

Årsredovisning
för
ESCATEC Sweden AB
556662-7930

Räkenskapsåret
2023-01-01 - 2023-12-31

Jag intygar att kopian stämmer
med originalet.



Johanna Almer

0791024718

Styrelsen för ESCATEC Sweden AB avger följande årsredovisning för räkenskapsåret
2023-01-01 - 2023-12-31.

Årsredovisningen är upprättad i svenska kronor, SEK. Om inte annat särskilt anges, redovisas alla belopp i hela kronor (kr). Uppgifter inom parentes avser föregående år.

Förvaltningsberättelse

Verksamheten

Allmänt om verksamheten

Bolaget agerar ombud för ESCATEC-koncernens tillverkande bolag och utför försäljning och marknadsföringstjänster. Bolaget är Escatec-koncernens holding- och managementbolag i Europa. Escatec Sweden AB har haft en anställd under året som arbetat med förvaltning och försäljning.

Företaget har sitt säte i Stockholm.

Flerårsöversikt (Tkr)	2023	2022	2021	2020	2019
Nettoomsättning	1 896	4 853	5 347	6 223	6 619
Resultat efter finansiella poster	-75 496	1 703	-5 787	2 866	1 801
Balansomslutning	268 940	327 358	322 403	68 455	66 790
Soliditet (%)	43,1	58,5	58,8	99,8	98,0

Förändringar i eget kapital

	Aktie- kapital	Fritt eget kapital	Årets resultat	Totalt
Belopp vid årets ingång	163 163 510	26 548 007	1 703 173	191 414 690
Disposition enligt beslut av årsstämman:				
Balanseras i ny räkning		1 703 173	-1 703 173	0
Årets resultat			-75 496 287	-75 496 287
Belopp vid årets utgång	163 163 510	28 251 180	-75 496 287	115 918 403

Resultatdisposition

Styrelsen föreslår att den ansamlade förlusten (kronor):

balanserad vinst	28 251 180
årets förlust	-75 496 287
	-47 245 107
behandlas så att	
i ny räkning överföres	-47 245 107
	-47 245 107

Företagets resultat och ställning i övrigt framgår av efterföljande resultat- och balansräkning med noter.

Resultaträkning

	Not	2023-01-01 -2023-12-31	2022-01-01 -2022-12-31
Rörelseintäkter, lagerförändringar m. m.			
Nettoomsättning		1 895 830	4 853 113
Summa rörelseintäkter, lagerförändringar m.m.		1 895 830	4 853 113
Rörelsekostnader			
Övriga externa kostnader		-619 057	-598 925
Personalkostnader	2	-1 229 735	-801 940
Summa rörelsekostnader		-1 848 791	-1 400 865
Rörelseresultat		47 038	3 452 248
Finansiella poster			
Resultat från andelar i koncernföretag	3	0	9 197 690
Övriga ränteintäkter och liknande resultatposter	4	23 769 675	11 968 855
Nedskrivningar av finansiella anläggningstillgångar		-68 359 065	0
Räntekostnader och liknande resultatposter	5	-30 953 936	-22 915 620
Summa finansiella poster		-75 543 325	-1 749 074
Resultat efter finansiella poster		-75 496 287	1 703 173
Resultat före skatt		-75 496 287	1 703 173
Årets resultat		-75 496 287	1 703 173

2024032821205

Balansräkning

Not

2023-12-31

2022-12-31

TILLGÅNGAR

Anläggningstillgångar

Finansiella anläggningstillgångar

Andelar i koncernföretag

6

248 783 846

317 142 899

Summa finansiella anläggningstillgångar

248 783 846

317 142 899

Summa anläggningstillgångar

248 783 846

317 142 899

Omsättningstillgångar

Kortfristiga fordringar

Fordringar hos koncernföretag

15 168 794

230 602

Övriga fordringar

372 469

281 538

Summa kortfristiga fordringar

15 541 263

512 140

Kassa och bank

Kassa och bank

4 615 849

9 703 081

Summa kassa och bank

4 615 849

9 703 081

Summa omsättningstillgångar

20 157 112

10 215 221

SUMMA TILLGÅNGAR

268 940 958

327 358 120

2024032821204

Balansräkning

Not

2023-12-31

2022-12-31

EGET KAPITAL OCH SKULDER

Eget kapital

Bundet eget kapital

Aktiekapital

163 163 510

163 163 510

Summa bundet eget kapital

163 163 510

163 163 510

Fritt eget kapital

Balanserat resultat

28 251 180

26 548 007

Årets resultat

-75 496 287

1 703 173

Summa fritt eget kapital

-47 245 107

28 251 180

Summa eget kapital

115 918 403

191 414 690

Långfristiga skulder

Skulder till koncernföretag

7

145 829 147

135 835 430

Summa långfristiga skulder

145 829 147

135 835 430

Kortfristiga skulder

Leverantörsskulder

12

0

Upplupna kostnader och förutbetalda intäkter

8

7 193 396

108 000

Summa kortfristiga skulder

7 193 408

108 000

SUMMA EGET KAPITAL OCH SKULDER

268 940 958

327 358 120

2024032821205

Noter

Not 1 Redovisningsprinciper

Allmänna upplysningar

Årsredovisningen är upprättad i enlighet med årsredovisningslagen och Bokföringsnämndens allmänna råd (BFNAR 2016:10) om årsredovisning i mindre företag.

Intäktsredovisning

Intäkter har tagits upp till verkligt värde av vad som erhållits eller kommer att erhållas och redovisas i den omfattning det är sannolikt att de ekonomiska fördelarna kommer att tillgodogöras bolaget och intäkterna kan beräknas på ett tillförlitligt sätt.

Andelar i dotterföretag

Andelar i dotterföretag redovisas till anskaffningsvärde efter avdrag för eventuella nedskrivningar. I anskaffningsvärdet ingår köpeskillingen som erlagts för aktierna samt förvärvskostnader. Eventuella kapitaltillskott läggs till anskaffningsvärdet när de uppkommer.

Fordringar, skulder och avsättningar

Om inget annat anges ovan värderas kortfristiga fordringar till det lägsta av dess anskaffningsvärde och det belopp varmed de beräknas bli reglerade. Långfristiga fordringar och långfristiga skulder värderas efter det första värderingstillfället till upplupet anskaffningsvärde. Övriga skulder och avsättningar värderas till de belopp varmed de beräknas bli reglerade. Övriga tillgångar redovisas till anskaffningsvärde om inget annat anges ovan.

Not 2 Medelantalet anställda

	2023-01-01 -2023-12-31	2022-01-01 -2022-12-31
Medelantalet anställda	1	1

Not 3 Resultat från andelar i koncernföretag

	2023-01-01 -2023-12-31	2022-01-01 -2022-12-31
Erhållna utdelningar	0	9 197 690
	0	9 197 690

Not 4 Övriga ränteintäkter och liknande resultatposter

	2023-01-01 -2023-12-31	2022-01-01 -2022-12-31
Ränteintäkter från koncernföretag	827 294	106 292
Valutakursvinster	22 936 771	11 862 305
Ränteintäkter	5 610	258
	23 769 675	11 968 855

Not 5 Räntekostnader och liknande resultatposter

	2023-01-01 -2023-12-31	2022-01-01 -2022-12-31
Räntekostnader till koncernföretag	-7 905 759	-6 837 456
Valutakursförluster	-23 047 494	-16 077 415
Övriga räntekostnader	-683	-749
	-30 953 936	-22 915 620

Not 6 Andelar i koncernföretag

	2023-12-31	2022-12-31
Ingående anskaffningsvärden	317 142 899	317 142 899
Inköp	12	0
Utgående ackumulerade anskaffningsvärden	317 142 911	317 142 899
Årets nedskrivningar	-68 359 065	0
Utgående ackumulerade nedskrivningar	-68 359 065	0
Utgående redovisat värde	248 783 846	317 142 899

	<u>Säte</u>	<u>Kapitalandel %</u>	<u>Rösträttsandel%</u>	<u>Bokfört värde</u>
ESCATEC Switzerland AG	Balgach, Switzerland	100%	100%	<u>53.937.000</u>
ESCATEC Trading and Engineering AG	Schaffhausen, Switzerland	100%	100%	<u>3.076.000</u>
ESCATEC Mechatronics Ltd	Lutterworth, United Kingdom	100%	100%	<u>163.626.936</u>
ESCATEC Mechatronics s.r.o	Chomutov, Czech Republic	100%	100%	<u>28.143.898</u>
ESCATEC Bulgaria EOOD	Plovdiv, Bulgaria	100%	100%	<u>12</u>
Summa				<u>248.783.846</u>

Not 7 Långfristiga skulder

	2023-12-31	2022-12-31
Koncernbolag	-145 829 147	-135 835 430
	-145 829 147	-135 835 430

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Not 8 Upplupna kostnader och förutbetalda intäkter

	2023-12-31	2022-12-31
Accrued audit fees	-45 000	-45 000
Accrued admin fees	-63 000	-63 000
Accrued Interest Expense - IC ESH	-6 809 341	0
Accrued Interest Expense - IC EGM	-276 055	0
	-7 193 396	-108 000

Not 9 Koncernuppgifter

Escatec Sweden AB är dotterbolag till ESCATEC Sdn. Bhd. med organisationsnummer 381411-D och säte i Malaysia. Med stöd av 7 kap.2 § Årsredovisningslagen upprättar Escatec Sweden AB ingen koncernredovisning eftersom det tillsammans med samtliga dotterbolag omfattas av koncernredovisningen i det överordnade moderföretaget ESCATEC Sdn. Bhd.

Stockholm, den dag som framgår av våra elektroniska underskrifter

Christophe Albin
Ordförande och styrelseledamot

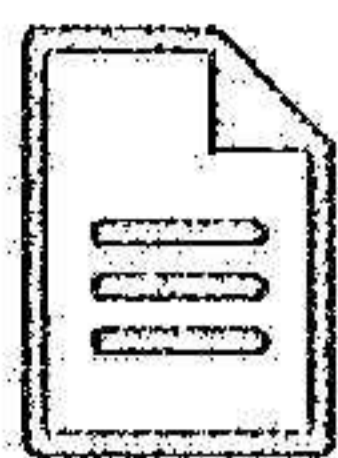
Niki Fouronian
Styrelseledamot

Vår revisionsberättelse har lämnats den dag som framgår av min elektroniska underskrift

Mazars AB

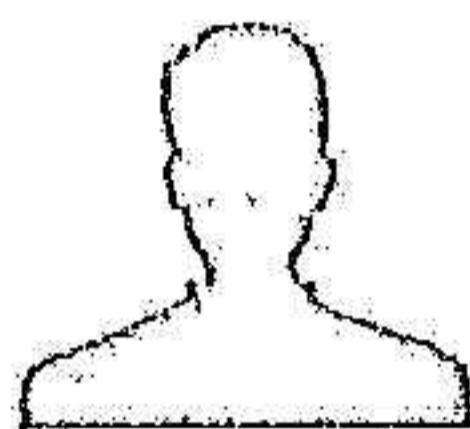
Martin Kraft
Auktoriserad revisor

Följande handlingar har undertecknats den 13 mars 2024

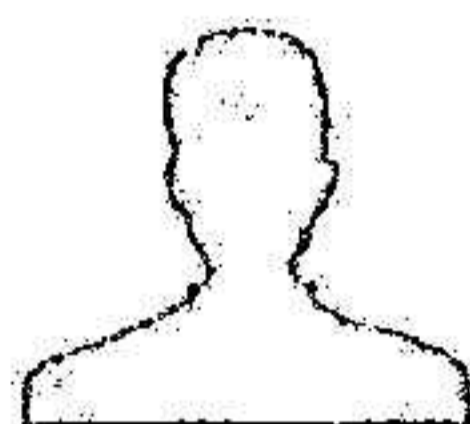
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1a767ef606b36deef6850279133325ab57d3e48653740

Underskrifter

2024-03-12 09:07:39 (CET)

**Christophe Albin**christophe.albin@escatec.com
Undertecknat med Touch

2024-03-12 09:27:17 (CET)

**Niki Fouronian**niki.fouronian@golyourback.se 198402180387
Undertecknat med e-legitimation (BankID)

2024-03-13 14:49:33 (CET)

**Martin Kraft**martin.kraft@mazars.se 198108316913
Undertecknat med e-legitimation (BankID)**assently**

Undertecknandet intygas av Assently

**ÅR Escatec Sweden AB 2023 SV draft 4**

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Fastställelseintyg till årsredovisning
Certificate of adoption for the annual report

Undertecknad styrelseledamot i Escatec Sweden AB, org. nr 556662-7930, intygar, dels att denna kopia av årsredovisningen stämmer överens med originalet, dels att resultaträkningen och balansräkningen har fastställts på årsstämma den 25 mars 2024. Årsstämman beslutade att godkänna styrelsens förslag till hur resultatet ska disponeras.

The undersigned board member of Escatec Sweden AB, reg.no 556662-7930, hereby certifies that this copy of the annual report conforms to the original and that the income statement and balance sheet were adopted on March 25, 2024. The annual general meeting resolved to adopt the board's proposal regarding the allocation of the company's profits.

Stockholm den 23 april 2024

Stockholm April 23, 2024



Johan Sahlin
Styrelseledamot
Board member

REVISIONSBERÄTTELSE

Till bolagsstämman i Escatec Sweden AB
Org. nr 556662-7930

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Escatec Sweden AB för år 2023.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Escatec Sweden AB:s finansiella ställning per den 31 december 2023 och av dess finansiella resultat för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Escatec Sweden AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller på misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om beslut har fattats om att avveckla verksamheten.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller på misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Jag intygar att kopian stämmer med originalet.

Johanna Almén

0791024718

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller på misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om huruvida det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens förvaltning för Escatec Sweden AB för år 2023 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman behandlar förlusten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisions sed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Escatec Sweden AB enligt god revisions sed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisions sed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisions sed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat om förslaget är förenligt med aktiebolagslagen.

Vår revisionsberättelse har lämnats i Stockholm den dag som framgår av vår elektroniska underskrift.

Mazars AB

Martin Kraft
Auktoriserad revisor

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MARTIN KRAFT

Revisor

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IP: 82.209.xxx.xxx

2024-03-13 13:50:22 UTC



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Registration No.: 199601009063 (381411 D)

2024062714753

ESCATEC SDN. BHD.
(Registration No.: 199601009063 (381411 D))
(Incorporated in Malaysia)

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
DECEMBER 31, 2023**
(In Ringgit Malaysia)

Jag intygar att kopian överensstämmer med originalet.


Johanna Alarén

0791024718

Registration No.: 199601009063 (381411 D)

ESCATEC SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
DECEMBER 31, 2023

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Registration No.: 199601009063 (381411 D)

ESCATEC SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors of **ESCATEC SDN. BHD.** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2023.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and carrying out activities of an operational headquarter.

The information on the name, country of incorporation and operations, principal activities and effective equity interest held by the Company in each subsidiary company are as follows:

Name of the subsidiaries	Country of incorporation and operations	Effective equity interest held (%)	Principal activities
ESCATEC Electronics Sdn. Bhd.	Malaysia	100	Manufacture, sale of electronics devices and printed circuit board assemblies.
ESCATEC Mechatronics Sdn. Bhd.	Malaysia	100	Manufacture, sale of mechatronic and electronic products and precision plastic moulding products.
ESCATEC Industries Sdn. Bhd.	Malaysia	100	Dormant.
ESCATEC Medical Sdn. Bhd.	Malaysia	100	Design, manufacture and sales of electronics and mechatronics devices, printed circuit board assemblies and precision plastic moulding primarily for the medical industry.
ESCATEC Technology Sdn. Bhd.	Malaysia	100	Dormant.
ESCATEC Hong Kong Limited	Hong Kong	100	Dormant.

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Name of the subsidiaries	Country of incorporation and operations	Effective equity interest held (%)	Principal activities
ESCATEC Sweden AB	Sweden	100	Sales and marketing activities, acting as agent for ESCATEC group manufacturing companies and ESCATEC group's European operational holding and management.
ESCATEC Trading and Engineering AG	Switzerland	100	Provision of management, marketing and technical services.
ESCATEC Switzerland AG	Switzerland	100	Engineering, design and manufacturing of electronic components for use in industrial products.
ESCATEC Mechatronics Limited	United Kingdom	100	Electro mechanical and electronics manufacturing services.
ESCATEC Mechatronics s.r.o.	Czech Republic	100	Assembly of electro-mechanical parts into finished products.
ESCATEC Bulgaria Ltd	Bulgaria	100	Manufacture, sale of electronics devices and printed circuit board assemblies.
Alcaeus Holdings Limited	United Kingdom	100	Ceased business operations on November 30, 2021 and dissolved on January 17, 2023.
Paragon Electronics Limited	United Kingdom	100	Ceased business operations on November 30, 2021 and dissolved on January 17, 2023.

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Name of the subsidiaries	Country of incorporation and operations	Effective equity interest held (%)	Principal activities
JJS Manufacturing (Bedford) Limited	United Kingdom	100	Ceased business operations on November 30, 2021 and dissolved on January 3, 2023.
JJS Manufacturing Limited	United Kingdom	100	Ceased business operations on November 30, 2021 and dissolved on January 17, 2023.

RESULTS OF OPERATIONS

The results of the operations of the Group and of the Company for the financial year are as follows:

	Group RM'000	Company RM'000
Net profit after tax for the year	<u>6,456</u>	<u>40,853</u>

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDEND

During the financial year, a single tier interim dividend of 42.892% on 93,257,981 ordinary shares amounting to RM40,000,000 was declared on December 15, 2023 and paid on December 29, 2023 in respect of the financial year ended December 31, 2023.

The directors do not recommend the payment of any final dividend in respect of the current financial year for its ordinary shares.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

SHARE OPTIONS

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

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No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

Before the statements of comprehensive income and the statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that there are no known bad debts and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

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

- (a) which would require the writing off of bad debts or render the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which 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:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, 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, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

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

Christophe Georges Albin
 Markus Walther
 Charles-Alexandre Albin
 Joe Arto Lahra
 Dr. Xavier Arreguit
 Peter Ing. Gutschi

(Appointed on March 29, 2023)

The directors who held office in the subsidiaries of the Company during the financial year and up to the date of this report are:

Direct subsidiary companies	Directors of the subsidiary companies
ESCATEC Electronics Sdn. Bhd. ESCATEC Industries Sdn. Bhd. ESCATEC Mechatronics Sdn. Bhd. ESCATEC Medical Sdn. Bhd. ESCATEC Technology Sdn. Bhd.	Charles-Alexandre Albin Chew Peck Kheng (Appointed on November 1, 2023) Ooi Wee Chen (Resigned on November 1, 2023)
ESCATEC Hong Kong Limited	Christophe Georges Albin
ESCATEC Sweden AB	Christophe Georges Albin Martin Kristian Alrik Gorne Johan Sahlin (Appointed on March 25, 2024) Niki Fournian (Resigned on March 25, 2024)
ESCATEC Trading and Engineering AG	Christian Risch
ESCATEC Switzerland AG	Christophe Georges Albin Christian Risch
ESCATEC Mechatronics Limited ESCATEC Mechatronics s.r.o. Alcaeus Holdings Limited Paragon Electronics Limited JJS Manufacturing (Bedford) Limited JJS Manufacturing Limited	Charles-Alexandre Albin Stephen James Greaves
ESCATEC Bulgaria Ltd	Charles-Alexandre Albin

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DIRECTORS' INTERESTS

The shareholdings in the ultimate holding company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016, are as follows:

Shares in ultimate holding company, ESCATEC HOLDINGS LIMITED	Balance as of 1.1.2023	No. of common shares		Balance as of 31.12.2023
		Bought	Sold	
Direct interest:				
Christophe Georges Albin	100	-	-	100

By virtue of his interest in the ultimate holding company, Christophe Georges Albin is also deemed to have interests in shares in all the subsidiaries of the ultimate holding company to the extent the ultimate holding company has an interest.

None of the other directors in office at the end of the financial year held shares or had beneficial interest in the shares of the Company or its related corporation during or at the beginning and end of the financial year. Under the Company's Articles of Association, the directors are not required to hold any shares in the Company.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company have received or become entitled to receive a benefit (other than those disclosed as directors' remuneration amounting to RM1,845,000) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except that certain directors received remuneration from related corporations in their capacities as directors or executives of those related corporations.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

There was no indemnity given to or insurance effected for any directors, officers and auditors of the Company in accordance with Section 289 of the Companies Act, 2016.

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HOLDING COMPANIES

The Company's immediate holding company is ESCATEC Group Sdn. Bhd., a company incorporated and domiciled in Malaysia. The directors regard ESCATEC Holdings Limited, a company incorporated and domiciled in Vanuatu, as the Company's ultimate holding company.

AUDITORS' REMUNERATION

The amount paid/payable as remuneration of the auditors of the Group and of the Company for the financial year ended December 31, 2023, are RM881,000 and RM55,000 respectively.

SIGNIFICANT EVENTS AND EVENTS AFTER THE REPORTING PERIOD

Significant events and events after the reporting period are disclosed in Note 39 to the financial statements.

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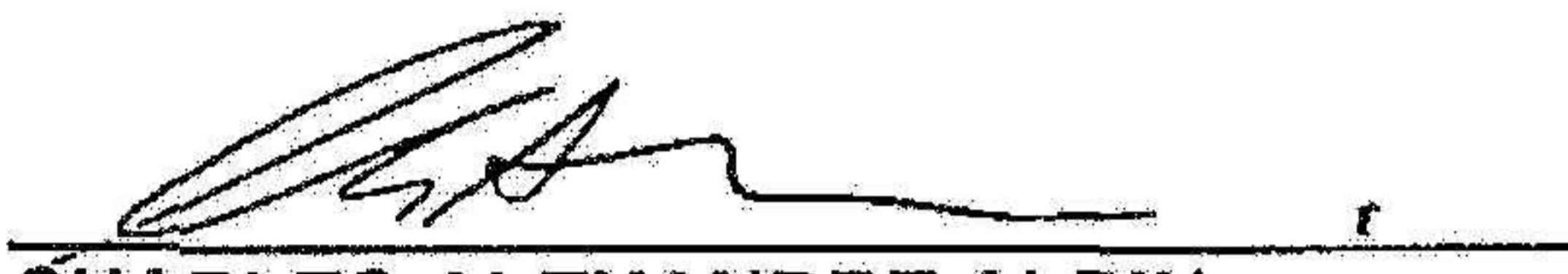
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AUDITORS

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

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


CHRISTOPHE GEORGES ALBIN


CHARLES-ALEXANDRE ALBIN

Penang,

24 JUN 2024

2024062714762

Registration No.: 199601009063 (381411 D)

Deloitte.

Deloitte PLT (LLP0010145-LCA)
Chartered Accountants (AF0080)
Level 12A Hunza Tower
163E Jalan Kelawei
10250 Penang
Malaysia

Tel: +604 2945500
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mypenang@deloitte.com
www.deloitte.com/my

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ESCATEC SDN. BHD.

(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ESCATEC SDN. BHD., which comprise the statements of financial position of the Group and of the Company as of December 31, 2023, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 13 to 66.

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 of December 31, 2023, and of their financial performance and their cash flows for the year then ended in accordance with the Malaysian Private Entities Reporting Standard and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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



Information Other than the Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' 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 Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

(Forward)

Registration No.: 199601009063 (381411 D)

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements 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 auditor's 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 represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 24 to the financial statements.

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Other Matter

This report is made solely to the member 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.

Deloitte PLT.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

Adrian Lam

ADRIAN LAM KEENLEONG
Partner – 03553/02/2025 J
Chartered Accountant

Penang,

June 24, 2024

2024062714766

Registration No.: 199601009063 (381411 D)

ESCATEC SDN. BHD.
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023**

		Group		Company	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue	5	1,484,494	1,807,896	51,790	45,070
Cost of sales	6	(1,318,992)	(1,564,102)	-	-
Gross profit		165,502	243,794	51,790	45,070
Other income	7	2,931	2,739	28	4
Selling cost		(46,584)	(37,798)	(22)	(26)
Administration cost		(47,560)	(48,602)	(10,927)	(13,106)
Other (expenses)/gain	8	(46,945)	(24,011)	398	(40)
Finance cost	9	(8,236)	(6,295)	-	-
Profit before tax	10	19,108	129,827	41,267	31,902
Income tax expense	12	(12,652)	(38,028)	(414)	-
Profit for the year		6,456	91,799	40,853	31,902
Other comprehensive income					
Foreign currency translation		3,341	5,995	-	-
Total comprehensive income for the year		9,797	97,794	40,853	31,902

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

ESCATEC SDN. BHD.
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AT DECEMBER 31, 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Assets					
Current assets					
Cash on hand and at banks		21,017	22,996	5,169	624
Deposits with bank	14	6,943	53,071	-	-
Trade receivables	15	204,458	245,007	-	-
Other current receivables	16	11,565	12,807	903	2,496
Tax recoverable		5,027	6,428	83	333
Inventories	17	325,466	487,721	-	-
		<u>574,476</u>	<u>828,030</u>	<u>6,155</u>	<u>3,453</u>
Current liabilities					
Trade payables	18	118,577	176,852	-	-
Advances from customers	19	55,240	232,227	-	-
Provisions	20	19,981	25,285	-	-
Other current liabilities	21	85,993	92,435	4,087	2,231
Current tax payable		836	15,360	-	-
Short term financing	22	22,414	32,683	-	-
		<u>303,041</u>	<u>574,842</u>	<u>4,087</u>	<u>2,231</u>
Net current assets		<u>271,435</u>	<u>253,188</u>	<u>2,068</u>	<u>1,222</u>
Non-current assets					
Other non-current assets	23	26,845	27,466	-	-
Investments in subsidiaries	24	-	-	96,927	96,928
Intangible assets	25	43,328	82,273	-	-
Property, plant and equipment	26	67,275	67,321	176	78
Investment property	27	-	-	-	-
Deferred tax assets	28	4,424	3,149	-	32
		<u>141,872</u>	<u>180,209</u>	<u>97,103</u>	<u>97,038</u>

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ESCATEC SDN. BHD.
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AT DECEMBER 31, 2023

		Group		Company	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Non-current liabilities					
Long term financing	29	67,388	57,024	-	-
Other non-current liabilities	21	-	309	-	-
Deferred tax liabilities	28	58	-	58	-
		<u>67,446</u>	<u>57,333</u>	<u>58</u>	<u>-</u>
Net assets		<u>345,861</u>	<u>376,064</u>	<u>99,113</u>	<u>98,260</u>
Shareholder's equity					
Share capital	30	93,258	93,258	93,258	93,258
Other reserves	31	44,196	40,855	-	-
Retained earnings	32	208,407	241,951	5,855	5,002
		<u>345,861</u>	<u>376,064</u>	<u>99,113</u>	<u>98,260</u>

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

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ESCATEC SDN. BHD.
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**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023**

Group	Share capital (Note 30) RM'000	Non-distributable		Distributable		Total equity RM'000
		Legal reserve (Note 31) RM'000	Foreign currency translation reserve (Note 31) RM'000	Retained earnings (Note 32) RM'000	Total RM'000	
Balance as of January 1, 2023	93,258	6,620	34,235	241,951	134,113	376,064
Total comprehensive income for the year	-	-	3,341	6,456	3,341	9,797
Dividend (Note 13)	-	-	-	(40,000)	-	(40,000)
Balance as of December 31, 2023	93,258	6,620	37,576	208,407	137,454	345,861

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ESCATEC SDN. BHD.
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**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023**

Group	Share capital (Note 30) RM'000	Legal reserve (Note 31) RM'000	Non-distributable		Total RM'000	Retained earnings (Note 32) RM'000	Total equity RM'000
			Other reserves	Foreign currency translation reserve (Note 31) RM'000			
Balance as of January 1, 2022	93,258	6,620	28,240		128,118	180,152	308,270
Total comprehensive income for the year	-	-	5,995		5,995	91,799	97,794
Dividend (Note 13)	-	-	-		-	(30,000)	(30,000)
Balance as of December 31, 2022	93,258	6,620	34,235		134,113	241,951	376,064

(Forward)

Registration No.: 199601009063 (381411 D)

ESCATEC SDN. BHD.
(Incorporated in Malaysia)

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

Company	Share capital (Note 30) RM'000	Distributable Retained earnings (Note 32) RM'000	Total equity RM'000
Balance as of January 1, 2023	93,258	5,002	98,260
Total comprehensive income for the year	-	40,853	40,853
Dividend (Note 13)	-	(40,000)	(40,000)
Balance as of December 31, 2023	93,258	5,855	99,113
Balance as of January 1, 2022	93,258	3,100	96,358
Total comprehensive income for the year	-	31,902	31,902
Dividend (Note 13)	-	(30,000)	(30,000)
Balance as of December 31, 2022	93,258	5,002	98,260

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

ESCATEC SDN. BHD.
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from operating activities				
Profit before tax	19,108	129,827	41,267	31,902
Adjustments for:				
Additional provisions	3,410	12,323	-	-
Allowance for impairment – Third parties	-	1,355	-	-
Amortisation of intangible assets	67	93	-	-
Amortisation of goodwill	15,408	15,408	-	-
Impairment of goodwill	23,470	-	-	-
Amortisation of prepaid land lease payments	621	621	-	-
Depreciation of property, plant and equipment	22,227	20,185	91	91
Interest expense	8,230	6,289	-	-
Net foreign exchange (gain)/loss - unrealised	(527)	12,420	220	18
(Reversal of allowance)/Allowance for slow moving of inventories, net	(542)	8,741	-	-
Write-off of property, plant and equipment	9	54	-	-
Interest income	(797)	(637)	(28)	(4)
Gain on disposal of property, plant and equipment	(244)	(993)	(25)	-
Net fair value loss/(gain) on derivatives	370	(88)	-	-
Reversal of provisions	(9,450)	(9,972)	-	-
Impairment of investment in subsidiaries, net	-	-	1	22
Reversal of impairment loss on trade receivables	(413)	-	-	-
Written-off of inventories, net	1,485	-	-	-
Dividend income	-	-	(40,000)	(32,000)
Operating cash flow before changes in working capital	82,432	195,626	1,526	29

(Forward)

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ESCATEC SDN. BHD.
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Decrease/(Increase) in inventories	148,004	(164,131)	-	-
Decrease/(Increase) in receivables	50,727	4,638	1,593	(2,383)
(Decrease)/Increase in payables	(228,287)	9,594	1,827	133
Cash flows generated from/(used in) operating activities	52,876	45,727	4,946	(2,221)
Tax paid	(31,397)	(24,205)	(74)	(93)
Interest paid	(8,230)	(6,289)	-	-
Net cash flows generated from/(used in) operating activities	13,249	15,233	4,872	(2,314)
Investing activities				
Interest received	797	637	28	4
Proceeds from disposal of property, plant and equipment	364	1,260	31	-
Purchase of property, plant and equipment	(20,824)	(20,926)	(195)	(24)
Dividend received	-	-	40,000	32,000
Net cash flows (used in)/generated from investing activities	(19,663)	(19,029)	39,864	31,980

(Forward)

Registration No.: 199601009063 (381411 D)

ESCATEC SDN. BHD.
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Financing activities				
Repayment of short term financing from ultimate holding company	(9,000)	(4,472)	-	-
(Repayment)/Drawdown of short term financing from bank	(1,269)	7,578	-	-
Drawdown/(Repayment) of long term financing from ultimate holding company	5,908	(10,130)	-	-
Drawdown of long term financing from penultimate holding company	4,456	-	-	-
Dividends paid	(40,000)	(30,000)	(40,000)	(30,000)
Net cash flows used in financing activities	(39,905)	(37,024)	(40,000)	(30,000)
Net (decrease)/increase in cash and cash equivalents	(46,319)	(40,820)	4,736	(334)
Effect of foreign exchange rate changes	(1,788)	2,524	(191)	(18)
Cash and cash equivalents at 1 January	76,067	114,363	624	976
Cash and cash equivalents at 31 December	27,960	76,067	5,169	624
Cash and cash equivalents comprise of:				
Cash on hand and at banks	21,017	22,996	5,169	624
Deposits with bank	6,943	53,071	-	-
	27,960	76,067	5,169	624

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

Registration No.: 199601009063 (381411 D)

ESCATEC SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

1. GENERAL INFORMATION

The Company is a private limited liability company, incorporated and domiciled in Malaysia.

The Company is principally involved in investment holding and carrying out activities of an operational headquarter. The principal activities of subsidiaries are disclosed in Note 24.

The registered office of the Company is located at Suite 18.05, MWE Plaza, 8 Lebuhr Farquhar, 10200 Penang, Malaysia and the principal place of business of the Company is at Industrial Zone 4, 11900 Bayan Lepas, Penang, Malaysia.

The Company's immediate holding company is ESCATEC Group Sdn. Bhd., a company incorporated and domiciled in Malaysia. The directors regard ESCATEC HOLDINGS LIMITED, a company incorporated and domiciled in Vanuatu, as the Company's ultimate holding company.

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance in accordance with a resolution of the directors on June 24, 2024.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Private Entities Reporting Standard ("MPERS") and the requirements of the Companies Act, 2016 in Malaysia.

MPERS Framework

The MPERS is based on the International Accounting Standards Board's ("IASB") *International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)* revised in May 2015 except for the amendments made in the following sections:

(a) Section 1 *Private Entities*

Section 1 has been modified to prescribe the applicability of the MPERS in the Malaysian context. In this regard, all references to "SMEs" and "public accountability" in Sections 1-35 have been replaced by the term "private entities" and deleted respectively.

(b) *Section 9 Consolidated and Separate Financial Statements*

Section 9 requires the ultimate Malaysian parent to prepare consolidated financial statements regardless of whether its ultimate parent that is not incorporated in Malaysia prepared consolidated financial statements. Consolidated financial statements would provide users with more relevant information as opposed to separate financial statements as entities on its own may be very small with limited or specified activities.

(c) *Section 34 Specialised Activities*

Section 34 has included additional guidance on the accounting for property development activities based on FRS 201 *Property Development Activities*. Consequently, Example 12 *Agreements for the Construction of Real Estate* contained in the Appendix to Section 23 *Revenue* of the *IFRS for SMEs*, which incorporates the principles of IFRIC Interpretation 15 *Agreements for the Construction of Real Estate*, has been deleted by the MASB.

Adoption of new MPERS

On October 16, 2023, the MASB issued the following MPERS accounting standard that is effective for accounting periods that begin on or after January 1, 2023:

- *International Tax Reform – Pillar Two Model Rules (Amendments to the Malaysian Private Entities Reporting Standard)*

This standard sets out the amendments to Section 29 *Income Taxes* of the MPERS and states that an entity shall apply paragraphs 29.3A, 29.38, 29.42 and 35.10(h) immediately upon the issue of these amendments and paragraph 29.43 for annual reporting periods beginning on or after January 1, 2023.

The Company has applied the temporary exception from accounting for deferred taxes arising from Pillar Two model rules, as provided in the *International Tax Reform - Pillar Two Model Rules (Amendments to the Malaysian Private Entities Reporting Standard)*. Accordingly, the Company neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Group and of the Company are expressed in Ringgit Malaysia in thousands ("RM'000") and have been prepared under the historical cost convention unless stated otherwise in the accounting policies mentioned below.

Subsidiaries and basis of consolidation

The Company recognises a subsidiary based on the criterion of control. A subsidiary is an entity (including special purpose entities) over which the Company has the power to govern the financial and operating policy decisions of the investee so as to obtain benefits from its activities. In circumstances when the voting rights are not more than half or when voting rights are not the dominant determinant of control, the Company uses judgements to assess whether it has de facto control, control by other

arrangements (including control of special purpose entities) or by holding substantive potential voting rights.

The consolidated financial statements are prepared using uniform accounting policies for like transactions, other events and conditions in similar circumstances.

The carrying amount of investment in each subsidiary of a parent in the Group is eliminated against the parent's portion of equity in each subsidiary. The consolidated financial statements combine like items of assets, liabilities, equity, income, expenses and cash flows of the Company and all its subsidiaries. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition (which is the date the Group assumes control of an investee) or up to effective date of disposal (which is the date the Group ceases to have control of an investee).

All intra-group balances and transactions are eliminated in full on consolidation. Unrealised profits or losses arising from intra-group transactions are also eliminated in full on consolidation, except when an unrealised loss is an impairment loss.

When the Group ceases to control a subsidiary, the difference between the proceeds from the disposal of the subsidiary and its carrying amount at the date that control is lost is recognised in profit or loss in the statements of comprehensive income as a gain or loss on disposal of the subsidiary. The cumulative amount of any exchange differences that relate to a foreign subsidiary recognised in other comprehensive income is not reclassified to profit or loss on disposal of the subsidiary. If the Group retains an equity interest in the former subsidiary, it is accounted for as a financial asset (provided it does not become an associate or a joint venture). The carrying amount of the investment retained at the date that the entity ceases to be a subsidiary is regarded as the cost on initial measurement of the financial asset.

Any decrease in equity stake in a subsidiary that does not result in loss of control is accounted for as an equity transaction and the financial effect is adjusted directly in the consolidated statement of changes in equity.

Separate financial statements

In the separate financial statements of the Company, investments in subsidiaries are measured at cost less any accumulated impairment losses. Cost at initial recognition comprises cash and fair values of other considerations transferred and liabilities assumed and it includes acquisition-related expenses.

Dividend declared by an investee is recognised as income when the Company's right to receive dividend has been established, which is generally the date the dividend is appropriately authorised by the investee.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

(a) Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- (i) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (ii) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (iii) the amount of revenue can be measured reliably;
- (iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and
- (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(b) Revenue from services

When the outcome of a transaction involving the revenue from services can be estimated reliably, revenue associated with the transaction should be recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- (i) the amount of revenue can be measured reliably;
- (ii) it is probable that the economic benefits associated with the transaction will flow to the Company;
- (iii) the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- (iv) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

(c) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(d) Rental income

The Group's policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

(e) Sundry income

Sundry income are recognised on an accrual basis.

Short-term employee benefits

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

Defined contribution plans

The Group and the Company participate in the national pension schemes as defined by the laws of the countries in which it has operations. The Group's Malaysia subsidiaries and the Company make contributions to the Employees' Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(b) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle its current tax assets and liabilities on a net basis.

(c) Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Ringgit Malaysia ("RM"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- (a) exchange differences arising on the retranslation of non-monetary items carried at fair value in respect of which gain and losses are recognised in other comprehensive income. For such non-monetary items, the exchange component of that gain or loss is also recognised in other comprehensive income; and
- (b) exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore, forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated in RM using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation or a disposal involving loss of control over a subsidiary that includes a foreign operation or partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation. These identifiable assets and liabilities are translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income and accumulated in equity.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(a) The Group as lessor

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

(b) The Group and the Company as lessee

Assets held under finance leases are initially recognised as assets of the Group and of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's and the Company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land that normally has an indefinite economic life and where the title is not expected to pass to the lessee by the end of the lease term is treated as operating lease. Payments made on entering into or acquiring leasehold land are accounted as prepaid lease payments on leasehold land and amortised over the remaining lease term.

Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. Subsequent to initial measurement, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Capital work-in-progress is not depreciated. Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Plant and machinery	3 - 5
Furniture, fittings and office equipment	5
Motor vehicles	5
Computers	3
Factory building	20
Ancillary construction	5

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Depreciation of an asset begins when it is ready for its intended use.

Investment property

The Group recognises a land, building (including the floor of a building), or both land and building as an investment property, if it is within the Group's business model objective of holding the property for capital appreciation, rental income or both. Cost of an investment property comprises purchase price plus all directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property.

Investment property is measured at cost less accumulated amortisation and any accumulated impairment losses.

Investment property is amortised by allocating the amortisable amounts of assets less their residual values over their estimated useful lives, using straight-line method.

The annual amortisation rates are as follows:

	Years
Factory building	20
Ancillary construction	5

At the end of each reporting period, the estimated residual values, estimated useful lives and amortisation methods are reviewed for any significant changes. If there is any change, the amortisation of an asset is revised prospectively.

Intangible assets

The Group does not recognise internally generated brands, licences, customer lists and other similar intellectual property which cannot be distinguished from the cost of developing the Group's business as a whole.

Acquired identifiable intangible assets of land-use rights, operating system and software, licences and other intellectual property, including those acquired in a business combination, are recognised as an asset and initially measured at cost, which is the fair value of the consideration paid, or in the case of a business combination, the allocated fair value at the acquisition date.

The Group applies the cost model for the subsequent measurement of acquired identifiable intangible assets. After initial recognition, identifiable intangible assets are each measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation of identifiable intangible assets is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Software and licenses	3

Goodwill

The Group does not recognise internally generated goodwill.

In a business combination accounted for under the acquisition method, purchased goodwill is recognised as an asset as of the acquisition date, measured as the difference between cost of investment and share of net assets acquired. Non-controlling interests' share of goodwill is not recognised.

In the rare occasion when the share of net assets acquired exceeds the cost of combination, a reassessment of the acquisition-date accounting is performed and any remaining excess is recognised immediately in profit or loss as a bargain purchase gain and attributed to the owners of the parent Company only.

Purchased goodwill, including goodwill on acquisition upon business combination is amortised on the straight-line basis over 7 years and is subject to impairment test whenever there is any indication of impairment.

Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group and the Company review the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise of direct materials and, where applicable, includes an appropriate portion of fixed and variable overhead expenses that have been incurred in bringing the inventories to their present location and condition. Cost is determined based on the weighted average method.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Financial instruments

(a) Financial assets

Financial assets are initially measured at transaction price. Subsequently they are measured at amortised cost using the effective interest method, less any impairment loss.

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- (i) significant financial difficulty of the issuer or counterparty; or
- (ii) breach of contract, such as default or delinquency in interest or principal payments; or
- (iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- (iv) the disappearance of an active market for that financial assets because of financial difficulties on a collective basis even if they were assessed not to be impaired individually.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are debited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(b) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

(c) Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Cash and cash equivalents

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash and cash equivalents comprise of cash at bank and on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and short-term deposits with a maturity of three months or less, net of outstanding bank overdrafts and deposits pledged with licensed banks.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's and the Company's accounting policies, which are described in Note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying the Group's and the Company's accounting policies

In the process of applying the Group's and the Company's accounting policies, the directors are of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

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

(i) Useful lives of plant and equipment

The cost of plant and machinery is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 3 to 5 years. These are common life expectancies applied in this industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Impairment of property, plant and equipment

The Group and the Company assess impairment of property, plant and equipment whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for the asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from the asset discounted at an appropriate discount rate.

Projected future cash flows are based on the Group's and the Company's estimates calculated based on historical, sector and industry trends, general market and economic conditions and other available information.

(iii) Impairment of loans and receivables

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor, default or significant delay in payments and forecasted economic conditions.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. Where the expectation is different from the original estimate, such difference will impact the carrying value of the receivables in the period in which such estimate has been changed. The carrying amount of trade receivables of the Group as at December 31, 2023 are disclosed in Note 15.

(iv) Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of deductible temporary differences of the Group and the Company are disclosed in Note 28.

(v) Provision for warranty claims

The Group provides warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision is recognised for expected warranty claims on products sold during the year on a case-by-case basis as determined by the management. It is expected that most of these costs will be incurred within a year from the reporting date. The provision reflects management's best estimates of the Group's liability for certain product warranties at the reporting date and is determined based on past experience and industry average.

(vi) Provision for work due

Provision for work due is recognised for the contractual requirement to maintain customers' assets (tools and moulds, jigs, fixtures or for entire assembly lines including test equipment) located at the subsidiaries' premises in a workable condition. The provision reflects management's best estimates of the Group's liability in relation to this contractual requirement.

(vii) Net realisable value of inventories

The Group estimates the net realisable value of inventories in applying its accounting policy for inventories, namely to carry the inventories at the lower of cost and net realisable value. This requires estimation of the net realisable value based on past experience, condition of inventories and current market conditions. Technological developments and changes in market conditions could affect the saleability of the inventories and therefore, the net realisable value.

(viii) Provision for legal claims

A provision is recognised for legal claims when legal disputes arise with the Group's customers for reasons such as the non-fulfillment of obligations under the Group's manufacturing agreement with its customers. The provision reflects management's best estimates of the Group's liability for the legal claim as at the year end and is determined based on available information and/or in consideration of relevant and appropriate legal advice.

(ix) Impairment of goodwill

The assessment of whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Arising from this, the Group recognized an impairment on goodwill amounting to RM23,470,000 (2022: RM NIL) during the year. Refer to Note 25 for further details.

5. REVENUE

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Sale of goods and services	1,484,494	1,807,896	-	-
Gross dividends from subsidiaries	-	-	40,000	32,000
Management fee from subsidiaries	-	-	11,790	13,070
	<u>1,484,494</u>	<u>1,807,896</u>	<u>51,790</u>	<u>45,070</u>

6. COST OF SALES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Sale of goods and services	<u>1,318,992</u>	<u>1,564,102</u>	<u>-</u>	<u>-</u>

7. OTHER INCOME

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Rental income	739	1,268	-	-
Interest income	797	637	28	4
Sundry income	1,395	834	-	-
	<u>2,931</u>	<u>2,739</u>	<u>28</u>	<u>4</u>

8. OTHER EXPENSES/(GAIN)

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Amortisation of goodwill	15,408	15,408	-	-
Net foreign exchange (gain)/loss:				
- Realised	6,723	(3,729)	(179)	-
- Unrealised	(527)	12,420	(220)	18
Net fair value loss/(gain) on derivatives	370	(88)	-	-
Impairment of investment in subsidiaries, net	23,470	-	1	22
Others	1,501	-	-	-
	<u>46,945</u>	<u>24,011</u>	<u>(398)</u>	<u>40</u>

9. FINANCE COST

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Interest expense on:				
- financing from ultimate holding company	3,374	3,864	-	-
- financing from penultimate holding company	127	-	-	-
- financing from banks	4,678	2,360	-	-
- hire-purchase	51	65	-	-
Bank commitment fee	6	6	-	-
	<u>8,236</u>	<u>6,295</u>	<u>-</u>	<u>-</u>

10. PROFIT BEFORE TAX

The following amounts have been included in arriving at profit before tax:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Additional provisions	3,410	12,323	-	-
Amortisation of intangible assets	67	93	-	-
Amortisation of goodwill	15,408	15,408	-	-
Impairment of goodwill	23,470	-	-	-
Amortisation of prepaid land lease payments	621	621	-	-
Auditors' remuneration:				
Current year	881	791	55	55
Underprovision in prior year	33	43	1	-
Depreciation of property, plant and equipment	22,227	20,185	91	91
Gain on disposal of property, plant and equipment	(244)	(993)	(25)	-
Rental of premises	-	-	415	415
Reversal of provisions	(9,450)	(9,972)	-	-
Reversal of impairment losses on trade receivables	(413)	-	-	-
(Reversal of allowance)/Allowance for slow moving of inventories	(542)	8,741	-	-
Written-off of inventories	1,485	-	-	-
Written-off of property, plant and equipment	9	54	-	-
	<u>9</u>	<u>54</u>	<u>-</u>	<u>-</u>

11. EMPLOYEE BENEFIT EXPENSES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Wages and salaries	227,680	231,967	5,874	8,537
Social security contributions	9,734	8,586	16	14
Defined contribution plans	16,542	17,085	372	323
Other employee related expenses	18,192	20,248	1,252	1,540
	<u>272,148</u>	<u>277,886</u>	<u>7,514</u>	<u>10,414</u>

12. INCOME TAX EXPENSE

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Current income tax:				
Malaysian income tax	12,086	39,300	323	-
Foreign tax	1,204	727	-	-
	<u>13,290</u>	<u>40,027</u>	<u>323</u>	<u>-</u>
(Over)/Underprovision in prior years:				
Malaysian income tax	(326)	(1,213)	1	-
Foreign tax	920	(566)	-	-
	<u>13,884</u>	<u>38,248</u>	<u>324</u>	<u>-</u>
Deferred tax (Note 28):				
Relating to origination and reversal of temporary differences	(366)	(169)	-	-
(Over)/Underprovision in prior years	<u>(866)</u>	<u>(51)</u>	<u>90</u>	<u>-</u>
	<u>(1,232)</u>	<u>(220)</u>	<u>90</u>	<u>-</u>
	<u><u>12,652</u></u>	<u><u>38,028</u></u>	<u><u>414</u></u>	<u><u>-</u></u>

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

In 2022, the Prosperity Tax ("Cukai Makmur") was a one-off special tax imposed on companies that generated high income as proposed in the National Budget 2022 and legislated through the Finance Act 2021. Pursuant to Paragraph 2(2) of Part I of Schedule 1 to the Income Tax Act, 1967 (ITA), a company (other than a small and medium enterprise) that has a chargeable income in excess of RM100 million in the basis period for the YA2022 will be subject to income tax at the following rates:

- i. 24% on the first RM100 million of chargeable income; and
- ii. 33% for the chargeable income exceeding RM100 million

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

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

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit before tax	19,108	129,827	41,267	31,902
Taxation at domestic statutory tax rate of 24% (2022: 24%)	4,586	31,158	9,904	7,656
Impact of the Prosperity Tax ("Cukai Makmur")	-	398	-	-
Different tax rates in other countries	1,615	461	-	-
Deferred tax assets not recognised in respect of current year's tax credit	663	4,038	-	-
Expenses not deductible for tax purposes	9,383	5,306	19	104
Effect of utilisation of previously unrecognised tax assets	(2,886)	(338)	-	(80)
Effect of utilisation of current year's tax allowance	(437)	(1,299)	-	-
Income not subject to tax	-	134	(9,600)	(7,680)
Under/(Over)provision of tax expense in prior years	594	(1,779)	1	-
(Over)/Underprovision of deferred tax expense in prior years	(866)	(51)	90	-
	<u>12,652</u>	<u>38,028</u>	<u>414</u>	<u>-</u>

As of December 31, 2023, the Group and the Company have the following amounts of unabsorbed business losses which are available for set off against future taxable profits:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Unabsorbed business losses*	<u>1,306</u>	<u>1,318</u>	<u>-</u>	<u>87</u>

* The unabsorbed business losses of the Company can be carried forward for ten consecutive years of assessment immediately following that year of assessment (e.g. unused tax losses accumulated up to year of assessment 2022 can be carried forward until year of assessment 2032) pursuant to the gazetted Finance Act 2022. Unabsorbed business losses of foreign subsidiaries can be carried forward indefinitely.

The unabsorbed business losses of the Group and of the Company will expire in the following years of assessment ("YA"):

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
YA 2032	-	50	-	50
YA 2031	-	37	-	37
Indefinite	1,306	1,231	-	-
	<u>1,306</u>	<u>1,318</u>	<u>-</u>	<u>87</u>

13. DIVIDEND

	Group and Company	
	2023 RM'000	2022 RM'000
Recognised during the financial year		
First single tier interim dividend of 42.892% on 93,257,981 ordinary shares declared on December 15, 2023 and paid on December 29, 2023.	<u>40,000</u>	<u>-</u>
First single tier interim dividend of 32.169% on 93,257,981 ordinary shares declared December 16, 2022 and paid on December 30, 2022.	<u>-</u>	<u>30,000</u>

The directors do not recommend the payment of any final dividend in respect of the current financial year for its ordinary shares.

14. DEPOSITS WITH BANK

Short-term deposits are made for varying periods ranging from 7 to 27 days (2022: 7 to 27 days) depending on the cash requirement of the Group and earn interests at the respective short-term deposit rates. As at the reporting date, the short-term deposits of the Group earn interests at rates of 5.20% per annum (2022: 3.50% to 3.60% per annum) and have maturity periods ranging from 14 to 21 days (2022: 7 to 27 days).

15. TRADE RECEIVABLES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Third parties	205,470	246,424	-	-
Less: Allowance for impairment – Third parties	<u>(1,012)</u>	<u>(1,417)</u>	<u>-</u>	<u>-</u>
	<u>204,458</u>	<u>245,007</u>	<u>-</u>	<u>-</u>

Movement in allowance for impairment account:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At January, 1	1,417	59	-	-
Charge for the year	-	1,355	-	-
Reversal of impairment losses	(413)	-	-	-
Exchange differences	<u>8</u>	<u>3</u>	<u>-</u>	<u>-</u>
At December, 31	<u>1,012</u>	<u>1,417</u>	<u>-</u>	<u>-</u>

16. OTHER CURRENT RECEIVABLES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Amount due from a related company	22	654	756	2,450
Deposits	1,441	1,221	-	-
Prepayments	7,097	9,202	147	46
Sundry receivables	2,925	1,402	-	-
Derivative financial assets	<u>80</u>	<u>328</u>	<u>-</u>	<u>-</u>
	<u>11,565</u>	<u>12,807</u>	<u>903</u>	<u>2,496</u>

(a) Prepayments

Included in prepayments is RM2,175,000 (2022: RM Nil) made in relation to the acquisition of land together with a detached factory building as disclosed in Note 39.

(b) Derivative financial assets

As at December 31, 2023, derivative financial assets arose from the forward currency contracts which were used to hedge the Group's sales and purchases with contract amount of USD4,800,000 (2022: USD4,350,000) for which firm commitments existed at the reporting date, extending to June 2024 (2022: June 2023).

17. INVENTORIES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At Cost:				
Raw Materials	247,711	421,806	-	-
Work-in-progress	24,261	33,278	-	-
Finished goods	36,549	18,381	-	-
Goods-in-transit	16,945	14,256	-	-
	<u>325,466</u>	<u>487,721</u>	<u>-</u>	<u>-</u>

During the year, inventories recognised as an expense in cost of sales of the Group amounted to RM1,035,925,000 (2022: RM1,134,183,000).

The net amount of inventories written off recognised in profit or loss during the financial year amounted to RM1,485,000 (2022: RMNIL).

The amount of reversal of allowance of slow moving and allowance of slow moving recognised in profit or loss during the financial year amounted to RM542,000 (2022: RMNIL) and RMNIL (2022: RM8,741,000) respectively.

18. TRADE PAYABLES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Third parties	<u>118,577</u>	<u>176,852</u>	<u>-</u>	<u>-</u>

19. ADVANCES FROM CUSTOMERS

	Group		Company	
	RM'000	RM'000	RM'000	RM'000
Third parties	<u>55,240</u>	<u>232,227</u>	<u>-</u>	<u>-</u>

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20. PROVISIONS

Group	Work due RM'000	Warranty claims RM'000	Legal claims RM'000	Excess and without requirement materials - on order RM'000	Dismantling or restoration of property, plant and equipment RM'000	Others RM'000	Total RM'000
At January 1, 2023	2,523	4,821	9,269	1,424	510	6,738	25,285
Arising during the year (Note 10)	60	2,083	-	359	-	908	3,410
Reversal during the year (Note 10)	(275)	(1,590)	-	(847)	-	(6,738)	(9,450)
Exchange differences	54	159	520	3	-	-	736
At December 31, 2023	2,362	5,473	9,789	939	510	908	19,981
At January 1, 2022	2,312	9,148	9,127	1,633	510	-	22,730
Arising during the year (Note 10)	606	4,132	-	847	-	6,738	12,323
Reversal during the year (Note 10)	(410)	(8,505)	-	(1,057)	-	-	(9,972)
Exchange differences	15	46	142	1	-	-	204
At December 31, 2022	2,523	4,821	9,269	1,424	510	6,738	25,285

(a) Work due

Provision for work due is recognised for the contractual requirement to maintain customers' assets (tools and mould, jig, fixtures or for entire assembly lines including test equipment) located at the subsidiaries' premises in good working condition. The provision reflects management's best estimates of the Group's liability in relation to this contractual requirement.

(b) Warranty claims

The Group provides warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision is recognised for expected warranty claims on products sold during the year on a case-by-case basis as determined by the management. It is expected that most of these costs will be incurred within a year from the reporting date. The provision reflects management's best estimates of the Group's liability for certain product warranties at the reporting date and is determined based on past experience and industry average.

(c) Legal claims

A provision is recognised for legal claims when legal disputes arise with the Group's customers for reasons such as the non-fulfillment of obligations under the Group's manufacturing agreement with its customers. The provision reflects management's best estimates of the Group's liability for the legal claim as at the year end and is determined based on available information and/or in consideration of relevant and appropriate legal advice.

Details of the matter giving rise to the provision for legal claims are as disclosed in Note 38.

(d) Excess and without requirement materials - on order

Provision for the excess and without requirement materials - on order is recognised for un-cancellable purchase orders placed with the suppliers and there is an absence of an enforceable customer order, customer forecast or customer commitments.

(e) Dismantling or restoration of property, plant and equipment

Provision for dismantling or restoration is the estimated costs of dismantling, removal or restoration of property, plant and equipment arising from the acquisition or use of such assets, which are capitalized and included in the cost of property, plant and equipment.

(f) Others

Provision for others is the estimated cost of inventory losses related to specific customer(s) having considered the insolvency position of that customer(s).

21. OTHER CURRENT LIABILITIES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Other payables	15,353	14,596	143	99
Accruals – payroll related expenses	20,703	27,056	614	1,667
Accruals – others	49,109	49,928	3,046	194
Hire-purchase payable	341	490	-	-
Derivative financial liabilities	487	365	-	-
Amounts due to subsidiaries	-	-	284	271
	<u>85,993</u>	<u>92,435</u>	<u>4,087</u>	<u>2,231</u>

(a) Derivative financial liabilities

As at December 31, 2023, derivative financial liabilities arose from the forward currency contracts which were used to hedge the Group's sales and purchases with contract amount of USD2,400,000 (2022: USD2,400,000) for which firm commitments existed at the reporting date, extending to June 2024 (2022: June 2023).

Hire-purchase payable

	Group	
	2023 RM'000	2022 RM'000
Total outstanding	341	874
Less: Interest-in-suspense outstanding	<u>-</u>	<u>(75)</u>
	341	799
Less: Current portion	<u>(341)</u>	<u>(490)</u>
Non-current portion	<u>-</u>	<u>309</u>

The non-current portion is repayable as follows:

	Group	
	2023 RM'000	2022 RM'000
More than 1 year and less than 2 years	-	234
More than 2 year and less than 5 years	<u>-</u>	<u>75</u>
Non-current portion	<u>-</u>	<u>309</u>

The effective interest rate of hire-purchase payables of the Company as of December 31, 2023 range from 3.80%-4.40% (2022: range from 3.80%-4.40%) per annum. Interest rates are fixed at the inception of the hire-purchase arrangements.

22. SHORT TERM FINANCING

	Group	
	2023 RM'000	2022 RM'000
Short term financing from:		
Ultimate holding company	-	9,000
Bank	<u>22,414</u>	<u>23,683</u>
	<u>22,414</u>	<u>32,683</u>

Short term financing from the ultimate holding company is unsecured, bears interest at NIL (2022: 5%) per annum and is repayable on demand.

Short term financing from a bank relates to a subsidiary's financing arrangement with a bank where 85% (2022: 85%) of the subsidiary's notified sales invoice value is available to be financed against. The financing arrangement bears interest at a rate ranging from 2.35% to 5.25% (2022: 2.35% to 3.5%) above the bank's base rate.

23. OTHER NON-CURRENT ASSETS**Prepaid land lease payments**

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cost				
At January 1/December 31	<u>31,633</u>	<u>31,633</u>	<u>-</u>	<u>-</u>
Accumulated amortisation				
At January 1	4,167	3,546	-	-
Amortisation charged for the year (Note 10)	<u>621</u>	<u>621</u>	<u>-</u>	<u>-</u>
At December 31	<u>4,788</u>	<u>4,167</u>	<u>-</u>	<u>-</u>
Net carrying amount	<u>26,845</u>	<u>27,466</u>	<u>-</u>	<u>-</u>

There are 4 registered debentures over the Group's leasehold land with a net carrying amount of RM2,161,000 (2022: RM2,234,000) held as securities for banking facilities granted to the subsidiaries. As at December 31, 2023 and 2022, these banking facilities have not been utilised by the Group.

The leasehold land have unexpired lease periods of 25 years to 45 years (2022: 26 years to 46 years).

24. INVESTMENTS IN SUBSIDIARIES

	Company	
	2023 RM'000	2022 RM'000
Cost		
Unquoted shares, at cost		
- in Malaysia	16,449	16,449
- outside Malaysia	80,714	80,714
At December 31	<u>97,163</u>	<u>97,163</u>
Accumulated impairment losses		
At January 1	235	213
Impairment recognised during the year (Note 8)	<u>1</u>	<u>22</u>
At December 31	<u>236</u>	<u>235</u>
Net carrying amount	<u>96,927</u>	<u>96,928</u>

(a) Details of the subsidiaries are as follows:

Name of the subsidiaries	Country of incorporation and operations	Effective equity interest held (%)		Principal activities
		2023	2022	
ESCATEC Electronics Sdn. Bhd. **	Malaysia	100	100	Manufacture, sale of electronics devices and printed circuit board assemblies.
ESCATEC Mechatronics Sdn. Bhd. **	Malaysia	100	100	Manufacture, sale of mechatronic and electronic products and precision plastic moulding products.
ESCATEC Industries Sdn. Bhd. **	Malaysia	100	100	Dormant.

Name of the subsidiaries	Country of incorporation and operations	Effective equity interest held (%)		Principal activities
		2023	2022	
ESCATEC Medical Sdn. Bhd. **	Malaysia	100	100	Design, manufacture and sales of electronics and mechatronics devices, printed circuit board assemblies and precision plastic moulding primarily for the medical industry.
ESCATEC Technology Sdn. Bhd. **	Malaysia	100	100	Dormant.
ESCATEC Hong Kong Limited ***	Hong Kong	100 [^]	100 [^]	Dormant.
ESCATEC Sweden AB ***	Sweden	100	100	Sales and marketing activities, acting as agent for ESCATEC group manufacturing companies and ESCATEC group's European operational holding and management.
ESCATEC Trading and Engineering AG ***	Switzerland	100 ^{^^}	100 ^{^^}	Provision of management, marketing and technical services.
ESCATEC Switzerland AG ***	Switzerland	100 ^{^^}	100 ^{^^}	Engineering, design and manufacturing of electronic components for use in industrial products.
ESCATEC Mechatronics Limited ***	United Kingdom	100 ^{^^}	100 ^{^^}	Electro mechanical and electronics manufacturing services.

Name of the subsidiaries	Country of incorporation and operations	Effective equity interest held (%)		Principal activities
		2023	2022	
Escatec Mechatronics s.r.o ***	Czech Republic	100^^	100^^	Assembly of electro-mechanical parts into finished products
ESCATEC Bulgaria Ltd ***	Bulgaria	100^^	-	Manufacture, sale of electronics devices and printed circuit board assemblies.
Alcaeus Holdings Limited ***	United Kingdom	100^^	100^^	Ceased business operations on November 30, 2021 and dissolved on January 17, 2023.
Paragon Electronics Limited ***	United Kingdom	100^^^	100^^^	Ceased business operations on November 30, 2021 and dissolved on January 17, 2023.
JJS Manufacturing (Bedford) Limited ***	United Kingdom	100^^^ ^	100^^^ ^	Ceased business operations on November 30, 2021 and dissolved on January 3, 2023.
JJS Manufacturing Limited ***	United Kingdom	100^^^ ^	100^^^ ^	Ceased business operations on November 30, 2021 and dissolved on January 17, 2023.

** Audited by member firms of Deloitte PLT.

*** Audited by firms of auditors other than Deloitte PLT.

^ 5% of equity interest is held through ESCATEC Electronics Sdn. Bhd..

^^ Equity interest is held through ESCATEC Sweden AB.

^^^ Equity interest is held through Alcaeus Holdings Limited.

^^^ Equity interest is held through Paragon Electronics Limited.

(b) The management of the Company has carried out a review of the recoverable amount of the investments in subsidiaries during the year. An impairment loss of RM1,000 (2022: impairment loss of RM22,000) has been recognised in profit or loss, decreasing the net carrying amount of the investment to its recoverable amount as at December 31, 2023.

(c) Incorporation of ESCATEC Bulgaria Ltd

On May 18, 2023, ESCATEC Bulgaria Ltd was incorporated with a paid up share capital of BGN2 (approximately RM5). All of the paid up share capital was subscribed by ESCATEC Sweden AB upon incorporation.

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25. INTANGIBLE ASSETS

Group	2023		2022	
	Software and licences RM'000	Goodwill RM'000	Total RM'000	Total RM'000
Cost				
At January 1	3,477	107,852	111,329	112,032
Write off	(1,810)	-	(1,810)	(819)
Exchange differences	275	-	275	116
At December 31	1,942	107,852	109,794	111,329
Accumulated depreciation				
At January 1	3,376	25,680	29,056	14,259
Arising from acquisition during the year (Note 24)	-	-	-	-
Amortisation charged for the year (Note 10)	67	15,408	15,475	15,501
Impairment of goodwill (Note 10)	-	23,470	23,470	-
Write off	(1,810)	-	(1,810)	(819)
Exchange differences	275	-	275	115
At December 31	1,908	64,558	66,466	29,056
Net carrying amount				
At December 31	34	43,294	43,328	82,273

25. INTANGIBLE ASSETS (continued)

At end of the reporting period, the Group assessed the recoverable amount of goodwill and determined an impairment of RM23,470,000 (2022: RM Nil) was necessary.

The recoverable amount of the cash-generating unit is determined based on a value-in-use calculation which uses cash flow projections based on financial budgets approved by the management covering a period of 5 years with an estimated growth rate of 1% (2022: N/A) and a post-tax discount rate of 12% (2022: N/A) (equivalent to a pre-tax discount rate of 16.5%, 2022: N/A) per annum. The cash flows beyond that 5 years period have been extrapolated using a steady 1% (2022: N/A) per annum growth rate.

Cash flow projections during the budget period are based on the same expected gross margins and market price inflation throughout the budget period. The management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would still cause the carrying amount to exceed the recoverable amount of the cash-generating unit.

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26. PROPERTY, PLANT AND EQUIPMENT

Group	2023					2022		
	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Computers RM'000	Factory building RM'000	Ancillary construction RM'000	Capital work-in-progress RM'000	Total RM'000
Cost								
At January 1	191,456	12,223	2,950	18,049	50,698	-	936	264,154
Additions	16,101	826	177	1,013	35	285	2,387	20,926
Disposal	(2,583)	(1,955)	(547)	(986)	-	-	-	(3,599)
Reclassification	936	-	-	-	-	-	(936)	-
Written off	(3,972)	(1,185)	-	(1,169)	-	-	-	(5,286)
Exchange differences	8,289	968	135	1,148	416	5	-	10,961
At December 31	210,227	10,877	2,715	18,055	51,149	290	2,387	295,700
								276,312
								(6,326)
								(5,286)
								10,961
								276,312

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Group	← 2023 →					→ 2022		
	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Computers RM'000	Factory building RM'000	Ancillary construction RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation								
At January 1	155,001	10,811	2,562	14,641	25,976	-	-	208,991
Depreciation charged for the year (Note 10)	17,407	767	222	2,021	1,810	-	-	22,227
Disposal	(2,583)	(1,955)	(427)	(986)	-	-	-	(5,951)
Written off	(3,972)	(1,185)	-	(1,160)	-	-	-	(6,317)
Exchange differences	7,109	883	119	974	390	-	-	9,475
At December 31	172,962	9,321	2,476	15,490	28,176	-	-	228,425
Net carrying amount								
At December 31	37,265	1,556	239	2,565	22,973	290	2,387	67,275
								67,321

There are 4 registered debentures over the Group's property, plant and equipment with a net carrying amount of RM26,328,000 (2022: RM30,415,000) held as securities for banking facilities granted to the subsidiaries. As at December 31, 2023 and 2022, these banking facilities have not been utilised by the Group.

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Company	2023			2022
	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Computers RM'000	Total RM'000
Cost				
At January 1	7	713	138	858
Additions	-	177	18	195
Disposals	-	(187)	(17)	(204)
At December 31	7	703	139	849
Accumulated amortisation				
At January 1	7	680	93	780
Depreciation charged for the year (Note 10)	-	61	30	91
Disposals	-	(181)	(17)	(198)
At December 31	7	560	106	673
Net carrying amount				
At December 31	-	143	33	176
				78

27. INVESTMENT PROPERTY

Group	2023			2022
	Factory building RM'000	Ancillary construction RM'000	Total RM'000	Total RM'000
Cost				
At January 1/December 31	<u>5,732</u>	<u>8</u>	<u>5,740</u>	<u>5,740</u>
Accumulated amortisation				
At January 1/December 31	<u>5,732</u>	<u>8</u>	<u>5,740</u>	<u>5,740</u>
Net carrying amount				
At December 31	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

There are 2 registered debentures over the Group's investment property with a net carrying amount of RM Nil (2022: RM Nil) held as securities for banking facilities granted to a subsidiary. As at December 31, 2023 and 2022, these banking facilities have not been utilised by the Group.

The title deed to the investment property is registered under the name of the subsidiary.

The direct operating expenses incurred by the subsidiary on the investment property during the financial year amounted to RM Nil (2022: RM Nil).

The investment property of the subsidiary has an estimated open market value of approximately RM12,000,000 (2022: RM12,000,000) and is leased to generate rental income.

Valuation technique and inputs used in the fair value disclosure are shown below:

	Fair value RM'000	Valuation technique	Significant unobservable input	Range
At December 31, 2023				
Factory building and ancillary construction	<u>12,000</u>	<u>Market comparable approach</u>	<u>Price per square feet</u>	<u>RM146- RM395</u>
At December 31, 2022				
Factory building and ancillary construction	<u>12,000</u>	<u>Market comparable approach</u>	<u>Price per square feet</u>	<u>RM146- RM395</u>

28. DEFERRED TAX (ASSETS)/LIABILITIES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At January 1	(3,149)	(2,922)	(32)	(32)
Arising from acquisition during the year	-	-	-	-
Recognised in profit or loss (Note 12)	(1,232)	(220)	90	-
Exchange differences	15	(7)	-	-
	<u>(4,366)</u>	<u>(3,149)</u>	<u>58</u>	<u>(32)</u>
At December 31	<u>(4,366)</u>	<u>(3,149)</u>	<u>58</u>	<u>(32)</u>
Presented after appropriate offsetting as follows:				
Deferred tax assets	(4,424)	(3,149)	-	(32)
Deferred tax liabilities	58	-	58	-
	<u>(4,366)</u>	<u>(3,149)</u>	<u>58</u>	<u>(32)</u>
At December 31	<u>(4,366)</u>	<u>(3,149)</u>	<u>58</u>	<u>(32)</u>

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

Deferred tax assets of the Group:

	Provision for liabilities RM'000	Unabsorbed business losses and accelerated capital allowances RM'000	Total RM'000
At January 1, 2023	(3,234)	(656)	(3,890)
Recognised in profit or loss	(80)	(456)	(536)
Exchange differences	(8)	(22)	(30)
	<u>(3,322)</u>	<u>(1,134)</u>	<u>(4,456)</u>
At December 31, 2023	<u>(3,322)</u>	<u>(1,134)</u>	<u>(4,456)</u>
At January 1, 2022	(2,907)	(87)	(2,994)
Recognised in profit or loss	(412)	(577)	(989)
Exchange differences	85	8	93
	<u>(3,234)</u>	<u>(656)</u>	<u>(3,890)</u>
At December 31, 2022	<u>(3,234)</u>	<u>(656)</u>	<u>(3,890)</u>

Deferred tax liabilities of the Group:

	Property, plant and equipment RM'000
At January 1, 2023	741
Recognised in profit or loss	(696)
Exchange differences	45
	<hr/>
At December 31, 2023	90
	<hr/>
At January 1, 2022	72
Recognised in profit or loss	686
Exchange differences	(17)
	<hr/>
At December 31, 2022	741
	<hr/>

Deferred tax assets of the Company:

	Unabsorbed business losses and accelerated capital allowances RM'000
At January 1, 2023	(59)
Recognised in profit or loss	27
	<hr/>
At December 31, 2023	(32)
	<hr/>
At January 1, 2022	(59)
Recognised in profit or loss	-
	<hr/>
At December 31, 2022	(59)
	<hr/>

Deferred tax liabilities of the Company:

	Property, plant and equipment RM'000
At January 1, 2023	27
Recognised in profit or loss	63
	<hr/>
At December 31, 2023	90
	<hr/>
At January 1, 2022	27
Recognised in profit or loss	-
	<hr/>
At December 31, 2022	27
	<hr/>

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

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Unabsorbed business losses	255	1,200	-	21
Other deductible temporary differences	13,279	23,539	-	-
	<u>13,534</u>	<u>24,739</u>	<u>-</u>	<u>21</u>

No deferred tax assets have been recognised in respect of the above as it is not probable that future taxable profit will be available against which these items can be utilized.

29. LONG TERM FINANCING

	Group	
	2023 RM'000	2022 RM'000
Long term financing	<u>67,388</u>	<u>57,024</u>

The long term financing are obtained from the ultimate holding company and penultimate holding company, are unsecured and are repayable on April 27, 2026 and December 31, 2026 (2022: April 27, 2026). The effective interest rate for the long term financing as at the reporting date are 5% (2022: 5%) per annum.

The remaining maturity of the financing as at reporting date is as follows:

	Group	
	2023 RM'000	2022 RM'000
More than 1 year and less than 2 years	-	37,838
More than 2 years and less than 5 years	<u>67,388</u>	<u>19,186</u>
	<u>67,388</u>	<u>57,024</u>

30. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2023 '000	2022 '000	2023 RM'000	2022 RM'000
Issued and fully paid	<u>93,258</u>	<u>93,258</u>	<u>93,258</u>	<u>93,258</u>

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

31. OTHER RESERVES

The nature and purpose of each category of reserve are as follows:

(a) Legal reserve

Under Swiss law, 5% of the subsidiary's yearly profit and 10% of the paid dividend exceeding 5% is required to be allocated to this reserve until it reaches 50% of the subsidiary's share capital. The reserve may be used to offset any accumulated losses of the subsidiary but is not available for dividend distribution to shareholders.

(b) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

32. RETAINED EARNINGS

The Company may distribute dividends out of its entire retained earnings as at December 31, 2023 and December 31, 2022 under the single tier system.

As at December 31, 2023, the Company has tax exempt profits available for distribution of RM65,172,556 (2022: RM65,172,556), subject to the agreement of the Inland Revenue Board.

33. OPERATING LEASE ARRANGEMENT

The Group as lessor

Future minimum rentals receivable under non-cancellable operating lease at the reporting date are as follows:

	Group	
	2023 RM'000	2022 RM'000
Not later than 1 year	<u>-</u>	<u>634</u>

The Group as lessee

The Group has entered into operating lease agreements for the use of premises. The future aggregate minimum lease payments under operating leases contracted for as of the end of the reporting period but not recognised as liabilities are as follows:

	Group	
	2023 RM'000	2022 RM'000
Not later than 1 year	6,516	5,691
Between 1 year to 5 years	<u>3,719</u>	<u>4,292</u>
	<u>10,235</u>	<u>9,983</u>

34. CAPITAL COMMITMENTS

	Group	
	2023 RM'000	2022 RM'000
Capital expenditure:		
Approved and contracted for:		
- Plant and machinery	<u>1,254</u>	<u>4,965</u>

35. CONTINGENT LIABILITIES

No contingent liabilities existed as at the date of these financial statements in relation to the Group or the Company.

36. RELATED PARTY DISCLOSURE**a) Related party transactions**

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company have the following transactions with related parties during the financial year:

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
With ultimate holding company				
Drawdown/(Repayment) of long term financing, net	5,908	(10,130)	-	-
Repayment of short term financing, net	(9,000)	(4,472)	-	-
Interest expense paid to	<u>3,374</u>	<u>3,864</u>	<u>-</u>	<u>-</u>
With penultimate holding company				
Drawdown of long term financing, net	4,456	-	-	-
Interest expense paid to	<u>127</u>	<u>-</u>	<u>-</u>	<u>-</u>
With immediate holding company				
Dividend paid	<u>40,000</u>	<u>30,000</u>	<u>40,000</u>	<u>30,000</u>
With subsidiaries				
Dividend income received from	-	-	40,000	32,000
Management fee income received from	-	-	11,790	13,070
Rental of premises	<u>-</u>	<u>-</u>	<u>415</u>	<u>415</u>
With related company				
Flight expenses charged by a related company	<u>416</u>	<u>382</u>	<u>-</u>	<u>79</u>

b) Compensation of key management personnel

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

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Short-term employee benefits	15,428	12,205	4,595	3,615
Post employment benefits:				
Defined contribution plan	516	462	-	-
Other staff related expenses	<u>413</u>	<u>812</u>	<u>289</u>	<u>447</u>
	<u>16,357</u>	<u>13,479</u>	<u>4,884</u>	<u>4,062</u>
Included in the total key management personnel are:				
Directors' remuneration	<u>4,822</u>	<u>4,082</u>	<u>1,845</u>	<u>1,179</u>

The key management personnel of the Group and the Company include the directors and certain members of senior management.

37. FINANCIAL INSTRUMENTS

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Financial assets				
Derivative financial assets	80	328	-	-
Trade receivables	204,458	245,007	-	-
Other current receivables, net of prepayments and derivative financial assets	4,388	3,277	756	2,450
Cash on hand and at banks	21,017	22,996	5,169	624
Deposits with bank	6,943	53,071	-	-
Financial liabilities				
Trade payables	118,577	176,852	-	-
Advances from customers	55,240	232,227	-	-
Short term financing	22,414	32,683	-	-
Other current liabilities, net of derivative financial liabilities	85,506	92,070	4,087	2,231
Hire-purchase payable (non-current)	-	309	-	-
Long term financing	67,388	57,024	-	-

38. MATERIAL LITIGATION

On December 22, 2021, the Group was informed of a legal claim initiated by a customer of the Group in respect to the termination of a Development, Production and Supply Agreement ("Agreement") entered into in 2017. The said legal claim was lodged against two subsidiaries of the Group, ESCATEC Switzerland AG and ESCATEC Mechatronics Sdn. Bhd. ("EMM"), and asserts that the Group is liable to the customer for development costs and damages that the customer had suffered due to the non-fulfillment of the Group's obligations under the Agreement. Arising from this legal claim, the Group has made a provision for legal claims (as disclosed in Note 20) amounting to EUR1,927,000, equivalent to RM9,789,000 (2022: EUR1,927,000, equivalent to RM9,269,000) as of December 31, 2023. In the opinion of the directors, after taking into consideration the relevant and appropriate independent legal advice, the outcome of the legal claims is not expected to give rise to any significant obligation or expenses beyond the amount which has already been provided for as at December 31, 2023.

On February 15, 2024, an out of court resolution was reached between the Group and the customer with the dispute resolved through mutual agreement. This was agreed by both parties involved with the aim of mitigating the potential risks and costs associated with legal proceedings.

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The Group has agreed to pay the customer a sum of CHF132,500 (equivalent of RM717,037), serving as a comprehensive resolution for all claims arising under the Agreement. This payment has been made on February 28, 2024.

This settlement marks the conclusive closure of the matter between the Group and the customer, bringing an end to any further dispute or contention between them.

As the settlement was reached after the reporting date, any over provision arising from the matter will be adjusted for in the financial statements of the Group in the year ending December 31, 2024.

39. SIGNIFICANT EVENTS AND EVENTS AFTER THE REPORTING PERIOD

Acquisition of land and building

On August 22, 2023, a subsidiary of the Company (EMM) entered into a Sale and Purchase Agreement with a third party to acquire a piece of land together with a detached factory building for a total consideration of RM14.5 million. As of the date of this report, the EMM had made full payment for the acquisition and completion of the acquisition is subject upon the transfer of the title deed to the subsidiary of the Company.

Material Litigation

Refer to Note 38.

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ESCATEC SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

The directors of **ESCATEC SDN. BHD.** state that, in their opinion, the accompanying financial statements are drawn up in accordance with the Malaysian Private Entities Reporting Standard 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 December 31, 2023 and of the financial performance and the cash flows of the Group and of the Company for the year then ended on that date.

Signed in accordance with
a resolution of the Directors,


CHRISTOPHE GEORGES ALBIN


CHARLES-ALEXANDRE ALBIN

24 JUN 2024

**DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR
THE FINANCIAL MANAGEMENT OF THE COMPANY**

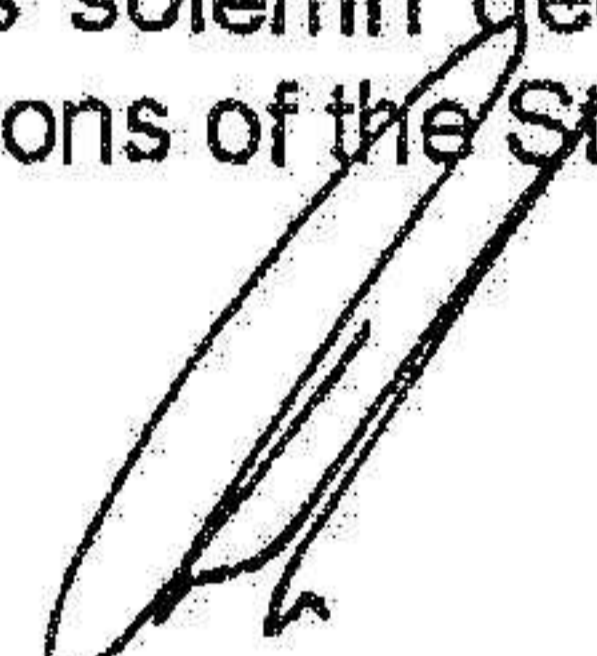
I, **ROMAN MARC ZIEGLER**, the officer primarily responsible for the financial management of **ESCATEC SDN. BHD.**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared


By the abovenamed **ROMAN MARC**

ZIEGLER at **GEORGETOWN** in the

State of **PENANG** on **24 JUN 2024**



Before me,


P195
Tan Cheng Kuan
Tempoh Lantikan:
01-01-2023 - 30-6-2024
MALAYSIA
27, Jalan Zainal Abidin
10400 Pulau Pinang

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