



PGF Capital Berhad

197801005142 (42138-X)





CORPORATE

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33rd

of PGF Capital Berhad



Friday,
28 July 2023
at 10.30am



Kelawai Room, Lobby Level,
Evergreen Laurel Hotel Penang,
No. 53, Persiaran Gurney,
10250 Penang



For more information,
visit our website
www.pgfcapital.com.my

Cover Rationale

A vibrant township encapsulating lived-in residences, agriculture and manufacturing activities expresses PGF Capital's motto of "Building sustainable cities" in action. Bringing to life its vision of integrated spaces for a better tomorrow through key business activities such as insulation product manufacturing and agrotourism, PGF Capital's message of its focus on sustainability to enhance the quality of living for communities is brought to the fore.

Like a microcosm of a thriving, highly liveable city, the connected ecosystem showcasing the company's core business pillars manifests both the use of technology to secure the future of food security, as well as the nurturing of sustainable lifestyles in harmony with the environment, to promote better well-being and more optimal land use. Crucially, people – as an important resource in this blueprint for tomorrow are depicted as being highly engaged.

Resilient and diverse, innovative and flexible, PGF Capital is harnessing its strengths in material design, manufacturing and distribution – with creative human ideas of tapping on vertical spaces to soar upwards on limitless potential, in order to realise transformation for a better tomorrow.



ABOUT US



PGF CAPITAL BERHAD (“PGF Capital” or “the Company”) is an investment holding company with subsidiaries (“the Group”) involved in manufacturing, real estate and plantation. PGF Capital has been listed on the Main Market of Bursa Malaysia Securities Berhad since 1990 under the Industrial Products and Services sector.



The Group has 3 major business segments:

Manufacturing involves design, manufacture and distribution of glass mineral wool insulation as well as production of vapour permeable membrane.

Property Development of a new township, namely Diamond Creeks Country Retreat, and new business opportunities that add value to the landbank such as eco-tourism.

Agriculture in durian nursery and plantation of tropical fruits & hatchery of freshwater *Aquaculture* activities.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Fong Wah Kai

Executive Chairman
(redesignated on 31 May 2023)

Fong Wern Sheng

Group Chief Executive Officer
(redesignated on 31 May 2023)

Tan Ming Chong

Chief Operating Officer

Sia Taik Hin

Senior Independent Non-Executive Director
Chairman of Audit & Risk Management
Committee
(resigned on 17 January 2023)

Tan Jin Sun

Independent Non-Executive Director
Chairman of Audit & Risk Management
Committee
(appointed on 17 January 2023)

Omar Bin Mohamed Said

Independent Non-Executive Director
Chairman of Nominating Committee
(resigned on 9 September 2022)

Ofelia Cheah Loo Ee

Independent Non-Executive Director
Chairman of Nominating Committee
(appointed on 9 September 2022)

Khoo Kah Hock

Independent Non-Executive Director
Chairman of Remuneration Committee

Tan Suat Hoon

Independent Non-Executive Director
(appointed on 31 May 2023)

COMPANY SECRETARY

Ch'ng Lay Hoon
(SSM PC No: 201908000494)
(MAICSA 0818580)

REGISTERED OFFICE

Suite 12-A, Level 12
Menara Northam
No. 55, Jalan Sultan Ahmad Shah
10050 Georgetown Penang
Tel: 604-228 0511
Fax: 604-228 0518

BUSINESS ADDRESS

No. 2449, Lorong Perusahaan
Sepuluh
Kawasan Perusahaan Perai
13600 Perai, Penang
Tel: 604-390 8460
Fax: 604-399 6197
Website: www.pgfcapital.my

SHARE REGISTRAR

Boardroom Share Registrar Sdn. Bhd.
11th Floor, Menara Symphony,
No. 5, Jalan Prof. Khoo Kay Kim,
Seksyen 13, 46200 Petaling Jaya,
Selangor, Malaysia.
Tel: 603-7880 4700
Fax: 603-7890 4670

AUDITORS

KPMG PLT

BANKERS

Affin Bank Berhad
Al Rajhi Banking & Investment
Corporation (Malaysia) Bhd
AmBank (M) Berhad
Hong Leong Bank Berhad
Hong Leong Islamic Bank Berhad
Public Bank Berhad
Standard Chartered Bank Malaysia
Berhad
MBSB Bank Berhad
Commonwealth Bank of Australia

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

CORPORATE STRUCTURE



PGF Capital Berhad
197801005142 (42138-X)



Manufacturing

100%

PGF Insulation
Sdn Bhd
199101018594 (228905-M)

100%

Concrete Energy
Sdn Bhd
200801012631 (813919-M)

100%

PGF Global Distribution
Sdn Bhd
199001016980 (208649-A)

100%

PGF Technical Textile
Sdn Bhd
202201032363 (1478060-H)

100%

PGF Insulation Pty Ltd
(659 498 889)

50%

Select Insulation Pty Ltd
(665 353 006)

20%

Ecowool Insulation Pty Ltd
(624 672 475)



Real Estate

100%

Golden Approach
Sdn. Bhd.
199301013005 (267743-W)

100%

Clover Sdn. Bhd.
198901001846 (179152-D)



Plantation

100%

Diamond Creeks Eco Farm
Sdn. Bhd.
202001039298 (1395619-W)

50%

Diamond Creeks Aquatech
Sdn. Bhd.
202001020498 (1376818-A)



PROFILE OF THE BOARD OF DIRECTORS

FONG WAH KAI

Executive Chairman

76 |  Male |  Malaysian

Appointed to the Board as an Executive Director of the Company on 25 March 1989. He served as an Executive Director in his family business for the past thirty (30) years. He was re-designated on 31 May 2023 as the Executive Chairman of the Company.

Mr. Fong has attended five (5) Board Meetings held during the financial year ended 28 February 2023.

FONG WERN SHENG

Group Chief Executive Officer

42 |  Male |  Malaysian

Appointed to the Board as an Executive Director of the Company on 7 October 2003 and re-designated on 26 October 2017 as the Executive Chairman of the Company. He was re-designated on 31 May 2023 as the Chief Executive Officer of the Company.

He holds a Hon. Bachelor of Management & Information Technology degree from University of Manchester Institute of Science & Technology. He began his career in the Company as a Risk Management Manager in 2003.

He has attended all the five (5) Board Meetings held during the financial year ended 28 February 2023.

TAN MING CHONG

Chief Operating Officer

43 |  Male |  Malaysian

Appointed to the Board as an Executive Director of the Company on 17 May 2010 and re-designated as the Chief Operating Officer of the Company on 18 January 2012.

He holds a Master Degree in Economics from University of Warwick and a Bachelor in Economics from London School of Economics.

Prior to joining the Company, he was a Manager in the business advisory division of Ernst & Young where he was involved in various types of organization improvement projects with clients in different industries.

Mr. Tan has attended all the five (5) Board Meetings held for the financial year ended 28 February 2023.

TAN JIN SUN

Independent Non-Executive Director |
Chairman of Audit & Risk Management Committee

54 |  Male |  Malaysian

Appointed to the Board as an Independent Non-Executive Director and the Chairman of the Audit and Risk Management Committee of the Company on 17 January 2023. He is currently the Chief Executive Officer of DK Leather Seats Sdn Bhd a position since 2 January 2019.

He obtained his Associate membership of the Chartered Institute of Management Accountants (CIMA) in 1996 and was admitted as the Chartered Accountant with the Malaysian Institute of Accountants in the same year.

He started his career in 1992 with more than 20 years of senior management experience in Accounts & Management, and Development of Business Operation. He was instrumental in the successful listing of Boon Koon Group Berhad and Pecca Group Berhad in 2004 and 2016 respectively.

Mr. Tan is also a member of the Remuneration Committee and the Nominating Committee.

Mr. Tan has attended two (2) Board Meetings held since his appointment on the Board for the financial year ended 28 February 2023.

PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

OFELIA CHEAH LOO EE

Independent Non-Executive Director |
Chairman of Nominating Committee
44 | ♀ Female | 🇲🇾 Malaysian

Appointed to the Board as an Independent Non-Executive Director and the Chairman of the Nominating Committee of the Company on 9 September 2022. She holds a Doctor of Philosophy (PhD) and a Bachelor of Engineering (Hons) from Manchester Institute of Science and Technology. She started her career in Genting Power Sdn Bhd, where she spent 9 years in the power industry before making a career transition into the real estate industry.

Ms. Ofelia is currently the Senior Vice President, Investment, a dynamic role spearheading the Commercialization unit at TRX City Sdn. Bhd. ("TRXC"), the strategic master developer having the portfolio of 2 national projects namely, Tun Razak Exchange and Bandar Malaysia.

She has over 17 years of experience in business development where her expertise includes performing market and feasibility studies, structuring deals, contracting and carrying out risk assessments.

Ms. Ofelia is also a member of the Audit & Risk Management Committee and the Nominating Committee. She has attended three (3) Board Meetings held since coming on Board for the financial year ended 28 February 2023.

TAN SUAT HOON

Independent Non-Executive Director
54 | ♀ Female | 🇲🇾 Malaysian

Ms. Tan Suat Hoon was appointed as Independent Non-Executive Director on 31 May 2023. At the same time, she was also appointed as member of the Remuneration Committee, Nominating Committee and the Audit & Risk Management Committee.

She is a qualified accountant and obtained her professional qualification from the Chartered Institute of Management Accountants, United Kingdom (CIMA) and the Association of Chartered Certified Accountants, United Kingdom (ACCA). She is presently a member of CIMA and Malaysian Institute of Accountants (Chartered Accountant). She has more than 20 years of experience in the corporate finance and advisory, debt capital market, accounting and finance, and financial consultancy and services. She was actively involved in initial public offerings, capital and fund-raising exercises, corporate restructuring, mergers and acquisitions, privatisation, take-overs, valuation of companies and project financing.

KHOO KAH HOCK

Independent Non-Executive Director |
Chairman of Remuneration Committee
55 | ♂ Male | 🇲🇾 Malaysian

Appointed to the Board as an Independent Non-Executive Director of the Company on 12 December 2012. He graduated from City and Guilds of London Institute, United Kingdom in 1994 with a Professional Certificate in Engineering (Electrical/Electronic), major in Electrical Engineering and subsequently from University of Southern Pacific, United States of America in 2006 with a Master Degree in Business Administration.

He has more than 23 years of experience in equipment maintenance, production and engineering skills including all areas of technical training, strong knowledge of analytical skills with knowledge of Six Sigma, Lean Manufacturing, LeanSigma, Supply Chain, SPC, FMEA & OEE and familiarity with Hard Disk Drive, Head sliders, Tape Head, Tape Drives, Lead frame Plating and PCB manufacturing process.

Mr. Khoo is also a member of the Audit & Risk Management Committee and the Nominating Committee. He has attended all the five (5) Board Meetings held during the financial year ended 28 February 2023.

She began her career as an Audit Assistant with KPMG Peat Marwick (now known as Messrs KPMG) in 1992 and resigned in 1996 as Audit Senior. She joined Malaysian International Merchant Bankers Berhad (which was taken over by Eon Bank Berhad and subsequently by Hong Leong Bank Berhad) in 1996 as an Executive, Corporate Advisory and left in 2002 as a Manager, Corporate Advisory and Consultancy Services. She joined AmlInvestment Bank Berhad as a Manager, Corporate Finance in 2002 and left in 2017 as Senior Vice President, Corporate Finance to join a private company as Group Senior Finance Manager. In 2018, she joined Kenanga Investment Bank Berhad as Senior Vice President, Corporate Finance and left in 2021 to join Texchem Resources Berhad group of companies until 2022. Currently, she is the Chief Financial Officer of a private company.

She is an Independent Non-Executive Director of Central Global Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad and also an Independent Non-Executive Director of Smart Asia Chemical Bhd, a public limited company. Ms. Tan was appointed after the financial year ended 28 February 2023, attendance of meeting for the same period is not applicable.

Notes:

1. All the Directors do not have any conflict of interest with the Group.
2. All the Directors have not been convicted for any offences within the past five years other than for traffic offences, if any.
3. All the Directors have no family relationship with any other Directors or major shareholders of the Group with the exception of Mr. Fong Wah Kai, the Executive Chairman and substantial shareholder of the Company is the father of Mr. Fong Wern Sheng, the Company's Chief Executive Officer and a substantial shareholder of the Company.
4. The Directors' shareholdings are as disclosed in page 145 of this Annual Report.

PROFILE OF KEY SENIOR MANAGEMENT

FONG WERN SHENG

Group Chief Executive Officer

42 | 🧑 Male | 🇲🇾 Malaysian

The profile of Mr. Fong Wern Sheng is listed in the Profile of Directors on page 6.

TAN MING CHONG

Chief Operating Officer

43 | 🧑 Male | 🇲🇾 Malaysian

The profile of Mr. Tan Ming Chong is listed in the Profile of Directors on page 6.

LOO CHEE HIN

Chief Financial Officer

54 | 🧑 Male | 🇲🇾 Malaysian

Mr. Loo graduated with Bachelor's Degree in Accounting from university of Malaya. He is a member of the Malaysian Institute of Accountants since 1997 and a member of the Australian Society of Certified Practicing Accountants since 2008.

He is an Accountant by profession and has a garnered more than 27 years of experience from local and international commercial companies in the area of accounting and financial management.

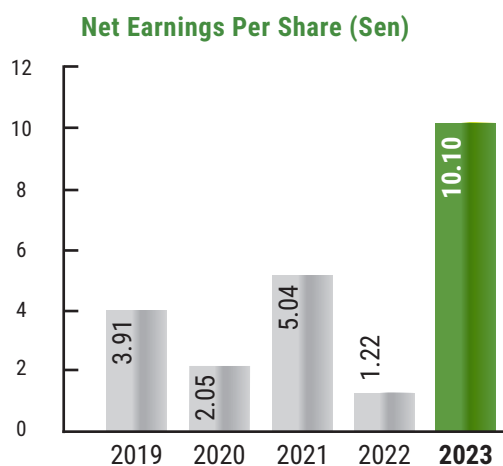
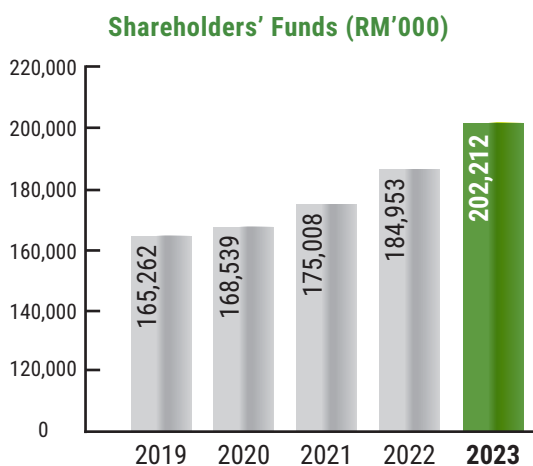
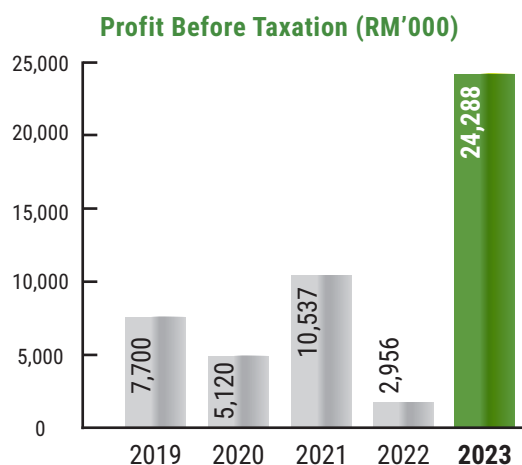
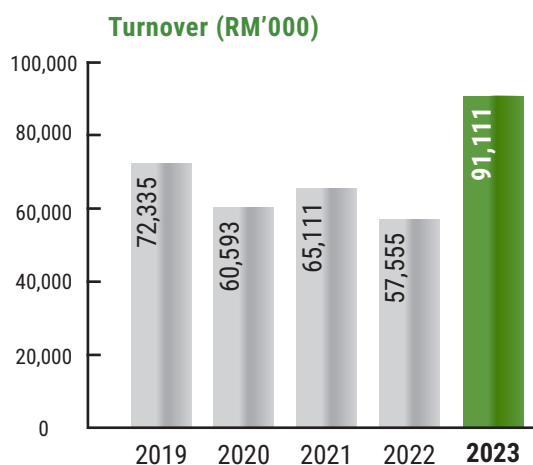
Mr. Loo joined our Group as the Chief Financial Officer on 18 May 2020. He has the overall the responsibility for overseeing the Groups' financial matters, including financial planning, financial reporting and administration.

Notes:

1. Save as disclosed in the Directors' Profile for Mr. Fong Wern Sheng, none of the key senior management has any family relationship with any other Directors and/or substantial shareholders of the Company.
2. None of the key senior management has any conflict of interest with the Company.
3. None of the key senior management has been convicted for any offences against the law other than traffic offences (if any) within the past five (5) years.
4. The Director's & key senior managements' shareholding are as disclosed in page 145 of this Annual Report.

FINANCIAL HIGHLIGHTS

Year Ended 28 February	2019	2020	2021	2022	2023
	RM '000	RM '000	RM '000	RM '000	RM '000
Turnover	72,335	60,593	65,111	57,555	91,111
Profit Before Taxation	7,700	5,120	10,537	2,956	24,288
Profit After Taxation	6,249	3,277	8,069	1,946	16,272
Profit Attributable to Shareholders	6,249	3,277	8,069	1,946	16,272
As at 28 February					
Total Assets	234,790	232,315	241,959	264,737	289,406
Shareholders' Funds	165,262	168,539	175,008	184,953	202,212
Net Earnings Per Share (Sen)	3.91	2.05	5.04	1.22	10.10
Net Assets Per Share (RM)	1.03	1.05	1.09	1.16	1.24



MANAGEMENT DISCUSSION AND ANALYSIS

We are pleased to present PGF Capital Berhad's ("PGF" or the "Group") annual financial report for financial year ended 28 February 2023 ("FY23"), highlighting the achievements of our strongest fiscal year to date. Through careful navigation and strategic management, we have achieved remarkable results, reflected in the Group's record-breaking revenue and profit after tax ("net profit") for the financial year under review, hitting RM91.1 million and RM16.3 million respectively. As we enter the new financial year, we are inspired to aim even higher, principally fuelled by our operational expansion into Australia.

BUSINESS OVERVIEW

Fibre Glasswool and related Products

PGF primarily manufactures and sells glass mineral wool ("GW") products through its wholly-owned subsidiary, **PGF Insulation Sdn Bhd ("PGFI")**. GW is mainly used as building insulation, offering energy efficiency and indoor comfort by providing thermal and acoustic insulation. The following diagram illustrates, amongst others, the key applications of GW:



Our products, marketed as *Ecowool*, consists of two main variants, *Classic* and *Brownie*.

ecowool

Classic
Glass Mineral Wool

Ecowool Classic products are the conventional GW produced using thermosetting resin. Ecowool Classic covers the full range of products that the plant can produce.

Brownie
ANTI-FORMALDEHYDE FORMULA

Ecowool Brownie was launched in 2013 in response to increasing demand for products that can meet more stringent environmental requirements. It is produced using a different type of binder technology with low volatile organic compound and ultra-low formaldehyde. Ecowool Brownie currently covers a selected range of products and is mainly sold in Malaysia, Australia and New Zealand.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

BUSINESS OVERVIEW (CONT'D)

Fibre Glasswool and related Products (cont'd)

PGFI has obtained the following certifications:

- a. ISO 9001:2015 Quality Management Systems
- b. MS 1020:2010 Thermal Insulation Products or Buildings – Factory Made Mineral Wool (Mw) Products – Specification
- c. AS/NZS 4859.1:2018 Thermal Insulation Materials for Buildings
- d. New Zealand Codemark Product Certification
- e. Singapore Green Building Product Certification

The majority of our GW sales are for building applications, particularly in developed countries such as those within the Oceania region, where local building codes emphasise on passive energy efficient designs. Our key markets, Australia and New Zealand, recently had their respective building codes revised with increased minimum requirements for energy efficient home designs. By 2024, the revision included, among many other requirements, the call for higher R-value for ceiling and wall insulation (R-value represents how well insulation restricts heat flow).

In addition to insulating building envelopes, GW is commonly used in heating and air-conditioning ducts to save energy and condensation control. A small portion of our GW sales caters to industrial applications, including the installation in power generator silencers, fire doors, acoustic partitions, and highway/railway sound barriers.

PGF's main operating hub is located in Perai, Penang with manufacturing and warehousing facilities spanning across approximately 38,614 square metres ("sqm") of land with a total workforce of 232 employees. The manufacturing facility has the capability to produce 25,000 metric tonne ("mt") of GW-related products every year.

Following the revision for higher insulation requirements in the key markets we serve, the Group recognised a new opportunity in condensation management as an integral component of the insulation system. With that, PGF commenced operation of a vapour permeable membrane manufacturing plant located in Sungai Buloh, Selangor. The plant started operations in May 2023, catering mainly for the Australian and New Zealand markets. This component is designed to manage moisture by allowing any moisture that accumulates within the insulation system to evaporate or diffuse through the membrane, helping to prevent the buildup of condensation and potential moisture-related issues such as mould or rot.

This new product is expected to contribute positively to the Group's financial performance by FY24.

ClimaWrap Vapour Permeable Membrane



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

BUSINESS OVERVIEW (CONT'D)

Property Development

Golden Approach Sdn Bhd ("GASB") is a wholly-owned subsidiary and the property development arm of the Group, owning approximately 1,311.1 acres of leasehold land in Tanjong Malim, Perak ("Diamond Creeks" or the "Land"). The Land is strategically located adjacent to the Proton City and Automotive High-Tech Valley ("AHTV"), which is approximately 15 kilometres ("km") from Tanjong Malim Electric Train Station ("ETS"), 100 km from the Kuala Lumpur City Centre, and 143 km from Kuala Lumpur International Airport.

We aim to develop the Land to complement the Malaysian Government's initiative to transform Tanjong Malim into an AHTV for new energy vehicle productions and enhance national car manufacturer, Proton's Tanjong Malim plant into a regional hub with investment from Chinese automaker, Zhejiang Geely Holding Group Co Ltd. With the Perak State Government's proactive plans and preparations in place, it is envisioned that approximately 50,000 people, including employees and their families will reside in Tanjong Malim by 2027, creating a need for sufficient housing. We believe we are able to help address this concern and contribute to the development of the area.

In March 2021, the Group and Malvest Properties Sdn Bhd ("Malvest") inked a joint venture ("JV") agreement to develop a township on a plot measuring approximately 45.0 acres within the Land adjacent to Proton City and AHTV. We are currently still in the development planning process with construction planned to commence in 2024.

Others

According to the Department of Fisheries Malaysia, our country produced a total of 1.9 million mt of food fish in 2019, marginally up from 1.8 million mt in 2018. Malaysia was also a net importer in 2019, importing RM4.8 billion worth of fish and other related products compared to RM3.8 billion in export. With Malaysia's growing population, rising affluence and a growing recognition of fish being the healthier source of protein, there is an expected rise in demand for food fish and its related products.

Diamond Creeks, which is strategically located near the Titiwangsa Range (or Banjaran Titiwangsa), is blessed with a natural source of high-quality freshwater, making it an ideal location for the cultivation of fingerlings.

Recognising these two important features, PGF, together with Hong Len Aquatic Sdn Bhd ("HLA"), established a joint venture company, **Diamond Creeks Aquatech Sdn Bhd ("DCA")**, in 2021 to specialise in freshwater aquaculture and related activities. The freshwater aquaculture centre managed by DCA is currently cultivating freshwater fish fingerlings with a focus on Jade Perch, a species of freshwater fish that has gained popularity due to its nutritional value. It has firm and flavourful flesh and is rich in omega-3 fatty acids.

To further monetise the Land's value, a portion spanning approximately 228 acres has been dedicated as a plantation area, overseen by our wholly-owned subsidiary, **Diamond Creeks Eco Farm Sdn Bhd ("DCEF")**. Out of this area, 208 acres have been designated for the planting of durian trees with plans to have up to 10,000 trees including Japanese Mangosteen. The remaining 20 acres have been allocated for the cultivation of a variety of tropical fruits (or cash crops) such as Panama Rose Gold passion fruit and Japanese kumquat.



Japanese mangosteens



Musang King durians



Japanese kumquats



Panama Rose Gold passion fruits

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL RESULTS

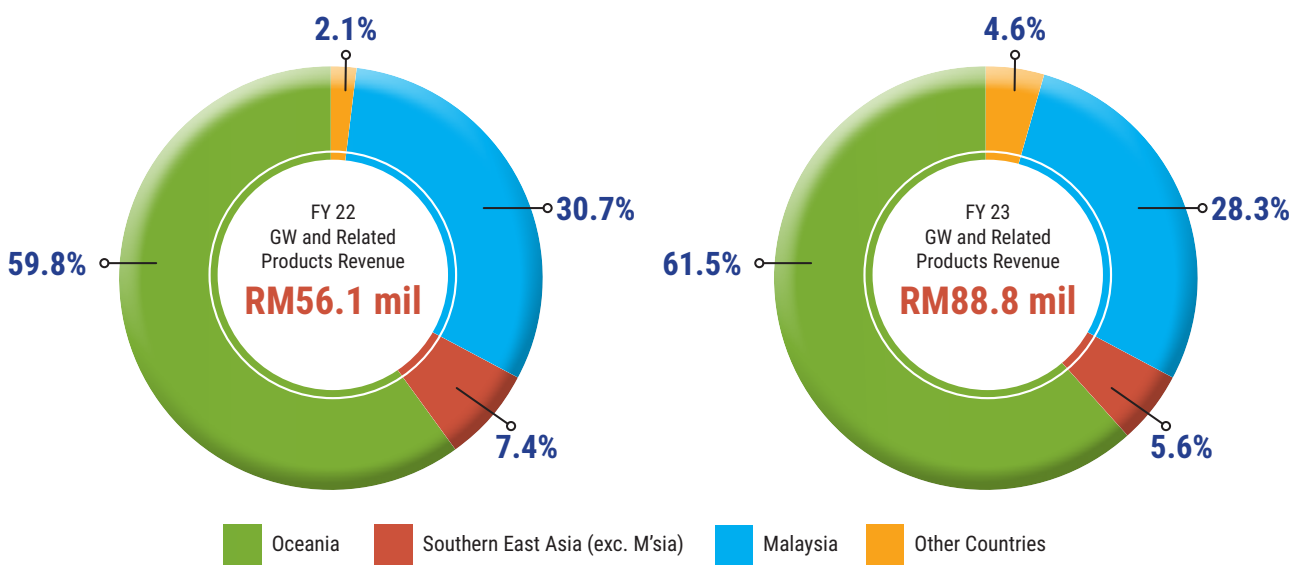


Record High Revenue FY23 RM91.1 million <i>FY22 RM57.6 million</i>	Record High Net Profit FY23 RM16.3 million <i>FY22 RM1.9 million</i>
--	--

We are delighted that we have done exceptionally well in FY23, achieving a total revenue of RM91.1 million, which is our highest since inception and marked an impressive 58.2% Year-on-Year (“YoY”) increase from previous year’s (“FY22”) revenue of RM57.6 million. This notable increase was largely attributable to higher volume of insulation products produced and sold during the financial year under review.

FY23 profit before tax (“PBT”) too, surged by more than eight folds YoY to RM24.3 million from RM3.0 million in FY22 in tandem with the jump in revenue, and a reversal of RM10.7 million impairment on land held for property development, based on a professional valuation in February 2023. Net profit for the year came in at RM16.3 million, which was also a record high for PGF.

The Insulation and Related Products Division remained the primary revenue driver, accounting for 97.4% of the Group’s turnover in FY23. It is also the most profitable segment, outperforming the Property Development and Other Divisions (e.g. agriculture). Oceania continued to be our key region, representing 61.5% of the division’s revenue in FY23.



PGF maintained a robust and lean financial position with a low net gearing ratio of 0.08 times. Supported by a net asset per share of RM1.24 and a healthy cash and cash equivalent balance of RM19.2 million as of end-FY23, the Group is well-equipped and agile to pursue expansion opportunities whenever necessary.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

OPERATIONAL REVIEW

Since the easing of movement control order in December 2021 in Malaysia, the business landscape has shown significant improvement, making FY23 our first full year of operations following the lockdown. With demand from our key markets rebounding, our manufacturing plant producing GW products has been operating at an average capacity of 80.0%, resulting in a notable increase in production volume for FY23.

For the agriculture segment, durian trees were continuously being replanted from the nursery to the designated orchard land while cash crops such as the Panama Rose Gold passion fruits and Japanese kumquats are expected to be harvested in the upcoming financial year. In order to optimise operational cost and leverage on the abundant water resources, DCEF submitted an application to the Forestry Department of Malaysia for access to the forest reserve to install water pipes that would tap water from natural rivers. The approval was obtained on 27 February 2023.

As of the present moment, our Property Development Division has not made any reportable progress.

BUSINESS STRATEGY AND OBJECTIVES

PGF consistently strives to maximise the utilisation of our plant's annual capacity of 25,000 mt to minimise production costs and achieve optimal production efficiency. The business usually experiences a slowdown during festive seasons such as the Lunar New Year, Hari Raya Aidilfitri, Christmas, and Easter Holiday in the countries we serve. As a result, our sales exhibit a relatively slower pace from November to February of the following year. Nonetheless, we continue production operations during this period to maintain economies of scale and absorb overhead expenses.

Our warehouse, which is adjacent to our manufacturing plant in Perai, is able to store approximately 3,000 mt of GW products to accommodate a sudden surge of demand. The warehouse is also equipped with loading bays to facilitate and ease container loading turnaround time.

As part of the Group's long-term strategy, we are committed to investing in and enhancing our marketing initiatives to drive sales and expand our market presence. In line with this, we have established three warehousing facilities in Melbourne, Brisbane and Perth, Australia in 2023 and are strategically positioned to efficiently serve customers in our key markets of Australia and New Zealand. This proactive approach positions us well to meet the anticipated surge in demand following the revision of national building codes in both markets.



Melbourne, Victoria
Operational since May 2023



Brisbane, Queensland
Operational since May 2023

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

BUSINESS STRATEGY AND OBJECTIVES (CONT'D)



Perth, Western Australia
Operational since June 2023

Our warehouses in Melbourne and Brisbane are operated by our wholly-owned subsidiary in Australia, PGF Insulation Pty Ltd, while the Perth unit is managed by our joint venture company, Select Insulation Pty Ltd. We now have a full-fledged team of 6 people in Australia to ensure efficient operations across our distribution network.

RISKS AND MITIGATIONS

We are cognisant of the ever-changing business landscape and maintains a proactive approach in identifying and mitigating potential risks. We closely monitor and manage these risks to ensure they remain within our predetermined tolerance limits. By adhering to rigorous risk management practices, we effectively minimize the impact of these risks, thereby safeguarding the long-term prosperity of our business.

Key risks	Our Approach
<p>Market Risk – Competition landscape in key markets</p> <p>Operating away from our key markets presents inherent challenges, especially when it comes to competing with local players who enjoy logistical advantages. The distance between our operations and the target markets can result in increased transportation costs, longer delivery times, and limited responsiveness to customer needs. These factors can put us at a disadvantage compared to local competitors who have a more efficient and agile supply chain.</p>	<p>One of our key initiatives is to continually improve our operational efficiency and optimise our supply chain management. Hence, we have established warehouses and formed a dedicated team in Australia to enhance customer service and satisfaction.</p> <p>We prioritise understanding the unique needs and preferences of our target customers. Through proactive engagement, we gain valuable insights into their requirements and provide personalised support. Our focus is on delivering value and exceptional customer experiences, setting us apart from local competitors and fostering strong customer relationships.</p>

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

RISKS AND MITIGATIONS (CONT'D)

Key risks	Our Approach
<p>Regulatory Risk – Change in policies</p> <p>The construction industry is greatly influenced by government policies, which have a substantial impact on our business. Policies such as the national building code play a pivotal role in shaping the demand for our products. As an example, with the recent revision incorporating higher energy efficiency standards, we anticipate a surge in the demand for insulation products. By closely monitoring and adapting to these policy changes, we can effectively respond to market demands and capitalize on the evolving regulatory landscape and emerging opportunities.</p>	<p>To ensure alignment with government policies and regulations, we prioritise compliance and closely monitor for any changes in regulations. By staying proactive in our approach, we aim to uphold our commitment to adherence and mitigate any potential risks or non-compliance issues. This enables us to maintain a strong reputation and build positive relationships with the governing bodies of the industry.</p>
<p>Industry Risk – Raw material supplies</p> <p>Reliance on virgin materials, such as silica sand in the making of GW-related products, depletes finite resources. Additionally, the production of silica sand involves energy-intensive processes, such as extraction, transportation, and refining, which contribute to greenhouse gas emissions, carbon footprint and to environmental disruptions.</p>	<p>In our business, we operate within a closed loop system that effectively transform waste into a valuable resource used for thermal and condensation management. With glass cullet comprising 80% of our GW product composition, we minimise or eliminate the need for silica sand, thereby reducing the consumption of finite materials and mitigating the environmental impact linked to their extraction, production and disposal.</p>
<p>Operation Risk – Health and safety at the workplace</p> <p>Safety is of utmost importance to our Group, particularly within our manufacturing and warehousing sites where physical manpower plays a crucial role in our day-to-day operations. By placing a strong emphasis on safety measures, we not only ensure the well-being of our employees but also promote the timely delivery of our products, minimise the occurrence of product defects, and maintain a positive reputation. These collective efforts greatly contribute to our overall financial well-being.</p>	<p>At all our operational sites, the safety and well-being of our employees, contractors, and stakeholders are our top priority. To accomplish this, we have established clear health and safety policies and procedures, which are effectively communicated to both internal and external parties. As part of our comprehensive onboarding process, new employees undergo thorough training to ensure their familiarity and strict adherence to our health and safety policies. By prioritising these measures, we create a secure and protected environment for everyone involved in our operations.</p>

OUTLOOK

Fibre Glasswool and Related Products

This business division will remain as the key driver of the Group's profitability, and we foresee minimal changes in the geographical and revenue contributions from our products in the upcoming financial year. As the drop in ocean freight costs gradually alleviates inflationary pressure, we expect a reduction in operating costs, positioning us competitively in the market. At the time of writing, stocks have been shipped to our newly established warehouses in Australia, enabling us to enhance our local customer service. With an improved distribution network in place, we anticipate this business segment to capture a larger share of the Oceania market.

The growth of our business is also anchored to the evolving government policies, particularly on addressing climate change and striving for net zero emissions. This trend is evident in countries like Australia and New Zealand where sustainable living requirements continue to be stringent with each subsequent revision of their respective building code. As a result, the demand for insulation products is expected to grow steadily in order to meet these rising standards.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

OUTLOOK (CONT'D)

As at the time of writing, the property market in Australia is experiencing a slowdown caused by rising input costs, supply chain delays, labour shortages and falling demand. According to the Australian Bureau Statistics, the total number of dwelling units approved in Australia in April 2023 fell by 8.1% month-on-month ("MoM") and 24.1% YoY. These challenges in the property market will primarily impact new housing projects, which in turn affects our business as a supplier of insulation materials for new homes.

While the overall demand for insulation products may be affected by the fall in demand for new homes, this impact is mitigated by the retrofitting segment. As existing properties require insulation upgrades to meet the revised standards, there remains a significant market for our products. This provides us with a level of stability in the retrofitting segment, ensuring that our business continues to thrive amidst the changing dynamics of the property market.

Property Development

We are currently in the process of applying for Planning Permission (or Kebenaran Merancang) for the 45.0-acre land designated for the development of a township in collaboration with Malvest. Recognising the dynamic nature of the property market and the challenges posed by high inflationary and interest rate pressures, we understand the importance of carefully and strategically timing our property launches. This approach is crucial to optimise the development and ensure its success in the ever-evolving market conditions.

However, due to legacy issues, the authorities require GASB to submit masterplan rezoning to realign with long term local plan (Rancangan Tempatan Muallim 2035). This has caused a delay in the submission of Planning Permission. GASB, together with Malvest, targets to obtain the Planning Permission within FY2024.

Others

The Group's planned ecotourism project aims to develop a nature resort strategically located near the Behrang Forest Reserve. This project will effectively complement our existing agriculture and aquaculture initiatives, offering a comprehensive package to promote ecotourism at Diamond Creeks. Having said that, the ecotourism project is also affected by the masterplan rezoning issue faced by the property development segment. The management team has identified an operator of eco-tourism facilities and is working with the operator on the operation agreement, and design and plan for the site; while simultaneously working with the relevant authorities to resolve the masterplan rezoning issues.

DIVIDEND

The Group has proposed a final dividend of 1.0 sen per share for FY23, subject to shareholders' approval at the upcoming Annual General Meeting. Adding the first interim dividend of 1.0 sen paid in November 2022, this brings total dividend payout to 2.0 sen for FY23, representing a payout of 19.9%.

From FY24 and onwards, our dividend policy entails distributing a minimum of 25% of our net profit as dividends. Having said that, the distribution is contingent to the availability of sufficient distributable reserves, operating cash flow requirements, financial commitments, expansion plans and other relevant factors to sustain our existing operations.

APPRECIATION

We extend our sincere appreciation to the esteemed Board of Directors for their exceptional leadership and guidance during challenging times. Their unwavering commitment, strategic vision, and prudent decision-making have been instrumental in steering the business towards success. We are grateful for their invaluable contributions, which have enabled us to navigate through difficult circumstances and emerge stronger.

We would like to express our sincere gratitude to the management team and all our staff members. Their dedication, hard work, and resilience have played a pivotal role in our collective success. Additionally, we deeply appreciate the continuous support and trust by our shareholders, customers, suppliers, business partners, financiers, and other stakeholders.

The Group remains focused on pursuing growth opportunities by adapting to the dynamic business environment within our business segments while further strengthening our commitment to environmental, social and governance ("ESG") principles.

SUSTAINABILITY STATEMENT

OUR SUSTAINABILITY

The Board of Directors (“Board”) of PGF Capital Berhad (“PGF” or the “Group”) presents this Sustainability Statement 2023 (“Statement”) which reports on the Group’s sustainability progress, management and performance of economic, environmental, and social (“EES”) risks and opportunities. This Statement focuses on, amongst others, disclosing the Group’s foundations and actions towards improving sustainability performance through setting up systems and enhancing the monitoring and tracking of key indicators. The scope of this Statement mainly encompasses the Manufacturing segment of PGF and its subsidiaries within the geographic scope of Malaysia, for the financial year ended 28 February 2023 (“FY2023”).

This Statement has been prepared in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) in relation to sustainability disclosures. This Statement has also considered alignment with internationally recognised goals, frameworks or standards such as the United Nations Sustainable Development Goals (“SDGs”). We have also begun to undertake internal exercises and preparation to enable the alignment of our climate-related disclosure with the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”).

The Statement has been reviewed internally by the Management and approved by the Board of PGF.

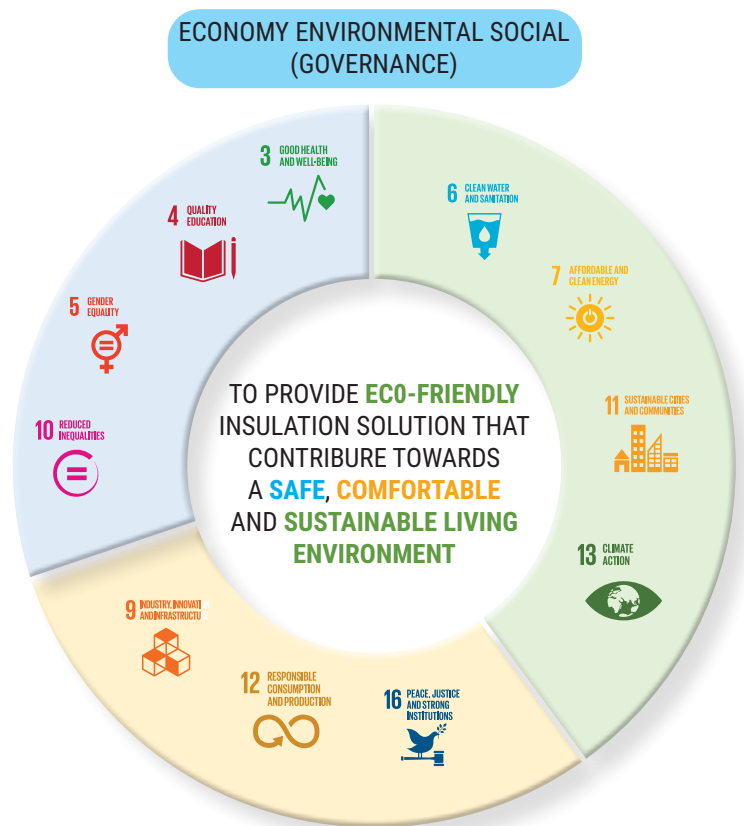
We also have ambitions to progress our sustainability efforts strategically and have begun the process of engaging with an external consultant to review and assess our EES risks and opportunities, as well as developing a guiding framework for sustainability. This will enhance our ability to make meaningful impacts through our initiatives and efforts, and to create sustainable value together with shared success.

OUR SUSTAINABLE GOALS

In September 2015, Malaysia, together with other members states of the United Nations (“UN”), adopted **The United Nations’ Sustainable Development Goals (“UN SDGs”)** which is a set of goals towards achieving the 2030 Agenda. In creating shared values for all, PGF acknowledges its responsibilities in contributing to the country and the word in progressing towards the UN SDGs.

For the Group’s FY2023 Statement, PGF strengthened its reporting against the **UN SDGs** by identifying key contributions in line with the specific targets of the SDGs relevant to the nature of our businesses.

Our Environmental, Economic and Social focus outlines our goal, key initiatives and strategic action plans encompassing factors which are associated with our business. Such approach enables us to focus on sustainability matters that are most relevant and material to us, and allows us to manage our business sustainably while contributing to progress towards the **UN SDGs**.



SUSTAINABILITY STATEMENT (CONT'D)

OUR GOVERNANCE STRUCTURE

The Group has established an effective governance structure to oversee and manage the Group's sustainability management, including clear definitions of accountability, roles, and responsibilities of those involved, and this is important for PGF to ensure that progress is made in line with our sustainability goal to support the Group's long-term value creation. Our sustainability governance structure is summarised as follows:



Board Of Directors

The Board is ultimately responsible for incorporating sustainability considerations, including climate change, in the Company's business strategies. The Board is responsible for the Group's sustainability strategy and performances, including financial and non-financial reporting. Amongst others, this comprises identifying and ensuring compliance and managing matters pertaining to ESG matters, particularly where ESG risks may affect the company's performance. The Board's responsibilities include setting the Group's aspirations in relation to its sustainability matters and performing regular reviews of the Group's sustainability progress.



Senior Management (Executive Committee)

The Senior Management ("SM") is responsible for the execution of the Group's sustainability strategy, which includes the handling of mandatory reporting obligations, overseeing the management of ESG risks and developing action plans to achieve aspirations set by the Board. The SM is assisted by the Sustainability Committee.

Some of the SM's key responsibilities include managing the planning and integration of sustainability initiatives into the Group's business strategies and operations to ensure key sustainability decisions are made in accordance with the Group's business strategies and to ensure the availability of adequate resources for the successful implementation of sustainability strategies and initiatives.



Operation Management (Sustainability Committee)

The Operation Management ("OM") is comprised of key working-level representatives from each division and department, and they also include members of the Sustainability Committee. The Sustainability Committee is responsible for implementing action plans and pursuing sustainability targets set by the SM. In addition, the OM also collects and reports relevant data for the Group's non-financial reporting, monitoring of sustainability performance, and complying with the non-financial reporting obligations.








The OM provides execution support and oversees the daily management of sustainability matters in their respective division and functions, towards effective integration of sustainability throughout the Group.

SUSTAINABILITY STATEMENT (CONT'D)

OUR STAKEHOLDER ENGAGEMENT

Towards creating long-term shared value, we aim to maintain a balance of our stakeholder's interests through continuous engagement and understanding. We aim to generate sustainable revenue through the quality projects we deliver whilst creating opportunities for rewarding and meaningful employment. We also create value for our businesses and stakeholders via our relationships with local suppliers, contractors and vendors.

Engagement with key stakeholders plays a vital role in our sustainability journey. We believe that stakeholder engagement is crucial for identifying room for improvement, setting our sustainability expectations, and communicating our sustainability priorities, targets, and performance. We continue to form, strengthen and maintain valuable connections with stakeholders through various engagement channels. Our key engagement mechanisms for each stakeholder group during FY2023 are summarised in the table below.

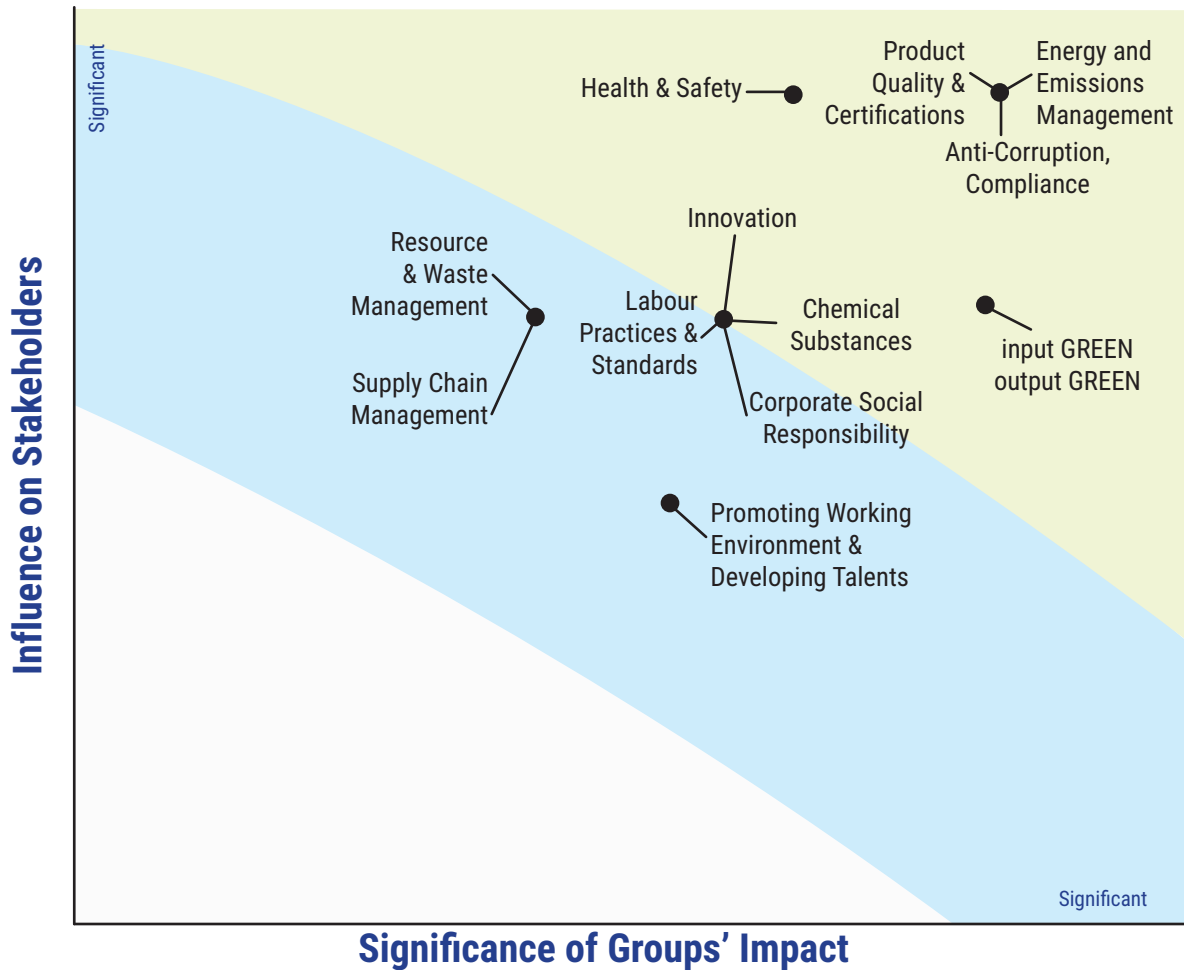
Stakeholder	Engagement	Frequency	Areas of Expectations
EMPLOYEE 	<ul style="list-style-type: none"> • Performance reviews • Educational/ Training programmes • Conferences/Seminars/ Workshops • Safety inspections • Code of Ethics • Community development programmes • Interviews • Face-to-face meetings • PGF's Library 	<ul style="list-style-type: none"> • Annual • As needed 	<ul style="list-style-type: none"> • Knowledge and skill enhancement • Career development • Occupational Health & safety • Environment, Health & Safety Health (EHS) practices • Fair & competitive remuneration benefit • Employee wellbeing and a conducive work environment • Employee engagement • Job security • Equal opportunity
CUSTOMER 	<ul style="list-style-type: none"> • Customer satisfaction survey • Suggestion box • Social media 	<ul style="list-style-type: none"> • Quarterly • As needed 	<ul style="list-style-type: none"> • Pricing • Quality, Green & Sustainable products and services • Timely project delivery • Customer service and experience • Property design • Defect rectification • EHS practices
VENDOR 	<ul style="list-style-type: none"> • Supplier assessment • Surveys • Face-to-face meetings 	<ul style="list-style-type: none"> • As needed 	<ul style="list-style-type: none"> • Supply chain management • Legal compliance and contractual commitments • Product, service quality and delivery • Fair and transparent procurement process • Cost effectiveness • ESH practices • Payment schedule
MEDIA 	<ul style="list-style-type: none"> • Interviews • Press releases • Advertising 	<ul style="list-style-type: none"> • As needed 	<ul style="list-style-type: none"> • Corporate news • Industry outlook • Brand image • Reputation
REGULATOR BODIES 	<ul style="list-style-type: none"> • Audit • Presentations • Site visit • Survey 	<ul style="list-style-type: none"> • As needed 	<ul style="list-style-type: none"> • Certifications • Corporate governance • Regulatory compliance • Anti Bribery & Corruption compliance • Environmental management and compliance
SHAREHOLDER 	<ul style="list-style-type: none"> • Investor Relations website • Annual report • Annual General Meeting • Fund/analyst briefing • Press releases • Face-to-face meetings • Site visits • Survey 	<ul style="list-style-type: none"> • Annual • As needed 	<ul style="list-style-type: none"> • Financial performance • Corporate developments • Growth plans • ESG practices • Risk management • Corporate governance • Transparent disclosure • Dividend policy
COMMUNITY 	<ul style="list-style-type: none"> • Community charity events • Internships • Press releases • Social media 	<ul style="list-style-type: none"> • As needed 	<ul style="list-style-type: none"> • Community investment and community engagement • Job creation and internship opportunities • Local welfare

SUSTAINABILITY STATEMENT (CONT'D)

OUR MATERIALITY MATRIX

The Management assesses the Group's material sustainability matters considering how they reflect the Group's significant EES matters, as well as if they substantively affect stakeholders' assessment and decisions.

In FY2023, we perform our Materiality Assessment based on our ESS framework. In the materiality assessment **Energy & Emissions Management, Compliance and Anti-Corruption, Product Quality & Certifications**, were identified as the topics of highest importance.



Environmental

- Input GREEN Output GREEN
- Managing & Reducing Chemical Substances in Packaging
- Energy & Emission Management
- Resource & Waste Management

Economic

- Innovation
- Product Quality & Certifications
- Supply Chain Management

Governance

- Compliance, Anti Bribery & Corruption

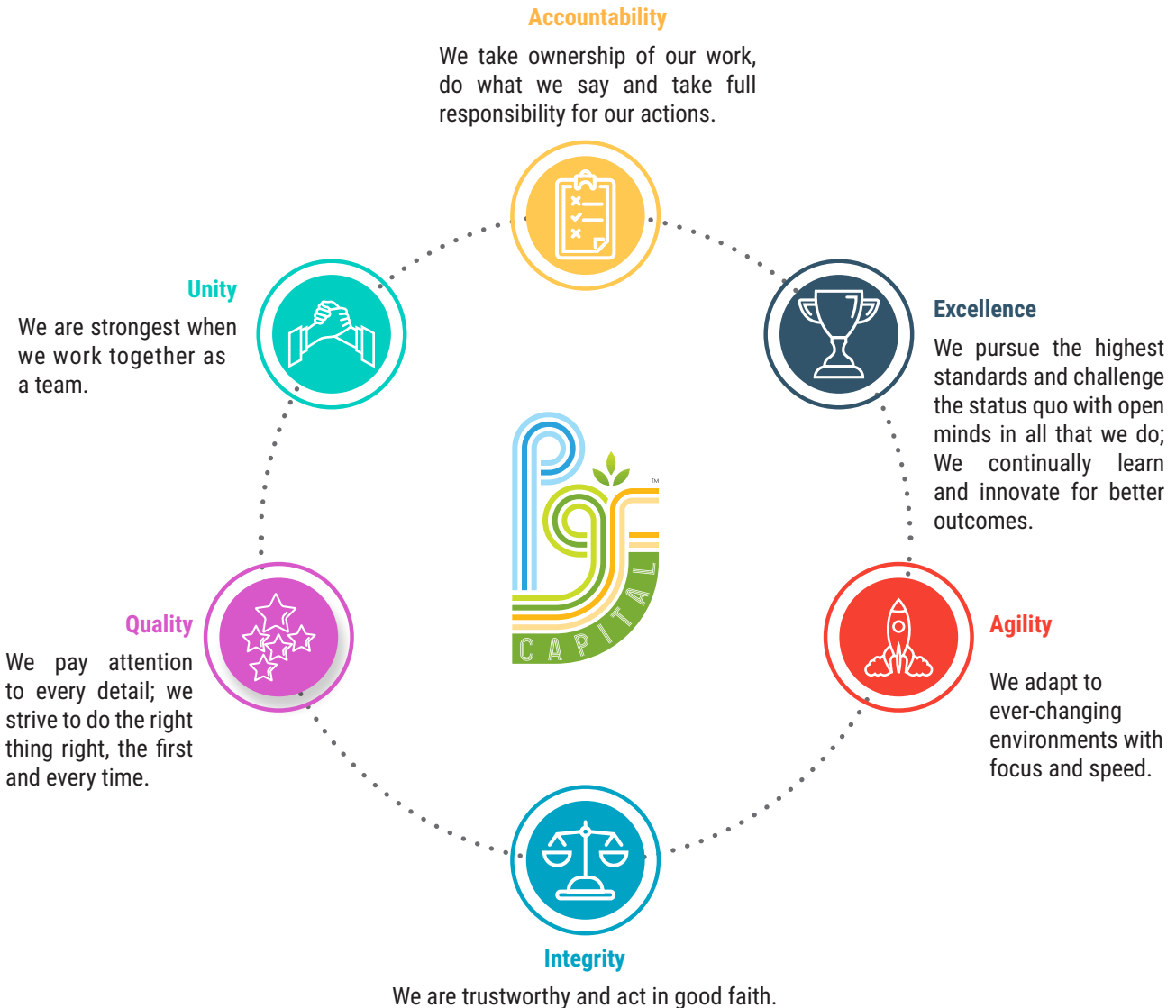
Social

- Workplace Diversity, Labour Practise and Standards
- Promoting Conducive Working Environment and Development Talent
- Health & Safety
- Corporate Social Responsibility

SUSTAINABILITY STATEMENT (CONT'D)

ETHICAL BUSINESS PRACTICES

Business ethics is one of the most important foundations of our business. PGF upholds ethical practices in its business and operations, as well as towards all stakeholders. All PGF operations and people, including directors and employees, are guided by our Core Values, as follows.



PGF's core values are the characteristics that define what the company stands for. It is these values that form the basis for our operations and the decisions that are made at our company.

Our core values set the foundation for the Group's Code of Conduct, which is applicable for all employees, including Directors. It recognises the Company's roles in contributing towards the social and environmental growth of the surroundings in which PGF operates. The Code of Conduct was adopted by the Board and addresses matters including conflict of interest, compliance, anti-corruption and anti-bribery, safe and healthy work environment, and protection of the environment. Violations of the Code of Conduct can be reported via the Whistle Blowing Policy which available on PGF's website at www.pgfcapital.com.my

SUSTAINABILITY STATEMENT (CONT'D)

ETHICAL BUSINESS PRACTICES (CONT'D)

Anti-corruption

PGF has adopted a zero-tolerance policy against all forms of bribery and corruption, which is formalised via the Code of Conduct and communicated to internal and external stakeholders as appropriate. The Group includes corruption risk assessment and management as part of its annual risk assessment to enable a systematic mitigation and management of potential corruption risks in the Group's operations.

All new employees are briefed on the Group's zero-tolerance policy against bribery and corruption, together with the Code of Conduct which is provided during employee orientation. External parties such as key suppliers and business partners are also communicated on these ethical business expectations, as necessary. We endeavour to promote ethical business practice within our business environment as well as our value chain through raising awareness among our employees and business associates.

As of 28 February 2023, all of our employees and Directors have provided their written acknowledgement and commitment to adhere to the Group's Code of Conduct. In addition, we also provide anti-corruption awareness during orientation to new employees considering their risk exposures such as nature of work and the parties they are required to deal with.

Compliance

PGF Group is committed to comply with all applicable laws and regulations, including environmental and social compliance. During the financial year under review, there were no significant fines or penalties arising from non-compliance with laws and regulations, including in relation to environmental and social laws and regulations. There were also no incidents of corruption reported.

QUALITY PRODUCT AND EFFICIENT OPERATIONS

Innovation

The principal products of the Group's Manufacturing segment are insulation products made from glass mineral wool. They provide thermal and acoustic insulation benefits. In Malaysia, over 30% of the energy consumption of buildings is used to cool down human-occupied spaces. Glasswool can retard heat flow when installed on building envelopes and thereby reducing the use of energy. Glasswool, which is a key material for our products, is also a sustainable material.

Another common application of glasswool is with air-conditioning ducts commonly seen in commercial buildings, such as shopping malls, offices and hospitals. In hot tropical countries like Malaysia, cool air is generated to cool down spaces for thermal comfort. Air-conditioning ductwork is used as a medium to transfer cool air from chillers or compressors to the intended destination. Along the ductwork, heat gain happens and if not properly insulated, more energy is required for cooling. Effective thermal insulation of the ductwork reduces the heat gain and helps to minimise energy usage.

Through sustainable manufacturing practices, the Company strives to develop and bring to the market products and solutions in supporting the construction sector to deliver a low-energy and sustainable built environment. A sustainable built environment is designed for longevity, flexibility, adaptability, reuse and recoverability, and considers future climate risks. It uses low-carbon, low-impact, non-toxic materials and it recovers used resources.

We offer a wide product range with different specifications to suit the different requirements of our customers. We also continuously monitor the market needs and develop new products, such as **Vapour Permeable Membrane (CLIMAWRAP)**-Durable, 3-layer and a highly vapour permeable membrane designed to minimise condensation risk in buildings. Protected on both faces by non-woven structures against corrosive environment and engineered to meet the demands of the Australian climate conditions

SUSTAINABILITY STATEMENT (CONT'D)

QUALITY PRODUCT AND EFFICIENT OPERATIONS (CONT'D)

Product Quality & Certifications

At PGF, our fibre glass is made primarily of silica, an inorganic substance that is not combustible. Furthermore, no fire-retardant chemical is added to our product. The product is made according to BS 476: Part 4 (Non-combustibility test for materials), a widely used fire testing standard for building materials. This is crucial as the use of insulation materials that do not pass fire safety standards can lead to unfortunate fire incidents.

Our products are well received in several countries in the Asia-Pacific region. We are committed to ensuring that our products comply with the local product standards and building codes of the countries that we export to. The Group is a holder of local product certifications of Malaysia (MS1020), Australia (AS/NZS 4859.1) and New Zealand (AS/NZS 4859.1). Where fibre glass product standards do not exist locally, the Group strives to obtain industry-recognized standards or test reports, mainly in compliance with British and American standards, to assure customers of our product quality and performance.



ELIMENT & BROWNIE Certification

Fibre glass insulation materials can last as long as the life of a property when installed according to the recommended method and is maintained well. The Group offers a product warranty of 70 years as we take our product quality seriously.

We are also providing sustainable products with ultra-low formaldehyde range under our own brand product- Brownie. With this product offerings, the Group is on par with other leading fibre glass manufacturers around the world in embracing the growing demand for sustainable insulation solutions.

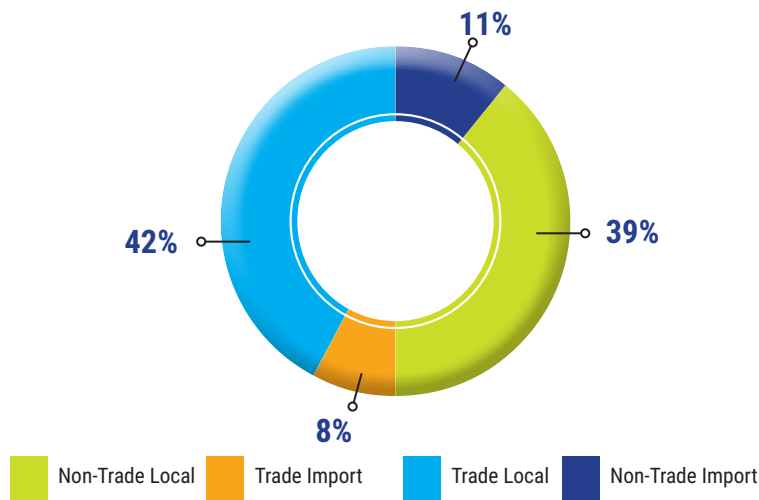
The quality of our products is safeguarded by regular quality control processes at our manufacturing operations. Our quality control ("QC") and quality assurance ("QA") teams play an important role in ensuring our products meet customers' requirements and consistently reflect the value we bring to our customers and consumers.

SUSTAINABILITY STATEMENT (CONT'D)

QUALITY PRODUCT AND EFFICIENT OPERATIONS (CONT'D)

Supply chain management

One of the key measures to safeguard our product quality is ensuring the quality of our input materials. We use uncontaminated, non-tinted glass as input materials, and we work together with selected suppliers to provide consistent supplies which meet our specifications. These supplies are largely industrial glass waste and through our purchases, we also play a part in enabling circular economy. As most of these purchases are from local industries, approximately 84% of our trade expenses are from local suppliers in FY2023. Overall, approximately 81% of our trade and non-trade expenses are procured from local suppliers.



PROTECTING THE ENVIRONMENT

Recycled Raw Materials

One of our most significant initiatives to conserve the environment is our increased use of alternative materials as raw material. We demonstrate our recycling effort by collecting industrial glass waste that would have otherwise been sent to landfills, to use as our raw material. The use of recycled glass instead of silica sand also translates to lower use of energy for the melting process.

Every year, millions of tonnes of glass are thrown away. But with our eco-friendly insulation, we're turning that waste into something valuable. Reducing waste, saving energy, protecting the planet - that's what our insulation product is all about - Transforming waste into impact. We believe that this approach not only helps our business better reflect the world at large but that it is a powerful unifying force that can help us to accelerate a regenerative product system.

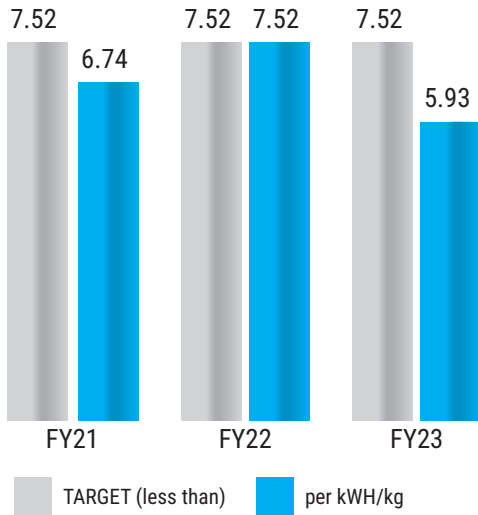


SUSTAINABILITY STATEMENT (CONT'D)

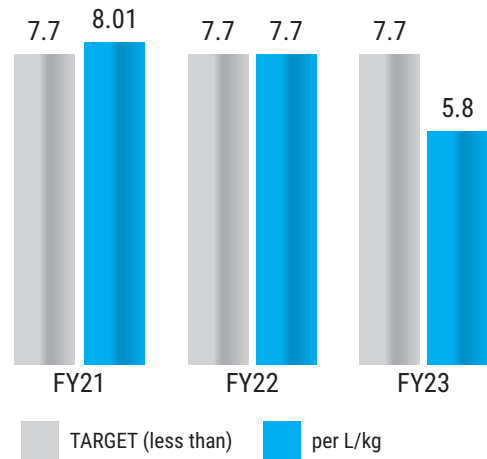
PROTECTING THE ENVIRONMENT (CONT'D)

PGF has also set itself a few environment-related goals which are linked to the sustainability and efficiency of our operations, driving operational efficiency, resource efficiency, and cost management. These efforts are in addition to environmental compliance which we view as fundamental and basic for our business. Our environment-related goals and their performance for FY2023 are as follows:

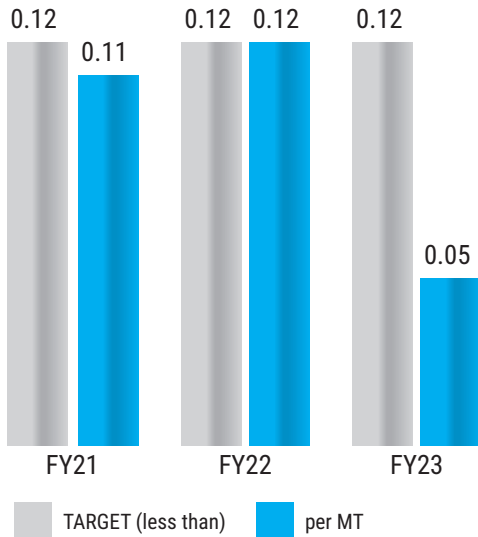
UNIT CONSUMPTION OF ENERGY



UNIT CONSUMPTION OF PORTABLE WATER



QUANTITY OF WASTE PRODUCT SEND TO LANDFILL



DESCRIPTION	TARGET	FY23
Compliance to emission of Sulphur Oxides (SOX)	< 800 mg/m ³	COMPLIED
Compliance to emission of Nitrous Oxides (NOX)	< 800 mg/m ³	COMPLIED
Compliance to emission of Total Particulate Matter (PM)	< 50 mg/m ³	COMPLIED

Resource and waste management

PGF's Manufacturing operations generate both hazards and non-hazardous waste. We have strict processes to ensure hazardous waste is managed and handled in accordance with the applicable environmental laws and regulations, including ensuring that they are managed by licensed contractors. On the other hand, hazardous waste mainly comprises reject fibres which cannot be further re-used.

We use water in our operations and offices. During the financial year under review, we consumed approximately 90,310m³ of water in our operations. Processes are currently being developed to further analyse water consumption in our operations.

SUSTAINABILITY STATEMENT (CONT'D)

PROTECTING THE ENVIRONMENT (CONT'D)

Input GREEN Output GREEN

Our manufacturing process uses industrial glass waste that would otherwise be disposed of at landfills as raw material, instead of silica sand. That also translates to lower use of energy for the melting process. Used glass wool can potentially be reused and it is an innovative practice to melt glass wool and turn it into new insulation products, reducing the need for virgin materials and the energy required to produce new insulation products.

Our insulation products are used in walls, roofs, and floors to prevent heat transfer between the interior and exterior of buildings. Insulation is installed to prevent heat loss or gain through these surfaces, in cold weather, insulation keeps the warmth inside the building, while in hot weather it prevents heat from entering. The reduced heat loss can lower energy bills and carbon emissions, reducing the likelihood of condensation, and can lead to a healthier indoor environment as well as preventing damage to building materials.

Managing and Reducing Chemical Substances in Packaging

Apart from our insulation products which are environmentally sustainable, we also place efforts in achieving sustainable packaging, in addition to their function to protect our products. Packaging waste management is an area of major concern for society. We are working toward a future where none of our packagings ends up in landfill or as litter in the environment.

Traditional packaging printing processes involve using a wide range of colours to create vibrant designs. However, this can lead to excessive waste of ink, as well as more energy consumption during the printing process. By minimizing the number of colours used in our packaging, we significantly reduce our environmental impact. Our insulation packaging only consists of two colours which will make it easier and more efficient to recycle, on top of reducing the amount of waste that ends up in landfills.



Energy and Emissions Management

Recognising the potential significance of effective energy management in business, whether for business cost management or to contribute towards responsible energy consumption and lower carbon emissions, we have begun to analyse our energy usage across our operations in the Manufacturing segment. Natural gas in our production, diesel used in our vehicles, and electricity purchased from TNB are the identified key sources of energy for the Manufacturing segment.

During the financial year under review, we consumed an estimated 334,935 GJ or 93,037,494 kWh of energy in our operations.

As we propel our sustainability efforts forward, we will continue to analyse our energy consumption and utilisation patterns to identify areas where we can make our energy use more efficient.

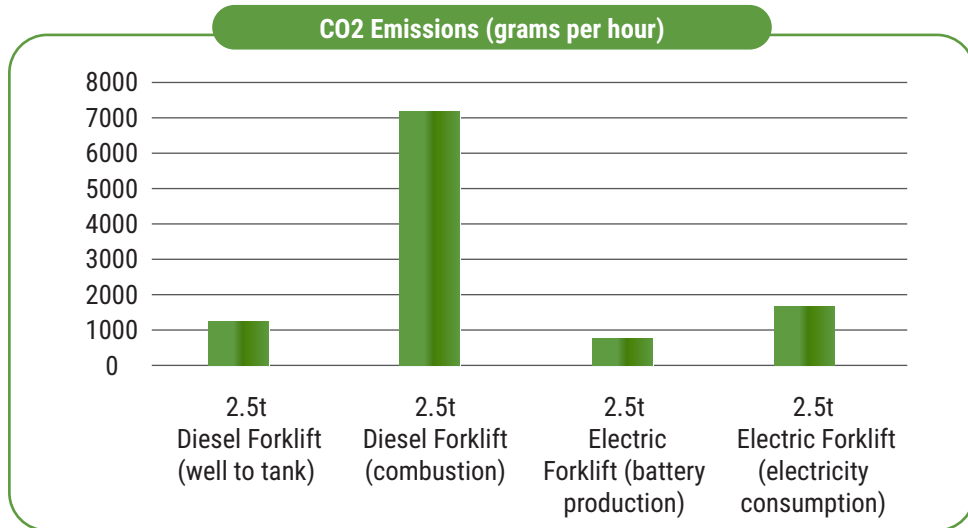
Emissions are usually higher in the production phase, GHG emissions of electric vehicles were about 17-30% lower than the emissions of petrol and diesel cars, pure electric cars produce no carbon dioxide emissions. With empowering our sustainable footprint, PGF is switching from gasoline-fuelled to electric-powered forklift which can reduce local levels of air pollution have less energy consumption and more environmentally friendly. Other key factors also include direct cost saving of around 80% per annum including lower maintenance cost reduced down times as well increased productivity.

SUSTAINABILITY STATEMENT (CONT'D)

PROTECTING THE ENVIRONMENT (CONT'D)

Energy and Emissions Management (cont'd)

Electric forklifts also bring other benefits including improved safety as they eliminate the risk of fuel leakage and the hazards associated with storing and handling flammable fuel, noise reduction and enabling a more comfortable indoor work environments and consistent power delivery throughout the operating cycle resulting in improved efficiency and productivity.

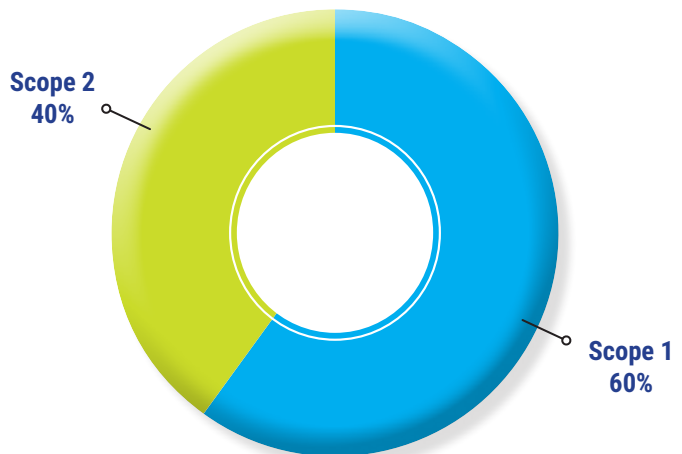


Source from Lithium Forklift



In our efforts to minimise our environmental footprint, we also estimate our impact in relation to greenhouse gas (“GHG”) emissions. For FY2023, we estimate our GHG emissions based on our energy sources, i.e. natural gas, diesel, and purchased electricity, which are also sources of our Scope 1 (Direct) and Scope 2 (Indirect) emissions for the Manufacturing segment, as follows:

GHG Emissions – Manufacturing Segment FY2023 (tCO2e)



Alongside our energy management efforts, we will continue to identify ways to enhance the emissions efficiency of our operations, towards a lower carbon footprint operation in the future.

SUSTAINABILITY STATEMENT (CONT'D)

PROTECTING THE ENVIRONMENT (CONT'D)

Renewable Power Generation

To enhance the use of more renewable energy in the manufacturing process of our products, we identified solar photovoltaic (PV) systems as the most suitable mode for us to reduce our consumption of non-renewable energy as Penang has one of the highest solar irradiances in Malaysia.

PGF commenced its first solar photovoltaic project in 2020 to install ground-mounted and rooftop solar systems to provide for own operational needs. The installation of solar panels is carried out in two phases – Phase 1 was completed in October 2020 with a cost of RM1.78 million; Phase 2 is expected to be completed by the end of Q4 2023 with a cost of RM3.43 million.

We have successfully commissioned the installation of a solar PV system on our buildings in Perai, Penang under the Net-Energy Metering (“NEM”) program, which is under the purview of the Sustainable Energy Development Authority (“SEDA”). The system for the first phase has a 574kWp capacity. As a result, we managed to save over RM443,000 worth in electricity consumption in FYE2023.

The second phase of the solar project will provide an additional 1,266 kWp capacity to the site with an estimated annual savings of RM830,000 worth in electricity consumption.



Solar Phase 2

With the commissioning of this project, the Group is expected to contribute to the reduction of the greenhouse gas emission by 760 tonnes of CO₂ per year, which is equivalent to 3,800 trees. In addition to a reduction of electricity costs, our manufacturing process will be relying more on green energy which releases far less greenhouse gases than fossil fuels, as well as few or low levels of air pollutants. With this, a portion of our product is produced with green energy.

We are currently in the process of developing a process to collect data and analyse the impact of our energy management efficiency, including the contribution of our solar panel system and its impact on our overall energy and emissions footprint, which will be disclosed in further details in the annual report for the next financial year.

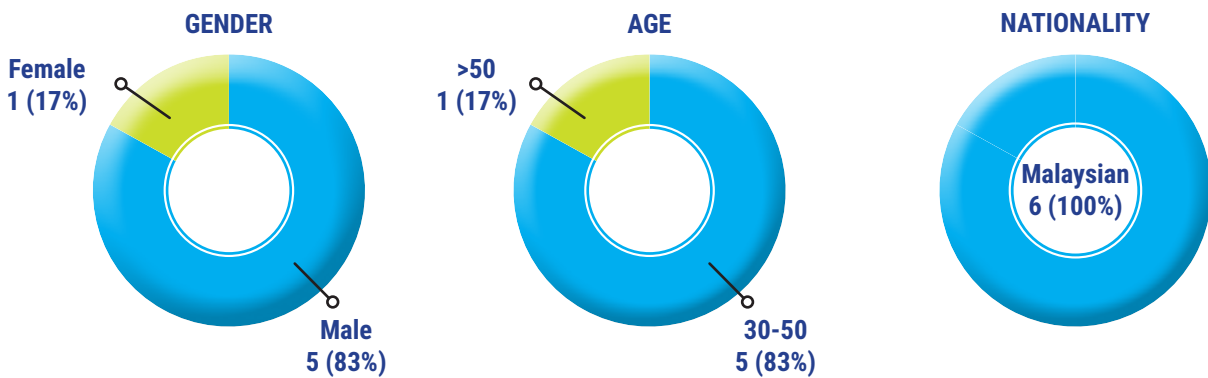
SUSTAINABILITY STATEMENT (CONT'D)

SAFEGUARDING OUR EMPLOYEES

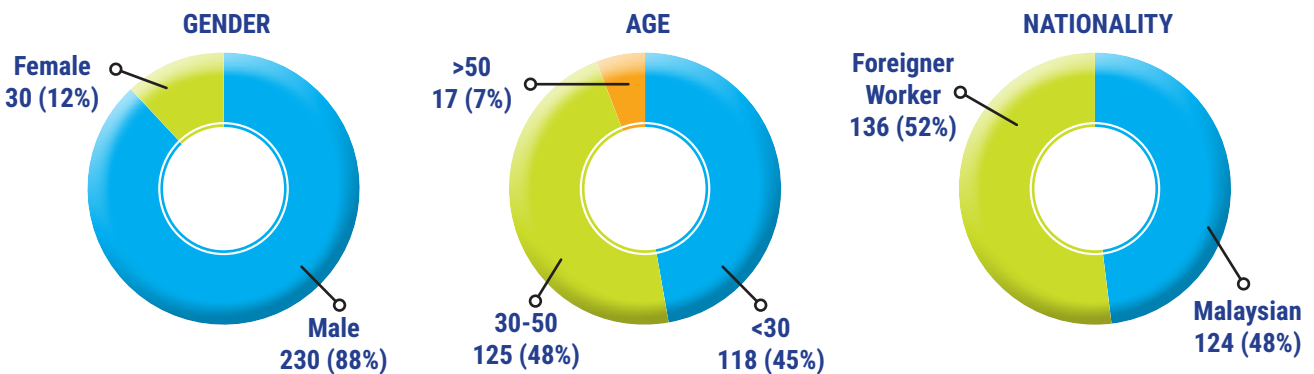
Workplace Diversity and Labour Practices and Standards

Promoting diversity and inclusiveness among our employees is in line with the Group's values and commitment. This is exemplified in our hiring and promotion process, where candidates are selected based solely on their job performance and competency level. We strive to empower all employees regardless of their age, gender, race or religion. The breakdown of the Group's employee demographics, including all business segments in Malaysia, is as follows.

DIRECTORS' DEMOGRAPHICS



WORKFORCE' DEMOGRAPHICS



The Group acquiesce that it is particularly a challenge to achieve a satisfactory gender balance in all fields of business activity due to the nature of our industry. However, we continue to actively build on diversity with a focus on gender by taking steps to ensure that women candidates are sought as part of our recruitment exercise.

Health & Safety

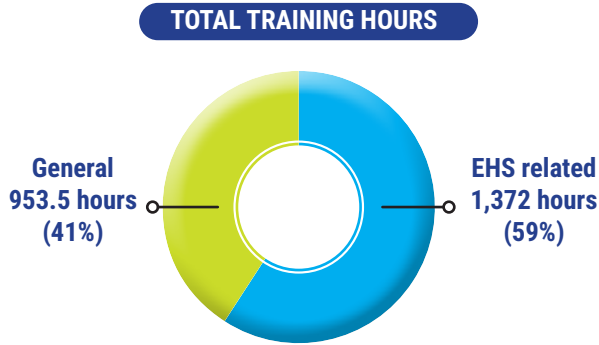
We prioritise the health and safety of our employees. As a manufacturer, we conduct high-risk and high-skilled work with machinery. Therefore, it is important for us to ensure the safety of our employees by equipping them with specific knowledge and safety awareness in operating within our facilities.

The Group has in place a Safety, Health & Environment Committee ("SHEC") with dedicated officers in charge of health, safety and environment. The SHEC is chaired by the Manager and supported by employer and employee representatives. The committee evaluates and analyses the risks that can affect our employees and manage them responsibly.

SUSTAINABILITY STATEMENT (CONT'D)

SAFEGUARDING OUR EMPLOYEES (CONT'D)

Health & Safety (cont'd)

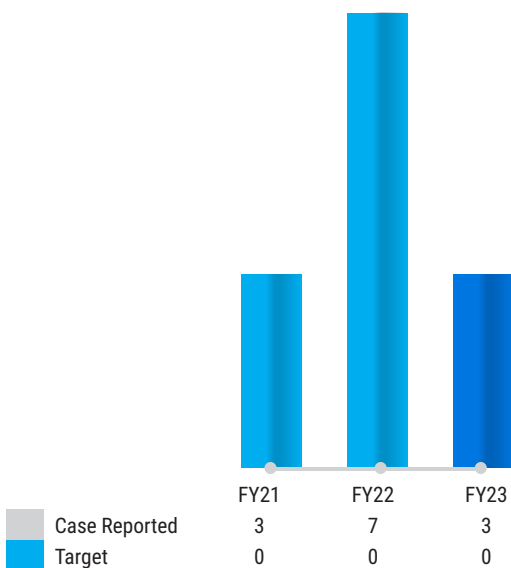


Multiple safety trainings were conducted throughout the year in FYE2023 such as **Safety Awareness, Occupational, Forklift, Safe Chemical Handling, and Fire Hazards Training**. The Group clocked in a total of 1,372 hours of EHS-related training during the year. New employees are provided with induction training on safety procedures while experienced personnel are required to attend refresher trainings. Topics covered during induction includes safety and health awareness at the workplace, general duties of employees Under OSHA 1994 PART VI as well as hazards. Our employees were also provided with an emergency response exercise and briefing by the local Fire and Rescue Department of Malaysia (“FRDM”). Aside from the trainings, all personnel on the Group’s production lines are provided with adequate Plant Protective Equipment (“PPE”) such as safety helmets, ear plugs and muffs, safety shoes, safety glasses, masks, and gloves.

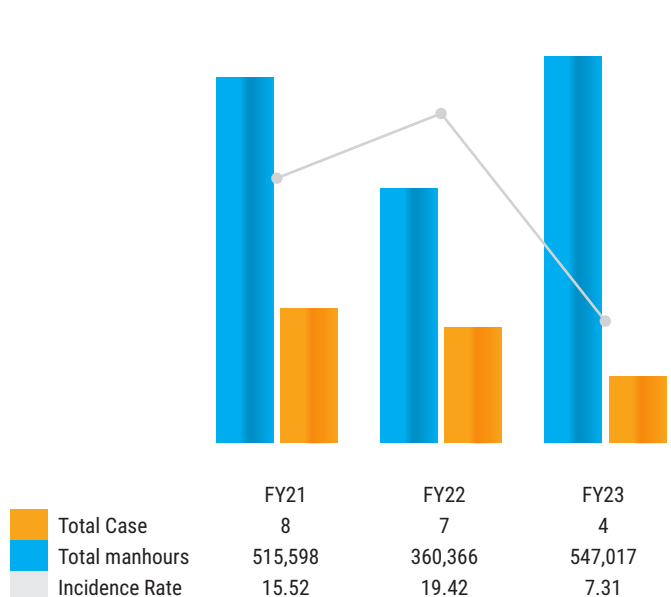
In June 2019, the Minister of Human Resource Malaysia introduced the Occupational Safety and Health (Noise Exposure) Regulations 2019. Since the introduction of this regulation, the Group had conducted two (2) internal noise risk check-up together with a noise hearing loss prevention training in FY23.

Safety data is a key indicator which we collect to monitor the safety performance of our operations. It is also part of our goals and key indicators we monitor every year. During the financial year, we reported 3 safety incidents which mainly involved mishandling of chemicals and injuries from working with machines, there were no fatalities recorded. Actions have been taken to prevent recurrence and to share the lessons learned across our operations, to raise safety and health awareness among employees.

MAJOR SAFETY INCIDENTS IN THE WORKPLACE



INCIDENCE RATE



SUSTAINABILITY STATEMENT (CONT'D)

SAFEGUARDING OUR EMPLOYEES (CONT'D)

Health & Safety (cont'd)

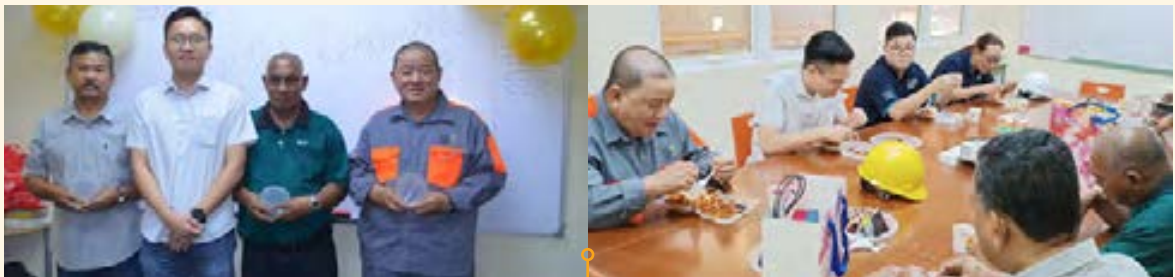
In FY2023, lost time incident rate was recorded at 7.31, which indicates and improvement from the previous year. However, there were still 3 major injuries in FY2023, and we are of the view that the occurrence of any incident is unacceptable. We believe that by executing our strategy devised to improve workplace safety, we will continue to improve our safety performance in line with our zero-harm vision.

Promoting conducive working environment and developing talents

At PGF, we ensure our employees are compensated fairly and we adhere to the Minimum Wage Act. In addition to fair remuneration, all full-time employees receive competitive work benefits that promote health and well-being while appreciating the workforce as part of our ecosystem.

In our engagement with employees, we promote an inspiring, innovative, transparent and open work environment, where each employee is respected, has the liberty to engage, create and contribute, and always have the right to speak up. Therefore, everyone in the organization is encouraged to speak openly on any matter. Each employee is free to discuss any matter with his or her manager, and in order to ensure the continuous evolution of such work environments, can approach Human Resource with full confidentiality. There were no substantiated complaints concerning human rights violations during the financial year under review.

In FY2023, we continued to evolve and expand our employee engagement initiatives and health and well-being programs. These programs included communication campaigns aimed to address major health risks, to encourage healthy living and lifestyle among our employees. Amongst others, emphasis was placed on sufficient physical activities, active breaks, healthy eating habits, and taking care of mental health. In our day-to-day business activities, we also endeavour to provide a supportive and conducive working environment for the wellbeing of our employees.



Staff Retirement



Monthly Birthday Celebration

Raya Cookies Distribution

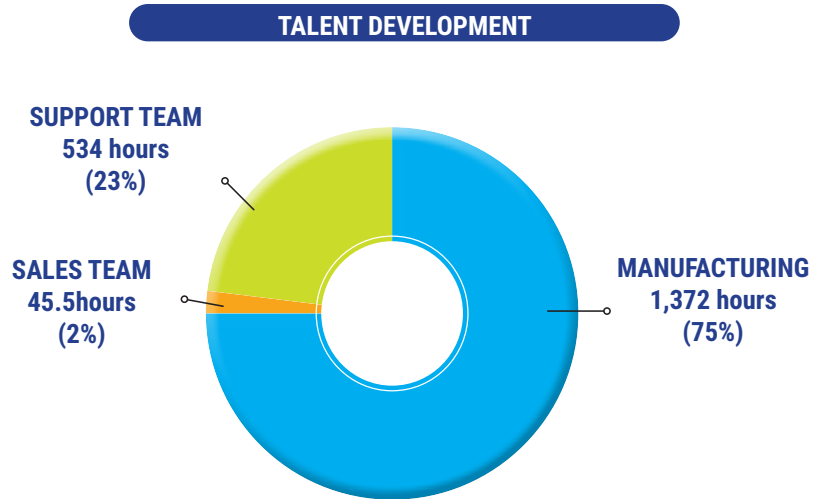
SUSTAINABILITY STATEMENT (CONT'D)

SAFEGUARDING OUR EMPLOYEES (CONT'D)

Promoting conducive working environment and developing talents (cont'd)

Talent development is also an important element to maintain the Group's human capitals and ensure there is a successive pipeline of required skills and talents to enable the ongoing leadership and sustainable management of the business. Employees are also provided with training on topics which are identified via the Group's annual employee performance appraisals, as well as the Group's training needs analysis.

During the financial year under review, the Group recorded a total of 2,325.5 training hours amongst its employees, translating to 13.7 training hours per person. The breakdown of the training hours attended based on the 3 main Division during FY2023 is as follows.



PGF also recognizes two employees each year to be the recipients of the Core Values Award that embodies the company's core values of accountability, excellence, agility, integrity, quality and unity. Employee recognition is a priority as it is through employee efforts and commitment that we are able to grow together as a leading glass mineral wool manufacturer in the South East Asia region.



Congratulations To Our Core Values Award 2022

Loganathan Nagaiah

FOR EMBODYING QUALITY, UNITY & EXCELLENCE

Shahidan Zulfika Bin Abdullah

FOR EMBODYING ACCOUNTABILITY & UNITY



SUSTAINABILITY STATEMENT (CONT'D)

CONTRIBUTING TO THE SOCIETY

Corporate Social Responsibility

PGF is committed to cultivating a healthy relationship with employees, shareholders, partners, customers, vendors, stakeholders and the communities. Community surrounding the business premises is one of the key foundations of our existence, success and survival. The community provides the market, human capital and a range of supporting services and activities crucial to our business growth and operations. Hence, we take every opportunity to build rapport with people in the communities around us. This includes developing our human capital, making a difference in the community and sustainable practices a way of life.

PGF was honoured to be a part of the initiative driven by The Housing and Local Government Ministry (“KPKT”) to implement Circular Economy Masterplan for solid waste, under the glass category. KPKT as the agency that champions the solid waste management issue in the country is looking at a comprehensive transformation solid waste management plan for the industry to transition from a linear economy to a circular economy ecosystem.

Pledging our support for a circular economy future, we proactively support the KPKT’s agenda in promoting sustainable cities and communities along with climate action through active participation in group discussions like these. This workshop allows agencies, industry players & other stakeholders like PGF Insulation to establish a common vision, understand the sector-specific pain points faced and to confirm the necessary change that will be serving as a guideline to all parties.



CONCLUSION

As the global and domestic economies emerge from the impacts of the pandemic and focus on ensuring business stability in the midst of rising global economic and geopolitical tensions, it remains to be a huge challenge for businesses to enhance all aspects of business sustainability. In many cases, businesses are required to make tough decisions and compromises in relation to the conflicting interest of stakeholders, cost versus benefits considerations, as well as the practicality and feasibility in the local business environment.

Guided by the Group’s sustainability directions, PGF will continue to relentlessly improve its business management and business sustainability, while balancing stakeholders’ interest and resource allocation, as well as the generation and offset of various capitals of our business. ongoing efforts will continue to be carried out to improve our sustainability management processes, and to enable holistic consideration of sustainability in long-term business success and value creation.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors fully appreciates the importance of adopting high standards of corporate governance within the Group. The Board views corporate governance as synonymous with three key concepts, namely transparency, accountability and integrity.

The Board evaluates the status of the Group's corporate governance practices with a view to adopt and apply, where practicable, the Principles of Malaysian Code on Corporate Governance 2012 (the "Code") respectively. As such, the Board is fully committed to the maintenance of high standards of corporate governance in its quest to enhance shareholders' value.

The comprehensive Corporate Governance Report ("CG Report") is published on the Company's corporate website at www.pgfcapital.com.my.

The Board is pleased to provide the following statement, which outlines the main corporate governance practices that were in place throughout the financial year under review unless otherwise stated.

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Board Composition and Balance

The Board currently has seven (7) members, comprising of three (3) Executive Directors and four (4) Independent Non-Executive Directors. This complies with the Listing Requirements of Bursa Malaysia Securities Berhad that one third of its Board consists of Independent Directors.

The Board comprises a mixture of businessmen and professionals. The current composition of the Board brings the required mix of skills and experience required for the Board to function effectively. A brief write-up of the background of the Board members as at the date of this statement is set out in the Directors' profile section of this Annual Report.

The Board recognizes that Mr. Fong Wern Sheng, the Chairman of the Board, also assumes an executive position but is of the view that there are sufficient experiences and independent non-executive Directors on Board to provide assurance that there is adequate check and balance.

Board Roles and Responsibilities

The Board has adopted a Board Charter that sets out the functions that are reserved for the Board.

The Board had delegated the management of the Group to Executive Directors and management team. The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing day to day operations as well as coordinating the development and implementation of business and corporate strategies.

The Non-Executive Directors ensure that the strategies proposed by the Management are fully deliberated and examined, taking into account the long term interest of the stakeholders including contributing to the formulation of policy and other decision-making process through their expertise and experience.

The Board of Directors regularly review the strategic direction of the Company and the progress of the Group's operations taking into account the changes in business environment and risk factors.

Board Charter and Code of Conduct/ Ethics

The Board has adopted a Board Charter which sets out the role, functions, compositions, operations and processes of the Board. The Charter provides guidance to the Board in relation to the Board's role, duties and responsibilities and authority.

The Board appreciates the need for a Code of Conduct for Directors and employees which governs the standards of ethics and good conduct expected of Directors and employees.

The Board will review the Board Charter regularly to ensure it remains consistent with the Board's objectives and responsibilities.

The Board Charter is posted on our website at www.pgfcapital.com.my.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

Supply of Information

The Chairman, with the assistance of the Company Secretary, ensures that all Directors have full and timely access to information with Board papers distributed in advance of meetings. Every Director also has unhindered access to the advice and services of the Company Secretary. The Company Secretary circulates relevant guidelines and updates on statutory and regulatory requirements from time to time for the Directors' reference.

Prior to the meetings of the Board and the Audit and Risk Management Committee, appropriate documents which include the agenda and reports relevant to the issues of the meetings covering the areas of strategic, financial, operational and regulatory compliance matters, are circulated to all the members to obtain further explanation, where necessary, in order to be properly briefed before the meeting. The Company Secretary ensures that all Board and Committee meetings are properly convened and that deliberations, proceedings and resolutions are properly minuted and documented.

The Directors review and approve all quarterly financial results and announcements before releasing them to Bursa Securities.

The Directors collectively determine, whether as a full Board or in their individual capacity, to take independent professional advice, where necessary and under appropriate circumstances, in furtherance of their duties, at the Group's expense.

Corporate Social Responsibility

The Board is aware of the importance of the practice of Corporate Social Responsibility. The Company is committed to support the nation's energy efficiency agenda and the Malaysian Prime Minister's carbon emission target commitment made in the Copenhagen Summit 2009. This could be achieved through educating policy makers and general public on the need for better passive insulation of Malaysian buildings. The Company, either individually or through the Malaysian Insulation Manufacturers Group under the Federation of Malaysian Manufacturers (FMM), contributes actively towards this end. The Group has also provided free insulation to schools to improve occupants comfort and raise awareness of energy efficiency.

The manufacturing arm of the Group has continued to take initiatives to reduce carbon footprints in all areas of its operations, e.g. adopting energy efficient equipment to lower energy consumption and increase the use of recycled materials in its manufacturing process. With the recent upgrades and expansion of production, the Company has started collection of industrial glass waste from sheet glass fabricators and solar panel companies to use as raw material. These glass waste would otherwise been sent to landfill. Within the working environment, in the face of growing demand for energy and depleting natural resources, employees are encouraged to reduce the use of paper, recycle any recyclable items and reduce wastages.

PRINCIPLE 2: STRENGTHEN COMPOSITION

The Group strives to have a balanced Board comprising member with suitable qualifications, skills, expertise and exposures.

Board Committees

The Board has established the following Committees to assist the Board to discharge its fiduciary duties:

(a) Audit and Risk Management Committee

The Audit and Risk Management Committee comprises four (4) Independent Directors. A full report of the Audit and Risk Management Committee with details of its membership and a summary of the work performed during the financial year are set out in the Audit and Risk Management Committee Report of this Annual Report.

(b) Nominating Committee

The Nominating Committee is primarily responsible for identifying and recommending new nominees to the Board. Besides this, the Committee shall also assess the effectiveness of the Board, the committees of the Board and contributions of each director on an ongoing basis and annually review the required mix of skills, experiences and other qualities including core competencies. The recommendations of the Committee will be subject to the approval of the Board.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

PRINCIPLE 2: STRENGTHEN COMPOSITION (CONT'D)

Board Committees (cont'd)

(b) Nominating Committee (cont'd)

The Nominating Committee comprises four (4) Independent Non-Executive Directors as follows:

Mr. Tan Jin Sun	Independent Non-Executive Director
Ms. Ofelia Cheah Loo Ee	Independent Non-Executive Director
Mr. Khoo Kah Hock	Independent Non-Executive Director
Ms. Tan Suat Hoon	Independent Non-Executive Director

For the financial year ended 28 February 2023, the Nominating Committee met twice with full attendance of its members and has carried out the following key activities:

- Reviewed and recommended the re-election of Members of the Board at the AGM for shareholders' approval, pursuant to the Constitution of the Company;
- Reviewed the annual assessment of the required mix of skills and experience of the individual Board members and the Board committees;
- Assessed the annual effectiveness of the Board as a whole, the committees of the Board, the contribution of each individual director, including Independent Non-Executive Directors and Executive Directors;
- Assessment of the independence of the Independent Directors based on the criteria set out in the Main Market Listing Requirements of Bursa Securities;
- Recommendation for the retention of Mr. Sia Taik Hian and En Omar Bin Mohamed Said who have served for a cumulative period of more than nine (9) years to continue in office as Independent Non-Executive Directors;
- Reviewed and assessed the effectiveness of the Audit and Risk Management Committee in carrying out its duties as set out in the terms of reference; and
- Reviewed the succession plan.

The Board supports non-discrimination on gender, ethnicity and age group of candidates to be appointed as Board members although no formal policy has been formed. The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with skills, experience, time commitment and other qualities in meeting the future needs of the Group.

(c) Remuneration Committee

The Remuneration Committee comprises four (4) Independent Non-Executive Directors as follows:

Mr. Tan Jin Sun	Independent Non-Executive Director
Ms. Ofelia Cheah Loo Ee	Independent Non-Executive Director
Mr. Khoo Kah Hock	Independent Non-Executive Director
Ms. Tan Suat Hoon	Independent Non-Executive Director

The Remuneration Committee shall be responsible for developing the remuneration policy and determining the remuneration packages for Executive Directors of the Company.

The Company's policy on Directors' remuneration is to attract and retain the Directors of caliber needed to manage the business of the Company and to align the interest of the Directors to those of the shareholders.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

PRINCIPLE 2: STRENGTHEN COMPOSITION (CONT'D)

Board Committees (cont'd)

(c) Remuneration Committee (cont'd)

The performance of the Executive Directors is measured based on the achievements of their annual Key Performance Indicators (KPIs). These KPIs comprise not only quantitative targets, such as revenue and profit growth, but also qualitative targets which include strategic milestones and initiatives that need to be achieved.

The determination of the remuneration of each Non-Executive Director is decided by the Board as a whole, with individual Directors abstaining from decisions in respect of their individual remuneration.

The Company pays each Non-Executive Directors an annual fee and benefits, which is approved by the shareholders at the Annual General Meeting. The Board, as a whole, determines the remuneration of the Executive Directors, with the individual Directors concerned abstaining from decision in respect of their individual remuneration. The Directors' remuneration for the financial year is under review as follows:

Directors	Remuneration RM	Fees RM	Other emoluments RM	Benefits-in- kind RM
Executive	878,171	-	-	23,160
Non-Executive	-	26,825	8,700	-

The number of Directors whose remuneration falls into the following bands comprises:

Range of remuneration RM	Number of Directors	
	Executive	Non-Executive
0 – 50,000	-	5
200,001 – 300,000	1	-
300,001 – 400,000	2	-

In compliance with Practice 8.1 of the MCGG, there is detailed disclosure on named basis for the remuneration of individual Directors and it is disclosed in the Corporate Governance Report, which can be downloaded from the Group's corporate website at www.pgfcapital.com.my or Bursa Announcement website.

PRINCIPLE 3: REINFORCE INDEPENDENCE OF THE BOARD

The Board consists of three Non-Executive Directors, all of them are Independent Directors and they are able to express their independent views without any constraint. The Independent Directors remain objective and independent in decision making, actively participated at meetings of the Board and Board Committees and provided constructive feedback.

Re-election of Directors

The Constitution provides that all Directors of the Company are subject to retirement. At least one-third of the Directors for the time being, of if their number is not three (3) or a multiple of three (3), then the number nearest to, but not more than one-third (1/3) of the total shall retire from office at the Annual General Meeting, provided always that all Directors shall retire from office at least once in every three (3) years. A retiring Director shall be eligible for re-election. This provides an opportunity for shareholders to renew their mandates.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

PRINCIPLE 3: REINFORCE INDEPENDENCE OF THE BOARD (CONT'D)

Re-election of Directors (cont'd)

The election of each Director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, attendance of meetings and the shareholdings in the Group of each Director standing for election are furnished in the Annual Report accompanying the Notice of the Annual General Meeting.

The Company Secretary ensures that all the necessary information is obtained and that all legal and regulatory obligations are met before the appointments are made.

PRINCIPLE 4: FOSTER COMMITMENT

Each Director does not hold more than five directorships in public listed companies to ensure that they have sufficient time to focus and discharge their duties and responsibilities. The Board is satisfied with the level of the time commitment given by the Non-Executive Directors toward fulfilling their roles and responsibilities as Directors of the Company during the financial year ended 28 February 2023.

Board Meetings

The Board meets at least four times a year at quarterly intervals, with additional meetings convened as necessary. There were five (5) meetings held during the financial year ended 28 February 2023 and details of the attendance of the Directors were as follows:

Director	No. of Meetings Attended
Mr. Fong Wern Sheng	5/5
Mr. Tan Ming Chong	5/5
Mr. Fong Wah Kai	5/5
Mr. Sia Taik Hian	3/3
Encik Omar Bin Mohamed Said	2/2
Mr. Khoo Kah Hock	5/5
Ms. Ofelia Cheah Loo Ee	3/3
Mr. Tan Jin Sun	2/2

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

PRINCIPLE 4: FOSTER COMMITMENT (CONT'D)

Directors' training

Directors are encouraged to attend any form of training to enhance their knowledge and expertise in relations to the industry, laws and regulations, business environment, etc. The Directors continue to attend relevant seminars and programmes to keep their knowledge and expertise updated.

In FY2023, training programme attended by directors of the Company are as follows:-

Training Programmes	Attended by
1. Addressing Supply Chain Challenges and Rising Cost of Labour with LEAN Manufacturing	Fong Wern Sheng
2. How to Raise Funds with Sustainable Bonds	Fong Wern Sheng
3. Webinar: How oxy-fuel and hydrogen can contribute to decarbonisation	Fong Wern Sheng
4. Columbia Executive Education's Leveraged Buyouts (Online): A Roadmap for Evaluating, Structuring, and Executing LBOs	Fong Wern Sheng
5. Domestic Investment Seminar 2022 by MIDA	Fong Wern Sheng
6. Bursa Immersive Session: The Board "Agender"	Fong Wern Sheng
7. Bursa Malaysia: VCM: VERRA Registry & Account Management Training	Fong Wern Sheng
8. 2022 AG International Expo Seminar	Tan Ming Chong
9. Bursa- Advocacy Sessions for Directors and Senior Management of Main Market Listed Issuers	Tan Ming Chong
10. Geotechnical Engineering Seminar 2022	Tan Ming Chong
11. Bursa Malaysia X VERRA Training: VERRA Registry and Account Management	Tan Ming Chong
12. Anti-Corruption Foreign Corrupt Practices Act (FCPA)	Khoo Kah Hock
13. 2022 Preventing Harassment in the Global Workplace – Employee Edition, Version 1.0	Khoo Kah Hock
14. Professional Email Correspondence – Sunk by Your Own Torpedoes?	Khoo Kah Hock
15. Reality- Based Leadership – Manager Session	Khoo Kah Hock
16. Talent SWOT and Action Planning Training	Khoo Kah Hock
17. Audit Oversight Board's Conversation with Audit Committees	Sia Taik Hian
18. 2022 Board and Audit Committee Priorities	Sia Taik Hian
19. Market Disruptions, Rising Inflation, Interest Rates and more	Sia Taik Hian
20. Automation – Bringing Finance Into Focus in a Digital World	Sia Taik Hian
21. Latest Trends and Typologies in Financial Crime	Sia Taik Hian
22. Tax Corporate Governance Framework – what tax authorities expect of taxpayers?	Sia Taik Hian
23. State of Cryptocurrency 2022: The Year of Regulation	Sia Taik Hian
24. Mandatory Accreditation Programme	Ofelia Cheah Loo Ee

In addition to the above, Directors are updated on the recent developments in the areas of statutory and regulatory requirements from briefings by the External Auditors; Company Secretary and the Internal Auditors during the Audit and Risk Management Committee and Board Meetings.

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

Financial reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly announcement of the results to shareholders and the Chairman's statement in the Annual Report. The Board is assisted by the Audit and Risk Management Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING (CONT'D)

Relationship with External Auditors

The Company has established transparent and appropriate relationship with the external auditors through the Audit and Risk Management Committee of the Company. From time to time, the external auditors will highlight matters that require further attention of the Audit and Risk Management Committee and the Board of Directors.

Audit and Risk Management Committee meets with external auditors at least twice annually or whenever deemed necessary to discuss their audit plans, audit findings and their reviews of the Company's financial results/financial statements.

In addition, the external auditors will be attending the Annual General Meeting of the Company and are available to clarify and answer shareholders' questions on their conduct of the audit.

PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

The Board regards risk management and internal controls as an integral part of the overall management processes. Recognising the importance of having risk management processes and practices, the Board has established a Risk Management Committee ("RMC"), which is chaired by an Independent Non-Executive Director, to oversee the identification, evaluation, control, monitoring and reporting of the critical risks faced by the Group.

Information on internal control and internal audit function of the Group is detailed in the Statement of Risk Management and Internal Control set out on pages 43 to 46.

PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Company recognizes the importance of transparency and accountability to its shareholders and investors. The Board endeavours to keep its shareholders and investors informed of its progress through Annual Report, Annual General Meeting ("AGM") and Extraordinary General Meeting. It is the Company's practice to send the Notice of AGM and related papers to shareholders at least twenty-one (21) working days before the meeting. At the AGM, the shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general.

The Group also maintains a corporate website at www.pgfcapital.com.my whereby shareholders as well as members of the public may access for the latest information on the Group. Alternatively, they may obtain the Company's latest announcements via the website of Bursa Malaysia Securities Berhad at www.bursamalaysia.com.

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Annual General Meeting ("AGM") is the principal forum for dialogue and interaction with the shareholders of the Company. Shareholders are encouraged to attend the Company's AGM and use the opportunity to actively participate in the proceedings. They are encouraged to ask questions both about the resolutions being proposed or any issues pertaining to the Company. Members of the Board and the external auditors of the Company are present to answer questions raised at the meeting as and when appropriate.

Poll Voting

Pursuant to the Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, the Company is required to ensure that any resolution set out in the notice of general meeting is voted by poll. All resolutions set out in the notice of AGM will be voted by way of poll.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (CONT'D)

Directors' responsibility statement in respect of the preparation of the audited financial statements

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cashflows for the year then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act 2016 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgments and estimates.

The Directors also have a general responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

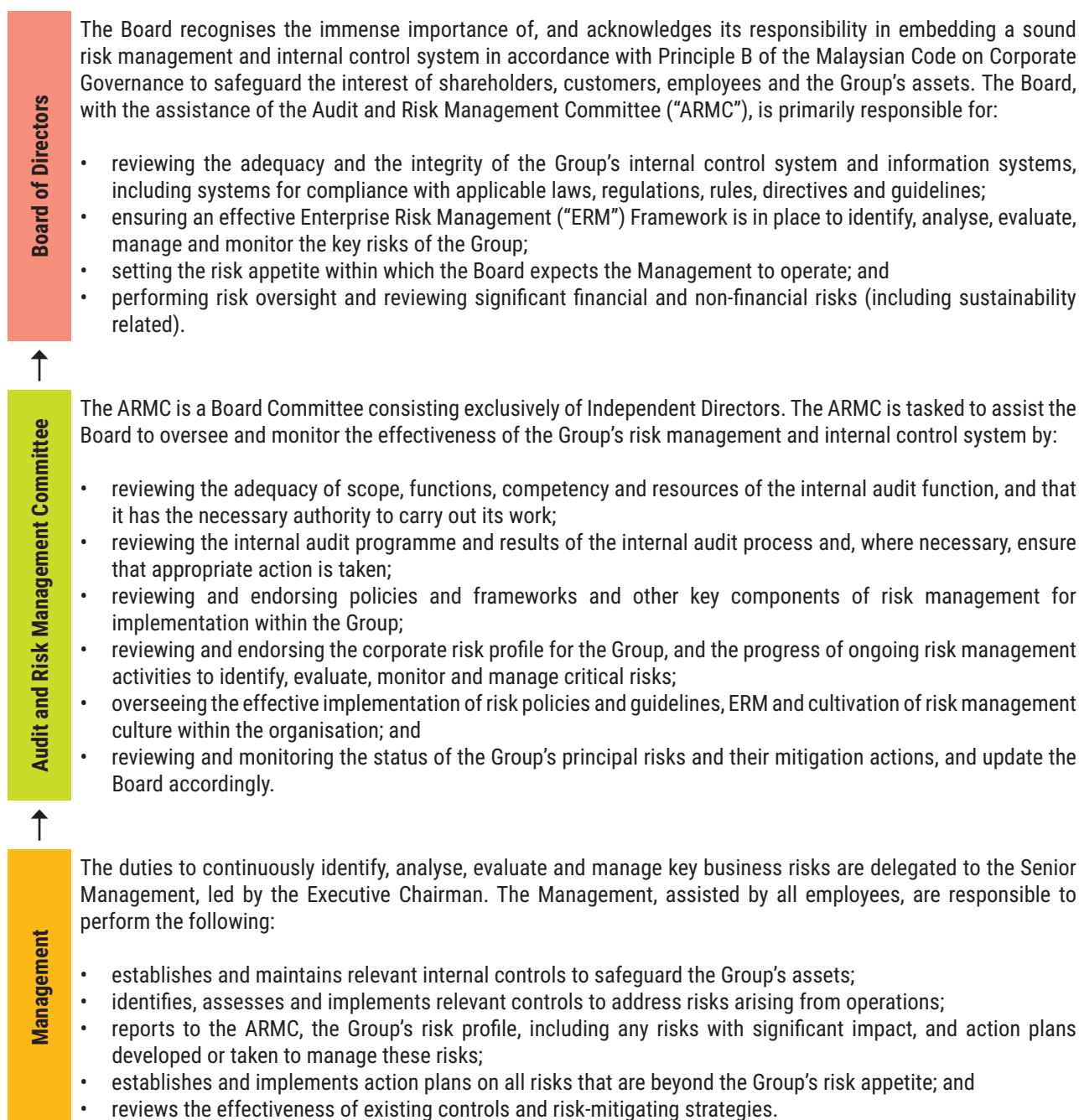
STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors (“Board”) of PGF Capital Berhad (“PGF” or the “Company”) is pleased to present this Statement on Risk Management and Internal Control (“Statement”) to provide information about the current state of PGF’s risk management and internal control system as a group (PGF and its subsidiaries or the “Group”). This Statement has been prepared in accordance with paragraph 15.26(b) of Bursa Malaysia Securities Berhad’s Main Market Listing Requirements and guided by the “Statement on Risk Management & Internal Control - Guidelines for Directors of Listed Issuers”.

GOVERNANCE STRUCTURE

The Group has an established governance structure for matters relating to risk management and internal control as follows:



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Group's ERM Framework guides the identification, analysis, evaluation, management and monitoring of key risks to safeguard shareholders' investments and the Group's assets. The Framework is guided by ISO31000:2018 Risk Management – Guidelines and is designed to embed ERM into key activities, initiatives and processes of the Group. The ERM processes include:

Risk Identification

This process, which is done on an ongoing basis entails examining all key factors within PGF's business context from an 'outside-in' perspective, i.e. from macro-environment (external) to industry and internal risks. During this process, risks are generally considered in four (4) main categories, i.e. strategic, operational, financial and compliance. Risks identified and relevant risk information, including Key Risk Indicators, are then captured and updated into the Group's risk register.



Risk Analysis

Risks identified are assessed and ranked based on the severity of impact, likelihood of occurrence and effectiveness of existing controls. This process is guided by established risk parameters to ensure consistent criteria are used during the rating process. The results provide insight for the Management on whether the current risk levels are within the Board's risk appetite.



Risk Treatment

Risk treatment process aims to bring the risks down to an acceptable level (within the Board's risk appetite). The Group has four (4) response strategies for risk treatments, i.e.:

<i>Terminate</i>	terminating the risk by eliminating the business or by significantly altering it;
<i>Reduce</i>	reducing the risk level by taking specific actions or controls to reduce the likelihood of occurrence or severity of impact or both;
<i>Accept</i>	consciously accept certain risks which are within the Board's risk appetite; and
<i>Pass on</i>	transferring or sharing all or part of a risk to/ with other parties.

The treatment plans are outlined in the risk registers and highlighted to the ARMC. The implementation of risk treatment plans is generally the responsibility of the risk owners and risk delegates.



Risk Monitoring

Key risks identified are monitored by risk owners and risk delegates to ensure the risk ratings remained relevant and that controls in place remained effective and adequate amidst changing circumstances. Any changes are reported, and appropriate action plans are devised to realign the risk rating to an acceptable level.

In essence, the Group's ERM is conducted through an ongoing process between the Board, ARMC, the Management and employees in the Group. This process is reviewed annually by the Board for effectiveness, enhancement and improvement. The Group believes that the ERM framework adopted and implemented has strengthened the risk ownership and risk management culture amongst the employees.

For the financial year under review, the Group has performed a review of its existing risk registers and noted that the key risks that are critical to the success of the business were similar with the previous year, such as the ability for sales to keep up with production, or vice-versa, product quality, timeliness in product delivery, and the ability to maximise return with the Group's existing assets and investments. The likelihood and impact of these risks have been assessed and appropriate mitigation actions have been identified for the risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL CONTROL SYSTEM

Internal controls are regarded as an integral part of the Group's business management processes. The internal control system of the Group covers, inter-alia, risk management, financial, operational and compliance controls. This process has been in place for the year under review and up to the date of approval of this statement for inclusion in the Annual Report. Some of the key elements of the Group's internal control system are:

- **Board Oversight**

The Board meets at least quarterly and has set a schedule of matters which is required to be brought to its attention for discussion, thus ensuring that it maintains full and effective supervision over appropriate controls. The Chief Operating Officer provides explanations in the Board papers on pertinent issues. In addition, the Board is regularly updated on the Group's activities and operations.

- **Organisation Structure**

The Group has established an organisation structure that defines clear lines of responsibility and delegation of authority, established through relevant terms of references and authority limits. The organisation structure enables each department/function to focus on the respective roles and responsibilities assigned to them and enhances operational efficiency and effectiveness.

- **Integrity, Ethical Values and Anti-Bribery and Corruption**

The Group has formalised a Code of Conduct to provide a behavioural framework that sets out the Group's standards of integrity, acceptable conduct and behaviour. The Code of Conduct was communicated to all employees and is made available on PGF's website.

In addition, the Group has amongst others, implemented the Anti-Bribery and Corruption Policy to set out the Group's "zero tolerance" stance against all forms of bribery and corruption practices, conducted the corruption risk assessment to identify activities and positions with higher corruption risk exposures, mandate relevant personnel to participate in the anti-corruption training organised by the Group, and communicate the Group's stance and expectation to all of its vendors and business associates.

- **Policies and Procedures**

The Group has established policies and procedures for the Group's core business units, which have been clearly communicated to all relevant parties. These policies and procedures are reviewed and updated from time to time to adapt to the changing business environment and to ensure compliance with relevant laws and regulations and also the International Organisation for Standardisation ("ISO") certification.

In view of the limitations inherent in any internal control system, the Board recognises that such system is designed to manage and mitigate risks, rather than to eliminate risks, and therefore can only provide reasonable but not absolute assurance against material misstatement, financial loss or fraud.

INTERNAL AUDIT FUNCTION

The internal audit function of the Group is outsourced to an independent consulting firm, namely Galton Advisory PLT. The internal audit function is led by Low Chiun Yik, an Executive Partner of the consulting firm, who holds a Master Degree in Accountancy and Finance. Mr. Low has been specialising in the field of internal audit and risk management since 2010. He is also an Independent Director of a public listed company, where he is the Remuneration Committee Chairman, and sits on the Risk Management and Nominating Committee as a member.

The outsourced internal audit function is responsible for reviewing and assessing the adequacy of the Group's internal control system. The internal audit function reports directly to the ARMC and provides reasonable assurance through its internal audit works, which includes the audit activities, presenting findings and recommendations, and follow-ups on action plans devised to address any weaknesses in the internal control system, as agreed by Management. In carrying out its audit activities, the internal audit function has unrestricted access to relevant records, personnel and physical properties.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL AUDIT FUNCTION (CONT'D)

The outsourced internal audit function conducts its audit work based on a risk-based internal audit plan approved by the ARMC. The outsourced internal audit function, including the professionals conducting the audit works, is independent and objective, and free from any relationships or conflicts of interest. All internal audit work is guided by the International Professional Practice Framework promulgated by the Institute of Internal Auditors Inc., a globally recognised professional body for internal auditors.

For the financial year ended 28 February 2023, the internal audit function has conducted reviews on the Group's processes in relation to engineering, logistics, and corporate governance.

Following the completion of its work, the internal audit function reported directly to the ARMC on findings from the audit works, including recommendations for improvement measures and Management's responses. The internal audit function also reported to the ARMC, the follow-up status of the implementation of action plans arising from recommendations from previous cycles of internal audit. The ARMC Chairman thereafter reported the outcome of work conducted by the internal audit function to the Board.

The total cost incurred for internal audit activities for the financial year ended 28 February 2023 amounted to RM31,510.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants for inclusion in the Annual Report of the Group for the financial year ended 28 February 2023, and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the Annual Report of the Group, in all material aspects:

- a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- b) is factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system, including the assessment and views by the Board and Management thereon. The External Auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

CONCLUSION

Based on the findings and procedures performed by the relevant parties, and assurance from the Executive Chairman, Chief Operating Officer and Chief Financial Officer, the Board is of the view that the risk management and internal control system in place for the financial year under review and up to the date of the approval of this Statement has operated satisfactorily and is sufficient to safeguard shareholders' investments, the Group's assets and the interest of customers, regulators and employees.

There were no material internal control weaknesses that had resulted in any material losses, uncertainties or contingencies that would require disclosure in this Annual Report. Nevertheless, the Board and Management will continue to take appropriate measures to improve and strengthen the enterprise risk management and internal control framework of the Group.

This Statement on Risk Management and Internal Control is approved by the Board of Directors on 27 June 2023.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2023

1. CONSTITUTION

The Audit Committee was established by the Board in 1994 as the prime body to assist the Board in ensuring a high standard of corporate responsibility, integrity and accountability to shareholders in line with the corporate governance and disclosure standards expected from that of a public listed company in Malaysia. The Audit Committee was then renamed as Audit & Risk Management Committee (“the Committee”) in 2018 to reflect its duties and responsibilities accordingly.

The present members of the Committee are:

Mr. Tan Jin Sun	Chairman/ Independent Non-Executive Director
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Members:

Ms. Ofelia Cheah Loo Ee	Independent Non-Executive Director
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Mr. Khoo Kah Hock	Independent Non-Executive Director
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Ms. Tan Suat Hoon	Independent Non-Executive Director
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2. ATTENDANCE AT MEETINGS

There were five (5) meetings convened the financial year ended 28 February 2023.

Details of the attendance of members at the Committee Meetings are as follows:

	Attendance
Mr. Sia Taik Hian	3/3
Encik Omar Bin Mohamed Said	2/2
Mr. Khoo Kah Hock	5/5
Ms. Ofelia Cheah Loo ee	3/3
Mr. Tan Jin Sun	2/2
Ms. Tan Suat Hoon	1/1

3. TERMS OF REFERENCE

The terms of reference of the Committee are available on the Company’s website www.pgfcapital.com.my.

4. SUMMARY OF ACTIVITIES OF THE COMMITTEE

In line with the terms of reference, the following activities were carried out by the Committee during the financial year ended 28 February 2023 in discharge of its duties and responsibilities:

- (a) reviewed the quarterly unaudited financial results and the annual audited financial statements of the Company and the Group prior to recommending them for approval by the Board of Directors;
- (b) reviewed the external auditors’ scope of work and the audit planning memorandum;
- (c) reviewed with the external auditors the results of the annual audit, their audit and management letter together with management’s response to the findings of the external auditors;
- (d) reviewed with external auditors, the draft Audited Financial Statements of the Company and the Group;
- (e) evaluated the performance and independence of the external auditors and made recommendations to the Board of Directors on their re-appointment and remuneration;

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

FOR THE YEAR ENDED 28 FEBRUARY 2023

4. SUMMARY OF ACTIVITIES OF THE COMMITTEE (CONT'D)

- (f) reviewed the annual internal audit plans to ensure adequate scope, coverage of the activities of the Company and the Group;
- (g) reviewed the internal audit reports, audit recommendations and management's responses to these recommendations;
- (h) reviewed related party transaction entered into by the Company and the Group during the year;
- (i) reviewed of the Statement on Risk Management and Internal Control for inclusion in the Annual Report; and
- (j) reviewed and discussed with management the outcome of the exercise to identify, evaluate and manage significant strategic, operational and financial risks faced by the Group.

5. INTERNAL AUDIT FUNCTION

Internal audit function was conducted by an outsourced professional firm with an objective that independent feedback and reviews will be provided to the Committee and subsequently to the Board of Directors.

The internal audit adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile. Scheduled internal audits are carried out by the internal auditors based on the audit plan presented to and approved by the Committee.

The Committee has full and direct access to the internal auditors and the Committee receives reports on all internal audits performed. The internal auditors continue to independently and objectively monitor compliance with regard to policies and procedures, and the effectiveness of the internal controls systems. Significant findings and recommendations for improvement are highlighted to management and the Committee with periodic follow-up of the implementation of actions plans. The management is responsible for ensuring that corrective actions are implemented accordingly.

Based on the internal audit reports, there is a reasonable assurance that the Group's systems of internal control are generally adequate and appear to be working satisfactorily. A number of minor internal control weaknesses were identified during the financial year, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

The internal audit cost incurred for the financial year ended 28 February 2023 was RM31,510.

This report is made in accordance with a resolution of the Board of Directors dated 27 June 2023.

ADDITIONAL COMPLIANCE INFORMATION

The information disclosed below is in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

1. Material Contracts

The Company and its subsidiaries involving directors and substantial shareholders has not entered into any material contracts either still subsisting at the end of the financial year ended 28 February 2023.

2. Audit and Non-Audit Services

During the financial year, the audit fees and non-audit fees paid/payable to the Company's external auditors by the Company and by the Group incurred for services rendered are as follows: -

Type of Fees	Company (RM)	Group (RM)
Audit Fees	30,000	184,206
Non-Audit Fees	13,000	42,000

3. Employees Share Options Scheme

The Group did not offer any share scheme for employees during the financial year under review.

4. Internal Audit Function

The internal audit function was outsourced and the cost incurred for the internal audit function in respect of the financial year under review was RM31,510.

5. Continuing Education Programme

Details of the seminars or courses attended by the Directors of the Company are disclosed in the Corporate Governance Statement, as set out on Page 40 of this Annual Report.

6. Recurrent Related Party Transaction of a Revenue Nature or Trading Nature

The Company does not have any recurrent related party transaction of a revenue nature or trading nature for the financial year ended 28 February 2023.

7. Issue of Shares and Debentures

During the financial year, a total of 3,302,350 ICPS were converted into 3,302,350 ordinary shares of the Company. As a result, the number of issued and fully paid ordinary shares of the Company increased from 159,974,948 ordinary shares to 163,277,298 ordinary shares. The issue share capital of the Company increased from RM202,761,930 to RM205,734,048.

The new ordinary shares issued during the financial year rank pari passu with the existing ordinary shares of the Company. The Company did not issue any debentures during the financial year.



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DIRECTORS' REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2023

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 28 February 2023.

Principal activities

The Company is principally engaged in the trading of fibre glasswool and its related products, provision of management services and investment holding, 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
Profit for the year attributable to owners of the Company	<u>16,272,059</u>	<u>1,698,798</u>

Reserves and provisions

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

Dividend

Since the end of the previous financial year, the amount of dividend paid by the Company in respect of the financial year ended 28 February 2023 was an interim dividend of RM0.01 per ordinary share totalling RM1,617,878 declared on 19 October 2022 and paid on 30 November 2022.

A final dividend of RM0.01 per ordinary share has been recommended by the Directors in respect of the financial year ended 28 February 2023, subject to approval of the shareholders at the forthcoming Annual General Meeting.

Directors of the Company

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

Fong Wah Kai, Executive Chairman	
Fong Wern Sheng, Chief Executive Officer	
Tan Ming Chong, Chief Operating Officer	
Khoo Kah Hock, Independent Non-Executive Director	
Ofelia Cheah Loo Ee, Independent Non-Executive Director	(Appointed on 9 September 2022)
Tan Jin Sun, Independent Non-Executive Director	(Appointed on 17 January 2023)
Tan Suat Hoon, Independent Non-Executive Director	(Appointed on 31 May 2023)
Omar Bin Mohamed Said, Independent Non-Executive Director	(Resigned on 9 September 2022)
Sia Taik Hian, Senior Independent Non-Executive Director	(Resigned on 17 January 2023)

DIRECTORS' REPORT (CONT'D)

FOR THE YEAR ENDED 28 FEBRUARY 2023

Directors of the subsidiaries

Directors to certain subsidiaries (other than the Directors of the Company) who served during the financial year until the date of this report are:

Michael Antony Charles Gibson
James Tan Chia Vern

(Appointed on 31 May 2022)
(Appointed on 19 June 2023)

Directors' interests in shares

The direct and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows :

	Number of ordinary shares			Balance at 28.2.2023
	Balance at 1.3.2022	Bought	Sold	
The Company				
<i>Direct interest</i>				
Fong Wah Kai - own	6,798,800	-	(16,600)	6,782,200
Fong Wern Sheng - own	10,797,400	-	(4,800)	10,792,600
Tan Ming Chong - own	61,000	60,500	-	121,500
<i>Deemed interest</i>				
Fong Wah Kai - others *	78,056,900	-	-	78,056,900
Fong Wern Sheng - others *	24,258,053	-	-	24,258,053

	Number of irredeemable convertible preference shares			Balance at 28.2.2023
	Balance at 1.3.2022	Bought	Converted	
The Company				
<i>Direct interest</i>				
Fong Wah Kai - own	-	3,399,400	-	3,399,400
Fong Wern Sheng - own	-	5,398,700	-	5,398,700
Tan Ming Chong - own	-	60,500	(60,500)	-
<i>Deemed interest</i>				
Fong Wah Kai - others *	-	39,028,450	-	39,028,450
Fong Wern Sheng - others *	-	18,626,225	-	18,626,225

* These are shares held by corporations which are either controlled by the Director(s) or in which he and his associates hold more than 20% of the voting shares.

By virtue of their interests in the shares of the Company, Mr Fong Wah Kai and Mr Fong Wern Sheng are also deemed interested in the shares of all the subsidiaries during the financial year to the extent that the Company has an interest.

None of the other Directors holding office at 28 February 2023 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

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.

DIRECTORS' REPORT (CONT'D)

FOR THE YEAR ENDED 28 FEBRUARY 2023

Directors' benefits (cont'd)

The Directors' benefits paid to or receivable by Directors of the Company in respect of the financial year ended 28 February 2023 are as follows :

	From the Company RM	From subsidiaries RM
Directors of the Company :		
Fees	26,825	-
Remuneration	886,871	-
Estimated monetary value of any other benefits	23,160	-
	<u>936,856</u>	<u>-</u>

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 other than the subscription of irredeemable convertible preference shares.

Issue of shares and debentures

During the financial year, the issued and paid-up share capital of the Company was increased from RM202,761,930 to RM213,402,560 as follows :

- i) 79,987,474 irredeemable convertible preference shares ("ICPS") were issued at a cash consideration of RM7,998,747; and
- ii) 3,302,350 ICPS were converted into 3,302,350 ordinary shares at a net cash consideration of RM2,641,883.

No debentures were 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 other than the conversion of irredeemable convertible preference shares as disclosed in Note 13 to the financial statements.

Indemnity and insurance cost

There was no indemnity given to or insurance effected for Directors, officers or auditors of the Company during the financial year.

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) all known bad debts have been written off and adequate provision 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.

DIRECTORS' REPORT (CONT'D)

FOR THE YEAR ENDED 28 FEBRUARY 2023

Other statutory information (cont'd)

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

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, 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.

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, other than the write back of land held for property development written down of the Group as disclosed in Note 21, the financial performances of the Group and of the Company for the financial year ended 28 February 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.

Event subsequent to the financial year end

Details of the event subsequent to the financial year end are as disclosed in Note 31 to the financial statements.

DIRECTORS' REPORT (CONT'D)

FOR THE YEAR ENDED 28 FEBRUARY 2023

Auditors

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

The auditors' remuneration of the Group and of the Company during the year are as follows:

	Group 2023 RM	Company 2023 RM
Auditors' remuneration		
Audit fees		
- KPMG PLT	148,000	30,000
- Overseas affiliate of KPMG PLT	36,206	-
Other services		
- KPMG PLT	7,000	5,000
- Affiliates of KPMG PLT	<u>35,000</u>	<u>8,000</u>

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

.....
Fong Wern Sheng

Director

.....
Tan Ming Chong

Director

Penang,

Date : 27 June 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 28 FEBRUARY 2023

	Note	2023 RM	2022 RM
Assets			
Property, plant and equipment	3	57,529,673	60,163,219
Right-of-use assets	4	4,501,698	4,053,096
Investment properties	5	5,290,288	5,420,320
Investment in an associate	7	1,622,911	784,039
Investments in joint ventures	8	392,916	480,250
Inventories	9	146,664,233	135,706,719
Other investments	10	768,045	768,045
Deferred tax assets	17	713,780	-
Prepayment	11	339,306	-
Total non-current assets		<u>217,822,850</u>	<u>207,375,688</u>
Inventories	9	28,885,904	14,826,885
Trade and other receivables	11	23,278,145	19,035,706
Current tax assets		184,497	1,539,939
Cash and cash equivalents	12	19,234,476	21,959,123
Total current assets		<u>71,583,022</u>	<u>57,361,653</u>
Total assets		<u>289,405,872</u>	<u>264,737,341</u>
Equity			
Share capital	13	213,402,560	202,761,930
Reserves	14	(11,190,195)	(17,809,318)
Equity attributable to owners of the Company		<u>202,212,365</u>	<u>184,952,612</u>
Liabilities			
Loans and borrowings	16	16,226,215	15,817,593
Contract liabilities	15	3,997,600	4,697,600
Deferred tax liabilities	17	31,568,502	25,042,502
Lease liabilities		557,573	-
Total non-current liabilities		<u>52,349,890</u>	<u>45,557,695</u>
Loans and borrowings	16	17,793,753	11,560,496
Trade and other payables	18	16,625,869	22,210,226
Contract liabilities	15	256,132	441,920
Current tax liabilities		56,275	14,392
Lease liabilities		111,588	-
Total current liabilities		<u>34,843,617</u>	<u>34,227,034</u>
Total liabilities		<u>87,193,507</u>	<u>79,784,729</u>
Total equity and liabilities		<u>289,405,872</u>	<u>264,737,341</u>

The notes on pages 69 to 137 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2023

	Note	2023 RM	2022 RM
Revenue	19	91,111,029	57,554,693
Other income		1,165,374	706,778
Write back of land held for property development written down	9.2	10,743,869	-
Changes in manufactured inventories		12,861,380	329,193
Raw materials consumed		(45,956,087)	(24,580,801)
Staff costs	20	(13,779,852)	(9,515,754)
Depreciation		(8,805,442)	(7,381,112)
Net gain on impairment of financial instruments	21	76,734	-
Other expenses		(22,647,097)	(13,779,561)
Results from operating activities	21	24,769,908	3,333,436
Share of profit of equity accounted associate and joint ventures, net of tax		651,537	173,861
Interest income of financial assets calculated using the effective interest method that are at amortised cost		165,640	107,883
Finance costs	22	(1,298,896)	(659,353)
Net finance costs		(1,133,256)	(551,470)
Profit before tax		24,288,189	2,955,827
Tax expense	23	(8,016,130)	(1,009,902)
Profit for the year		16,272,059	1,945,925
Other comprehensive expense, net of tax			
Item that is or may be reclassified subsequently to profit or loss			
Foreign exchange translation differences for foreign operations		(36,311)	-
Total comprehensive income for the year		16,235,748	1,945,925
Basic earnings per ordinary share (sen)	24	10.10	1.22
Diluted earnings per ordinary share (sen)	24	6.84	1.22

The notes on pages 69 to 137 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2023

	Share capital	Irredeemable convertible preference shares	Translation reserve	Accumulated losses	Capital reserve	Prepaid share reserve	Total equity
	RM	RM	RM	RM	RM	RM	RM
At 1 March 2021	202,761,930	-	-	(28,424,393)	670,403	-	175,007,940
Profit for the year representing total comprehensive income for the year	-	-	-	1,945,925	-	-	1,945,925
Contribution by and total transaction with owners of the Company	-	-	-	-	-	-	-
- Subscription of irredeemable convertible preference shares	-	-	-	-	-	7,998,747	7,998,747
At 28 February 2022/1 March 2022	202,761,930	-	-	(26,478,468)	670,403	7,998,747	184,952,612
Profit for the year	-	-	-	16,272,059	-	-	16,272,059
Total other comprehensive expense for the year	-	-	(36,311)	-	-	-	(36,311)
- Foreign exchange translation differences from foreign operations	-	-	(36,311)	-	-	-	(36,311)
Total comprehensive (expense)/income for the year	-	-	(36,311)	16,272,059	-	-	16,235,748
Contributions by and distribution to owners of the Company	-	-	-	(1,617,878)	-	-	(1,617,878)
- Dividend (Note 25)	-	-	-	(1,617,878)	-	-	(1,617,878)
- Issuance of irredeemable convertible preference shares	-	7,998,747	-	-	-	(7,998,747)	-
- Conversion of irredeemable convertible preference shares	2,972,118	(330,235)	-	-	-	-	2,641,883
Total transactions with owners of the Company	2,972,118	7,668,512	-	(1,617,878)	-	(7,998,747)	1,024,005
At 28 February 2023	205,734,048	7,668,512	(36,311)	(11,824,287)	670,403	-	202,212,365

The notes on pages 69 to 137 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2023

	Note	2023 RM	2022 RM
Cash flows from operating activities			
Profit before tax		24,288,189	2,955,827
Adjustments for :			
Depreciation of :			
- Property, plant and equipment	3	8,412,265	7,042,642
- Right-of-use assets	4	263,145	209,260
- Investment properties	5	130,032	129,210
Plant and equipment written off	21	4,483	1,829
Impairment loss of plant and equipment	21	373,102	-
Gain on disposal of plant and equipment	21	(81,552)	-
Write back of land held for property development written down	21	(10,743,869)	-
Interest income		(165,640)	(107,883)
Interest expense	22	1,298,896	659,353
Share of profit of equity accounted associate and joint ventures		(651,537)	(173,861)
Fair value loss on other investments	21	-	2,275
Unrealised foreign exchange loss on borrowings		1,286,823	346,821
		24,414,337	11,065,473
Operating profit before changes in working capital			
Changes in working capital :			
Inventories		(14,272,664)	(2,056,196)
Trade and other receivables		(4,581,745)	(3,767,202)
Trade and other payables		3,663,473	2,853,448
Contract liabilities		(885,788)	(717,076)
Cash generated from operations		8,337,613	7,378,447
Tax paid		(806,585)	(1,380,350)
		7,531,028	5,998,097
Net cash from operating activities			
Cash flows from investing activities			
Interest received		165,640	107,883
Proceeds from disposal of plant and equipment		312,154	-
Acquisition of plant and equipment	A	(11,036,046)	(11,406,590)
Additions to investment properties	5	-	(69,950)
Additions of investments in joint ventures		(100,001)	(150,000)
Acquisition of other investments		-	(414,377)
		(10,658,253)	(11,933,034)
Net cash used in investing activities			

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

FOR THE YEAR ENDED 28 FEBRUARY 2023

	Note	2023 RM	2022 RM
Cash flows from financing activities			
Repayment of advances to a shareholder		-	(3,000,000)
Interest paid		(1,298,896)	(659,353)
Dividend paid		(1,617,878)	(1,599,749)
Drawdown of short term borrowings, net		6,191,170	3,467,912
(Repayment)/Drawdown of term loans, net		(1,342,240)	3,223,171
Repayment to hire purchase creditors		(141,874)	(70,817)
Payment of lease liabilities		(42,586)	-
Proceeds from subscription of irredeemable convertible preference shares		-	11,949,437
Refund of excess application of irredeemable convertible preference shares		(3,950,690)	-
Proceeds from conversion of irredeemable convertible preference shares		2,641,883	-
Net cash from financing activities		438,889	13,310,601
Net (decrease)/increase in cash and cash equivalents		(2,688,336)	7,375,664
Effect of exchange rate fluctuations on cash held		(36,311)	-
Cash and cash equivalents at 1 March 2022/2021		21,959,123	14,583,459
Cash and cash equivalents at 28 February 2023/ 2022	12	<u>19,234,476</u>	<u>21,959,123</u>
Cash outflows for leases as a lessee			
	Note	2023 RM	2022 RM
Included in net cash from operating activities			
Payment relating to short-term leases	21	239,280	165,749
Payment relating to leases of low-value assets	21	14,655	13,020
Included in net cash from financing activities			
Payment of lease liabilities		(42,586)	-
Total cash outflows for leases		<u>211,349</u>	<u>178,769</u>

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

FOR THE YEAR ENDED 28 FEBRUARY 2023

Reconciliation of movements of liabilities to cash flows arising from financing activities

	At 1.3.2021	Unrealised foreign exchange gain	Acquisition of plant and equipment under hire purchase arrangement	Net changes from financing cash flows	At 28.2.2022/ 1.3.2022	Unrealised foreign exchange gain	Acquisition of plant and equipment under hire purchase arrangement/ lease arrangements	Net changes from financing cash flows	At 28.2.2023
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Bankers' acceptances	300,000	-	-	750,000	1,050,000	-	-	1,677,370	2,727,370
Onshore foreign currency loan	787,038	-	-	(787,038)	-	-	-	-	-
Revolving credit	1,619,800	54,650	-	3,504,950	5,179,400	102,200	-	4,513,800	9,795,400
Short term borrowings	2,706,838	54,650	-	3,467,912	6,229,400	102,200	-	6,191,170	12,522,770
Term loans	17,166,172	292,171	-	3,223,171	20,681,514	1,184,623	-	(1,342,240)	20,523,897
Hire purchase creditors	45,992	-	492,000	(70,817)	467,175	-	648,000	(141,874)	973,301
Lease liabilities	-	-	-	-	-	-	711,747	(42,586)	669,161
	19,919,002	346,821	492,000	6,620,266	27,378,089	1,286,823	1,359,747	4,664,470	34,689,129

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

FOR THE YEAR ENDED 28 FEBRUARY 2023

NOTE

A. *Payments for acquisition of plant and equipment are arrived at as follows :*

	Note	2023	2022
		RM	RM
Additions of plant and equipment	3	(6,386,906)	(15,181,703)
Amount payable to suppliers at beginning of the financial year		(5,666,793)	(2,383,680)
Amount payable to suppliers at end of the financial year	18.1	369,653	5,666,793
Amount financed by hire purchase arrangements		648,000	492,000
		<u>(11,036,046)</u>	<u>(11,406,590)</u>

The notes on pages 69 to 137 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 28 FEBRUARY 2023

	Note	2023 RM	2022 RM
Assets			
Property, plant and equipment	3	213,698	300,219
Investments in subsidiaries	6	224,275,055	212,735,665
Investment in an associate	7	60	60
Investments in joint ventures	8	750,001	650,000
Total non-current assets		<u>225,238,814</u>	<u>213,685,944</u>
Trade and other receivables	11	523,967	1,930,410
Current tax assets		31,630	31,170
Cash and cash equivalents	12	324,764	12,162,587
Total current assets		<u>880,361</u>	<u>14,124,167</u>
Total assets		<u>226,119,175</u>	<u>227,810,111</u>
Equity			
Share capital	13	213,402,560	202,761,930
Reserves	14	2,117,555	10,035,382
Equity attributable to owners of the Company		<u>215,520,115</u>	<u>212,797,312</u>
Liabilities			
Loans and borrowings	16	108,000	165,186
Total non-current liability		<u>108,000</u>	<u>165,186</u>
Loans and borrowings	16	2,057,186	66,403
Trade and other payables	18	8,433,874	14,781,210
Total current liabilities		<u>10,491,060</u>	<u>14,847,613</u>
Total liabilities		<u>10,599,060</u>	<u>15,012,799</u>
Total equity and liabilities		<u>226,119,175</u>	<u>227,810,111</u>

The notes on pages 69 to 137 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2023

	Note	2023 RM	2022 RM
Revenue	19	4,217,230	2,230,830
Staff costs	20	(533,252)	(377,278)
Depreciation	3	(86,510)	(88,046)
Other expenses		(1,863,084)	(1,060,882)
Results from operating activities	21	1,734,384	704,624
Interest income of financial assets calculated using the effective interest method that are at amortised cost		18,348	5,842
Finance costs	22	(53,934)	(6,968)
Net finance costs		(35,586)	(1,126)
Profit before tax		1,698,798	703,498
Tax expense	23	-	-
Profit for the year representing total comprehensive income for the year attributable to owners of the Company		1,698,798	703,498

The notes on pages 69 to 137 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2023

	Share capital RM	Irredeemable convertible preference shares RM	Retained earnings RM	Capital reserve RM	Prepaid share reserve RM	Total equity RM
At 1 March 2021	202,761,930	-	97,389	1,235,748	-	204,095,067
Profit for the year representing total comprehensive income for the year	-	-	703,498	-	-	703,498
Contribution by and total transaction with owners of the Company						
- Subscription of irredeemable convertible preference shares	-	-	-	-	7,998,747	7,998,747
At 28 February 2022/1 March 2022	202,761,930	-	800,887	1,235,748	7,998,747	212,797,312
Profit for the year representing total comprehensive income for the year	-	-	1,698,798	-	-	1,698,798
Contributions by and distribution to owners of the Company						
- Dividend (Note 25)	-	-	(1,617,878)	-	-	(1,617,878)
- Issuance of irredeemable convertible preference shares	-	7,998,747	-	-	(7,998,747)	-
- Conversion of irredeemable convertible preference shares	2,972,118	(330,235)	-	-	-	2,641,883
Total transactions with owner of the Company	2,972,118	7,668,512	(1,617,878)	-	(7,998,747)	1,024,005
At 28 February 2023	205,734,048	7,668,512	881,807	1,235,748	-	215,520,115

The notes on pages 69 to 137 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2023

	Note	2023 RM	2022 RM
Cash flows from operating activities			
Profit before tax		1,698,798	703,498
Adjustments for :			
Depreciation of plant and equipment	3	86,510	88,046
Plant and equipment written off	21	11	28
Dividend income	19	(3,500,000)	(1,500,000)
Interest income		(18,348)	(5,842)
Interest expense	22	53,934	6,968
Operating loss before changes in working capital		(1,679,095)	(707,302)
Changes in working capital :			
Trade and other receivables		406,443	(348,736)
Trade and other payables		(2,396,646)	6,620,096
Cash (used in)/generated from operations		(3,669,298)	5,564,058
Dividend received		4,500,000	-
Tax paid		(460)	(1,310)
Net cash from operating activities		830,242	5,562,748
Cash flows from investing activities			
Purchase of plant and equipment	A	-	(61,380)
Additions of investments in subsidiaries		(11,539,390)	(5,541,819)
Additions of investments in joint ventures		(100,001)	(150,000)
Interest received		18,348	5,842
Net cash used in investing activities		(11,621,043)	(5,747,357)

STATEMENT OF CASH FLOWS (CONT'D)

FOR THE YEAR ENDED 28 FEBRUARY 2023

	Note	2023 RM	2022 RM
Cash flows from financing activities			
Interest paid		(53,934)	(6,968)
Dividend paid		(1,617,878)	(1,599,749)
Drawdown of revolving credit		2,000,000	-
Repayment to hire purchase creditors		(66,403)	(54,403)
Proceeds from subscription of irredeemable convertible preference shares		-	11,949,437
Refund of excess application of irredeemable convertible preference shares		(3,950,690)	-
Proceeds from conversion irredeemable convertible preference shares		2,641,883	-
Net cash (used in)/from financing activities		(1,047,022)	10,288,317
Net (decrease)/increase in cash and cash equivalents		(11,837,823)	10,103,708
Cash and cash equivalents at 1 March 2022/2021		12,162,587	2,058,879
Cash and cash equivalents at 28 February 2023/ 2022	12	324,764	12,162,587

Reconciliation of movements of liabilities to cash flows arising from financing activities

	At 1.3.2022 RM	Net changes from financing cash flows RM	At 28.2.2023 RM
Revolving credit	-	2,000,000	2,000,000
Hire purchase creditors	231,589	(66,403)	165,186
	231,589	1,933,597	2,165,186

	At 1.3.2021 RM	Acquisition of plant and equipment under hire purchase arrangement RM	Net changes from financing cash flows RM	At 28.2.2022 RM
Hire purchase creditors	45,992	240,000	(54,403)	231,589

STATEMENT OF CASH FLOWS (CONT'D)

FOR THE YEAR ENDED 28 FEBRUARY 2023

Note

A. Purchase of plant and equipment

	Note	2023 RM	2022 RM
Additions of plant and equipment	3	-	301,380
Less : Amount financed by hire purchase arrangement		-	(240,000)
Amount paid by cash		<u>-</u>	<u>61,380</u>

The notes on pages 69 to 137 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

PGF Capital 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

Suite 12-A, Level 12
Menara Northam
No 55, Jalan Sultan Ahmad Shah
10050 George Town
Penang

Principal place of business

2449, Lorong Perusahaan 10
Kawasan Perusahaan Perai
13600 Perai
Penang

The consolidated financial statements of the Company as at and for the financial year ended 28 February 2023 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in an associate and a joint ventures. The financial statements of the Company as at and for the financial year ended 28 February 2023 do not include other entities.

The Company is principally engaged in the trading of fibre glasswool and its related products, provision of management services and investment holding. The principal activities of its subsidiaries, associate and joint ventures are disclosed in Note 6, Note 7 and Note 8 to the financial statements respectively.

These financial statements were authorised for issue by the Board of Directors on 27 June 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 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

- Amendments to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*

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 (CONT'D)

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

The Group and the Company plan to apply the abovementioned accounting standard and amendments, where applicable, in the respective financial years when the abovementioned accounting standard and amendments become effective.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2023 as it is not applicable to the Group and the Company.

The initial application of the amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of 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 currencies

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 Malaysian Financial Reporting Standards ("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 those disclosed in Note 6, Investments in subsidiaries and Note 9.2, Net realisable value of land held for property development.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, 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. 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. The cost of investment includes transaction costs.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(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) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates 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 investment includes transaction costs.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(iv) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows :

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture 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 investment includes transaction costs.

(v) 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 a financial asset depending on the level of influence retained.

(vi) Transactions eliminated on consolidation

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

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

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency 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 period, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (cont'd)

(b) Foreign currency (cont'd)

(i) Foreign currency transactions (cont'd)

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statements 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.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(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(k)(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 or fair value through other comprehensive income as described above are measured at fair value through profit or loss. 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(k)(i)).

Financial liabilities

Amortised cost

Financial liabilities are 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 (CONT'D)

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

Trade date accounting refers to :

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Settlement date accounting refers to :

- (a) the recognition of an asset on the day it is received by the Group or the Company, and
- (b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(iv) Financial guarantee contracts

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

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at the higher of :

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(vi) 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. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

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.

(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. Property, plant and equipment under construction (capital in-progress) are not depreciated until the assets are ready for their intended use.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (cont'd)

(d) Property, plant and equipment (cont'd)

(iii) Depreciation (cont'd)

The principal annual rates used for the current and comparative periods based on their estimated useful lives are as follows :

	%
Buildings	2 - 5
Plant, machinery and equipment	5 - 25
Furniture, fittings and equipment	10 - 20
Motor vehicles	20

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

(e) Investment properties

Investment properties carried at cost

Investment properties are properties which are owned or right-of-use asset held under a lease contract 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. These include freehold land and leasehold land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. Investment properties initially and subsequently measured at cost are accounted for similar to property, plant and equipment.

Investment properties are stated 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).

Cost includes expenditure that is attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the costs of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

Transfers between investment property, property, plant and equipment and inventories do not change the carrying amount and the cost of the property transferred.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of 50 years for buildings. Leasehold land is depreciated over the lease term of 60 years and 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (cont'd)

(f) 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 and the Company assess 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 and the Company allocate 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 or the Company is a lessee, they have elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group and the Company recognise 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 respective Group entities' incremental borrowing rates. Generally, the Group entities use 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 or the Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group or the Company is reasonably certain not to terminate early.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (cont'd)

(f) Leases (cont'd)

(ii) Recognition and initial measurement (cont'd)

(a) As a lessee (cont'd)

The Group and the Company exclude 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 and the Company have 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 and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group and the Company act as a lessor, they determine at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Company make 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 and the Company apply MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

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

When the Group or the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group or the Company applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

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

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 or the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Group or the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (cont'd)

(f) Leases (cont'd)

(iii) Subsequent measurement (cont'd)

(a) As a lessee (cont'd)

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.

(b) As a lessor

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

The Group and the Company recognise finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's or the Company's net investment in the lease. The Group and the Company aim to allocate finance income over the lease term on a systematic and rational basis. The Group and the Company apply the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9, *Financial Instruments* (see note 2(k)(i)).

(g) Inventories

(i) Land held for property development

Land held for property development consist of land or such portions thereof on which no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle of 2 to 3 years. Such land is classified as non-current assets.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

(ii) Property development costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

(iii) Completed development properties

The cost of completed development properties is determined on the specific identification basis and includes costs of land, direct building costs and other related development costs.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (cont'd)

(g) Inventories (cont'd)

(iv) Other inventories

The cost of inventories is calculated based on the following methods :

Raw materials	}	first-in, first-out
Work-in-progress		
Manufactured inventories		
Consumables	-	weighted average

Cost of inventories 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 work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

All inventories are measured at the lower of cost and net realisable value. 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/Contract liability

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. In the case of property development, contract asset is the excess of cumulative revenue earned over the billings to date. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2 (k)(i)). Contract asset is stated at cost less any accumulated impairment.

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers. In the case of property development, contract liability is the excess of the billings to date over the cumulative revenue earned. Contract liability includes down payments received from customers and other deferred income where the Group and the Company have billed or collected the payment before the goods are delivered or services are provided to the customers.

(i) Contract cost

(i) Incremental cost of obtaining a contract

The Group or the Company recognises incremental costs of obtaining contracts when the Group or the Company expects to recover these costs.

(ii) Cost to fulfil a contract

The Group or the Company recognises a contract cost that relate directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group or the Company, will be used in satisfying performance obligations in the future and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in the profit and loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (cont'd)

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments (including the accounts maintained pursuant to the Housing Development (Control and Licensing) Act, 1966). For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(k) Impairment

(i) Financial assets

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

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balance which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (cont'd)

(k) Impairment (cont'd)

(ii) Other assets

The carrying amount of other assets (except for inventories, contract assets and deferred tax 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. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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

An impairment loss is recognised if the carrying amount of an asset or 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 first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed 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.

(l) Equity instruments

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

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (cont'd)

(m) 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 or the Company 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 and the Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months from the end of the reporting period, then they are discounted.

(n) 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.

(o) Contingencies

(i) Contingent liabilities

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

(ii) Contingent assets

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (cont'd)

(p) Revenue and other income

(i) Revenue from contracts with customers

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

The Group or the Company transfers control of a good or service at a point in time unless one of the following over time 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) Commissions

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Company.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(iv) Dividend income

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

(v) Government grants

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

Grants that compensate the Group for expenses incurred are deducted against the related expenses in profit or loss on a systematic basis in the same period in which the expenses are recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (cont'd)

(q) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

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

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

(r) Income tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the 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 statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and 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.

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 entity, 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 future probable 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.

Unutilised reinvestment allowance and investment tax allowances, being tax incentives that are not tax bases of an asset, are recognised as deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentives can be utilised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (cont'd)

(s) 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.

Diluted earnings per share 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 preference shares.

(t) 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. An operating segment's 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.

(u) 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 is 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.

(v) Bearer plants

Bearer plants are living plants used in the production or supply of agricultural produce; are expected to bear produce for more than one period; and have a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Bearer plants are included in property, plant and equipment in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (cont'd)

(v) Bearer plants (cont'd)

Immature bearer plants are recognised at cost, which consist mainly of the accumulated cost of land clearing, planting, fertilizing and upkeep/maintaining the plantations and allocations of indirect overhead costs up to the time the trees become commercially productive and available for harvest. Costs also include capitalised borrowing costs and other charges incurred in connection with the financing of the development of immature bearer plants. Such capitalisation of borrowing costs ceases when the trees become commercially productive and available for harvest. Immature bearer plants are not amortised.

Immature bearer plants are reclassified to mature bearer plants when they are commercially productive and available for harvest. In general, the bearer plant takes about 6 to 8 years to reach maturity. Matured bearer plants are stated at cost, and are amortised using the straight-line method over their estimated useful lives of the primary bearer plants of 20 years.

The carrying amounts of bearer plants are reviewed for impairment when events or changes in circumstances indicate that their carrying values may not be fully recoverable.

The carrying amount of an item of bearer plants is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset), is directly included in the profit or loss for the period the item is derecognised.

The asset's useful life and amortisation method are reviewed at the end of each reporting period and adjusted prospectively, if necessary.

Upkeep and maintenance costs of bearer plants are taken to the profit or loss when they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Property, plant and equipment

Group	Cost	At 1 March 2021					At 28 February 2022/ 1 March 2022					At 28 February 2023												
		Buildings RM	Plant, machinery and equipment RM	Furniture, fittings and equipment RM	Motor vehicles RM	Bearer plants RM	Capital work-in- progress RM	Total RM	Buildings RM	Plant, machinery and equipment RM	Furniture, fittings and equipment RM	Motor vehicles RM	Bearer plants RM	Capital work-in- progress RM	Total RM	Buildings RM	Plant, machinery and equipment RM	Furniture, fittings and equipment RM	Motor vehicles RM	Bearer plants RM	Capital work-in- progress RM	Total RM		
		22,238,605	79,355,222	2,802,037	1,435,472	216,765	107,885,331	22,238,605	91,457,636	3,377,412	1,894,789	1,775,985	411,764	121,156,191	68,510	602,361	1,123,130	25,996	4,428,522	138,387	6,386,906			
	Additions	-	11,857,957	893,445	459,317	1,559,220	15,181,703	-	11,857,957	893,445	459,317	1,559,220	411,764	15,181,703	-	-	-	-	-	-	-	-	-	-
	Written off	-	(1,592,773)	(318,070)	-	-	(1,910,843)	-	(1,592,773)	(318,070)	-	-	-	(1,910,843)	-	-	-	-	-	-	-	-	-	-
	Reclassification	-	1,837,230	-	-	-	(1,837,230)	-	1,837,230	-	-	-	(1,837,230)	-	-	-	-	-	-	-	(411,764)	-	-	
		22,307,115	92,462,913	3,983,993	1,920,785	6,204,507	127,017,700	22,307,115	92,462,913	3,983,993	1,920,785	6,204,507	138,387	127,017,700										

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Property, plant and equipment (cont'd)

Group	Buildings RM	Plant, machinery and equipment RM	Furniture, fittings and equipment RM	Motor vehicles RM	Bearer plants RM	Capital work-in- progress RM	Total RM
Accumulated depreciation							
At 1 March 2021	6,944,174	45,640,019	1,989,328	1,285,823	-	-	55,859,344
Depreciation for the year Written off	757,863	5,858,018 (1,592,736)	310,101 (316,278)	116,660	-	-	7,042,642 (1,909,014)
At 28 February 2022/1 March 2022	7,702,037	49,905,301	1,983,151	1,402,483	-	-	60,992,972
Depreciation for the year Disposal Written off Impairment loss (Note 3.1)	760,139	7,069,831 - (8,841) 373,102	451,925 (92,048) (189,423) -	130,370	-	-	8,412,265 (92,048) (198,264) 373,102
Accumulated depreciation Accumulated impairment loss	8,462,176	56,966,291 373,102	2,153,605	1,532,853	-	-	69,114,925 373,102
At 28 February 2023	8,462,176	57,339,393	2,153,605	1,532,853	-	-	69,488,027
Carrying amounts							
At 1 March 2021	15,294,431	33,715,203	812,709	149,649	216,765	1,837,230	52,025,987
At 28 February 2022/1 March 2022	14,536,568	41,552,335	1,394,261	492,306	1,775,985	411,764	60,163,219
At 28 February 2023	13,844,939	35,123,520	1,830,388	387,932	6,204,507	138,387	57,529,673

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Property, plant and equipment (cont'd)

Company	Furniture, fittings and equipment RM	Motor vehicles RM	Total RM
Cost			
At 1 March 2021	485,997	545,289	1,031,286
Additions	-	301,380	301,380
Written off	(251,205)	-	(251,205)
At 28 February 2022/1 March 2022	234,792	846,669	1,081,461
Written off	(18,181)	-	(18,181)
At 28 February 2023	216,611	846,669	1,063,280
Depreciation			
At 1 March 2021	447,887	496,486	944,373
Depreciation for the year	24,196	63,850	88,046
Written off	(251,177)	-	(251,177)
At 28 February 2022/1 March 2022	220,906	560,336	781,242
Depreciation for the year	12,614	73,896	86,510
Written off	(18,170)	-	(18,170)
At 28 February 2023	215,350	634,232	849,582
Carrying amounts			
At 1 March 2021	38,110	48,803	86,913
At 28 February 2022/1 March 2022	13,886	286,333	300,219
At 28 February 2023	1,261	212,437	213,698

3.1 Impairment loss

During the financial year ended 28 February 2023, the Group reassessed the recoverable amount of certain machinery which was under-utilised in the manufacturing of melt-blown non-woven fabric. Arising from the assessment carried out, the Group recognised an impairment loss of RM373,102 in other expenses in the statements of profit or loss and other comprehensive income.

The recoverable amount of this machinery was assessed as RM Nil using fair value less cost to sell method.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Property, plant and equipment (cont'd)

3.2 Security

The carrying amounts of property, plant and equipment which secure the hire purchase creditors (see Note 16) are as follows :

	2023	2022
	RM	RM
Group		
Furniture, fittings and equipment	648,001	326,829
Motor vehicles	<u>274,983</u>	<u>358,191</u>
Company		
Furniture, fittings and equipment	1	11,499
Motor vehicles	<u>190,874</u>	<u>251,150</u>

The carrying amounts of property, plant and equipment of the Group charged to financial institutions for banking facilities granted to the Group (see Note 16) are as follows :

	2023	2022
	RM	RM
Group		
Buildings	6,794,112	7,205,551
Plant, machinery and equipment	<u>24,312,964</u>	<u>28,146,946</u>

4. Right-of-use assets - Group

	Land	Motor	Total
	RM	vehicles	RM
		RM	
At 1 March 2021	4,262,356	-	4,262,356
Depreciation for the year	(209,260)	-	(209,260)
At 28 February 2022/1 March 2022	<u>4,053,096</u>	-	<u>4,053,096</u>
Additions	-	711,747	711,747
Depreciation for the year	(209,268)	(53,877)	(263,145)
At 28 February 2023	<u>3,843,828</u>	<u>657,870</u>	<u>4,501,698</u>

The Group leases three parcels of land and motor vehicles for a period of 60 years and 5 years respectively. The land classified as right-of-use assets of the Group with carrying amount of RM3,139,955 (2022: RM3,315,611) is charged to financial institutions for banking facilities granted to the Group (see Note 16).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. Investment properties - Group

	Commercial properties RM
Cost	
At 1 March 2021	6,389,018
Additions	69,950
At 28 February 2022/1 March 2022/28 February 2023	<u>6,458,968</u>
Accumulated depreciation	
At 1 March 2021	909,438
Depreciation for the year	129,210
At 28 February 2022/1 March 2022	<u>1,038,648</u>
Depreciation for the year	130,032
At 28 February 2023	<u>1,168,680</u>
Carrying amount	
At 1 March 2021	<u>5,479,580</u>
At 28 February 2022/1 March 2022	<u>5,420,320</u>
At 28 February 2023	<u>5,290,288</u>

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

	2023 RM	2022 RM
Lease income	384,000	384,000
Direct operating expenses :		
- income generating investment properties	<u>253,757</u>	<u>252,909</u>

5.1 Fair value information

Investment properties comprise a number of commercial properties. The Directors had determined the current uses of these investment properties as their highest and best use.

The fair value was based on Directors' estimation using the latest available market information of similar property within the same locality. The most significant input into this valuation approach is price per square foot. The estimated fair value would increase/(decrease) if the price per square foot is higher/(lower). The fair value of the investment properties of the Group as at 28 February 2023 is classified as level 3 of fair value hierarchy and determined to be approximately RM7,873,000 (2022 : RM7,915,000).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. Investments in subsidiaries - Company

	Note	2023 RM	2022 RM
Cost of investments		203,673,821	199,620,309
Amount due from subsidiaries	6.1	20,781,975	13,296,097
Less : Accumulated impairment losses		(180,741)	(180,741)
		<u>224,275,055</u>	<u>212,735,665</u>

6.1 Amount due from subsidiaries

The amount due from subsidiaries is regarded as net investments in subsidiaries. This amount is unsecured, interest-free and with no fixed terms of repayment.

6.2 Key sources of estimation uncertainties

The Company determines whether there is impairment on interests in subsidiaries when indicators of impairment were identified. The recoverable amount is estimated based on the higher of fair value less cost to sell and the value in use. Estimating the recoverable amount requires the Company to make an estimate of the fair value of the net assets in the subsidiary, which mainly comprise land held for property development.

Details of the subsidiaries are as follows :

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership and voting interest		Principal activities
		2023 %	2022 %	
PGF Insulation Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of fibre glasswool and its related products
Golden Approach Sdn. Bhd.	Malaysia	100	100	Property development
Concrete Energy Sdn. Bhd.	Malaysia	100	100	Property holding, trading and manufacturing of melt-blown non-woven fabric
Clover Sdn. Bhd.	Malaysia	100	100	Property holding, trading in fibre glasswool and its related products
PGF Global Distribution Sdn. Bhd.	Malaysia	100	100	Trading in fibre glasswool and its related products
Diamond Creeks Eco Farm Sdn. Bhd.	Malaysia	100	100	Plantation of tropical fruits
PGF Insulation Pty Ltd ⁽¹⁾	Australia	100	-	Manufacturing and sale of fibre glasswool and its related products
PGF Technical Textile Sdn. Bhd. ^(*)	Malaysia	100	-	Manufacturing and trading of building and hygiene related products

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. Investments in subsidiaries - Company (cont'd)

Restriction imposed by bank covenants

The covenant of a loan facility taken by a subsidiary of the Company restricts the ability of the subsidiary to declare dividends to its shareholders in excess of 50% of the subsidiary's profit after tax unless prior written consent from the financial institution is obtained.

⁽¹⁾ The unaudited management accounts were consolidated in the Group's financial statements as the subsidiary was not required by the local legislation to have its financial statement audited.

* Not audited by KPMG PLT.

7. Investment in an associate

	2023 RM	2022 RM
Group		
Unquoted shares, at cost	60	60
Share of post acquisition reserves	1,622,851	783,979
	1,622,911	784,039
Company		
Unquoted shares, at cost	60	60

Details of the associate are as follows :

Name of associate	Principal place of business/ Country of incorporation	Effective ownership and voting interest		Nature of relationship/ Principal activity
		2023	2022	
		%	%	
Ecwool Insulation Pty. Ltd.	Australia	20	20	Sale and distribution of fibre glasswool and related products

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. Investment in an associate (cont'd)

The following table summarises the information of the Group's associate and reconcile the information to the carrying amount of the Group's interest in associate.

	Ecowool Insulation Pty. Ltd. RM
Summarised financial information	
As at 28 February 2023	
Current assets	14,133,403
Current liabilities	(6,018,552)
Net assets	<u>8,114,851</u>
Year ended 28 February 2023	
Profit representing total comprehensive income from continuing operations	<u>4,200,196</u>
Included in the total comprehensive income is :	
Revenue	<u>57,715,308</u>
Reconciliation of net assets to carrying amount	
As at 28 February 2023	
Group's share of net assets	<u>1,622,911</u>
As at 28 February 2022	
Current assets	7,300,084
Current liabilities	(3,379,891)
Net assets	<u>3,920,193</u>
Year ended 28 February 2022	
Profit representing total comprehensive income from continuing operations	<u>1,523,705</u>
Included in the total comprehensive income is :	
Revenue	<u>30,999,244</u>
Reconciliation of net assets to carrying amount	
As at 28 February 2022	
Group's share of net assets	<u>784,039</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. Investments in joint ventures

	2023 RM	2022 RM
Group		
Unquoted shares, at cost	750,001	650,000
Share of post-acquisition reserves	(357,085)	(169,750)
	<u>392,916</u>	<u>480,250</u>
Company		
Unquoted shares, at cost	<u>750,001</u>	<u>650,000</u>

The Company entered into a joint venture arrangement with Hong Len Aquatic Sdn Bhd to execute and manage hatchery of freshwater aquaculture and related activities in Tanjung Malim, Perak Darul Ridzuan. Diamond Creeks Aquatech Sdn. Bhd. ("DCA") is structured as a separate vehicle and provides the Group and the Company rights to the net assets of the entity. Accordingly, the Group and the Company have classified the investment in DCA as a joint venture.

On 10 May 2022, the Company increased its investment in DCA by acquiring 100,001 ordinary shares in DCA for a total cash consideration of RM100,001.

On 27 February 2023, PGF Insulation Pty. Ltd., a wholly-owned subsidiary of the Company subscribed for 50% equity interest in Select Insulation Pty. Ltd. ("SIPL"), a joint venture newly incorporated in Australia with a paid up share capital of AUD2. As of 28 February 2023, SIPL remains dormant.

The following table summarises the financial information of DCA, as adjusted for any differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in DCA, which is accounted for using the equity method.

	2023 RM
Percentage of ownership interest	50%
Percentage of voting interest	50%

Summarised financial information

As at 28 February 2023

Non-current assets	960,721
Current assets	62,331
Current liabilities	(252,628)
Net assets	<u>770,424</u>

Year ended 28 February 2023

Loss representing total comprehensive expense from continuing operations	<u>367,323</u>
Included in the total comprehensive expense :	
Depreciation	<u>164,152</u>

Reconciliation of net assets to carrying amount

As at 28 February 2023

Group's share of net assets	<u>392,916</u>
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. Investments in joint ventures (cont'd)

	2022
	RM
Percentage of ownership interest	50%
Percentage of voting interest	50%
Summarised financial information	
As at 28 February 2022	
Non-current assets	1,184,625
Current assets	66,423
Current liabilities	(290,548)
Net assets	<u>960,500</u>
Year ended 28 February 2022	
Loss representing total comprehensive expense from continuing operations	<u>261,760</u>
Included in the total comprehensive expense :	
Depreciation	<u>75,009</u>
Reconciliation of net assets to carrying amount	
As at 28 February 2022	
Group's share of net assets	<u>480,250</u>

9. Inventories - Group

	Note	2023	2022
		RM	RM
Non-current			
Land held for property development	9.1	<u>146,664,233</u>	<u>135,706,719</u>
Current			
Completed development properties		564,420	723,714
Manufactured inventories		18,190,552	5,329,172
Work-in-progress		34,136	34,136
Raw materials		5,924,035	5,642,720
Consumables		4,172,761	3,097,143
		<u>28,885,904</u>	<u>14,826,885</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. Inventories - Group (cont'd)

9.1 Land held for property development

Balance at end of the financial year comprises :

	2023 RM	2022 RM
Leasehold land	173,672,803	173,672,803
Less : Write-down to net realisable value	(33,242,390)	(43,986,259)
	140,430,413	129,686,544
Development costs	6,233,820	6,020,175
	<u>146,664,233</u>	<u>135,706,719</u>

9.2 Net realisable value of land held for property development

The Board of Directors assessed the net realisable value of land held for future development included in the property development segment at the end of each reporting period.

In estimating the net realisable amount of the land held for property development at financial year end, the Directors considered its fair value less cost to sell determined based on a professional valuation carried out by a firm of professional valuers on an open market value basis conducted in February 2023 (2022 : February 2020). During the financial year, the write back of land held for property development written down was RM10,743,869 (2022 : RM Nil).

10. Other investments - Group

	2023 RM	2022 RM
Fair value through profit or loss		
Investment linked financial instruments	<u>768,045</u>	<u>768,045</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. Trade and other receivables

	Note	2023 RM	2022 RM
Group			
Non-current			
Prepayment	11.3	339,306	-
Current			
Trade			
Trade receivables		12,903,579	11,825,591
Associate	11.1	5,266,019	4,104,323
		<u>18,169,598</u>	<u>15,929,914</u>
Non-trade			
Amount due from associate	11.2	2,000	-
Other receivables		1,406,398	510,822
Deposits		365,582	110,450
Prepayments	11.3	3,334,567	2,484,520
		<u>5,108,547</u>	<u>3,105,792</u>
		<u>23,278,145</u>	<u>19,035,706</u>
Company			
Current			
Non-trade			
Amount due from subsidiaries	11.2	8,874	-
Other receivables		2,000	-
Deposits		1,660	1,660
Prepayments		11,433	428,750
Dividend receivable		500,000	1,500,000
		<u>523,967</u>	<u>1,930,410</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. Trade and other receivables (cont'd)

11.1 Amount due from an associate

The trade amount due from an associate of the Group is unsecured with credit term of 60 days (2022 : 60 days).

11.2 Amounts due from subsidiaries and associate

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

11.3 Prepayments

The non-current prepayment of the Group represent advance payment for cost related to land held for property development.

Included in the current prepayments of the Group is an amount of RM3,072,147 (2022 : RM1,672,399) representing advance payments made to suppliers.

12. Cash and cash equivalents

	2023 RM	2022 RM
Group		
Short term deposits	8,494,212	5,893,846
Cash and bank balances	10,740,264	16,065,277
	<u>19,234,476</u>	<u>21,959,123</u>
Company		
Short term deposits	322,884	213,150
Cash and bank balances	1,880	11,949,437
	<u>324,764</u>	<u>12,162,587</u>

Included in cash and bank balances of the Group is an amount of RM1,235 (2022 : RM1,226) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and is restricted from use in other operations.

In the previous financial year, included in cash and bank balances of the Group and the Company was an amount of RM11,949,437 representing cash received in relation to the subscriptions of irredeemable convertible preference shares held by the share registrar where RM3,950,690 from the excess application was restricted from use and to be refunded to subscribers.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. Share capital - Group/Company

	2023		2022	
	Amount RM	Number of shares	Amount RM	Number of shares
Issued and fully-paid shares with no par value classified as equity instruments				
<i>Ordinary shares</i>				
At 1 March 2022/2021	202,761,930	159,974,948	202,761,930	159,974,948
Conversion of ICPS during the year	2,972,118	3,302,350	-	-
	205,734,048	163,277,298	202,761,930	159,974,948
<i>Irredeemable Convertible Preference Shares ("ICPS")</i>				
At 1 March 2022/2021	-	-	-	-
Issued during the year	7,998,747	79,987,474	-	-
Conversion during the year	(330,235)	(3,302,350)	-	-
	7,668,512	76,685,124	-	-
At 28 February 2023/2022	<u>213,402,560</u>	<u>239,962,422</u>	<u>202,761,930</u>	<u>159,974,948</u>

13.1 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.

13.2 Irredeemable Convertible Preference Shares ("ICPS")

The main features of the ICPS are as follows :

- (i) **Tenure**
5 years commencing from and inclusive of the date of issuance of the ICPS, 7 March 2022.
- (ii) **Dividend**
The Company has full discretion over the declaration of dividends, if any. Dividends, if declared, shall be payable annually in arrears non-cumulatively.
- (iii) **Conversion period**
The ICPS may be converted into new ordinary shares at the option of the ICPS holders at any time within 5 years commencing on and including the date of issuance of the ICPS. Any remaining ICPS that is not converted by the expiry of the conversion period shall be automatically converted into new ordinary shares.
- (iv) **Conversion price**
The ICPS can be converted into 1 new ordinary share at the conversion price of RM0.90.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. Reserves

	Note	2023 RM	2022 RM
Group			
Accumulated losses		(11,824,287)	(26,478,468)
Capital reserve - Non distributable	14.1	670,403	670,403
Prepaid share reserve - Non distributable	14.2	-	7,998,747
Translation reserve		(36,311)	-
		<u>(11,190,195)</u>	<u>(17,809,318)</u>
Company			
Retained earnings - Distributable		881,807	800,887
Capital reserve - Non distributable	14.1	1,235,748	1,235,748
Prepaid share reserve - Non distributable	14.2	-	7,998,747
		<u>2,117,555</u>	<u>10,035,382</u>

14.1 Capital reserve

The capital reserve represents gain on disposal of a subsidiary.

14.2 Prepaid share reserve

The prepaid share reserve was in relation to subscriptions received in relation to the unallotted irredeemable convertible preference shares.

15. Contract liabilities - Group

	2023 RM	2022 RM
Non-current	3,997,600	4,697,600
Current	256,132	441,920
	<u>4,253,732</u>	<u>5,139,520</u>

The non-current contract liabilities primarily relate to the advance consideration received from customers, for which revenue is recognised over time, arising from the property development activities.

The current contract liabilities primarily relate to the advance consideration received from customers, for which revenue is recognised at a point in time, arising from the sale of fibre glasswool and related products activities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. Loans and borrowings

	Note	2023 RM	2022 RM
Group			
Non-current			
Secured			
Term loans	16.1	15,464,046	15,467,236
Hire purchase creditors	16.1	762,169	350,357
		<u>16,226,215</u>	<u>15,817,593</u>
Current			
Secured			
Term loans	16.1	5,059,851	5,214,278
Hire purchase creditors	16.1	211,132	116,818
		<u>5,270,983</u>	<u>5,331,096</u>
Unsecured			
Bankers' acceptances		2,727,370	1,050,000
Revolving credits		9,795,400	5,179,400
		<u>12,522,770</u>	<u>6,229,400</u>
		<u>17,793,753</u>	<u>11,560,496</u>
Company			
Non-current			
Secured			
Hire purchase creditors	16.1	<u>108,000</u>	<u>165,186</u>
Current			
Secured			
Hire purchase creditors	16.1	57,186	66,403
Unsecured			
Revolving credits		2,000,000	-
		<u>2,057,186</u>	<u>66,403</u>

16.1 Security

The hire purchase creditors are secured as the rights to the underlying assets revert to the lenders in the event of default.

The secured term loans are secured by fixed and floating charges over certain property, plant and equipment of the Group (see Note 3.2) and right-of-use assets (see Note 4).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. Deferred tax liabilities - Group

Recognised deferred tax liabilities

Deferred tax assets and liabilities are attributable to the following :

	Assets		Liabilities		Net	
	2023	2022	2023	2022	2023	2022
	RM	RM	RM	RM	RM	RM
Property, plant and equipment	-	-	(6,073,000)	(7,018,000)	(6,073,000)	(7,018,000)
- capital allowance	-	-	-	-	-	-
Land held for property development	-	-	(25,715,502)	(23,088,502)	(25,715,502)	(23,088,502)
- revaluation	-	-	-	-	-	-
Provisions	197,000	159,000	-	-	197,000	159,000
Unutilised investment tax allowance	23,000	4,511,000	-	-	23,000	4,511,000
Unutilised increased export allowance	-	394,000	-	-	-	394,000
Other temporary differences	713,780	-	-	-	713,780	-
Deferred tax assets/(liabilities)	933,780	5,064,000	(31,788,502)	(30,106,502)	(30,854,722)	(25,042,502)
Set off of tax	(220,000)	(5,064,000)	220,000	5,064,000	-	-
Net deferred tax liabilities	713,780	-	(31,568,502)	(25,042,502)	(30,854,722)	(25,042,502)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. Deferred tax liabilities - Group (cont'd)

Movements in temporary differences during the year :

	At 1.3.2021 RM	Recognised in profit or loss (Note 23) RM	At 29.2.2022/ 1.3.2022 RM	Recognised in profit or loss (Note 23) RM	At 28.2.2023 RM
Property, plant and equipment					
- capital allowance	(6,304,394)	(713,606)	(7,018,000)	945,000	(6,073,000)
- revaluation	(288,606)	288,606	-	-	-
Land held for property development					
- revaluation	(23,088,502)	-	(23,088,502)	(2,627,000)	(25,715,502)
Provisions	257,000	(98,000)	159,000	38,000	197,000
Unutilised investment tax allowance	4,666,000	(155,000)	4,511,000	(4,488,000)	23,000
Unutilised increased export allowance	394,000	-	394,000	(394,000)	-
Other temporary differences	-	-	-	713,780	713,780
Net tax liabilities	(24,364,502)	(678,000)	(25,042,502)	(5,812,220)	(30,854,722)

Unrecognised deferred tax assets

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

	2023 RM	2022 RM
Group		
Tax loss carry-forwards		
- expiring in YA2028	15,400,000	15,400,000
- expiring in YA2029	9,653,000	9,660,000
- expiring in YA2030	195,000	189,000
- expiring in YA2031	425,000	460,000
- expiring in YA2032	1,357,000	1,590,000
- expiring in YA2033	446,000	-
Unutilised reinvestment allowance		
- expiring in YA2025	427,000	427,000
Unabsorbed capital allowance	2,379,000	1,215,000
Unutilised increased export allowance	-	177,000
Development cost incurred	6,204,000	5,792,000
Provisions	-	1,000
Others	118,000	152,800
	<u>36,604,000</u>	<u>35,063,800</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. Deferred tax liabilities - Group (cont'd)

Unrecognised deferred tax assets (cont'd)

	2023 RM	2022 RM
Company		
Tax loss carry-forwards		
- expiring in YA2030	189,000	189,000
- expiring in YA2031	420,000	420,000
- expiring in YA2032	970,000	950,000
- expiring in YA2033	241,000	-
Unabsorbed capital allowance	322,000	271,000
Unutilised increased export allowance	-	177,000
Unutilised reinvestment allowance		
- expiring in YA2025	427,000	427,000
	<u>2,569,000</u>	<u>2,434,000</u>

Under current tax legislation, the tax loss carry-forwards of the Group and the Company as at 28 February 2018 and thereafter will only be available for carry forward up to a period of 10 consecutive years of assessment ("YAs"). Upon expiry of the 10th years, the tax loss carry-forwards will be disregarded. The unutilised reinvestment allowance can only be carried forward up to 7 consecutive years of assessment after the expiry/end of the qualifying period. Unabsorbed capital allowance and unutilised increased export allowance do not expire under the current tax legislation.

Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profit will be available against which the Group and the Company can utilise the benefits therefrom.

18. Trade and other payables

	Note	2023 RM	2022 RM
Group			
Trade			
Trade payables		3,774,456	3,432,998
Non-trade			
Indirect tax payable		377,290	304,096
Other payables	18.1	6,278,584	15,161,625
Accrued expenses		6,195,539	3,311,507
		<u>12,851,413</u>	<u>18,777,228</u>
		<u>16,625,869</u>	<u>22,210,226</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. Trade and other payables (cont'd)

	Note	2023 RM	2022 RM
Company			
Non-trade			
Subsidiaries	18.2	8,305,477	10,704,481
Other payables	18.1	19,087	3,993,627
Accrued expenses		109,310	83,102
		<u>8,433,874</u>	<u>14,781,210</u>

18.1 Other payables

Included in other payables of the Group is an amount of RM369,653 (2022 : RM5,666,793) representing payables to suppliers for acquisition of plant and equipment.

Included in other payables of the Group and the Company is an amount of RM Nil (2022 : RM3,950,690) representing payables on excess application of irredeemable convertible preference shares.

18.2 Amount due to subsidiaries

The non-trade amount due to subsidiaries is unsecured, interest-free and repayable on demand.

19. Revenue

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Revenue from contracts with customers				
Sale of fibre glasswool and its related products	88,768,939	56,055,598	-	-
Sale of melt-blown non-woven fabric	1,231,343	1,082,495	-	-
Sale of completed development properties	700,000	-	-	-
Sale of tropical fruits	1,147	-	-	-
Management fees	-	-	717,230	730,830
	<u>90,701,429</u>	<u>57,138,093</u>	<u>717,230</u>	<u>730,830</u>
Other revenue				
Lease income	409,600	416,600	-	-
Dividend income	-	-	3,500,000	1,500,000
Total revenue	<u>91,111,029</u>	<u>57,554,693</u>	<u>4,217,230</u>	<u>2,230,830</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. Revenue (cont'd)

19.1 Disaggregation of revenue

Group	Fibre glasswool and related products		Property development		Reportable segments Investment holding		Others		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Primary geographical markets										
Malaysia	25,082	17,202	700	-	-	-	1,231	1,082	27,013	18,284
Southern East Asia (excluding Malaysia)	5,008	4,174	-	-	-	-	-	-	5,008	4,174
Oceania	54,631	33,522	-	-	-	-	-	-	54,631	33,522
Other countries	4,049	1,158	-	-	-	-	-	-	4,049	1,158
	88,770	56,056	700	-	-	-	1,231	1,082	90,701	57,138
Timing and recognition										
At a point in time	88,770	56,056	700	-	-	-	1,231	1,082	90,701	57,138
Revenue from contracts with customers	88,770	56,056	700	-	-	-	1,231	1,082	90,701	57,138
Other revenue	-	-	-	-	410	417	-	-	410	417
Total revenue	88,770	56,056	700	-	410	417	1,231	1,082	91,111	57,555

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. Revenue (cont'd)

19.2 Nature of goods and services

The following information reflects the typical transactions of the Group and the Company:

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
Group					
Sale of fibre glasswool and its related products	Revenue is recognised when the goods are delivered and accepted by the customers for domestic sales, or when the goods are loaded on board of shipping vessels for overseas sales.	Credit period of 14 to 60 days from invoice date.	Not applicable.	The Group allows returns only for exchange with new goods (i.e. no cash refunds are offered).	Product warranty of 70 years are given to customers.
Sale of melt-blown non-woven fabric	Revenue is recognised when the goods are delivered and accepted by the customers at their premises for domestic sales, or when the goods are loaded on board of shipping vessels for overseas sales.	Credit period of 60 days from invoice date.	Not applicable.	The Group allows returns only for exchange with new goods (i.e. no cash refunds are offered).	Not applicable.
Sale of completed development properties	Revenue is recognised at a point in time when the Group transfers the control of the property to the purchaser.	Credit period of 120 days from invoice date.	Not applicable.	Not applicable.	Defect liability period ranging from 6 months to 2 years are given to the customer.
Sale of tropical fruits	Revenue is recognised when the goods are delivered and accepted by the customers for domestic sales.	Cash basis from invoice date	Not applicable.	Not applicable.	Not applicable.
Company					
Management fees	Management fees are in relation to the management services rendered to its subsidiaries and are recognised over the period of services rendered.	Credit period of 90 days from invoice date.	Not applicable.	Not applicable.	Not applicable.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. Staff costs

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Wages, salaries and others (excluding Directors' remuneration)	12,952,754	8,856,228	474,051	335,060
Contribution to state plan	827,098	659,526	59,201	42,218
Staff costs	<u>13,779,852</u>	<u>9,515,754</u>	<u>533,252</u>	<u>377,278</u>

21. Results from operating activities

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
Results from operating activities are arrived at after charging/(crediting) :					
Auditors' remuneration					
Audit fees					
- KPMG PLT		148,000	110,000	30,000	20,000
- Oversea affiliated of KPMG PLT		36,206	-	-	-
Other services					
- KPMG PLT		7,000	5,500	5,000	3,000
- Affiliates of KPMG PLT		35,000	28,500	8,000	8,500
Directors' emoluments					
Directors of the Company					
- fees		26,825	25,200	26,825	25,200
- remuneration					
- current year	21.1	886,871	884,391	886,871	884,391
- prior year	21.1	-	(145,179)	-	(145,179)
Plant and equipment					
- written off		4,483	1,829	11	28
- impairment loss		373,102	-	-	-
- gain on disposal		(81,552)	-	-	-
Fair value loss on other investments		-	2,275	-	-
Loss/(Gain) on foreign exchange					
- realised		(582,102)	8,161	-	-
- unrealised		1,453,440	256,601	-	-
Insurance claim		-	(9,869)	-	-
Write back of land held for property development written down	9.2	(10,743,869)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. Results from operating activities (cont'd)

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
Results from operating activities are arrived at after charging/(crediting) (cont'd):					
Reversal of inventories written down		-	(490,531)	-	-
Expenses arising from leases					
Expenses relating to short-term leases	21.2	239,280	165,749	-	-
Expenses relating to leases of low-value assets	21.2	14,655	13,020	-	-
Net gain on impairment of financial instruments					
Financial assets at amortised cost		76,734	-	-	-

21.1 Included in Directors' remuneration of the Group and of the Company is an amount of RM108,036 (2022 : RM108,015), representing contributions made to the state plan. The estimated monetary value of Directors' benefits-in-kind of the Group and of the Company otherwise than in cash is RM23,160 (2022 : RM21,505).

21.2 These leases are short-term or leases of low-value items which the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

22. Finance costs

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Interest expense of financial liabilities that are not at fair value through profit or loss recognised in profit or loss :				
Bankers' acceptances	82,542	5,969	45,757	-
Advances from a shareholder	-	49,710	-	-
Term loans	1,134,901	589,865	-	-
Onshore foreign currency loan and other borrowings	1,358	5,431	-	-
Hire purchase creditors	34,338	8,357	8,177	6,947
Bank overdrafts	-	21	-	21
Revolving credits	45,757	-	-	-
	<u>1,298,896</u>	<u>659,353</u>	<u>53,934</u>	<u>6,968</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. Tax expense

Recognised in profit or loss

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Current tax expense				
- current year	2,355,588	733,375	-	-
- prior years	(151,678)	(401,473)	-	-
	2,203,910	331,902	-	-
Deferred tax expense				
- current year	5,555,220	748,000	-	-
- prior years	257,000	(70,000)	-	-
	5,812,220	678,000	-	-
Total tax expense	8,016,130	1,009,902	-	-

Reconciliation of tax expense

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Profit before tax	24,288,189	2,955,827	1,698,798	703,498
Tax at Malaysian tax rate of 24%	5,829,165	709,398	407,712	168,840
Non-deductible expenses	1,379,685	253,152	366,295	57,751
Income not subject to tax	-	-	(840,000)	(360,000)
Deferred tax assets not recognised	369,648	457,680	32,400	141,600
Other items	332,310	61,145	33,593	(8,191)
	7,910,808	1,481,375	-	-
Under/(Over) provision in prior years	105,322	(471,473)	-	-
Tax expense	8,016,130	1,009,902	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. Earnings per ordinary share - Group

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share as at 28 February 2023 was based on the Group's profit attributable to the owners of the Company of RM16,272,059 (2022 : RM1,945,925) and on the weighted average number of ordinary shares outstanding during the year of 161,105,731 (2022 : 159,974,948).

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share was based on the Group's profit attributable to the owners of the Company of RM16,272,059 (2022 : RM1,945,925) and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares calculated as follows:

	2023 RM	2022 RM
Weighted average number of ordinary shares at 28 February 2023	161,105,731	159,974,948
Effect of conversion of ICPS	76,685,124	-
Weighted average number of ordinary shares at 28 February 2023 (diluted)	<u>237,790,855</u>	<u>159,974,948</u>

25. Dividend

Dividend recognised in the current financial year is as follows :

	Sen per share	Total amount RM	Date of payment
2023			

In respect of financial year ended 28 February 2023

Interim dividend	1.0	<u>1,617,878</u>	30 November 2022
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A final dividend of RM0.01 per ordinary share has been recommended by the Directors in respect of the financial year ended 28 February 2023, subject to approval of the shareholders at the forthcoming Annual General Meeting.

The financial statements do not reflect the final dividend in relation to the financial year ended 28 February 2023, which will be accounted for as an appropriation of retained earnings in the financial year ending 28 February 2024.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. 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 technology and marketing 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 :

Fibre glasswool and related products Manufacturer and distributor of fibre glasswool and other related products

Property development Development of a country retreat comprising bungalow lots and orchard lots

Investment holding Investments in shares and other investments, and letting of properties

Other non-reportable segments comprise operations related to trading and manufacturing of melt-blown non-woven fabric, building and hygiene related products and plantation of tropical fruits.

Performance is measured based on segment profit/(loss) before tax, interest and share of results of equity accounted associate and joint ventures ("segment profit") as included in the internal management reports that are reviewed by the Group's Executive Chairman (the chief operating decision maker). 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 asset is 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 asset 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 liability.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. Operating segments (cont'd)

Segment capital expenditure

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

	Fibre glasswool and related products RM'000	Property development RM'000	Investment holding RM'000	Others RM'000	Total RM'000
2023					
Segment profit/(loss)	13,808	10,324	2,500	(1,862)	24,770
<i>Included in the measure of segment profit/ (loss) are:</i>					
Revenue from external customers	88,770	700	410	1,231	91,111
Write back of land held for property development written down	-	10,744	-	-	10,744
Depreciation	7,382	11	870	542	8,805
<i>Not included in the measure of segment profit/(loss) but provided to Executive Chairman :</i>					
Interest income	136	2	23	5	166
Interest expense	1,026	-	266	7	1,299
Tax expense	5,140	2,581	295	-	8,016
Segment assets	126,213	149,265	10,364	3,564	289,406
<i>Included in the measure of segment assets are :</i>					
Additions to non-current assets other than financial instruments	767	3	-	6,329	7,099

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. Operating segments (cont'd)

Segment capital expenditure (cont'd)

	Fibre glasswool and related products RM'000	Property development RM'000	Investment holding RM'000	Others RM'000	Total RM'000
2022					
Segment profit/(loss)	3,423	(650)	1,474	(914)	3,333
<i>Included in the measure of segment profit/(loss) are:</i>					
Revenue from external customers	56,056	-	417	1,082	57,555
Reversal of inventories written down	491	-	-	-	491
Depreciation	6,194	11	871	305	7,381
<i>Not included in the measure of segment profit/(loss) but provided to Executive Chairman :</i>					
Interest income	96	1	9	2	108
Interest expense	405	-	253	1	659
Tax expense	776	22	212	-	1,010
Segment assets	106,120	138,084	16,664	3,869	264,737
<i>Included in the measure of segment assets are :</i>					
Additions to non-current assets other than financial instruments	13,573	6	371	1,302	15,252

Geographical information

Revenue and non-current assets are based on the geographical location of customers and assets respectively. The amounts of non-current assets do not include investment in an associate, investment in joint ventures and deferred tax assets. Geographical information for revenue is as disclosed in Note 19.1.

	2023 Non-current assets RM'000	2022 Non-current Assets RM'000
Geographical information		
Malaysia	214,315	206,111
Oceania	778	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. Operating segments (cont'd)

Major customers

Major customers contributing more than 10% of the Group's total revenue for the financial year are as follows :

Segment		2023 RM
Customer A	Fibre glasswool and related products	29,783,307
Customer B	Fibre glasswool and related products	<u>9,463,885</u>
		2022 RM
Customer A	Fibre glasswool and related products	14,392,576
Customer B	Fibre glasswool and related products	5,965,200
Customer C	Fibre glasswool and related products	<u>5,833,092</u>

27. Related parties

27.1 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 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. Key management personnel includes the Executive Directors of the Group and certain members of senior management of the Group.

The Group has a related party relationship with its subsidiaries, an associate, a joint ventures, a corporate shareholder in which a Director has a substantial financial interest, Directors and key management personnel.

27.2 Significant related party transactions

The significant related party transactions of the Group and the Company are shown below. The balances related to the transactions below are shown in Notes 6, 11 and 18.

i) Transactions with subsidiaries

	Company	
	2023 RM	2022 RM
Management fees received and receivable	717,230	730,830
Dividend income	<u>3,500,000</u>	<u>1,500,000</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Related parties (cont'd)

27.2 Significant related party transactions (cont'd)

ii) Transactions with an associate

	Group	
	2023	2022
	RM	RM
Sale of fibre glasswool	<u>45,463,079</u>	<u>17,357,476</u>

iii) Transactions with Equaplus Sdn. Bhd., a corporate shareholder of the Company in which a Director has a substantial financial interest

	Group	
	2023	2022
	RM	RM
Interest expense paid and payable	<u>-</u>	<u>49,710</u>

iv) Transactions with key management personnel

There were no transactions with key management personnel other than the remuneration package paid to them in accordance with the terms and conditions of their appointment as disclosed below.

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Executive Directors				
- Remuneration				
- Current year	878,171	877,791	878,171	877,791
- Prior year	-	(145,179)	-	(145,179)
- Estimated monetary value of benefits-in-kind	23,160	21,505	23,160	21,505
	<u>901,331</u>	<u>754,117</u>	<u>901,331</u>	<u>754,117</u>
Other key management personnel				
- Short term employee benefits	669,363	521,602	271,889	240,000
	<u>1,570,694</u>	<u>1,275,719</u>	<u>1,173,220</u>	<u>994,117</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. Capital commitment - Group

	2023 RM'000	2022 RM'000
Property, plant and equipment - Contracted but not provided for	4,427	1,641

29. Financial instruments

29.1 Categories of financial instruments

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

- (a) Amortised cost ("AC"); and
- (b) Fair value through profit or loss ("FVTPL").

	Carrying amount RM	AC RM	FVTPL RM
Financial assets			
2023			
Group			
Other investments	768,045	-	768,045
Trade and other receivables (excluding deposits and prepayments)	19,577,996	19,577,996	-
Cash and cash equivalents	19,234,476	19,234,476	-
	<u>39,580,517</u>	<u>38,812,472</u>	<u>768,045</u>
Company			
Trade and other receivables (excluding deposits and prepayments)	510,874	510,874	-
Cash and cash equivalents	324,764	324,764	-
	<u>835,638</u>	<u>835,638</u>	<u>-</u>
Financial liabilities			
2023			
Group			
Loans and borrowings	34,019,968	34,019,968	-
Trade and other payables (excluding indirect tax payable)	16,248,579	16,248,579	-
	<u>50,268,547</u>	<u>50,268,547</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (cont'd)

29.1 Categories of financial instruments (cont'd)

	Carrying amount RM	AC RM	FVTPL RM
Financial liabilities			
2023			
Company			
Loans and borrowings	2,165,186	2,165,186	-
Trade and other payables	8,433,874	8,433,874	-
	<u>10,599,060</u>	<u>10,599,060</u>	<u>-</u>
Financial assets			
2022			
Group			
Other investments	768,045	-	768,045
Trade and other receivables (excluding deposits and prepayments)	16,440,736	16,440,736	-
Cash and cash equivalents	21,959,123	21,959,123	-
	<u>39,167,904</u>	<u>38,399,859</u>	<u>768,045</u>
Company			
Trade and other receivables (excluding deposits and prepayments)	1,500,000	1,500,000	-
Cash and cash equivalents	12,162,587	12,162,587	-
	<u>13,662,587</u>	<u>13,662,587</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (cont'd)

29.1 Categories of financial instruments (cont'd)

	Carrying amount RM	AC RM	FVTPL RM
Financial liabilities			
2022			
Group			
Loans and borrowings	27,378,089	27,378,089	-
Trade and other payables (excluding indirect tax payable)	21,906,130	21,906,130	-
	<u>49,284,219</u>	<u>49,284,219</u>	<u>-</u>
Company			
Loans and borrowings	231,589	231,589	-
Trade and other payables	14,781,210	14,781,210	-
	<u>15,012,799</u>	<u>15,012,799</u>	<u>-</u>

29.2 Net gains and losses arising from financial instruments

	2023 RM	2022 RM
Group		
Net (losses)/gains arising on :		
Financial assets measured at amortised cost	1,091,743	107,883
Financial liabilities measured at amortised cost	(3,019,603)	(924,115)
Financial assets measured at fair value through profit or loss	-	(2,275)
	<u>(1,927,860)</u>	<u>(818,507)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (cont'd)

29.2 Net gains and losses arising from financial instruments (cont'd)

	2023	2022
	RM	RM
Company		
Net (losses)/gains arising on :		
Financial assets measured at amortised cost	18,348	5,842
Financial liabilities measured at amortised cost	(53,934)	(6,968)
	<u>(35,586)</u>	<u>(1,126)</u>

29.3 Financial risk management

The Group and the Company have exposures to the following risks from their use of financial instruments :

- Credit risk
- Liquidity risk
- Market risk

29.4 Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the individual characteristic of each customer. The Company's exposure to credit risk arises principally from the individual characteristic of each customer, advances to subsidiaries and financial guarantees given to financial institutions for banking facilities granted to subsidiaries.

Trade receivables

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. Normally financial guarantees by directors of the customers and security bond by the customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

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

Exposure to credit risk, credit quality and collateral

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (cont'd)

29.4 Credit risk (cont'd)

Trade receivables (cont'd)

Exposure to credit risk, credit quality and collateral (cont'd)

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables from debtors with financial difficulties, which are deemed to have higher credit risk, are monitored individually.

The Group and the Company received financial guarantees given by directors of customers in managing exposure to credit risks. At the end of the reporting period, financial guarantees received by the Group and the Company are as follows :

	Group	
	2023	2022
	RM	RM
Limit	100,000	100,000
Outstanding balance of trade receivables	9,244	13,337

Concentration of credit risk

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

	2023	2022
	RM	RM
Group		
Malaysia	7,013,541	7,356,229
Oceania	10,343,347	8,097,820
Southern East Asia (excluding Malaysia)	812,710	475,760
Others	-	105
	18,169,598	15,929,914

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (cont'd)

29.4 Credit risk (cont'd)

Trade receivables (cont'd)

Recognition and measurement of impairment losses

The Group and the Company maintain an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was :

	Gross RM	Loss allowance RM	Net RM
Group			
2023			
Not past due	16,728,161	-	16,728,161
Past due 1 - 30 days	390,288	-	390,288
Past due 31 - 60 days	45,841	-	45,841
	17,164,290	-	17,164,290
Credit impaired			
Past due more than 90 days	1,005,308	-	1,005,308
	18,169,598	-	18,169,598
2022			
Not past due	10,702,482	-	10,702,482
Past due 1 - 30 days	2,744,937	-	2,744,937
Past due 31 - 60 days	1,172,986	-	1,172,986
Past due 61 - 90 days	104,328	-	104,328
	14,724,733	-	14,724,733
Credit impaired			
Past due more than 90 days	1,281,915	(76,734)	1,205,181
	16,006,648	(76,734)	15,929,914

The movements in the allowance for impairment in respect of trade receivables during the year are as shown below :

	Group	
	2023 RM	2022 RM
At 1 March 2022/2021	76,734	76,734
Reversal (Note 21)	(76,734)	-
At 28 February 2023/2022	-	76,734

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (cont'd)

29.4 Credit risk (cont'd)

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM33,047,000 (2022 : RM26,911,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

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

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Inter company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and 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 their carrying amounts in the statement of financial position.

Impairment losses

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

29.5 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, loans and borrowings.

The Group maintains a level of cash and cash equivalents and banking 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (cont'd)

29.5 Liquidity risk (cont'd)

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 :

	Carrying amount RM	Contractual interest rate per annum %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
<i>Non-derivative financial liabilities</i>							
Group							
2023							
Secured term loans	20,523,897	3.72 - 7.07	22,814,764	5,899,446	5,100,356	10,273,441	1,541,521
Hire purchase creditors	973,301	2.05 - 3.54	1,123,562	259,550	261,264	602,748	-
Bankers' acceptances	2,727,370	4.67 - 4.79	2,727,370	2,727,370	-	-	-
Revolving credits	9,795,400	4.04 - 5.45	9,795,400	9,795,400	-	-	-
Lease liabilities	669,161	7.20 - 7.50	807,955	172,865	172,865	462,225	-
Trade and other payables	16,248,579	-	16,248,579	16,248,579	-	-	-
	50,937,708		53,517,630	35,103,210	5,534,485	11,338,414	1,541,521

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (cont'd)

29.5 Liquidity risk (cont'd)

Maturity analysis (cont'd)

Company	Carrying amount RM	Contractual interest rate per annum %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2023							
Hire purchase creditors	165,186	2.05 - 3.54	182,804	63,734	52,920	66,150	-
Revolving credits	2,000,000	4.78	2,000,000	2,000,000	-	-	-
Trade and other payables	8,433,874	-	8,433,874	8,433,874	-	-	-
Financial guarantees	-	-	33,047,000	33,047,000	-	-	-
	<u>10,599,060</u>		<u>43,663,678</u>	<u>43,544,608</u>	<u>52,920</u>	<u>66,150</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (cont'd)

29.5 Liquidity risk (cont'd)

Maturity analysis (cont'd)

	Carrying amount RM	Contractual interest rate per annum %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
<i>Non-derivative financial liabilities</i>							
Group							
2022							
Secured term loans	20,681,514	2.10 - 5.14	22,100,008	5,721,056	4,560,654	9,608,218	2,210,080
Hire purchase creditors	467,175	2.05 - 3.54	529,526	132,588	121,742	275,196	-
Bankers' acceptances	1,050,000	3.02 - 3.07	1,050,000	1,050,000	-	-	-
Revolving credits	5,179,400	1.32 - 2.98	5,179,400	5,179,400	-	-	-
Trade and other payables	21,906,130	-	21,906,130	21,906,130	-	-	-
	<u>49,284,219</u>		<u>50,765,064</u>	<u>33,989,174</u>	<u>4,682,396</u>	<u>9,883,414</u>	<u>2,210,080</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (cont'd)

29.5 Liquidity risk (cont'd)

Maturity analysis (cont'd)

Company	Carrying amount RM	Contractual interest rate per annum %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2022							
Hire purchase creditors	231,589	2.05 - 3.54	257,384	74,580	63,734	119,070	-
Trade and other payables	14,781,210	-	14,781,210	14,781,210	-	-	-
Financial guarantees	-	-	26,911,000	26,911,000	-	-	-
	<u>15,012,799</u>		<u>41,949,594</u>	<u>41,766,790</u>	<u>63,734</u>	<u>119,070</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (cont'd)

29.6 Market risk

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

29.6.1 Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily US Dollar, New Zealand Dollar, Japanese Yen and Singapore Dollar.

Risk management objectives, policies and processes for managing the risk

The Group does not specifically hedge its exposure to foreign currency risk.

Exposure to foreign currency risk

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

	US Dollar RM	Denominated in New Zealand Dollar RM	Japanese Yen RM	Singapore dollar RM
Group				
2023				
Balances recognised in the statement of financial position				
Trade receivables	807,666	1,522,067	-	503,060
Trade payables	(1,166,554)	-	-	-
Cash and cash equivalents	4,211,973	27,261	-	-
Loans and borrowings	(17,686,517)	-	-	-
	<u>(13,833,432)</u>	<u>1,549,328</u>	<u>-</u>	<u>503,060</u>
2022				
Balances recognised in the statement of financial position				
Trade receivables	209,882	3,482,422	-	269,212
Trade payables	(831,749)	(15,490)	(5,576,072)	-
Cash and cash equivalents	2,164,088	-	-	-
Loans and borrowings	(15,960,713)	-	-	-
	<u>(14,418,492)</u>	<u>3,466,932</u>	<u>(5,576,072)</u>	<u>269,212</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (cont'd)

29.6 Market risk (cont'd)

29.6.1 Currency risk (cont'd)

Currency risk sensitivity analysis

Foreign currency risk arises from Group entities which have a Ringgit Malaysia (RM) functional currency.

A 5% (2022 : 5%) strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances 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.

	Profit or loss	
	2023	2022
	RM	RM
Group		
US Dollar	544,670	547,903
New Zealand Dollar	(58,874)	(131,743)
Japanese Yen	-	211,891
Singapore dollar	<u>(19,116)</u>	<u>(10,230)</u>

A 5% (2022 : 5%) 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.

29.6.2 Interest rate risk

The Group's and the Company's exposures to interest rate risk is confined to the fluctuations in interest rates on borrowings which vary with reference to the prime lending rate of the banks.

Risk management objectives, policies and processes for managing the risk

The Group and the Company borrow for operations at variable rates using their banking facilities, and use fixed rate hire purchase facility as well as the floating rate term loan to finance their capital expenditure. The Group and the Company also obtained advances from a major shareholder for which the financing cost was essentially pegged against the bank's borrowing costs that varied according to the prime lending rate of an anchor bank.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (cont'd)

29.6 Market risk (cont'd)

29.6.2 Interest rate risk (cont'd)

Exposure to interest rate risk

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

	2023	2022
	RM	RM
Group		
Fixed rate instruments		
Financial assets	8,494,212	5,893,846
Financial liabilities	(13,496,071)	(6,696,575)
	<u>(5,001,859)</u>	<u>(802,729)</u>
Floating rate instruments		
Financial liabilities	<u>(20,523,897)</u>	<u>(20,681,514)</u>
Company		
Fixed rate instruments		
Financial assets	322,884	213,150
Financial liabilities	(2,165,186)	(231,589)
	<u>(1,842,302)</u>	<u>(18,439)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (cont'd)

29.6 Market risk (cont'd)

29.6.2 Interest rate risk (cont'd)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

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

(b) Cash flow sensitivity analysis for floating rate instruments

A change of 50 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit or loss	
	Group	
	50 bp increase	50 bp decrease
	RM	RM
2023		
Floating rate instruments	<u>(77,991)</u>	<u>77,991</u>
2022		
Floating rate instruments	<u>(78,590)</u>	<u>78,590</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (cont'd)

29.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably 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 and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

2023	Group	Fair value of financial instruments carried at fair value						Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount		
		Level 1		Level 2		Level 3		Level 1		Level 3				
		RM	RM	RM	RM	RM	RM	RM	RM	RM			RM	
	Financial assets													
	Investment linked financial assets	768,045	-	-	-	-	-	-	-	-	-	-	768,045	768,045
	Financial liabilities													
	Term loans	-	-	-	-	-	-	-	-	20,523,897	20,523,897	20,523,897	20,523,897	20,523,897
	Hire purchase creditors	-	-	-	-	-	-	-	-	973,301	973,301	973,301	973,301	973,301
	Company	-	-	-	-	-	-	-	-	21,497,198	21,497,198	21,497,198	21,497,198	21,497,198
	Financial liabilities													
	Hire purchase creditors	-	-	-	-	-	-	-	-	165,186	165,186	165,186	165,186	165,186

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (cont'd)

29.7 Fair value information (cont'd)

2022	Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
		RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
	Financial assets										
	Investment linked financial assets	768,045	-	-	768,045	-	-	-	-	768,045	768,045
	Financial liabilities										
	Term loans	-	-	-	-	-	-	20,681,514	20,681,514	20,681,514	20,681,514
	Hire purchase creditors	-	-	-	-	-	-	467,175	467,175	467,175	467,175
	Company										
	Financial liabilities										
	Hire purchase creditors	-	-	-	-	-	-	231,589	231,589	231,589	231,589

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. Financial instruments (cont'd)

29.7 Fair value information (cont'd)

Level 3 fair value

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

The fair values of term loans and hire purchase liabilities are calculated using discounted cash flows based on the current market rate of borrowings.

30. 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. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio.

During the financial year, the Group's strategy which was unchanged from the previous financial year, was to maintain the debt-to-equity ratio at below 1.5 : 1. The debt-to-equity ratios at 28 February 2023 and 28 February 2022 were as follows :

	Group	
	2023	2022
	RM'000	RM'000
Total borrowings	34,689	27,378
Less : Cash and cash equivalents (Note 12)	(19,234)	(21,959)
Net debt	<u>15,455</u>	<u>5,419</u>
Total equity	<u>202,212</u>	<u>184,953</u>
Debt-to-equity ratio	<u>0.08</u>	<u>0.03</u>

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

31. Event subsequent to the financial year end

On 4 May 2023, PGF Insulation Pty. Ltd., a wholly-owned subsidiary of the Company increased its investment in Select Insulation Pty. Ltd., a 50% owned joint venture, through subscription of 250,000 ordinary shares at AUD 1 each, for a total cash consideration of AUD250,000.

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 56 to 137 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 28 February 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 :

.....
Fong Wern Sheng

Director

.....
Tan Ming Chong

Director

Penang,

Date : 27 June 2023

Goh Suan Bee
(No.P125)
Commissioner for Oaths
Penang

STATUTORY DECLARATION

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

I, **Loo Chee Hin**, the officer primarily responsible for the financial management of PGF Capital Berhad, do solemnly and sincerely declare that the financial statements set out on pages 56 to 137 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 Loo Chee Hin, NRIC: 690316-07-5043, MIA CA11893, at George Town in the State of Penang on 27 June 2023.

.....
Loo Chee Hin

Chief Financial Officer

Before me :

Goh Suan Bee
(No.P125)
Commissioner for Oaths
Penang

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PGF CAPITAL BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PGF Capital Berhad, which comprise the statements of financial position as at 28 February 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 56 to 137.

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 28 February 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 financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

Refer to Note 2(p)(i) *significant accounting policies – Revenue from contracts with customers* and Note 19 - Revenue.

The Group's revenue principally comprises income from the sale of fibre glasswool and its related products. Revenue from domestic and overseas sales is recognised at a point in time when the control of the goods is transferred to the customers, which is generally when the goods are delivered and accepted by the customers for domestic sales, or when the goods are loaded on board of shipping vessels for overseas sales in accordance with the terms of the sales contracts.

We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulating the timing of revenue recognition by management to meet specific targets or expectation.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF PGF CAPITAL BERHAD

Key Audit Matters (cont'd)

1. Revenue recognition (cont'd)

How our audit addressed the key audit matter

Our audit procedures included, amongst others:

- Obtained an understanding of the design and implementation and assessed the operating effectiveness of management's key internal controls in relation to revenue recognition.
- Inspected customer contracts, on a sample basis, to identify performance obligations and terms and conditions relating to transfer of control of the goods and assessed the Group's timing of revenue recognition with reference to the requirements of the relevant accounting standard.
- Compared revenue transactions recorded during the year, on a sample basis, with sales contracts or customer purchase orders, invoices and relevant delivery documents to assess whether revenue was recognised in accordance with the relevant accounting standard.
- Compared on a sample basis, specific revenue transactions recorded before and after the financial year end with sales invoices and relevant delivery documents to assess whether revenue has been recognised in the correct financial year.
- Inspected underlying documentation for manual journal entries relating to revenue which were recorded during the year which met specific risk-based criteria.

2. Valuation of land held for property development

Refer to Note 1(d) (*basis of preparation - use of estimates and judgements*), Note 2(g) (*significant accounting policies - Inventories*) and Note 9.2 Net realisable value of land held for property development.

The Group has land held for property development amounting to RM146.7 million as at 28 February 2023. This is one of the major assets of the Group and for which the development was suspended since April 1999. The changes in recent market developments and the potential revival of development activities have brought about the reassessment of the net realisable value of the land held for property development by the Directors. The Group estimated the net realisable value based upon the valuation performed by the valuer in financial year 2023, where a write back of land held for property development written down amounting to RM10,743,869 was recognised during the financial year.

We have determined the net realisable value of the land held for property development as a key audit matter because there are inherent uncertainties and significant judgement by the Directors involved in the valuation of this property to arrive at the net realisable value based on the valuation performed by a firm of professional valuers. The inherent uncertainties include among others, the appropriateness of the valuation method used by the professional valuer and the extent of adjustments by the valuer, including the size of the property, the infrastructure available and the lay of the land.

How our audit addressed the key audit matter

Our audit procedures included, amongst others:

- Assessed the net realisable value of the land as at the end of the reporting period based on the valuation carried out by a firm of professional valuers engaged by the Group.
- Assessed the reasonableness of market value assumptions made by the firm of professional valuers on Comparison method, taking into consideration factors of adjustments by the valuer, including the size of the property, the infrastructure available and the lay of the land.
- Compared the estimated market value determined by the valuer against recent transacted for asking price for comparable properties around the vicinity.
- Considered the adequacy of the disclosures on the net realisable value assessment.

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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF PGF CAPITAL BERHAD

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

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.
- 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF PGF CAPITAL BERHAD

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

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.

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

Penang

Date : 27 June 2023

Lim Su Ling
Approval Number : 03098/12/2023 J
Chartered Accountant

LIST OF PROPERTIES

Location/Address	Tenure	Area	Description	Age of Assets (Years)	Carrying amount RM'000	Date of Acquisition
1. Plot 255, Mukim 1 Prai Industrial Estate Seberang Perai Tengah Pulau Pinang	Leasehold (60 years expiring 25.10.2044)	6,142 sq. metres	Office and Factory Building)))			
2. Plot 254, Mukim 1 Prai Industrial Estate Seberang Perai Tengah Pulau Pinang	Leasehold (60 years expiring 14.05.2039)	10,117 sq. metres	Office and Factory Building)))	37	7,755	01-03-1992
3. Plot 4710, Mukim 1 Prai Industrial Estate Seberang Perai Tengah Pulau Pinang	Leasehold (60 years expiring 06.03.2041)	19,806 sq. metres	Office and Factory Building	15	9,526	12-08-2008
4. Plot 254(a) Prai Industrial Park Seberang Perai Tengah Pulau Pinang	Leasehold (60 years expiring 12.09.2077)	2,549 sq. metres	Office and Factory Building	7	408	20-04-2016
5. Unit No. A12A.01 Lot No. 491, Section 10 Town of Georgetown North East District of Penang	Freehold	1,908 sq. metres	Light Industrial Lot	10	5,290	28-03-1996
6. Diamond Creeks Country Retreat Mukim Ulu Bernam Timur, Daerah Batang Padang, Perak	Leasehold (99 years expiring 04.07.2095)	5,306,034 sq. metres	Land held for future Development and completed properties held for sale	26	147,229	21-02-1997

* For additional details please refer to Note 9 of the financial statements

ANALYSIS OF SHAREHOLDINGS

AS AT 2 JUNE 2023

Total number of issued Shares	:	(i) 163,589,498 ordinary shares (ii) 76,372,924 Irredeemable Convertible Preference Shares
Class of Shares	:	Ordinary shares Irredeemable Convertible Preference Shares ("ICPS")
Voting Rights	:	(i) One vote per Ordinary Share (ii) The ICPS does not carry any voting right except in circumstances as set out in the Company's Constitution

DIRECTORS' SHAREHOLDINGS IN ORDINARY SHARES

Name	Direct	%	Deemed	%
Fong Wern Sheng	10,792,600	6.60	24,258,053 ⁽ⁱ⁾	14.83
Tan Ming Chong	121,500	0.07	-	-
Fong Wah Kai	6,782,200	4.15	78,056,900 ⁽ⁱ⁾	47.72
Khoo Kah Hock	-	-	-	-
Ofelia Cheah Loo Ee	-	-	-	-
Tan Jin Sun	-	-	-	-
Tan Suat Hoon	-	-	-	-

Notes: -

(i) Deemed interested by virtue of Section 8(4) of the Companies Act 2016 ("Act")

CHIEF FINANCIAL OFFICER'S SHAREHOLDINGS IN ORDINARY SHARES

Name	Direct	%	Deemed	%
Loo Chee Hin	1,118,800	0.68	-	-

DIRECTORS' SHAREHOLDINGS IN ICPS

Name of Shareholders	Direct	% of Shares	Deemed	% of Shares
Fong Wern Sheng	5,398,700	7.07	18,626,225 ⁽ⁱ⁾	24.39
Tan Ming Chong	-	-	-	-
Fong Wah Kai	3,399,400	4.45	39,028,450 ⁽ⁱ⁾	51.10
Khoo Kah Hock	-	-	-	-
Ofelia Cheah Loo Ee	-	-	-	-
Tan Jin Sun	-	-	-	-
Tan Suat Hoon	-	-	-	-

Notes: -

(i) Deemed interested by virtue of Section 8 (4) of the Act

CHIEF FINANCIAL OFFICER'S SHAREHOLDINGS IN ICPS

Name	Direct	%	Deemed	%
Loo Chee Hin	559,400	0.73	-	-

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 2 JUNE 2023

SUBSTANTIAL ORDINARY SHAREHOLDERS

Name of Shareholders	Direct	% of Shares	Deemed	% of Shares
Equaplus Sdn. Bhd.	78,056,900	47.72	-	-
Fong Wah Kai	6,782,200	4.15	78,056,900 ⁽ⁱ⁾	47.72
Green Cluster Sdn. Bhd.	24,323,053	14.83	-	-
Fong Wern Sheng	10,792,600	6.60	24,258,053 ⁽ⁱ⁾	14.83

Notes: -

(i) Deemed interested by virtue of Section 8(4) of the Act

DISTRIBUTION ORDINARY SHAREHOLDINGS

No. of Holders	Size of Holdings	Total Holdings	%
82	Less than 100	1,283	0.00
1,352	100 to 1,000 shares	1,269,964	0.78
1,644	1,001 to 10,000 shares	6,190,802	3.78
204	10,001 to 100,000 shares	6,494,500	3.98
47	100,001 to less than 5% of issued shares	47,317,996	28.92
2	5% and above of issued shares	102,314,953	62.54
3,331	TOTAL	163,589,498	100.00

DISTRIBUTION OF SHAREHOLDINGS IN ICPS

No. of Holders	Size of Holdings	Total Holdings	%
3	Less than 100	173	0.00
79	100 to 1,000 shares	54,976	0.07
154	1,001 to 10,000 shares	570,150	0.75
45	10,001 to 100,000 shares	1,276,950	1.67
10	100,001 to less than 5% of issued shares	16,816,000	22.02
2	5% and above of issued shares	57,654,675	75.49
293	TOTAL	76,372,924	100.00

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 2 JUNE 2023

LIST OF THIRTY (30) LARGEST ORDINARY SHAREHOLDERS

	Shareholder's Name	Shareholdings	%
1.	Equaplus Sdn. Bhd.	78,056,900	47.72
2.	Green Cluster Sdn. Bhd.	24,258,053	14.83
3.	Maybank Nominees (Tempatan) Sdn. Bhd. Fong Wern Sheng	6,510,600	3.98
4.	Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt An For AIA Bhd.	6,500,000	3.97
5.	Tan Chong Kheng	5,212,100	3.19
6.	Maybank Nominees (Tempatan) Sdn. Bhd. Fong Wah Kai	4,440,600	2.71
7.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Fong Wern Sheng (7000981)	4,250,000	2.60
8.	Tan Seok Leng	3,183,300	1.95
9.	Koh Chye Khim	3,056,496	1.87
10.	Fong Wah Kai	2,341,600	1.43
11.	Loo Chee Hin	1,118,800	0.68
12.	Citigroup Nominees (Asing) Sdn. Bhd. UBS AG	896,900	0.55
13.	HSBC Nominees (Asing) Sdn. Bhd. J.P. Morgan Securities PLC	797,000	0.49
14.	Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities For James Tan Chia Vern	613,000	0.37
15.	HSBC Nominees (Asing) Sdn. Bhd. Societe Generale Paris	595,000	0.36
16.	Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities For Soon Kee Liat (Margin)	520,000	0.32
17.	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account - Ambank Berhad For Por Teong Eng (Smart)	500,000	0.31
18.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Jeeфри Bin Muhamad Yusup	500,000	0.31
19.	TA Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Por Teong Eng	488,300	0.30
20.	Bimsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Por Teong Eng (MGNM43002)	420,000	0.26
21.	Mercsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Yong Chong Hee	400,000	0.24
22.	Maybank Nominees (Tempatan) Sdn. Bhd. Lee Keng Fai	395,600	0.24
23.	George Lee Sang Kian	340,000	0.21
24.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities For Chew Thian Hock (E-KLC)	326,000	0.20
25.	Lim Jin Chow	281,000	0.17
26.	Loh Hing Noi	250,000	0.15
27.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities For Wei Shin Dee (7001845)	216,500	0.13
28.	Ng Kai Hong	200,000	0.12
29.	Tan Ah Hee	200,000	0.12
30.	RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities For Kong Woon Hoon	185,000	0.11

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 2 JUNE 2023

LIST OF THIRTY (30) LARGEST ICPS HOLDERS

	Shareholder's Name	Shareholdings	%
1.	Equaplus Sdn. Bhd.	39,028,450	51.10
2.	Green Cluster Sdn. Bhd.	18,626,225	24.39
3.	Tan Seok Leng	3,602,300	4.72
4.	Maybank Nominees (Tempatan) Sdn. Bhd. Fong Wern Sheng	3,255,300	4.26
5.	Tan Chong Kheng	2,466,500	3.23
6.	Maybank Nominees (Tempatan) Sdn. Bhd. Fong Wah Kai	2,220,300	2.91
7.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Fong Wern Sheng	2,128,500	2.79
8.	Fong Wah Kai	1,179,100	1.54
9.	Geoffrey Lim Fung Keong	656,200	0.86
10.	Lim Poh Fong	623,400	0.82
11.	Loo Chee Hin	559,400	0.73
12.	Low Hing Noi	125,000	0.16
13.	Loke Pek Yoke	100,000	0.13
14.	Tan Say Fung	90,000	0.12
15.	Maybank Nominees (Tempatan) Sdn. Bhd. Chua Eng Ho Wa'a @ Chua Eng Wah	87,450	0.11
16.	Teh Bee Gaik	75,000	0.10
17.	HLIB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Mohd Nizamri Bin Jaapar	70,600	0.09
18.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Walter Wurtz	50,000	0.07
19.	Chew Hong Woon	50,000	0.07
20.	Law Goo @ Law Yeow Ching	50,000	0.07
21.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Tan Jayne Qi	47,400	0.06
22.	Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Tan Say Fung	45,000	0.06
23.	Goh Sau Chong	30,000	0.04
24.	See Chii Wei	30,000	0.04
25.	Ng Boon Ho	25,000	0.03
26.	Teoh Choon Nooi	23,000	0.03
27.	Tio Seng Soon	23,000	0.03
28.	Teoh Ah Ba @ Teoh Peng Leng	22,500	0.03
29.	Ong Thiam Hee	21,000	0.03
30.	Liew Thong	20,000	0.03

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 33rd Annual General Meeting (“AGM”) of the Company will be held at Kelawai Room, Lobby Level, Evergreen Laurel Hotel Penang, No. 53, Persiaran Gurney, 10250 Penang on 28 July 2023 at 10.30 a.m. for the following purposes:

AGENDA

ORDINARY BUSINESS

1. To receive the Company’s Audited Financial Statements for the year ended 28 February 2023 together with the Reports of Directors and Auditors thereon.
2. To approve the payment of a final dividend of 1.0 sen per ordinary share in respect of the financial year ended 28 February 2023. (Resolution 1)
3. To re-elect Mr. Fong Wern Sheng, the Chief Executive Officer of the Company who retire in accordance with Article 88 of the Company’s Constitution, and being eligible has offered himself for re-election. (Resolution 2)
4. To re-elect the following Directors who retire in accordance with Article 95 of the Company’s Constitution, and being eligible have offered themselves for re-election: -
 - (a) Ms. Ofelia Cheah Loo Ee (Resolution 3)
 - (b) Mr. Tan Jin Sun (Resolution 4)
 - (c) Ms Tan Suat Hoon (Resolution 5)
5. To approve the Directors’ Fees of RM26,825 for the financial year ended 28 February 2023. (Resolution 6)
6. To approve the Directors’ Other Benefits Payables up to an amount of RM24,250 from 29 July 2023 to the next AGM of the Company. (Resolution 7)
7. To re-appoint Messrs KPMG PLT as Auditors to hold office until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. (Resolution 8)

SPECIAL BUSINESS

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

8. **Authority to Issue Shares Pursuant to the Companies Act 2016**
“THAT, subject always to the Companies Act 2016 (“Act”), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), the provisions of the Constitution of the Company and approval of any relevant governmental and/or regulatory authorities, where such approval is required, the Board of Directors of the Company (“Board”) be and is hereby empowered pursuant to Section 75 and 76 of the Act, to issue and allot shares in the capital of the Company, at any time upon such terms and conditions and for such purposes as the Board may, in its absolute discretion deem fit, provided that the aggregate number of the shares issued pursuant to this resolution does not exceed ten (10) per centum of the issued share capital of the Company for the time being and the Board be and is also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad (“Mandate”) and that such authority shall continue in force until the conclusion of the next AGM of the Company;

THAT pursuant to Section 85 of the Act read together with Article 10 of the Company’s Constitution, approval be and is hereby given to waive the statutory pre-emptive rights conferred upon the shareholders of the Company in respect of the allotment and issuance of new Shares pursuant to the Mandate AND THAT such new Shares when allotted shall rank pari passu in all respects with the existing class of ordinary shares;

AND FURTHER THAT the Board is exempted from the obligation to offer such new Shares first to the existing shareholders of the Company in respect of the allotment and issuance of new Shares pursuant to the Mandate.”

9. To transact any other ordinary business for which due notice has been given in accordance with the Act. (Resolution 9)

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

NOTICE IS HEREBY GIVEN that for purpose of determining a member who shall be entitled to attend this 33rd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, to issue a General Meeting Record of Depositors as at 21 July 2023. Only a depositor whose name appears on the Record of Depositors as at 21 July 2023 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that, subject to the approval of the shareholders at the 33rd Annual General Meeting, a final dividend of 1.0 sen per ordinary share in respect of the financial year ended 28 February 2023 will be paid on 15 August 2023 respectively to depositors registered in the Records of Depositors on 1 August 2023.

A depositor shall qualify for entitlement only in respect of: -

- (a) Shares transferred into the depositor's securities account before 4.00 p.m. on 1 August 2023 in respect of transfers; and
- (b) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board

Ch'ng Lay Hoon
Company Secretary

Penang

30 June 2023

NOTES:

- i) A member of the Company entitled to attend, speak and vote at this meeting is entitled to appoint a proxy to attend and vote in his place.
- ii) Where a member appoints more than one (1) proxy [but not more than two (2)], the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- iii) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or under the hand of its officer or attorney duly authorised.
- iv) Where a member of the Company is an exempt authorized 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 authorized nominee may appoint in respect of each omnibus account it holds.
- v) All forms of proxy must be deposited at the Company's registered office at Suite 12A, Level 12, Menara Northam, No. 55, Jalan Sultan Ahmad Shah, 10050 Georgetown Penang, not less than forty-eight (48) hours before the time stipulated for holding the meeting or adjournment thereof.

Explanatory Note On Special Business

Ordinary Resolution 9

The proposed resolution is in relation to authority to allot shares pursuant to Section 76 of the Act, and if passed, will give a renewed mandate to the Directors of the Company, from the date of above AGM, authority to issue and allot shares in the Company up to and not exceeding in total ten per centum (10%) of the issued share capital of the Company for the time being, for such purposes as the Directors consider would be in the interest of the Company. The Mandate, unless revoked or varied at a general meeting of the Company, will expire at the conclusion of the next AGM of the Company or the period within which the next AGM of the Company is required by law to be held whichever is the earlier.

As at the date of this Notice, no new shares in the Company were issued pursuant to the Mandate granted to the Directors of the Company at the 32nd AGM held on 29 July 2022 and which will lapse at the conclusion of the 33rd AGM.

At this juncture, there is no decision to issue new shares. However, should the need arise to issue new shares the Mandate would avoid any delay and costs in convening a general meeting of the Company to specifically approve such issue of share. If there should be a decision to issue new shares after the Mandate is obtained, the Company would make an announcement in respect of the purpose and utilization of the proceeds arising from such issue.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.27(2) OF BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS

- 1) Save for re-election of the retiring Directors, there were no directors standing for election at the 33rd AGM.
- 2) The proposed Ordinary Resolution 9 for the Mandate for issue of securities is a renewal mandate. As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors of the Company at last AGM held on 29 July 2022.

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PROXY FORM

CDS ACCOUNT NO.	NO. OF SHARES HELD

I/We, _____
(Full name of a member in BLOCK LETTERS as per Identity Card("MYKAD")/Passport/Certificate of Incorporation)

MYKAD/Passport No./Company No. _____ of _____

(Address in full)

telephone no. _____, being a member of PGF CAPITAL BERHAD.

("the Company") hereby appoint _____
(Full name of proxy in BLOCK LETTERS as per MYKAD/Passport)

MYKAD/Passport No. _____ of _____

(Address in full)

And/or failing him _____
(Full name of proxy in BLOCK LETTERS as per MYKAD/Passport)

MYKAD/Passport No. _____ of _____

(Address in full)

or failing the abovenamed proxies, the Chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the 33rd Annual General Meeting of the Company, to be held at **Kelawai Room, Lobby Level, Evergreen Laurel Hotel Penang, No. 53, Persiaran Gurney, 10250 Penang on 28 July 2023 at 10.30 a.m.** and any adjournment thereof. My/our proxy/proxies is to be vote as indicated below:

	Resolution	For	Against
1.	Approval of Final Dividend of 1.0 sen for the financial year ended 28 February 2023		
2.	Re-election of Mr. Fong Wern Sheng as Director		
3.	Re-election of Ms. Ofelia Cheah Loo Ee as Director		
4.	Re-election of Mr. Tan Jin Sun as Director		
5.	Re-election of Ms. Tan Suat Hoon as Director		
6.	Approval of Directors' Fees for the financial year ended 28 February 2023		
7.	Approval of Directors Other Benefits Payable up to RM24,250		
8.	Re-appointment of Auditors		
9.	Approval for Directors to issue shares pursuant to Section 76 of the Companies Act 2016		

(Please indicate with "X" in the spaces on how you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain from voting at his discretion.)

Dated this _____ day of _____ 2023

The proportions of my/or holding to be represented by my/our proxies are as follows: -		
	No. of Shares	Percentage
First Proxy		
Second Proxy		
Total		100%

Signature(s)/Common Seal of Member(s)

NOTES:

- A member entitled to attend and vote at this meeting may appoint more than one (1) proxy, who need not be a member, to attend and vote in his stead. Where a member appoints more than one (1) proxy the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- If the appointer is a corporation, the form of proxy must be executed under its Common Seal or under the hand of its officer or attorney duly authorised.
- Where a member of the Company is an exempt authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each Omnibus Account it holds.
- To be valid, the duly completed form of proxy must be deposited at the Company's registered office at Suite 12A, Level 12, Menara Northam, No. 55, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang, not less than forty-eight (48) hours before the time stipulated for holding the meeting or adjournment thereof.
- For the purpose of determining a member who shall be entitled to attend this 33rd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, to issue a General Meeting Record of Depositors as at 21 July 2023. Only a depositor whose name appears on the Record of Depositors as at 21 July 2023 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

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Stamp

The Company Secretary
PGF Capital Berhad
197801005142 (42138-X)
Suite 12-A, Level 12
Menara Northam
No. 55 Jalan Sultan Ahmad Shah
10050 Georgetown Penang

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PGF Capital Berhad

(197801005142 (42138-X))

No.2449, Lorong Perusahaan Sepuluh,
Kawasan Perusahaan Perai,
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