruption risk assessment/ re-assessment and monitoring of action plan
- Due diligence process for supplier/new joiner/customer
- Training/ refresher (including on boarding programme)
- Adequacy of the group-wide whistle-blowing policy & implementation guide
- Whistle-blowing activities reporting process & channel (if any)

#### c) Plant Commissioning and Production (Premier Oil Industries Sdn. Bhd.)

##### Scope of audit

- Plant commissioning process
- Raw material and manpower utilisation
- Scheduled waste management
- Preventive maintenance
- Quality control and assurance

The reviews were conducted to assist the Audit Committee by independently assessing the adequacy and effectiveness of the Group’s system of internal control and make recommendations for improvement.

They also had carried out follow-up audit visits to review the implementation status of management’s action plans that were reported in the previous Internal Audit Reports.

The audit findings and recommendations for improvement and the status of implementation status of management’s action plans were presented at the Audit Committee meetings.

The fees incurred in maintaining the outsourced internal audit function for the financial year ended 31 May 2023 amounted to RM52,000.

This report is made in accordance with a resolution of the Board of Directors on 22 September 2023.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### INTRODUCTION

The Board of Directors (“Board”) of Paos Holdings Berhad (“PHB” or “the Group”) is pleased to present its Statement on Risk Management and Internal Control (“the Statement”) for the financial year ended 31 May 2023, which has been prepared pursuant to paragraph 15.26 (b) of Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (“the Guidelines”), in this annual report. This Statement outlines the nature and state of the internal controls of the Group.

### BOARD’S RESPONSIBILITIES

The Board recognises the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal control systems to safeguard shareholders’ investments and the Group’s assets as well as to discharge its stewardship responsibility in identifying key risks and ensuring the implementation of appropriate risk management and internal control system to manage these risks.

In addition, on 26 July 2023 the Board has also received assurance from the Executive Directors, who are also primarily responsible for the management of the Group’s financial and operational affairs, that the Group’s risk management and internal control systems, in all material aspects, are operating adequately and effectively.

Due to inherent limitations in the risk management and internal control system, such a system put into effect by the Management is designed to manage rather than eliminate risks that may impede the achievement of the Group’s business strategies and objectives. Therefore, such a system can only provide reasonable but not absolute assurance against any material misstatement or loss. During the current financial year, there were no major internal control weaknesses which led to material losses, contingencies or uncertainties that would require disclosure in this Annual Report.

### KEY ELEMENTS OF THE GROUP’S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Key elements of the Group’s risk management and internal control system that facilitate the proper conduct of the Group’s businesses are described below:

#### 1. RISK MANAGEMENT SYSTEM

As the Group operates in a dynamic business environment, sound risk management and internal control systems are in place to help the Group achieves its business objectives. The Board is dedicated to strengthen the Group’s risk management system and to implement appropriate controls to manage its key business risks within the Group.

Whilst the Board maintains ultimate control over risk management issues, the implementation of the risk management practices and internal controls within an established framework has been delegated to the Risk Management Committee. The responsibility for managing risks at each business division lies with the Risk Management Team, which comprises all the Heads of Department. There are processes for identifying, evaluating, monitoring and managing significant risks that may impede the achievement of the Group’s business and corporate objectives. The Board through the Audit Committee reviews the internal control processes to ascertain that measures are taken to mitigate risks.

Enterprise Risk Management (“ERM”) framework is in place to outline the risk governance and structure, risk policies, risk assessment process and integration of risk management into significant activities and functions. The ERM framework is guided by the principles set out in ISO31000:2018 Risk Management, which is an internationally recognised risk management framework.

During the year under review, the Risk Management Committee met on 20 December 2022, 15 May 2023 and 16 May 2023 to review the risk rating and controls and updates of the Group’s risk profiles of the manufacturing and trading divisions as well as integrated hotel operations and property investment divisions. On 27 July 2022 and 18 January 2023, the Board was updated on the key risks, risk rating, existing controls and the risk action plans identified to manage risks of the Group accordingly.

The abovementioned risk management practices of the Group serve as the on-going process used to identify, evaluate and manage significant risks for the financial year under review and up to the date of approval of this Statement.

## Statement on Risk Management and Internal Control

### KEY ELEMENTS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (continued)

#### 2. INTERNAL CONTROL SYSTEM

- Organisation Structure and Authorisation Procedures

The Board has established a formal organisational structure with well-defined lines of reporting as well as clear delegation of responsibility and accountability within the Group. The Group also sets out roles and responsibilities, appropriate authority limits as well as structured review and approval procedures in order to enhance the decision-making process and the internal control system of the Group.

- Operational Policies and Procedures

Documented operational policies and procedures are in place and are updated when necessary to ensure that they maintain their effectiveness and continue to support the Group's business activities as the Group continues to grow.

- ISO Procedures

One of the Group's subsidiaries, i.e. Paos Industries Sdn. Bhd ("PISB"), is ISO 9001:2015 certified. With this certification, annual surveillance audits are conducted by independent external ISO auditors particularly to ensure compliance with ISO procedures or manual.

- Human Resource Policy

Guidelines on employment, performance appraisal, training and retention of employees are in place to ensure that the Group has a team of employees who are well trained and equipped with all the necessary knowledge, skills and abilities to carry out their roles and responsibilities effectively.

- Code of Conduct and Ethics

To uphold the highest levels of business ethical standards and practices, the Code of Conduct and Ethics was established to serve as a guidance which is to be complied by all the Directors, Management and employees of the Group.

- Anti-Corruption Policies and Procedures

Anti-Corruption Policies and Procedures are developed to assist the Group in preventing the occurrence of corrupt practices in business activities, especially in the deterrence of corruption, bribery and malpractices or illegal activities that may arise in the day to day course of business.

- Whistleblowing Policies and Procedures

The policies and procedures are set up to facilitate all employees of the Group to report or disclose through established channels, concerns about improper conduct or misconduct, or failure to comply with regulatory requirements that is taking place/ has taken place/ may take place in the future.

- Information and Communication

Information requiring the Board and key management staff's attention are highlighted for review, deliberation and decision on a timely basis.

The Group also sets out Shareholders Communication Policy as part of the Group's commitment to promote effective communication with shareholders by providing them with access to the latest information.

- Monitoring and Review

The Executive Directors are involved in the daily operations and are responsible for the business performance of the respective businesses. The daily operations are monitored through management meetings and informal discussions held. Significant issues are brought to the attention of the Board.

The year-end financial statements and the announcements of the quarterly results are presented to the Board for their review, consideration and approval. The Board plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Group.



## Statement on Risk Management and Internal Control

### KEY ELEMENTS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (continued)

#### 3. INTERNAL AUDIT FUNCTION

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

### CONCLUSION

The Board is of the view that the Group's system of risk management and internal control is adequate and effective to safeguard shareholders' investments and the Group's assets. However, the Board is also cognisant of the fact that the Group's system of risk management and internal control practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the Group's system of risk management and internal control framework.

This Statement is made in accordance with the Board's resolution dated 22 September 2023.

## STATEMENT OF DIRECTORS' RESPONSIBILITY

### IN RESPECT OF AUDITED FINANCIAL STATEMENTS

The Directors are responsible to ensure that the financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia and so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2023 and of their financial performance and cash flows for the financial year then ended.

In preparing these financial statements for the year ended 31 May 2023, the Directors have:

- adopted suitable accounting policies and then applied them consistently;
- made estimates and judgements that are reasonable and prudent;
- ensure that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

This Statement is made in accordance with a resolution of the Board of Directors on 22 September 2023.



# **FINANCIAL STATEMENTS**

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## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2023

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 May 2023.

### Principal activities

The Company is principally engaged in investment holding activities whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

### Subsidiaries

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

### Results

	Group RM	Company RM
(Loss)/Profit for the year	(46,045)	92,979

### Reserves and provisions

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

### Dividend

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the financial year under review.

### Directors of the Company

Directors who served during the financial year and until the date of this report are:

Lim Chang Ching	
Lim Zhen Qi	
Alice Boo Miao Li	
Cheah Yee Leng	
Goh Ying Li	
Lee Kok Wei	(appointed on 29 May 2023)
Oscar Kin Yin Tuet	(appointed on 28 August 2023)
Lim Poh Seong	(resigned on 29 May 2023)
Yap Min Lee	(resigned on 29 May 2023)

### Director of Subsidiaries

Pursuant to Section 253 of the Companies Act 2016, the Director of the subsidiaries (excluding Directors who are also Directors of the Company) in office during the financial year and up to the date of this report is as follows:

Lim May Kuin

### Directors' interests in shares

The interests and deemed interests in the ordinary shares of the Company and of its related corporations of a Director at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			At 1.5.2023
	At 1.6.2022	Bought	Sold	
<b>Direct interests in the Company</b>				
Lim Chang Ching	30,000	-	-	30,000

None of the other Directors holding office at 31 May 2023 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

## Directors' Report

for the year ended 31 May 2023

### Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those shown below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The Directors' benefits paid to or receivable by Directors' in respect of the financial year ended 31 May 2023 are as follows:

	<b>From the Company RM</b>	<b>From subsidiary companies RM</b>
Directors of the Company:		
Fees	179,471	-
Remuneration	22,500	1,667,668
	201,971	1,667,668

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

### Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

### Options granted over unissued shares

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

### Indemnity and insurance costs

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

### Other statutory information

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

- i) there are no bad debts to be written off and no provision need to be made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

- i) that would render it necessary to write off any bad debts or provide for any doubtful debts, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

## Directors' Report

for the year ended 31 May 2023

### Other statutory information (continued)

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

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

### Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The details of remuneration paid or payable by the Group and the Company to auditors of the Group and the Company during the financial year are as follows:

	Group RM	Company RM
<b>Auditors' remuneration</b>		
Audit fees		
- KPMG PLT	201,000	60,000
Non-audit fees		
- KPMG PLT	15,000	15,000
	216,000	75,000

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

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**Lim Chang Ching**

Director

Shah Alam, Malaysia

Date: 22 September 2023

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**Alice Boo Miau Li**

Director

**STATEMENTS OF FINANCIAL POSITION**

AS AT 31 MAY 2023

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
<b>Assets</b>					
Property, plant and equipment	3	30,128,609	30,451,814	-	-
Right-of-use assets	4	8,992,917	9,169,305	-	-
Investment properties	5	19,493,361	20,082,558	-	-
Investments in subsidiaries	6	-	-	84,138,173	84,138,173
Deferred tax assets	7	101,848	-	-	-
<b>Total non-current assets</b>		<b>58,716,735</b>	<b>59,703,677</b>	<b>84,138,173</b>	<b>84,138,173</b>
<hr/>					
Inventories	8	152,972	172,517	-	-
Contract assets	9	4,670,717	4,926,143	-	-
Other investments	10	151,400	843,400	-	-
Current tax assets		788,964	842,555	49,100	38,750
Trade and other receivables	11	63,610,473	35,162,914	7,453,658	7,383,507
Deposits and prepayments	12	320,335	229,420	2,000	2,000
Cash and cash equivalents	13	4,448,846	1,229,192	34,165	9,198
<b>Total current assets</b>		<b>74,143,707</b>	<b>43,406,141</b>	<b>7,538,923</b>	<b>7,433,455</b>
<b>Total assets</b>		<b>132,860,442</b>	<b>103,109,818</b>	<b>91,677,096</b>	<b>91,571,628</b>
<hr/>					
<b>Equity</b>					
Share capital	14	90,582,000	90,582,000	90,582,000	90,582,000
(Accumulated losses)/ Retained earnings		(2,421,317)	(2,375,272)	844,140	751,161
<b>Equity attributable to owners of the Company</b>		<b>88,160,683</b>	<b>88,206,728</b>	<b>91,426,140</b>	<b>91,333,161</b>
<hr/>					
<b>Liabilities</b>					
Loans and borrowings	15	471,153	148,549	-	-
Deferred tax liabilities	7	349,269	348,117	-	-
<b>Total non-current liabilities</b>		<b>820,422</b>	<b>496,666</b>	<b>-</b>	<b>-</b>
<hr/>					
Loans and borrowings	15	235,394	111,395	-	-
Trade and other payables	16	43,643,943	14,295,029	250,956	238,467
<b>Total current liabilities</b>		<b>43,879,337</b>	<b>14,406,424</b>	<b>250,956</b>	<b>238,467</b>
<b>Total liabilities</b>		<b>44,699,759</b>	<b>14,903,090</b>	<b>250,956</b>	<b>238,467</b>
<b>Total equity and liabilities</b>		<b>132,860,442</b>	<b>103,109,818</b>	<b>91,677,096</b>	<b>91,571,628</b>

The notes set out on pages 58 to 91 are an integral part of these financial statements.

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2023

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
<b>Revenue</b>	17	683,950,615	378,670,258	500,000	500,000
Cost of sales		(678,845,645)	(375,015,431)	-	-
<b>Gross profit</b>		5,104,970	3,654,827	500,000	500,000
Administrative expenses		(6,597,616)	(6,474,224)	(407,021)	(408,724)
Distribution expenses		(324,685)	(232,646)	-	-
Other expenses		(746,864)	(1,509,524)	-	-
Other income		3,201,845	1,786,390	-	-
<b>Results from operating activities</b>		637,650	(2,775,177)	92,979	91,276
Finance costs		(28,027)	(49,839)	-	-
Finance income		8,577	223	-	-
<b>Profit/(Loss) before tax</b>		618,200	(2,824,793)	92,979	91,276
Tax expense	18	(664,245)	(370,653)	-	-
<b>(Loss)/Profit and total comprehensive (expense)/income for the year</b>	19	(46,045)	(3,195,446)	92,979	91,276
Basic loss per ordinary share (sen)	21	(0.03)	(1.76)	-	-

The notes set out on pages 58 to 91 are an integral part of these financial statements.



## STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2023

<b>Group</b>	<b>Non-distributable Share capital RM</b>	<b>Distributable/ Non-distributable Retained earnings/ (Accumulated losses) RM</b>	<b>Total equity RM</b>
<b>At 1 June 2021</b>	90,582,000	820,174	91,402,174
Loss and total comprehensive expense for the year	-	(3,195,446)	(3,195,446)
<b>At 31 May 2022/1 June 2022</b>	90,582,000	(2,375,272)	88,206,728
Loss and total comprehensive expense for the year	-	(46,045)	(46,045)
<b>At 31 May 2023</b>	90,582,000	(2,421,317)	88,160,683

Note 14

<b>Company</b>	<b>Non-distributable Share capital RM</b>	<b>Distributable Retained earnings RM</b>	<b>Total equity RM</b>
<b>At 1 June 2021</b>	90,582,000	659,885	91,241,885
Profit and total comprehensive income for the year	-	91,276	91,276
<b>At 31 May 2022/1 June 2022</b>	90,582,000	751,161	91,333,161
Profit and total comprehensive income for the year	-	92,979	92,979
<b>At 31 May 2023</b>	90,582,000	844,140	91,426,140

Note 14

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2023

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
<b>Cash flows from operating activities</b>					
Profit/(Loss) before tax		618,200	(2,824,793)	92,979	91,276
<i>Adjustments for:</i>					
Depreciation of investment properties		589,197	589,197	-	-
Depreciation of property, plant and equipment		1,808,651	1,751,033	-	-
Depreciation of right-of-use assets		176,388	176,387	-	-
Dividend income		-	-	(500,000)	(500,000)
Fair value loss on other investments		692,000	1,481,400	-	-
Finance costs		28,027	49,839	-	-
Finance income		(8,577)	(223)	-	-
Net gain on disposal of property, plant and equipment		(5,000)	(134,238)	-	-
Net unrealised foreign exchange gain		(605,938)	(504,439)	-	-
<b>Operating profit/(loss) before changes in working capital</b>					
		3,292,948	584,163	(407,021)	(408,724)
Changes in working capital:					
Deposits and prepayments		(90,915)	72,728	-	-
Inventories		19,545	3,655	-	-
Trade and other receivables		(27,899,804)	(4,049,406)	429,849	383,170
Trade and other payables		29,332,625	2,067,199	12,489	4,824
Contract assets		255,426	698,714	-	-
<b>Cash generated from/(used in) operations</b>					
		4,909,825	(622,947)	35,317	(20,730)
Tax paid		(711,350)	(846,980)	(10,350)	(12,069)
Tax refunded		-	140,461	-	22,000
<b>Net cash from/(used in) operating activities</b>					
		4,198,475	(1,329,466)	24,967	(10,799)
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	(i)	(865,446)	(306,773)	-	-
Interest received		8,577	223	-	-
Proceeds from disposal of property, plant and equipment		5,000	137,801	-	-
<b>Net cash used in investing activities</b>					
		(851,869)	(168,749)	-	-
<b>Cash flows from financing activities</b>					
Interest paid		(28,027)	(49,839)	-	-
Repayment of loans and borrowings	(ii)	(173,397)	(111,396)	-	-
<b>Net cash used in financing activities</b>					
		(201,424)	(161,235)	-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>					
		3,145,182	(1,659,450)	24,967	(10,799)
Effect of exchange rate fluctuations on cash held		74,472	-	-	-
Cash and cash equivalents at 1 June		1,229,192	2,888,642	9,198	19,997
<b>Cash and cash equivalents at 31 May</b>					
		4,448,846	1,229,192	34,165	9,198

The notes set out on pages 58 to 91 are an integral part of these financial statements.

## Statements of Cash Flows

for the year ended 31 May 2023

**(i) Acquisition of property, plant and equipment**

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM1,485,446 (2022: RM306,773), of which RM620,000 (2022: nil) were acquired by means of finance leases.

**(ii) Reconciliation of movements of liabilities to cash flows arising from financing activities**

	At 1 June RM	Net changes from financing cash flows RM	Drawdown of loans RM	At 31 May RM
<b>Group</b>				
<b>2023</b>				
Finance lease liabilities	259,944	(173,397)	620,000	706,547
<b>2022</b>				
Finance lease liabilities	371,340	(111,396)	-	259,944

**(iii) Cash outflows for leases as a lessee**

	Note	2023 RM	2022 RM
<b>Group</b>			
<b>Included in net cash from operating activities</b>			
Payment relating to short-term leases	19	17,850	60,000

## NOTES TO THE FINANCIAL STATEMENTS

Paos Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the registered office and principal place of business of the Company are as follows:

### Registered office

No. 308, Block A (3<sup>rd</sup> Floor)  
Kelana Business Centre  
97, Jalan SS7/2, Kelana Jaya  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

### Principal place of business

No. 65, Persiaran Selangor  
Section 15  
40200 Shah Alam  
Selangor Darul Ehsan  
Malaysia

The consolidated financial statements as at and for the financial year ended 31 May 2023 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 May 2023 do not include other entities.

The Company is principally engaged in investment holding activities whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 22 September 2023.

## 1. Basis of preparation

### (a) Statement of compliance

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

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

#### **MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023**

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform – Pillar Two Model Rules*

#### **MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024**

- Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 107, *Statement of Cash Flows and MFRS 7, Financial Instruments: Disclosures – Supplier Finance Arrangements*

#### **MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2025**

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

#### **MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed**

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

## Notes to the Financial Statements

### 1. Basis of preparation (continued)

#### (a) Statement of compliance (continued)

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 June 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 and amendments to MFRS 17 which are not applicable to the Group and the Company; and
- from the annual period beginning on 1 June 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024.
- from the annual period beginning on 1 June 2025 for the amendments that are effective for annual periods beginning on or after 1 January 2025.

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company.

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

#### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM, unless otherwise stated.

#### (d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than measurement of expected credit loss ("ECL") as disclosed in Note 23.4.

### 2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

#### (a) Basis of consolidation

##### (i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive.

## Notes to the Financial Statements

### 2. Significant accounting policies (continued)

#### (a) Basis of consolidation (continued)

##### (i) Subsidiaries (continued)

The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

##### (ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

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

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

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

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

##### (iii) Loss of control

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

##### (iv) Transactions eliminated on consolidation

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

#### (b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date.

Foreign currency differences arising on retranslation are recognised in profit or loss.

## Notes to the Financial Statements

### 2. Significant accounting policies (continued)

#### (c) Financial instruments

##### (i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

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

##### (ii) Financial instrument categories and subsequent measurement

###### *Financial assets*

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

###### (a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(j)(i)) where the effective interest rate is applied to the amortised cost.

###### (b) Fair value through profit or loss

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

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

All financial assets, except for those measured at fair value through profit or loss are subject to impairment assessment (see Note 2(j)(i)).

###### *Financial liabilities*

The categories of financial liabilities at initial recognition are at amortised cost.

All financial liabilities of the Group and the Company are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

## Notes to the Financial Statements

### 2. Significant accounting policies (continued)

#### (c) Financial instruments (continued)

##### (iii) 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.

When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made.

##### (iv) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expired or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

##### (v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

#### (d) Property, plant and equipment

##### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.



## Notes to the Financial Statements

### 2. Significant accounting policies (continued)

#### (d) Property, plant and equipment (continued)

##### (ii) Subsequent costs

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

##### (iii) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

Buildings	33 years
Plant and machinery	10 - 20 years
Motor vehicles	5 years
Renovation, office equipment and furniture and fittings	5 - 10 years
Hotel operating equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

#### (e) Leases

##### (i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

## Notes to the Financial Statements

### 2. Significant accounting policies (continued)

#### (e) Leases (continued)

##### (ii) Recognition and initial measurement

###### As a lessee

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

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

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

###### As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

##### (iii) Subsequent measurement

###### As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment in Note 2(d)(iii). In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

## Notes to the Financial Statements

### 2. Significant accounting policies (continued)

#### (e) Leases (continued)

##### (iii) Subsequent measurement (continued)

###### As a lessee (continued)

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

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

###### As a lessor

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

#### (f) Investment property

##### (i) Investment property carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d).

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful life of 33 years for buildings. Freehold land is not depreciated.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

An external independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio.

The fair values are based on the open market value method, and an assessment of the prevailing property market rate.

##### (ii) Reclassification from investment property

When the use of a property changes such that it is reclassified as property, plant and equipment, its cost at the date of reclassification becomes its cost for subsequent accounting.

## Notes to the Financial Statements

### 2. Significant accounting policies (continued)

#### (g) Inventories

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

The cost of inventories is measured based on the weighted average method, first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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

#### (h) Contract asset

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(j)(i)).

#### (i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances placed with licensed banks which have an insignificant risk of changes in fair value and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdraft.

#### (j) Impairment

##### (i) Financial assets

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

The Group and the Company measures loss allowances at an amount equal to lifetime expected credit loss which are the expected credit losses that result from all possible default events over the expected life of the asset, except for cash and bank balance. The credit risk of cash and cash equivalent which has not increased significantly since initial recognition are measured at 12-month expected credit loss.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company is exposed to credit risk.

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

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

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

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group and the Company's procedures for recovery amounts due.

## Notes to the Financial Statements

### 2. Significant accounting policies (continued)

#### (j) Impairment (continued)

##### (ii) Other assets

The carrying amounts of other assets (except for inventories and contract assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

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

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

#### (k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

##### Ordinary shares

Ordinary shares are classified as equity.

#### (l) Employee benefits

##### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### (ii) State plans

The Group's contributions to the statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

## Notes to the Financial Statements

### 2. Significant accounting policies (continued)

#### (m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

#### (n) Revenue and other income

##### (i) Sales of goods and tolling services

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring product or services to customer, excluding amounts collected on behalf of third party. The Group or the Company recognises revenue when it transfers control over a product or services to a customer. An asset is transferred when (or as) the customer obtains control of the asset.

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

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

##### (ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's rights to receive payment is established, which in the case of quoted shares is the ex-dividend date.

##### (iii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as part of "revenue".

##### (iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

#### (o) Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

#### (p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss.

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for temporary difference that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

## Notes to the Financial Statements

### 2. Significant accounting policies (continued)

#### (p) Income tax (continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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

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

#### (q) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held, if any.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

#### (r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Chairman of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

#### (s) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

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

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

## Notes to the Financial Statements

### 3. Property, plant and equipment

Group	Freehold land RM	Buildings RM	Plant and machinery RM	Motor vehicles RM	Renovation, office equipment and furniture and fittings RM	Hotel operating equipment RM	Asset under construction RM	Total RM
<b>Cost</b>								
At 1 June 2021	6,661,284	34,021,441	35,109,522	1,395,964	12,174,950	854,991	6,877,669	97,095,821
Additions	-	-	4,500	6,980	23,768	7,800	263,725	306,773
Disposals	-	-	(38,500)	(597,014)	(2,750)	-	-	(638,264)
At 31 May 2022/ 1 June 2022	6,661,284	34,021,441	35,075,522	805,930	12,195,968	862,791	7,141,394	96,764,330
Additions	-	-	155,104	738,405	226,021	108,904	257,012	1,485,446
Disposals	-	-	(12,800)	-	-	-	-	(12,800)
Transfers	-	-	-	-	1,231,810	-	(1,231,810)	-
At 31 May 2023	6,661,284	34,021,441	35,217,826	1,544,335	13,653,799	971,695	6,166,596	98,236,976
<b>Accumulated depreciation</b>								
At 1 June 2021	-	18,593,040	34,399,249	966,455	10,406,831	830,609	-	65,196,184
Charge for the year	-	1,020,645	168,729	129,181	415,789	16,689	-	1,751,033
Disposals	-	-	(38,500)	(593,451)	(2,750)	-	-	(634,701)
At 31 May 2022/ 1 June 2022	-	19,613,685	34,529,478	502,185	10,819,870	847,298	-	66,312,516
Charge for the year	-	1,020,643	167,135	202,412	393,751	24,710	-	1,808,651
Disposals	-	-	(12,800)	-	-	-	-	(12,800)
At 31 May 2023	-	20,634,328	34,683,813	704,597	11,213,621	872,008	-	68,108,367
<b>Carrying amounts</b>								
At 1 June 2021	6,661,284	15,428,401	710,273	429,509	1,768,119	24,382	6,877,669	31,899,637
At 31 May 2022/ 1 June 2022	6,661,284	14,407,756	546,044	303,745	1,376,098	15,493	7,141,394	30,451,814
At 31 May 2023	6,661,284	13,387,113	534,013	839,738	2,440,178	99,687	6,166,596	30,128,609

#### 3.1 Asset under construction

The asset under construction is relating to the construction of dry fractionation plant.

### 4. Right-of-use assets

Group	Leasehold land RM
At 1 June 2021	9,345,692
Depreciation	(176,387)
At 31 May 2022/1 June 2022	9,169,305
Depreciation	(176,388)
At 31 May 2023	8,992,917

The Group has a leasehold land which has an unexpired lease period of more than 50 years.



## Notes to the Financial Statements

## 5. Investment properties

Group	Freehold land RM	Buildings RM	Total RM
<b>Cost</b>			
At 1 June 2021/31 May 2022/1 June 2022/31 May 2023	8,838,716	19,639,897	28,478,613
<b>Accumulated depreciation</b>			
At 1 June 2021	-	7,806,858	7,806,858
Charge for the year	-	589,197	589,197
At 31 May 2022/1 June 2022	-	8,396,055	8,396,055
Charge for the year	-	589,197	589,197
At 31 May 2023	-	8,985,252	8,985,252
<b>Carrying amounts</b>			
At 1 June 2021	8,838,716	11,833,039	20,671,755
At 31 May 2022/1 June 2022	8,838,716	11,243,842	20,082,558
At 31 May 2023	8,838,716	10,654,645	19,493,361
			<b>Freehold land and buildings RM</b>
<b>Fair value</b>			
At 1 June 2021			80,000,000
At 31 May 2022/1 June 2022			70,000,000
At 31 May 2023			70,000,000

Investment properties comprise commercial properties that are leased to third parties and subsidiary. The leases to third parties are renewed every one to three years and the rental rates are based on prevailing market rates.

## 5.1 Fair value information

The fair value of investment properties is categorised as Level 3 fair value. The Group engaged an independent professional valuation firm to perform the valuation of the investment properties. The last valuation was performed on 22 July 2022 for all investment properties using the sales comparison and investment approaches. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

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

Group	2023 RM	2022 RM
Rental income	1,961,553	1,973,008
Direct operating expenses: - income generating investment properties	2,385,470	2,149,098

## Notes to the Financial Statements

### 5. Investment properties (continued)

#### 5.2 Operating lease payments receivable

The operating lease payments to be received are as follows:

	2023 RM	2022 RM
<b>Group</b>		
Less than one year	1,540,520	1,281,571
One to two years	852,395	591,706
Two to three years	132,672	248,115
Three to four years	2,000	-
Total undiscounted lease payments	2,527,587	2,121,392

### 6. Investments in subsidiaries

	Note	2023 RM	2022 RM
<b>Company</b>			
Cost of investments		40,795,136	40,795,136
Capital contributions	6.1	43,343,037	43,343,037
Total		84,138,173	84,138,173

The principal activities of the subsidiaries, their places of incorporation and the effective ownership interests of the Company are as follows:

Name of entity	Principal activities	Effective ownership interest and voting interest	
		2023 %	2022 %
Paos Industries Sdn. Bhd.	Contract manufacturing and dealing of soap and its related products, trading in specialty fats produced from palm oil and marine gasoil	100	100
Premier Oil Industries Sdn. Bhd.	Toll manufacturing of products from palm oil and manufacturing of specialty fats	100	100
Alpine Legacy (M) Sdn. Bhd. <i>Subsidiary of Alpine Legacy (M) Sdn. Bhd.</i>	Investment properties holding	100	100
The 5 Elements Hotel Sdn. Bhd.	Operation and management of hotel and restaurant	100	100

The principal place of business and country of incorporation for all subsidiaries are in Malaysia.

#### 6.1 Capital contributions

Capital contributions relate to advances to a subsidiary of which the repayment of these advances is neither fixed nor expected in the next 12 months.

## Notes to the Financial Statements

## 7. Deferred tax assets/(liabilities)

## Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following items:

	Assets		Liabilities		Net	
	2023 RM	2022 RM	2023 RM	2022 RM	2023 RM	2022 RM
<b>Group</b>						
Property, plant and equipment	-	-	(555,900)	(568,417)	(555,900)	(568,417)
Provisions	54,239	43,100	-	-	54,239	43,100
Other items	-	-	(145,425)	(121,065)	(145,425)	(121,065)
Unabsorbed capital allowances	219,762	142,409	-	-	219,762	142,409
Unutilised tax losses	179,903	155,856	-	-	179,903	155,856
Tax assets/(liabilities)	453,904	341,365	(701,325)	(689,482)	(247,421)	(348,117)
Set off of tax	(352,056)	(341,365)	352,056	341,365	-	-
Net tax assets/(liabilities)	101,848	-	(349,269)	(348,117)	(247,421)	(348,117)

## Movement in temporary differences during the year

	Recognised in profit or loss		Recognised in profit or loss		At 31.5.2023 RM
	At 1.6.2021 RM	(Note 18) RM	At 31.5.2022/ 1.6.2022 RM	(Note 18) RM	
<b>Group</b>					
Property, plant and equipment	(590,438)	22,021	(568,417)	12,517	(555,900)
Provisions	42,808	292	43,100	11,139	54,239
Other items	(54,293)	(66,772)	(121,065)	(24,360)	(145,425)
Unabsorbed capital allowances	70,152	72,257	142,409	77,353	219,762
Unutilised tax losses	21,979	133,877	155,856	24,047	179,903
	(509,792)	161,675	(348,117)	100,696	(247,421)

## Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	2023 RM	2022 RM
<b>Group</b>		
Deductible temporary differences	268,883	263,136
Unutilised tax losses	2,297,318	2,270,105
Unabsorbed capital allowances	311,754	274,911
	2,877,955	2,808,152

Deferred tax assets have not been recognised in respect of the deductible temporary differences, unutilised tax losses and unabsorbed capital allowances arising from certain subsidiaries because it is not probable that future taxable profit will be available against which these subsidiaries can utilise the benefits therefrom.

With effect from year of assessment ("YA") 2019, unutilised tax losses could only be carried forward for up to seven consecutive YAs, and any balance thereof would be disregarded. In 2023, the carry-forward period was extended to ten years. Unutilised tax losses prior to YA 2018 may be allowed to be carried forward until YA 2028.

## Notes to the Financial Statements

### 7. Deferred tax assets/(liabilities) (continued)

#### Unrecognised deferred tax assets (continued)

The deductible temporary differences and unabsorbed capital allowances do not expire under the current tax legislation.

The unutilised tax losses of the Group are available for offsetting against future taxable profits of these subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority as follows:

	2023 RM	2022 RM
<b>Utilisation period</b>		
Within 7 years (expire in YA 2031)	51,717	51,717
Within 8 years (expire in YA 2032)	1,188,905	1,188,905
Within 9 years (expire in YA 2033)	1,029,483	1,029,483
Within 10 years (expire in YA 2034)	27,213	-
	2,297,318	2,270,105

### 8. Inventories

	Group	
	2023 RM	2022 RM
At cost:		
Raw materials	124,232	146,985
Manufactured inventories	2,750	4,666
Food and beverages	25,990	20,866
	152,972	172,517
Recognised in profit or loss:		
Inventories recognised as cost of sales	667,310,356	365,103,934

### 9. Contract assets

	Group	
	2023 RM	2022 RM
Contract assets	4,670,717	4,926,143

The contract assets primarily relate to the Group's rights to consideration for materials purchased and work completed but not yet billed at the reporting date. Typically, the amount will be billed within 30 to 60 days and payment is expected within 60 days after billing.

### 10. Other investments

	Group	
	2023 RM	2022 RM
Quoted shares and warrants		
Financial assets at fair value through profit or loss	151,400	843,400
	151,400	843,400

## Notes to the Financial Statements

## 11. Trade and other receivables

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
<b>Trade</b>					
Trade receivables		63,134,850	35,051,547	-	-
Amount due from related party	11.1	450,815	92,159	-	-
		<u>63,585,665</u>	<u>35,143,706</u>	<u>-</u>	<u>-</u>
<b>Non-trade</b>					
Amount due from subsidiaries	11.2	-	-	7,453,658	7,383,507
Other receivables		24,808	19,208	-	-
		<u>24,808</u>	<u>19,208</u>	<u>7,453,658</u>	<u>7,383,507</u>
		<u>63,610,473</u>	<u>35,162,914</u>	<u>7,453,658</u>	<u>7,383,507</u>

## 11.1 Amount due from related party

The trade amount due from related party is subject to normal trade terms.

## 11.2 Amount due from subsidiaries

The non-trade amounts due from subsidiaries are unsecured, interest free and repayable on demand.

## 12. Deposits and prepayments

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Deposits	134,899	72,059	2,000	2,000
Prepayments	185,436	157,361	-	-
	<u>320,335</u>	<u>229,420</u>	<u>2,000</u>	<u>2,000</u>

## 13. Cash and cash equivalents

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Cash and bank balances	4,448,846	1,229,192	34,165	9,198

## 14. Share capital

	Note	Group and Company			
		Number of shares 2023	Amount 2023 RM	Number of shares 2022	Amount 2023 RM
Issued and fully paid shares with no par value classified as equity instruments:					
Ordinary shares					
At 1 June/31 May	14.1	181,164,000	90,582,000	181,164,000	90,582,000

## 14.1 Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

## Notes to the Financial Statements

## 15. Loans and borrowings

	Note	Group 2023 RM	2022 RM
<b>Non-current</b>			
Finance lease liabilities	15.1	471,153	148,549
<b>Current</b>			
Finance lease liabilities	15.1	235,394	111,395
		706,547	259,944

## 15.1 Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Future minimum lease payments 2023 RM	Interest 2023 RM	Present value of minimum lease payments 2023 RM	Future minimum lease payments 2022 RM	Interest 2022 RM	Present value of minimum lease payments 2022 RM
Less than one year	263,532	(28,138)	235,394	125,208	(13,813)	111,395
Between one and five years	525,888	(54,735)	471,153	166,972	(18,423)	148,549
	789,420	(82,873)	706,547	292,180	(32,236)	259,944

## 16. Trade and other payables

	Note	Group 2023 RM	2022 RM	Company 2023 RM	2022 RM
<b>Trade</b>					
Trade payables		39,532,428	10,718,703	-	-
<b>Non-trade</b>					
Other payables	16.1	1,969,973	1,484,566	-	-
Accruals		2,141,542	2,091,760	250,956	238,467
		4,111,515	3,576,326	250,956	238,467
		43,643,943	14,295,029	250,956	238,467

## 16.1 Other payables

Included in other payables of the Group are security deposits received from third party tenants and SST payables which amounting to RM547,629 (2022: RM530,138) and RM48,311 (2022: RM30,878), respectively.

## Notes to the Financial Statements

## 17. Revenue

## 17.1 Disaggregation of revenue

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
<b>Major products and service lines</b>				
<b>Revenue from contracts with customers</b>				
Sales of goods	639,135,217	337,749,839	-	-
Contract manufacturing	38,363,581	36,549,181	-	-
Tolling services	387,581	833,282	-	-
Room revenue	2,572,995	420,608	-	-
Food, beverages and other ancillary services	205,515	93,643	-	-
Others	604,173	330,697	-	-
	681,269,062	375,977,250	-	-
<b>Other revenue</b>				
Dividend income	-	-	500,000	500,000
Rental income	2,681,553	2,693,008	-	-
	2,681,553	2,693,008	500,000	500,000
	683,950,615	378,670,258	500,000	500,000
<b>Timing of recognition</b>				
At a point in time	639,944,905	338,174,179	-	-
Over time	41,324,157	37,803,071	-	-
	681,269,062	375,977,250	-	-

## 17.2 Nature of goods or services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Sales of goods	Revenue is recognised when the goods are delivered and accepted by the customers at their premises.	Credit period of 60 days from invoice date.	Not applicable.	Not applicable.	Not applicable.
Contract manufacturing	Revenue is recognised over time as costs are incurred. These contracts would meet the no alternative use and the Group have rights to payment for work performed.	Credit period of 60 days from invoice date.	Not applicable.	Not applicable.	Not applicable.
Tolling services	Revenue is recognised over time when the services are rendered.	Credit period of 15 days from invoice date.	Not applicable.	Not applicable.	Not applicable.
Room revenue	Revenue is recognised over time during the period of stay of the hotel guests.	Cash term or credit period of 15-30 days from invoice date for corporate customer.	Not applicable.	Not applicable.	Not applicable.
Food, beverages and other ancillary services	Revenue is recognised at point in time when the food and beverages are delivered and services are rendered.	Cash term or credit period of 15-30 days from invoice date for corporate customer.	Not applicable.	Not applicable.	Not applicable.

## Notes to the Financial Statements

### 17. Revenue (continued)

#### 17.3 Significant judgements and assumptions arising from revenue recognition

There are no significant judgements and assumptions applied by the Group that significantly affect the determination of the amount and timing of revenue recognised from contracts with customers.

### 18. Tax expense

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
<b>Current tax expense</b>				
- current year	870,173	590,443	-	-
- over provision in prior year	(105,232)	(58,115)	-	-
Total current tax expense	764,941	532,328	-	-
<b>Deferred tax expense</b>				
- origination and reversal of temporary differences	(82,239)	(166,847)	-	-
- (over)/under provision in prior year	(18,457)	5,172	-	-
Total deferred tax expense	(100,696)	(161,675)	-	-
Total tax expense	664,245	370,653	-	-
<b>Reconciliation of tax expense</b>				
(Loss)/Profit for the year	(46,045)	(3,195,446)	92,979	91,276
Total tax expense	664,245	370,653	-	-
Profit/(Loss) excluding tax	618,200	(2,824,793)	92,979	91,276
Income tax calculated using Malaysian tax rate of 24% (2022: 24%)	148,368	(677,950)	22,315	21,906
Non-taxable income	-	-	(120,000)	(120,000)
Non-deductible expenses	622,813	824,877	97,685	98,094
Effect of deferred tax assets not recognised	16,753	276,669	-	-
	787,934	423,596	-	-
(Over)/Under provision in prior year				
- current tax expense	(105,232)	(58,115)	-	-
- deferred tax expense	(18,457)	5,172	-	-
Total tax expense	664,245	370,653	-	-



## Notes to the Financial Statements

## 19. (Loss)/Profit for the year

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
<b>(Loss)/Profit for the year is arrived at after charging/(crediting):</b>				
<b>Auditors' remuneration</b>				
Audit fees				
- KPMG PLT	201,000	174,000	60,000	52,000
Non-audit fees				
- KPMG PLT	15,000	14,000	15,000	14,000
- Local affiliate of KPMG PLT	40,100	32,400	5,500	4,100
<b>Material expenses/(income)</b>				
Depreciation of investment properties	589,197	589,197	-	-
Depreciation of property, plant and equipment	1,808,651	1,751,033	-	-
Depreciation of right-of-use assets	176,388	176,387	-	-
Fair value loss on other investments	692,000	1,481,400	-	-
Finance costs on:				
- bank overdraft	7,059	10,014	-	-
- term loan	-	26,015	-	-
- finance lease	20,968	13,810	-	-
Foreign exchange:				
- net realised gain	(2,351,584)	(911,016)	-	-
- net unrealised gain	(605,938)	(504,439)	-	-
Personnel expenses (including key management personnel):				
- contributions to state plans	664,523	702,730	-	-
- wages, salaries and others	8,107,134	7,965,326	201,500	202,500
Dividend income from subsidiaries:				
- unquoted shares	-	-	(500,000)	(500,000)
Finance income	(8,577)	(223)	-	-
Net gain on disposal of property, plant and equipment	(5,000)	(134,238)	-	-
<b>Expenses/(Income) arising from leases</b>				
Lease income	(108,000)	(108,000)	-	-
Expenses relating to short-term leases	17,850	60,000	-	-

## 20. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Directors:				
- Fees	179,471	179,000	179,471	179,000
- Remuneration	1,690,168	1,690,551	22,500	23,500
	1,869,639	1,869,551	201,971	202,500
Other key management personnel:				
- Short-term employee benefits	1,864,266	1,969,880	-	-
	3,733,905	3,839,431	201,971	202,500

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

## Notes to the Financial Statements

### 21. Loss per ordinary share

#### Basic loss per ordinary share

The calculation of basic loss per ordinary share at 31 May 2023 was based on the loss attributable to ordinary shareholders of RM46,045 (2022: RM3,195,446) and a weighted average number of ordinary shares outstanding during the year of 181,164,000 (2022: 181,164,000).

#### Diluted loss per ordinary share

The Group has no dilution in its loss per ordinary share at 31 May 2023 and 31 May 2022.

### 22. Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different business strategies. For each of the strategic business units, the Group's Executive Chairman (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Manufacturing : Contract manufacturing and dealing of soap and its related products and toll manufacturing of products from palm oil and manufacturing of specialty fats.
- Trading : Trading of specialty fats from palm oil, soap and marine gasoil.
- Integrated hotel operations and property investment : Operations and management of hotel and restaurant; and investment properties holding.

Performance is measured based on segment profit before tax, interest and depreciation, included in the internal management reports that are reviewed by the Group's Executive Chairman. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

#### Segment assets

The total segment assets are measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Group's Executive Chairman. Segment total assets is used to measure the return of assets of each segment.

#### Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group's Executive Chairman. Hence, no disclosure is made on segment liabilities.

#### Segment capital expenditure

Segment capital expenditure is the total costs incurred during the financial year to acquire property, plant and equipment.

## Notes to the Financial Statements

## 22. Operating segments (continued)

Group	Manufacturing		Trading		Integrated hotel operations and property investment		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	RM	RM	RM	RM	RM	RM	RM	RM
<b>Segment (loss)/profit</b>	(191,812)	(1,255,771)	2,415,823	1,581,296	(597,290)	(1,448,166)	1,626,721	(1,122,641)

Included in the measure of segment (loss)/profit are:

Revenue from external customers	45,733,008	38,960,243	632,873,371	336,892,059	5,344,236	2,817,956	683,950,615	378,670,258
Depreciation	871,625	1,003,454	202,412	129,181	1,500,200	1,383,982	2,574,236	2,516,617
<b>Segment assets</b>	<b>37,741,214</b>	<b>36,482,687</b>	<b>57,526,966</b>	<b>26,773,753</b>	<b>132,834,978</b>	<b>133,841,986</b>	<b>228,103,158</b>	<b>197,098,425</b>

Included in the measure of segment assets are:

Additions to non-current assets other than financial instruments and deferred tax assets	1,175,021	291,220	-	-	310,425	15,553	1,485,446	306,773
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## Reconciliation of reportable segment profit or loss and assets

	Group	
	2023	2022
	RM	RM
<b>Profit or loss</b>		
Total profit/(loss) for reportable segments	1,626,721	(1,122,641)
Finance costs	(28,027)	(49,839)
Finance income	8,577	223
Unallocated expenses	(1,099,021)	(1,890,124)
Unallocated income	109,950	237,588
Consolidated profit/(loss) before tax	618,200	(2,824,793)
<b>Segment assets</b>		
Total assets for reportable segments	228,103,158	197,098,425
Other non-reportable segments	1,042,212	2,689,253
Elimination of inter-segment balance	(96,284,928)	(96,677,860)
Consolidated total	132,860,442	103,109,818

## Notes to the Financial Statements

### 22. Operating segments (continued)

#### Geographical segments

The manufacturing and trading segments are managed in Malaysia.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments and deferred tax assets.

Geographical information	Group	
	External revenue RM	Non-current assets RM
<b>2023</b>		
Domestic	647,915,509	58,716,735
South East Asia	29,198,836	-
Others	6,836,270	-
	<u>683,950,615</u>	<u>58,716,735</u>
<b>2022</b>		
Domestic	344,551,532	59,703,677
South East Asia	26,300,192	-
Others	7,818,534	-
	<u>378,670,258</u>	<u>59,703,677</u>

#### Major customers

Approximately 97% (2022: 96%) of the Group's revenue are from 2 (2022: 2) major customers.

	Revenue		Segment
	2023 RM	2022 RM	
All common control companies of:			
Customer A	34,220,166	28,271,225	Manufacturing
Customer B	632,370,493	335,819,786	Trading
	<u>666,590,659</u>	<u>364,091,011</u>	

### 23. Financial instruments

#### 23.1 Categories of financial instruments

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

- (a) Fair value through profit or loss ("FVTPL");
  - Designated upon initial recognition ("DUIR")
- (b) Amortised cost ("AC")

## Notes to the Financial Statements

## 23. Financial instruments (continued)

## 23.1 Categories of financial instruments (continued)

	Carrying amount RM	AC RM	FVTPL - DUIR RM
<b>2023</b>			
<b>Financial assets</b>			
<b>Group</b>			
Other investments	151,400	-	151,400
Trade and other receivables	63,610,473	63,610,473	-
Deposits	134,899	134,899	-
Cash and cash equivalents	4,448,846	4,448,846	-
	68,345,618	68,194,218	151,400
<b>Company</b>			
Trade and other receivables	7,453,658	7,453,658	-
Deposits	2,000	2,000	-
Cash and cash equivalents	34,165	34,165	-
	7,489,823	7,489,823	-
<b>Financial liabilities</b>			
<b>Group</b>			
Trade and other payables, excluding SST payable	(43,595,632)	(43,595,632)	-
Loans and borrowings	(706,547)	(706,547)	-
	(44,302,179)	(44,302,179)	-
<b>Company</b>			
Trade and other payables	(250,956)	(250,956)	-
<b>2022</b>			
<b>Financial assets</b>			
<b>Group</b>			
Other investments	843,400	-	843,400
Trade and other receivables	35,162,914	35,162,914	-
Deposits	72,059	72,059	-
Cash and cash equivalents	1,229,192	1,229,192	-
	37,307,565	36,464,165	843,400
<b>Company</b>			
Trade and other receivables	7,383,507	7,383,507	-
Deposits	2,000	2,000	-
Cash and cash equivalents	9,198	9,198	-
	7,394,705	7,394,705	-
<b>Financial liabilities</b>			
<b>Group</b>			
Trade and other payables, excluding SST payable	(14,264,151)	(14,264,151)	-
Loans and borrowings	(259,944)	(259,944)	-
	(14,524,095)	(14,524,095)	-
<b>Company</b>			
Trade and other payables	(238,467)	(238,467)	-

## Notes to the Financial Statements

### 23. Financial instruments (continued)

#### 23.2 Net gains and losses arising from financial instruments

	Group	
	2023 RM	2022 RM
Net (losses)/gains on:		
Financial assets at fair value through profit or loss	(692,000)	(1,481,400)
Financial assets at amortised cost	2,982,389	1,423,019
Financial liabilities at amortised cost	(44,316)	(191,996)
	2,246,073	(250,377)

#### 23.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

#### 23.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and contract assets. The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantee given to bank for bank facilities granted to certain subsidiaries. There are no significant changes as compared to prior periods.

##### 23.4.1 Trade receivables and contract assets

###### ***Risk management objectives, policies and processes for managing the risk***

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group or the Company assesses whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

###### ***Exposure to credit risk, credit quality and collateral***

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets is represented by the carrying amounts in the statement of financial position.

The Group has taken reasonable steps to ensure that trade receivables and contract assets that are neither past due nor impaired are stated at their realisable values. A significant portion of these trade receivables and contract assets are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables and contract assets. Any trade receivables and contract assets having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

## Notes to the Financial Statements

## 23. Financial instruments (continued)

## 23.4.1 Trade receivables and contract assets (continued)

**Concentration of credit risk**

The exposure of credit risk for trade receivables and contract assets as at the end of the reporting period by geographic region was:

	Group	
	2023 RM	2022 RM
Trade receivables:		
Domestic	57,388,928	26,697,257
South East Asia	6,009,442	6,709,265
Others	187,295	1,737,184
	63,585,665	35,143,706
Contract assets:		
Domestic	3,818,923	264,492
South East Asia	616,677	4,002,298
Others	235,117	659,353
	4,670,717	4,926,143

**Recognition and measurement of impairment loss**

In measuring the credit risk of trade receivables and contract assets, the Group applies the simplified approach prescribed by MFRS 9 which requires expected lifetime losses to be recognised from initial recognition of the trade receivables and contract assets which are financial assets. Invoices which are past due 90 days will be considered as credit impaired. Generally, trade receivables will pay within 60 days. The Group's debt recovery process is as follows:

- a) Above 30 days past due after credit term, the Group and the Company will review the payment trend of the customer and the rationale of late payment; and
- b) Above 90 days past due, the Group and the Company will initiate conversation with its customer.

The Group uses an allowance matrix to measure expected credit losses ("ECLs") of trade receivables and contract assets. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

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

## Notes to the Financial Statements

### 23. Financial instruments (continued)

#### 23.4 Credit risk (continued)

##### 23.4.1 Trade receivables and contract assets (continued)

###### *Recognition and measurement of impairment loss (continued)*

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 May 2023:

	<b>Gross carrying amount RM</b>	<b>Loss allowance RM</b>	<b>Net balance RM</b>
<b>2023</b>			
<b>Group</b>			
Not past due	63,068,317	-	63,068,317
Past due 1 - 30 days	4,220,437	-	4,220,437
Past due 31 - 60 days	608,991	-	608,991
Past due 61 - 90 days	282,614	-	282,614
Past due more than 90 days	76,023	-	76,023
	<b>68,256,382</b>	<b>-</b>	<b>68,256,382</b>
Trade receivables	63,585,665	-	63,585,665
Contract assets	4,670,717	-	4,670,717
	<b>68,256,382</b>	<b>-</b>	<b>68,256,382</b>
<b>2022</b>			
<b>Group</b>			
Not past due	35,194,586	-	35,194,586
Past due 1 - 30 days	2,153,233	-	2,153,233
Past due 31 - 60 days	1,393,553	-	1,393,553
Past due 61 - 90 days	525,041	-	525,041
Past due more than 90 days	803,436	-	803,436
	<b>40,069,849</b>	<b>-</b>	<b>40,069,849</b>
Trade receivables	35,143,706	-	35,143,706
Contract assets	4,926,143	-	4,926,143
	<b>40,069,849</b>	<b>-</b>	<b>40,069,849</b>

There were no allowance for impairment losses of receivables during and at the end of the current and previous reporting periods.



## Notes to the Financial Statements

### 23. Financial instruments (continued)

#### 23.4 Credit risk (continued)

##### 23.4.2 Cash and cash equivalents

The cash and cash equivalents are held with licensed banks. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These licensed banks have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

##### 23.4.3 Financial guarantee

###### ***Risk management objectives, policies and processes for managing the risk***

The Group provides corporate guarantee to a bank in respect of banking facility granted to certain subsidiaries for purchase of utilities. The Group monitors on an ongoing basis the performance of the subsidiary and repayments made by the subsidiary.

As at the end of the reporting period, there was no indication that these subsidiaries would default on repayment.

The financial guarantee has not been recognised since the fair value on initial recognition was not material.

##### 23.4.4 Inter-company advances

###### ***Risk management objectives, policies and processes for managing the risk***

The Company provides advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

###### ***Exposure to credit risk, credit quality and collateral***

As at the end of the reporting period, the maximum exposure to credit risk is represented by its carrying amounts in the statement of financial position.

Advances are only provided to subsidiaries which are wholly owned by the Company.

###### ***Recognition and measurement of Impairment losses***

Generally, the Company considers advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the advances when they are payable, the Company considers the advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's advance to be credit impaired when:

- the subsidiary is unlikely to repay the advance to the Company in full; or
- the subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these advances individually using internal information available.

As at the end of the reporting period, there was no indication that the advances to subsidiaries are not recoverable. The Company does not specifically monitor the ageing of advances to subsidiaries.

## Notes to the Financial Statements

### 23. Financial instruments (continued)

#### 23.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

#### **Maturity analysis**

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1-2 years RM	2-5 years RM
<b>2023</b>						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	43,595,632	-	43,595,632	43,595,632	-	-
Finance lease liabilities	706,547	2.48	789,420	263,532	318,412	207,476
Financial guarantee	-	-	380,000	380,000	-	-
	<u>44,302,179</u>		<u>44,765,052</u>	<u>44,239,164</u>	<u>318,412</u>	<u>207,476</u>
<b>2022</b>						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	14,264,151	-	14,264,151	14,264,151	-	-
Finance lease liabilities	259,944	2.48	292,180	125,208	125,208	41,764
Financial guarantee	-	-	440,000	440,000	-	-
	<u>14,524,095</u>		<u>14,996,331</u>	<u>14,829,359</u>	<u>125,208</u>	<u>41,764</u>
<b>Company</b>						
			<b>Carrying amount RM</b>	<b>Contractual interest rate %</b>	<b>Contractual cash flows RM</b>	<b>Under 1 year RM</b>
<b>2023</b>						
<i>Non-derivative financial liabilities</i>						
Trade and other payables			<u>250,956</u>	-	<u>250,956</u>	<u>250,956</u>
<b>2022</b>						
<i>Non-derivative financial liabilities</i>						
Trade and other payables			<u>238,467</u>	-	<u>238,467</u>	<u>238,467</u>

#### 23.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other price that will affect the Group's financial position or cash flows.

## Notes to the Financial Statements

## 23. Financial instruments (continued)

## 23.6.1 Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia ("RM"). The currencies giving rise to this risk are primarily United States Dollar ("USD") and Singapore Dollar ("SGD").

**Risk management objectives, policies and processes for managing the risk**

The Group manages its foreign currency risk to an acceptable level by entering into forward contracts where necessary.

The Group also enters into contracts with customers which allow the Group to renegotiate the selling price when there is a significant fluctuation in exchange rates.

**Exposure to foreign currency risk**

The Group's exposure to foreign currency (a currency which is other than the respective functional currencies of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in	
	USD RM	SGD RM
<b>Group</b>		
<b>2023</b>		
<b>Balances recognised in the statement of financial position</b>		
Trade and other receivables	188,343	6,009,442
Trade and other payables	(591,044)	-
Cash and cash equivalents	84,874	217,926
	(317,827)	6,227,368
<b>2022</b>		
<b>Balances recognised in the statement of financial position</b>		
Trade and other receivables	147,724	8,299,772
Trade and other payables	(431,610)	-
Cash and cash equivalents	266,988	31,625
	(16,898)	8,331,397

**Currency risk sensitivity analysis**

A 10% (2022: 10%) strengthening of RM against the following currencies at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign exchange rate variance that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Equity/Profit or loss	
	2023 RM	2022 RM
<b>Group</b>		
USD	24,155	1,284
SGD	(473,280)	(633,186)

A 10% (2022: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

## Notes to the Financial Statements

### 23. Financial instruments (continued)

#### 23.6 Market risk (continued)

##### 23.6.2 Interest rate risk

The Group's fixed rate financial instruments are exposed to a risk of change in their fair values due to changes in interest rates. The Group's variable rate financial instruments are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

##### **Risk management objectives, policies and processes for managing the risk**

Interest rate exposure arises from the Group's loans and borrowings and is managed through effective negotiation with licensed banks for best available rates.

##### **Exposure to interest rate risk**

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

	2023 RM	2022 RM
<b>Group</b>		
<b>Fixed rate instruments</b>		
Financial liability	(706,547)	(259,944)

##### **Interest rate risk sensitivity analysis**

##### **(a) Fair value sensitivity analysis for fixed rate instruments**

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

### 23.7 Fair value information

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

The table below analyses financial instruments carried at fair value, together with their fair values and carrying amounts shown in the statement of financial position. The Group does not have any financial instruments not carried at fair value for which fair value is disclosed.

Group	Fair value of financial instruments carried at fair value			Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM		
<b>2023</b>					
<b>Financial assets</b>					
Quoted shares	1,400	-	-	1,400	1,400
Quoted warrants	150,000	-	-	150,000	150,000
	151,400	-	-	151,400	151,400
<b>2022</b>					
<b>Financial assets</b>					
Quoted shares	3,400	-	-	3,400	3,400
Quoted warrants	840,000	-	-	840,000	840,000
	843,400	-	-	843,400	843,400

##### **Level 1 fair value**

Level 1 fair value is derived from quoted price (unadjusted) in active market for identical financial assets or liabilities that the entity can access at the measurement date.

## Notes to the Financial Statements

**24. Capital management**

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

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

**25. Capital commitments**

	Group	
	2023	2022
	RM	RM
<b>Property, plant and equipment</b>		
Contracted but not provided for	45,855	315,005

**26. Related parties****Identity of related parties**

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

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

The Group has a related party relationship with its subsidiaries and key management personnel.

**Key management personnel compensation**

Key management personnel compensations are as disclosed in Note 20.

**Significant related party transactions**

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

	Transaction amounts for the year ended 31 May			
	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
<b>Subsidiary</b>				
<b>Paos Industries Sdn. Bhd.</b>				
Dividend income	-	-	500,000	500,000
<b>Related party</b>				
<b>Basic Science (Master) Sdn. Bhd.</b>				
Tolling services income	258,838	667,201	-	-
Rental income				
- Storage tank rental	720,000	720,000	-	-
- Office rental	96,000	96,000	-	-

The balance related to the above transactions is shown in Note 11.

## STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 53 to 91 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 of 31 May 2023 and of their financial performance and cash flows for the financial year then ended.

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

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**Lim Chang Ching**

Director

Shah Alam, Malaysia

Date: 22 September 2023

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**Alice Boo Miao Li**

Director

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## STATUTORY DECLARATION

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

I, **Alice Boo Miao Li**, the Director primarily responsible for the financial management of Paos Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 53 to 91 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Alice Boo Miao Li, I/C No. 690507-04-5082, at Kuala Lumpur, Wilayah Persekutuan on 22 September 2023.

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**Alice Boo Miao Li**

Director

Before me:

**SYED MAHADI SYED MOHAMAD** (No: B341)

Commissioner for Oaths

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAOS HOLDINGS BERHAD

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Paos Holdings Berhad, which comprise the statements of financial position as at 31 May 2023 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 53 to 91.

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 May 2023, 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 auditors' 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.

#### Valuation of trade receivables and contract assets

Refer to Notes 2(c) and 2(h) – Significant accounting policies: Financial instruments and contract assets, Notes 9 and 11 of the financial statements – Contract assets and Trade and other receivables.

#### The key audit matter

The Group has trade receivables of RM63,585,665 and contract assets of RM4,670,717 as at 31 May 2023. Valuation of trade receivables and contract assets is a key audit matter due to credit risk whereby trade receivables and contract assets may not be recoverable and allowance for impairment loss may not be adequately provided for.

#### How the matter was addressed in our audit

We performed the following audit procedures, among others, around the valuation of trade receivables and contract assets:

- We ascertained the accuracy of debtors ageing;
- We tested subsequent collections for trade receivables to assess its recoverability; and
- We checked subsequent billings to contract customers to assess recoverability of contract assets.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditor's report.

## Independent Auditors' Report

To the Members of Paos Holdings Berhad

### Information Other than the Financial Statements and Auditors' Report Thereon

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

Our opinion on the financial statements of the Group and of the Company does not cover the annual report 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 annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Statements

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

### Auditors' Responsibilities for the Audit of the Financial Statements

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

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



## Independent Auditors' Report

To the Members of Paos Holdings Berhad

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

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current 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 auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Other Matter

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.

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**KPMG PLT**  
(LLP0010081-LCA & AF 0758)  
Chartered Accountants

Petaling Jaya

Date: 22 September 2023

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**Ong Beng Seng**  
Approval Number: 02981/05/2024 J  
Chartered Accountant

## GROUP PROPERTIES

The details of the properties of the Group as at 31 May 2023.

Particulars of property	Tenure	Description/existing use	Date of acquisition	Land area/ built-up area (square feet)	Net book value (RM'000)	Approx. age (Year)
PISB/H.S. (C) 65 No. 65, Persiaran Selangor Section 15 40200 Shah Alam Selangor Darul Ehsan	99 years lease expiring on 26.03.2071	Industrial/double storey office block, four storey office block annexed single storey factory building and single storey warehouse building	20.08.1996	254,850/ 160,740	11,517	43
POISB/No. 3 Jalan Gangsa Kaw. Perusahaan Banting 42700 Banting Selangor Darul Ehsan	99 years lease expiring on 20.04.2089	Industrial/single storey detached factory cum office annexe	24.02.1995 02.09.1996	119,356/ 37,452	2,601	24
ALSB/Lot 243 ALSB/Lot 244 ALSB/Lot 245 Kompleks Selangor Jalan Sultan 50000 Kuala Lumpur	Freehold	i) 3-Storey retail podium together with 13 storey office block ii) 16-Storey hotel block iii) Car park	26.02.2008	18,307/ 119,208	34,185	52

**ANALYSIS OF SHAREHOLDINGS**

AS AT 30 AUGUST 2023

ISSUED AND PAID-UP CAPITAL	: 181,164,000 shares
CLASS OF SHARES	: Ordinary shares
VOTING RIGHTS	: One vote per ordinary share (on poll)

**DISTRIBUTION SCHEDULE OF SHAREHOLDINGS**

Size of Shareholdings	No. of Share Holders	No. of Shares Held	% of Issued Capital
Less than 100 shares	133	2,848	0.00
100 to 1,000 shares	193	79,730	0.05
1,001 to 10,000 shares	834	4,061,480	2.24
10,001 to 100,000 shares	409	13,167,900	7.27
100,001 to less than 5% of issued shares	62	34,948,500	19.29
5% and above of issued shares	3	128,903,542	71.15
<b>Total</b>	<b>1,634</b>	<b>181,164,000</b>	<b>100.00</b>

**TOP THIRTY SECURITIES ACCOUNT HOLDERS**

(without aggregating the securities from different securities accounts belonging to the same Depositor)

No.	Name of Shareholders	No. of Shares Held	% of Issued Capital
1.	TAN SRI DATO' LIM TONG YONG @ LIM TONG YAIM	61,676,004	34.04
2.	HAP SENG CONSOLIDATED BERHAD	45,227,538	24.96
3.	MERCSEC NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR TAN SRI DATO' LIM TONG YONG @ LIM TONG YAIM	22,000,000	12.14
4.	NG POH CHUAN	6,400,000	3.53
5.	LIM CHAO FENG	5,985,000	3.30
6.	TAN PENG CHEONG	3,000,000	1.66
7.	TANG CHING LENG	2,640,000	1.46
8.	MICHAEL FOONG KA-MENG	1,394,700	0.77
9.	PANG HEE KIN	916,500	0.51
10.	CHEE PHOOI PHOOI	810,000	0.45
11.	LIAW KONG WAH	706,050	0.39
12.	LIM CHIN PO	675,800	0.37
13.	CHEAH KIU LEAN	675,000	0.37
14.	TAN WEE LEONG	640,600	0.36
15.	TAN SUAN WEN	507,900	0.28
16.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR NG GEOK WAH (B BRKLANG-CL)	500,000	0.28
17.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - NOMURA SINGAPORE LIMITED FOR LIM LIAN HOCK (410242)	490,000	0.27
18.	CHEONG YOU CHIN	475,200	0.26
19.	SONG HUAT CHAN HOLDINGS SDN BHD	420,400	0.23
20.	PUBLIC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR TAN SOON HUI (E-SJA)	399,750	0.22
21.	LIM SAY HAN	392,300	0.22

## Analysis of Shareholdings

As at 30 August 2023

No.	Name of Shareholders	No. of Shares Held	% of Issued Capital
22.	AMSEC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR AIK YUN KIM @ YEK YUE KIEW	350,000	0.19
23.	GOH SAU CHONG	318,000	0.18
24.	ADDEEN TRADING SDN BHD	306,300	0.17
25.	PANG HEE KIN	246,000	0.14
26.	TEH FOO HOW	244,200	0.14
27.	BO ENG CHEE	225,600	0.13
28.	CHEONG AH YOON	222,300	0.12
29.	TOH BOO LEONG	217,500	0.12
30.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR TEE POH SUAN (MY2074)	216,100	0.12

### DIRECTORS' INTERESTS IN THE SHARES HELD IN THE COMPANY AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS

#### Shares held in the Company

No.	Name	No. of Shares Held			
		Direct Interest	%	Deemed Interest	%
1.	LIM CHANG CHING	30,000	0.02	-	-
2.	LIM ZHEN QI	-	-	-	-
3.	ALICE BOO MIAU LI	-	-	-	-
4.	CHEAH YEE LENG	-	-	-	-
5.	GOH YING LI	-	-	-	-
6.	LEE KOK WEI	-	-	-	-
7.	OSCAR KIN YIN TUET	-	-	-	-

### LIST OF SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS (EXCLUDING BARE TRUSTEES)

No.	Name	No. of Shares Held in The Company			
		Direct Interest	%	Deemed Interest	%
1.	TAN SRI DATO' LIM TONG YONG @ LIM TONG YAIM	83,676,004	46.19	-	-
2.	HAP SENG CONSOLIDATED BERHAD	45,227,538	24.96	-	-

**PAOS HOLDINGS BERHAD**Registration No. 199701037036 (452536-W)  
Incorporated in Malaysia**PROXY FORM**

CDS account no.	No. of shares held

I/We, ..... NRIC No./Passport No./ Company No. ....  
(Full name in capital letters)Tel No. /HP No. .... Email Address .....  
of .....  
(full address)

being a member(s) of the above Company, hereby appoint :

Full Name (in capital letters as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Tel No. /HP No. :	Email Address :		
Address			

\*and / or failing him/her

Full Name (in capital letters as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Tel No. /HP No. :	Email Address :		
Address			

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Twenty Sixth Annual General Meeting of the Company to be conducted on a fully virtual basis through live streaming and online Remote Participation and Electronic Voting (“RPEV”) facilities via online meeting platform at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC - D6A357657), provided by Boardroom Share Registrars Sdn. Bhd. in Malaysia on Wednesday, 29 November 2023 at 10.30 a.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated below with an “X” :

ITEM	AGENDA	FOR	AGAINST
1.	To receive the audited Financial Statements for the year ended 31 May 2023 together with the Reports of the Directors and Auditors thereon.		
2.	Ordinary Resolution 1 - To approve the payment of Directors’ Fees of RM179,471 in respect of the financial year ended 31 May 2023.		
3.	Ordinary Resolution 2 - To approve the payment of Directors’ benefits to the Directors up to an amount of RM60,000 for the period commencing from 30 November 2023 up to the next Annual General Meeting of the Company.		
4.	Ordinary Resolution 3 - To re-elect Mr. Lim Zhen Qi as Director.		
5.	Ordinary Resolution 4 - To re-elect Ms. Goh Ying Li as Director.		
6.	Ordinary Resolution 5 - To re-elect Mr. Lee Kok Wei as Director.		
7.	Ordinary Resolution 6 - To re-elect Mr. Oscar Kin Yin Tuet as Director.		
8.	Ordinary Resolution 7 - To re-appoint KPMG PLT (LLP0010081-LCA & AF 0758) as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
9.	Ordinary Resolution 8 - To empower the Directors of the Company to allot and issue shares pursuant to Sections 75 & 76 of the Companies Act 2016.		
10.	Ordinary Resolution 9 - To approve Renewal of Shareholders’ Mandate For Recurrent Related Party Transactions of a Revenue or Trading Nature.		

.....  
Signature

Dated this ..... day of ....., 2023.



**NOTES:**

1. The Twenty Sixth Annual General Meeting will be conducted on a fully virtual basis through live streaming and online RPEV facilities provided by Boardroom Share Registrars Sdn. Bhd. in Malaysia via <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC - D6A357657). Members are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the fully virtual Twenty Sixth Annual General Meeting via RPEV. Please read these Notes carefully and follow the procedures in the Administrative Guide for the fully virtual Twenty Sixth Annual General Meeting in order to participate remotely via RPEV.
2. A member of the Company entitled to attend and vote at the meeting shall be entitled to appoint more than one (1) proxy to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company.
3. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his/her attorney duly authorised in writing, and in the case of a corporation, shall either be given under its common seal or under the hand of an officer or attorney of the corporation duly authorised.

4. Where a member of a Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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.
6. The instrument appointing a proxy and the power of attorney or other authority duly authorised in writing or if such appointor is a Corporation, under its common seal or under the hand of an officer or attorney of the Corporation duly authorised, shall either be deposited at the office of the Company's Share Registrar at 11<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan or be electronically deposited through the Share Registrar's website, Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>, not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting.
7. Depositors who appear in the Record of Depositors as at 22 November 2023 shall be regarded as Member of the Company entitled to attend the Twenty Sixth Annual General Meeting or appoint a proxy or proxies to attend and vote on his/her behalf.

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stamp

**Share Registrar**  
**PAOS HOLDINGS BERHAD**

Registration No: 199701037036 (452536-W)

**C/O BOARDROOM SHARE REGISTRARS SDN. BHD.**

11<sup>th</sup> Floor, Menara Symphony,  
No. 5, Jalan Prof. Khoo Kay Kim,  
Seksyen 13, 46200 Petaling Jaya,  
Selangor Darul Ehsan.

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**PAOS HOLDINGS BERHAD**

Registration No: 199701037036 (452536-W)

Incorporated in Malaysia

No. 65, Persiaran Selangor, Section 15,  
40200 Shah Alam, Selangor Darul Ehsan.

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[www.paos.com.my](http://www.paos.com.my)