Registration No: 201801013622 (1275638 - T)

ENEST GROUP BERHAD

(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2021

ENEST GROUP BERHAD
(Incorporated in Malaysia)

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ENEST GROUP BERHAD

(Incorporated in Malaysia)

CORPORATE INFORMATION

DIRECTORS	Tan Teh Jie Tan Teh Sheng Tan Heng Guan Datuk Ng Seing Liong Sim Lai Ly
SECRETARY	Wong Youn Kim
REGISTERED OFFICE	Level 2, Tower 1, Avenue 5 Bangsar South City 59200 Kuala Lumpur
PRINCIPAL PLACE OF BUSINESS	No. 2B - G, Jalan Semenyih Bandar Kajang 43000 Kajang Selangor Darul Ehsan
AUDITORS	Grant Thornton Malaysia PLT (Member of Grant Thornton International Ltd) Chartered Accountants Level 11, Sheraton Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur
STOCK EXCHANGE LISTING	LEAP Market of Bursa Malaysia Securities Berhad

ENEST GROUP BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The principal activities of its subsidiaries are disclosed in Note 6(a) to the Financial Statements.

There have been no other significant changes in the nature of the activities of the Company and of its subsidiaries during the financial year.

FINANCIAL RESULTS

	Group RM	**Company** RM
Net profit for the financial year	6,482,268	227,329
Attributable to:-		
Owners of the Company	5,996,461	227,329
Non-controlling interests	485,807	-
	6,482,268	227,329

DIVIDENDS

The amount of dividends declared and paid since the end of the previous financial year are as follows:-

	RM
In respect of the financial year ended 31 December 2021:-	
Interim single tier dividend of 0.075 sen per share declared on 29 January 2021 and paid on 26 February 2021	348,750

The Directors do not recommend any final dividend payment for the financial year.

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

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

DIRECTORS

The Directors who held office during the financial year and up to the date of this report are as follows:-

Tan Teh Jie *
Tan Teh Sheng *
Tan Heng Guan *
Datuk Ng Seing Liong
Sim Lai Ly

*Directors of the Company and its subsidiaries

DIRECTORS OF THE SUBSIDIARIES

The Directors who held office (excluding Directors of the Company) during the financial year and up to the date of this report are as follows:-

Christopher Tan Yew Leong
Lok Chyi Yeu
Boris Ting Ek Wu# (Appointed on 18 February 2021)

#Directors of newly incorporated subsidiary

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016 in Malaysia ("the Act"), the interests and deemed interests in the ordinary shares of the Company of those who were Directors at the end of the financial year are as follows:-

	Number of ordinary shares			
	At 1.1.2021	Additions	Sold	At 31.12.2021
The Company				
Direct interest				
- Tan Teh Jie	83,041,520	-	(2,500,000)	80,541,520
- Tan Teh Sheng	84,535,520	-	(2,150,000)	82,385,520
- Tan Heng Guan	87,150,000	-	(2,500,000)	84,650,000

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

DIRECTORS' FEES AND BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of remuneration received or receivable by the Directors disclosed in the Note 30 to the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

OTHER STATUTORY INFORMATION

Before the financial statements 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 provision for doubtful debts and satisfied themselves that there were no bad debts to be written off and adequate provision had been made for doubtful debt; and

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

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

(a) which would render it necessary to write off any bad debts or to the amount of the provision 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 the 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 have arisen since the end of the financial year which secure 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.

OTHER STATUTORY INFORMATION (CONT'D)

In the opinion of the Directors:-

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

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

(c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the current financial year in which this report is made.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

There were no indemnity coverage or insurance premium paid for the Directors and Officers of the Group and of the Company during the financial year.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE REPORTING PERIOD

The significant event during the financial year and subsequent to the reporting period is disclosed in Note 37 to the Financial Statements.

AUDITORS

The total amount of fees paid to or receivable by the Auditors, Grant Thornton Malaysia PLT, as remuneration for their services as auditors of the Company and its subsidiaries for the financial year ended 31 December 2021 amounted to RM25,000 and RM92,000 respectively.

The Group and the Company have agreed to indemnify the Auditors, Grant Thornton Malaysia PLT as permitted under Section 289 of the Companies Act 2016 in Malaysia. No payment has been made to indemnify Grant Thornton Malaysia PLT for the financial year ended 31 December 2021.

The Auditors, Grant Thornton Malaysia PLT, have expressed their willingness to continue in office.

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

....
TAN TEH JIE

DIRECTORS

....
TAN TEH SHENG

Kuala Lumpur
28 April 2022

ENEST GROUP BERHAD

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 15 to 87 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of their financial performance and cash flows for the financial year then ended.

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

……..	…………………………………………
TAN TEH JIE	TAN TEH SHENG

Kuala Lumpur
28 April 2022

STATUTORY DECLARATION

I, Christopher Tan Yew Leong, being the Officer primarily responsible for the financial management of Enest Group Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 15 to 87 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by	)	
the abovenamed at Kuala Lumpur in the	)	
Federal Territory this day of	)	
28 April 2022	)	....
		CHRISTOPHER TAN YEW LEONG
		(MIA No: 42903)

Before me:

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF

ENEST GROUP BERHAD
(Incorporated in Malaysia)
Registration No: 201801013622 (1275638 - T)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Enest Group Berhad, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 15 to 87.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") 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 ("ISAs"). 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 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.

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Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters

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

GROUP

Key audit matters	How our audit addressed the key audit matters
Revenue recognition Referring to Note 23 to the Financial Statements, the Group's revenue for the financial year amounted to RM94,562,219. Revenue is regarded as key audit matter because the amount of revenue contributed is significant to the financial statements of the Group as a whole. Revenue is recognised through a five steps model as per MFRS 15. Furthermore, International Standards on Auditing ("ISA") 240 presumed that we consider the risk of fraud arising in revenue recognition. Whilst revenue recognition and measurement is not complex for the Group, revenue targets form part of the Group's key performance measures which could create an incentive to record revenue incorrectly. We focused on this area given the magnitude of revenue transactions that occurred.	Our procedures included, amongst others:- • Understood and evaluated the controls relating to revenue recognition; • Performed substantive tests to verify the revenue recognised; • Performed analytical procedures on the trend of revenue recognised to identify any abnormalities; and • Performed cut-off test and credit note review on sampling basis to check the revenue is recognised on the correct accounting period.

Registration No: 201801013622 (1275638 - T)

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

GROUP (CONT'D)

Key audit matters	How our audit addressed the key audit matters
Trade receivables Referring to Note 10 to the Financial Statements, the Group holds trade receivables of RM7,694,305 on the statements of financial position. The recoverability of trade receivables is a significant audit risk as it is subject to credit risk exposures and required management judgement in assessing the adequacy of outstanding trade receivables by considering ageing of trade receivables, expected recoverability, historical loss experience and forward-looking information.	Our procedures included, amongst others:- • Challenged management's assumptions in impairment losses assessment of trade receivables; • Reviewed the ageing of trade receivables and tested the reliability thereon; and • Assessed the recoverability of outstanding receivables through examination of subsequent receipts and other relevant information.
Inventories Referring to Note 9 to the Financial Statements, the Group holds inventories of RM12,276,445 on the statements of financial position. Inventories valuation and existence is a significant audit risk as inventories may be held for long periods of time before sold making it vulnerable to slow moving or obsolescence and it is also subject to change in consumer demands. This could result in an overstatement of the value of the inventories if the cost is higher than the net realisable value. Furthermore, the assessment and application of inventories provisions are subject to significant management judgement.	Our procedures included, amongst others:- • Attended physical inventories count over the existence of inventories. We performed our own sample counts and checking that the accounting records properly reflected those physical counts; • Tested the costing and latest selling price on sampling basis to ensure that the inventories are stated at lower of cost and net realisable value; and • Challenged the appropriateness and consistency of judgements and assumptions in relates to the impairment of inventories.

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

COMPANY

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

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 other information and we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of Directors for the Financial Statements

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

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

Report on the Audit of the Financial Statements (cont'd)

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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, 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 of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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

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

Report on the Audit of the Financial Statements (cont'd)

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

We have communicated 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 identified during our audit.

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

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

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 6(a) to the Financial Statements.

Other Matter

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

GRANT THORNTON MALAYSIA PLT	LEE YIK LOONG
(201906003682 & LLP0022494-LCA)	(NO: 03630/12/2023 J)
CHARTERED ACCOUNTANTS (AF 0737)	CHARTERED ACCOUNTANT

Kuala Lumpur
28 April 2022

ENEST GROUP BERHAD

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

		Group		Company	
	Note	2021	2020	2021	2020
		RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	4,865,879	3,707,571	159,088	156,750
Investment property	5	628,273	-	-	-
Investment in subsidiaries	6(a)	-	-	2,175,261	2,075,032
Investment in associates	7(a)	-	14,230	3	3
Goodwill	8	1,839,979	1,839,979	-	-
Total non-current assets		7,334,131	5,561,780	2,334,352	2,231,785
Current assets					
Inventories	9	12,276,445	9,480,425	-	-
Trade receivables	10	7,694,305	5,410,889	-	-
Other receivables	11	8,570,069	8,700,430	375,294	12,900
Amount due from subsidiaries	6(c)	-	-	2,380,611	2,518,329
Amount due from associates	7(b)	-	85,000	-	38,500
Other investments	12	1,585,831	1,556,785	1,585,538	1,556,492
Fixed deposit with a licensed bank	13	440,000	400,000	-	-
Cash and bank balances	14	2,433,427	2,266,473	13,248	11,295
Total current assets		33,000,077	27,900,002	4,354,691	4,137,516
TOTAL ASSETS		40,334,208	33,461,782	6,689,043	6,369,301
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company:-					
Share capital	15.1	5,431,272	5,431,272	5,431,272	5,431,272
Merger deficit	15.2	(375,108)	(375,108)	-	-
Foreign currency translation reserve	15.3	12,214	504	-	-
Retained earnings		15,389,460	9,730,439	677,237	798,658
		20,457,838	14,787,107	6,108,509	6,229,930
Non-controlling interests	6(b)	1,553,862	1,079,395	-	-
Total equity		22,011,700	15,866,502	6,108,509	6,229,930
LIABILITIES					
Non-current liabilities					
Borrowings	16	1,534,144	1,553,542	-	-
Deferred tax liabilities	17	70,000	73,000	-	-
Lease liabilities	18	997,766	567,665	28,892	28,892
Total non-current liabilities		2,601,910	2,194,207	28,892	28,892

ENEST GROUP BERHAD

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 (CONT'D)

		Group		Company	
	Note	2021	2020	2021	2020
		RM	RM	RM	RM
EQUITY AND LIABILITIES (CONT'D)					
LIABILITIES (CONT'D)					
Current liabilities					
Trade payables	19	716,847	1,411,727	-	-
Other payables	20	9,686,072	11,254,269	273,028	69,953
Lease liabilities	18	374,201	273,141	29,890	29,890
Amount due to Directors	21	64,830	70,292	-	8,100
Amount due to a subsidiary	6(c)	-	-	226,800	-
Borrowings	16	270,837	245,496	-	-
Bank overdrafts	22	1,737,708	612,549	-	-
Tax payable		2,870,103	1,533,599	21,924	2,536
Total current liabilities		15,720,598	15,401,073	551,642	110,479
Total liabilities		18,322,508	17,595,280	580,534	139,371
TOTAL EQUITY AND LIABILITIES		40,334,208	33,461,782	6,689,043	6,369,301

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

ENEST GROUP BERHAD

(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Group		Company	
	Note	2021	2020	2021	2020
		RM	RM	RM	RM
Revenue	23				
Sales of goods		94,562,219	77,762,615	-	-
Rendering of services		-	-	750,000	750,000
Dividend income		-	-	350,000	-
		94,562,219	77,762,615	1,100,000	750,000
Cost of sales		(83,908,865)	(68,823,754)	-	-
Gross profit		10,653,354	8,938,861	1,100,000	750,000
Other income	24	2,485,947	1,430,801	34,046	268,654
Selling and distribution expenses		(4,382)	(11,429)	-	-
Administrative expenses		(3,717,554)	(2,923,678)	(790,603)	(764,338)
Impairment loss on financial assets		(650,401)	-	(81,214)	-
Other expenses	25	(14,228)	(8,785)	(62)	-
Operating profit		8,752,736	7,425,770	262,167	254,316
Finance costs	26	(188,925)	(180,450)	(4,120)	(282)
Share of loss of associates		-	(770)	-	-
Profit before tax	27	8,563,811	7,244,550	258,047	254,034
Tax expense	28	(2,081,543)	(1,765,412)	(30,718)	(47,944)
Net profit for the financial year		6,482,268	5,479,138	227,329	206,090
Other comprehensive income/(loss)					
Item that will be reclassified subsequently to profit or loss					
- Foreign currency translation, net of tax		11,710	(2,856)	-	-
Total comprehensive income for the financial year		6,493,978	5,476,282	227,329	206,090
Net profit for the financial year attributable to:-					
Owners of the Company		5,996,461	5,132,867	227,329	206,090
Non-controlling interests		485,807	346,271	-	-
		6,482,268	5,479,138	227,329	206,090
Total comprehensive income for the financial year attributable to:-					
Owners of the Company		6,008,171	5,132,010	227,329	206,090
Non-controlling interests		485,807	344,272	-	-
		6,493,978	5,476,282	227,329	206,090
Earnings per share attributable to owners of the Company:-					
- Basic (sen)	29(a)	1.29	1.10		
- Diluted (sen)	29(b)	*	*		

** There are no dilutive potential equity instruments that would give a diluted effects to the basic earnings per share.*

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

ENEST GROUP BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		← Attributable to owners of the Company →						
		← Non-distributable →			Distributable			
	Note	Share capital RM	Merger deficit RM	Foreign currency translation reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
Group								
Balance at 1 January 2020		5,431,272	(375,108)	3,865	4,571,939	9,631,968	758,252	10,390,220
Net profit for the financial year		-	-	-	5,132,867	5,132,867	346,271	5,479,138
Other comprehensive loss for the financial year								
- Foreign currency translation		-	-	(857)	-	(857)	(1,999)	(2,856)
Total comprehensive income for the financial year		-	-	(857)	5,132,867	5,132,010	344,272	5,476,282
Transactions with owners:-								
Disposal of subsidiary to non-controlling interests		-	-	(2,504)	25,633	23,129	(23,129)	-
Balance at 31 December 2020		5,431,272	(375,108)	504	9,730,439	14,787,107	1,079,395	15,866,502
Net profit for the financial year		-	-	-	5,996,461	5,996,461	485,807	6,482,268
Other comprehensive income for the financial year								
- Foreign currency translation		-	-	11,710	-	11,710	-	11,710
Total comprehensive income for the financial year		-	-	11,710	5,996,461	6,008,171	485,807	6,493,978
Transactions with owners:-								
Acquisition of subsidiaries from non-controlling interests		-	-	-	11,310	11,310	(11,340)	(30)
Dividend paid	32	-	-	-	(348,750)	(348,750)	-	(348,750)
Balance at 31 December 2021		5,431,272	(375,108)	12,214	15,389,460	20,457,838	1,553,862	22,011,700
Company								
Balance at 1 January 2020		5,431,272	-	-	592,568	6,023,840	-	6,023,840
Total comprehensive income for the financial year		-	-	-	206,090	206,090	-	206,090
Balance at 31 December 2020		5,431,272	-	-	798,658	6,229,930	-	6,229,930
Total comprehensive income for the financial year		-	-	-	227,329	227,329	-	227,329
Transaction with owners:-								
Dividend paid	32	-	-	-	(348,750)	(348,750)	-	(348,750)
Balance at 31 December 2021		5,431,272	-	-	677,237	6,108,509	-	6,108,509

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

ENEST GROUP BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
OPERATING ACTIVITIES					
Profit before tax		8,563,811	7,244,550	258,047	254,034
Adjustments for:-					
Depreciation of property, plant and equipment		236,530	225,689	12,545	10,900
Depreciation of right-of-use assets		395,406	308,728	29,784	2,550
Fair value adjustment on investment property		(94,067)	-	-	-
Gain on early termination of lease contract		(4,414)	-	-	-
(Gain)/Loss on remeasurement of lease contracts		(5,074)	-	62	-
Dividend income from a subsidiary		-	-	(350,000)	-
Dividend income from other investments		(29,046)	(44,132)	(29,046)	(43,934)
Impairment loss on financial assets					
- Trade receivables		569,187	-	-	-
- Amount due from an associate		81,214	-	81,214	-
Interest expenses		188,925	180,450	4,120	282
Interest income		(10,727)	(110)	-	-
Gain on disposal of subsidiaries		-	(21,045)	-	(199,970)
Loss on disposal of an associate		14,228	-	-	-
Unrealised gain on foreign exchange		(217,818)	-	-	-
Share of results of associates		-	770	-	-
Operating profit before working capital changes		9,688,155	7,894,900	6,726	23,862
Changes in working capital:-					
Inventories		(2,796,020)	(4,081,985)	-	-
Receivables		(2,504,424)	(4,735,653)	(362,394)	(12,900)
Payables		(2,251,367)	3,591,897	203,075	(16,765)
Cash generated from/(used in) operations		2,136,344	2,669,159	(152,593)	(5,803)
Tax paid		(748,039)	(597,364)	(11,330)	(71,120)
Net cash from/(used in) operating activities		1,388,305	2,071,795	(163,923)	(76,923)
INVESTING ACTIVITIES					
Acquisition of subsidiaries from non-controlling interests, net of cash acquired		(30)	-	(79)	-
Subscription of shares on newly incorporated subsidiaries		-	-	(151)	(2)
Additional investment in a subsidiary		-	-	(99,999)	-
Acquisition of associate		-	(15,000)	-	-
Repayment from/(Advances to) associates		3,786	(85,000)	(42,714)	(38,500)
Dividend received from a subsidiary		-	-	350,000	-
Interest received		10,727	110	-	-
Net redemption from other investments		-	518,078	-	500,000
Proceeds from disposal of a subsidiary, net of cash disposed	6(a)	-	196,926	-	200,000
Proceeds from disposal of an associate	7(a)	2	-	-	-
Purchase of property, plant and equipment	**A**	(506,348)	(131,924)	(16,449)	(109,000)
Purchase of investment property		(534,206)	-	-	-
Net cash (used in)/from investing activities		(1,026,069)	483,190	190,608	552,498

ENEST GROUP BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONT'D)

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
FINANCING ACTIVITIES					
(Repayment to)/Advances from Directors		(5,462)	4,123	(8,100)	8,076
Repayment from/(Advances to) subsidiaries		-	-	364,518	(476,900)
Interest paid		(188,925)	(180,450)	(4,120)	(282)
Placement of fixed deposit pledged		(40,000)	(400,000)	-	-
Repayment of lease liabilities	C	(743,247)	(217,262)	(28,280)	(2,418)
Drawdown of term loan	C	262,573	-	-	-
Repayment of term loans	C	(256,630)	(59,617)	-	-
Dividend paid		(348,750)	-	(348,750)	-
Net cash used in financing activities		(1,320,441)	(853,206)	(24,732)	(471,524)
CASH AND CASH EQUIVALENTS					
Net changes		(958,205)	1,701,779	1,953	4,051
At beginning of financial year		1,653,924	(47,855)	11,295	7,244
At the end of financial year	D	695,719	1,653,924	13,248	11,295

NOTES TO STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Total additions	1,468,712	193,124	16,449	170,200
Purchase through lease arrangement	(962,364)	(61,200)	-	(61,200)
Cash payment	506,348	131,924	16,449	109,000

B. CASH OUTFLOWS FOR LEASE AS A LESSEE

	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Included in net cash from operating activities:-				
Payment relating to short-term leases	60,401	75,200	-	-
Payment relating to leases of low value assets	6,574	2,496	-	-
Interest paid in relation to lease liabilities	53,149	32,602	4,120	282
Inlcuded in net cash from financing activities:-				
Payment of lease liabilties	743,247	217,262	28,280	2,418
Total cash outflows for leases	863,371	327,560	32,400	2,700

ENEST GROUP BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONT'D)

NOTES TO STATEMENTS OF CASH FLOWS (CONT'D)

C. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2021 RM	Early termination RM	Remeasurement RM	Drawdown RM	Repayment RM	31 December 2021 RM
Group						
Lease liabilities	840,806	(79,693)	391,737	962,364	(743,247)	1,371,967
Term loans	1,799,038	-	-	262,573	(256,630)	1,804,981
	2,639,844	(79,693)	391,737	1,224,937	(999,877)	3,176,948

	1 January 2020 RM	Early termination RM	Remeasurement RM	Drawdown RM	Repayment RM	31 December 2020 RM
Lease liabilities	996,868	-	-	61,200	(217,262)	840,806
Term loans	1,858,655	-	-	-	(59,617)	1,799,038
	2,855,523	-	-	61,200	(276,879)	2,639,844

	1 January 2021 RM	Early termination RM	Remeasurement RM	Drawdown RM	Repayment RM	31 December 2021 RM
Company						
Lease liabilities	58,782	-	28,280	-	(28,280)	58,782
	58,782	-	28,280	-	(28,280)	58,782

	1 January 2020 RM	Early termination RM	Remeasurement RM	Drawdown RM	Repayment RM	31 December 2020 RM
Lease liabilities	-	-	-	61,200	(2,418)	58,782
	-	-	-	61,200	(2,418)	58,782

D. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise of the following amounts:-

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Cash and bank balances	2,433,427	2,266,473	13,248	11,295
Fixed deposit with a licensed bank	440,000	400,000	-	-
Bank overdrafts	(1,737,708)	(612,549)	-	-
	1,135,719	2,053,924	13,248	11,295
Less: Fixed deposit pleged with a licensed bank	(440,000)	(400,000)	-	-
	695,719	1,653,924	13,248	11,295

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

ENEST GROUP BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2021

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the LEAP Market of the Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur. The principal place of business of the Company is located at No. 2B-G, Jalan Semenyih, Bandar Kajang, 43000 Kajang, Selangor Darul Ehsan.

The Company is principally engaged in investment holding. The principal activities of its subsidiaries are disclosed in Note 6(a) to the Financial Statements.

There have been no other significant changes in the nature of the activities of the Company and of its subsidiaries during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 28 April 2022.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

2. BASIS OF PREPARATION (CONT'D)

2.2 Basis of measurement (cont'd)

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

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

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

Level 1	-	Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2	-	Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
Level 3	-	Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

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

The Group and the Company have established control framework in respect of measurement of fair values of financial instruments. The Board of Directors has overall responsibility for overseeing all significant fair value measurements. The Board of Directors regularly reviews significant unobservable inputs and valuation adjustments.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

2.3 Functional and presentation currency

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

2.4 MFRSs

2.4.1 Adoption of new standards/amendments/improvements to MFRSs

The Group and the Company have consistently applied the accounting policies set out in Note 3 to the Financial Statements to all periods presented in these financial statements.

At the beginning of the current financial year, the Group and the Company adopted new standards/amendments/improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2021.

Initial application of the new standards/amendments/improvements to MFRSs did not have material impact to the financial statements of the Group and of the Company.

2. BASIS OF PREPARATION (CONT'D)

2.4 MFRSs (cont'd)

2.4.2 Standards issued but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by MASB but are not yet effective and have not been early adopted by the Group and the Company.

The management anticipates that all of the relevant pronouncements will be adopted in the Group's and the Company's accounting policies for the first period beginning after the effective date of the pronouncements.

The initial application of the new standards, amendments and interpretations are not expected to have any material impact to the financial statements of the Group and of the Company.

2.5 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition are measurement of assets, liabilities, income and expenses are discussed below.

2.5.1 Estimation uncertainties

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

Useful lives of depreciable assets

The management estimates the useful lives of the depreciable assets to be within 2 to 99 years and reviews the useful lives of depreciable assets at each reporting date. The management assesses that the useful lives represent the expected utility of the assets to the Group and the Company. Actual results, however, may vary due to change in the expected level of usage and technological developments, which may result in an adjustment to the Group's and the Company's assets.

The management expects that the expected useful lives of the depreciable assets would not have material differences from the management's estimation, hence, it would not result in material variance in the Group's and the Company's profit for the financial year.

The carrying amount of the Group's and of the Company's depreciable assets at the end of the reporting date is disclosed in Note 4 to the Financial Statements.

2. BASIS OF PREPARATION (CONT'D)

2.5 Significant accounting estimates and judgements (cont'd)

2.5.1 Estimation uncertainties (cont'd)

Valuation of investment property

The Group measures its investment property at revalued amount with changes in fair value being recognised in profit or loss. The Directors of the Group estimate the fair value with reference to the valuation report to determine fair values with sufficient regularity to ensure that the carrying amount or closing balance does not differ materially from the fair value of the investment property at the reporting date.

The carrying amount or closing balance of the investment property as at the end of the reporting date, and the relevant revaluation bases, are disclosed in Note 5 to the Financial Statements.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made. The realisation of these inventories may be affected by market-driven changes that may occur in the future.

The management reviews inventories to identify damaged, obsolete and slow-moving inventories which require judgement and changes in such estimates could result in revision to the valuation of inventories.

The management expects that the expected net realisable values of the inventories would not have material difference from the management's estimation of a net realisable value, hence, it would not result in material variance in the Group's profit for the financial year.

The carrying amount of the Group's inventories at the end of the reporting date is disclosed in Note 9 to the Financial Statements.

Provision for expected credit losses ("ECLs") of financial assets

Credit losses are the differences between all contractual cash flows of the Group and of the Company that are due and the cash flows that it actually expects to receive. An expected credit loss is the probability-weighted estimate of credit losses which requires the Group's and the Company's judgement. The expected credit losses are discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The Group and the Company use a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for grouping of various customer segments that have similar loss patterns such as geography, customer type and rating, and coverage by letters of credit and other forms of credit insurance.

2. BASIS OF PREPARATION (CONT'D)

2.5 Significant accounting estimates and judgements (cont'd)

2.5.1 Estimation uncertainties (cont'd)

Provision for expected credit losses ("ECLs") of financial assets (cont'd)

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

The assessment of the correlation between historical observed rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

The Group's and the Company's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default rate in the future.

The carrying amount of the Group's and of the Company's receivables at the end of the reporting date are disclosed in Notes 6(c), 7(b), 10 and 11 to the Financial Statements.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. These estimates are most relevant to goodwill recognised by the Group. Further details of the carrying values, key assumptions applied in the impairment assessment of goodwill are disclosed in Note 8 to the Financial Statements.

Income taxes

Significant estimation is involved in determining the Group's and the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

2. BASIS OF PREPARATION (CONT'D)

2.5 Significant accounting estimates and judgements (cont'd)

2.5.1 Estimation uncertainties (cont'd)

Leases – Estimating the incremental borrowing rate

The Group and the Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group and the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group and the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group and the Company estimate the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

2.5.2 Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Leases

In applying MFRS 16, management uses judgement in determining the rate to discount the lease payments and assess whether a right-of-use asset is impaired. Furthermore, the Group estimates the lease term and reassess whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances.

In most cases, determining the appropriate discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. In assessing the lease term and the likelihood of any extensions or early terminations, the management evaluates whether such extensions or early terminations would lead to economic benefits for the Group.

Fair value measurement of financial instruments

Significant judgement is involved in determining the appropriate valuation techniques and inputs for fair value measurements where active market quotes are not available.

In estimating the fair value of financial asset or financial liability, the Group and the Company use market-observable data to the extent it is available. The management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in measuring the financial assets and financial liabilities. Where Level 1 inputs are not available, the management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting date.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed in the Note 35 to the Financial Statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Consolidation

3.1.1 Subsidiaries

Subsidiaries are entities controlled by the Company. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiaries is stated at cost less any impairment losses in the Company's statement of financial position, unless the investment is held for sale or distribution.

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amounts is included in profit or loss.

3.1.2 Associate

Associate is entity in which the Group has significant influence, but no control, over their financial and operating policies.

The Group's investment in its associates are accounted for using the equity method. Under the equity method, investment in an associate is carried in the statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The share of the result of an associate is reflected in profit or loss. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, where there has been a change recognised directly in the equity of an associate, the Group recognises its share of any changes and discloses this, when applicable, in the statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate is eliminated to the extent of the interest in the associate.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.2 Associate (cont'd)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each end of the reporting period whether there is any objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and their carrying value, then recognises the amount in the "share of profit of investments accounted for using the equity method" in profit or loss.

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

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

In the Company's separate financial statements, investment in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

3.1.3 Basis of consolidation

The Group's financial statements consolidate the audited financial statements of the Company and all of its subsidiaries, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and of its subsidiaries are all drawn up to the same reporting date.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.3 Basis of consolidation (cont'd)

Merger method

A business combination involving entities under common control is a business combination in which all the combining entities or business are ultimately controlled by same party or parties both before or after the business combination, and that control is not transitory. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the consolidated financial statements.

Under the merger method of accounting, the results of subsidiary are presented as if the merger had been affected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholders at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Acquisition method

The Group applies the acquisition method for those entities not under common controlled by the Group. Under the acquisition method of accounting, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.3 Basis of consolidation (cont'd)

Business combinations and goodwill (cont'd)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRSs.

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

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

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

3.1.4 Loss of control

When the Group ceases to have control of a subsidiary, the Group derecognises the assets and liabilities, non-controlling interests and other components of equity related to the subsidiary. Surplus or deficit arising from the loss of control is recognised in profit or loss.

Any interest retained by the Group in the entity is remeasured to its fair value at the date when the control is lost and surplus or deficit arising from the remeasurement is recognised in profit or loss. Subsequently, it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3.1.5 Non-controlling interests ("NCI")

NCI at the end of the reporting date, being the equity in a subsidiary not attributable, directly or indirectly, to the equity holders of the Company, are presented in the consolidated statements of financial position and statements of changes in equity within equity, separately from equity attributable to the owners of the Company. NCI in the results of the Group is presented in the consolidated statements of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the period between NCI and the owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.5 Non-controlling interests ("NCI") (cont'd)

Losses applicable to NCI in a subsidiary are allocated to the NCI even if that results in a deficit balance.

3.2 Property, plant and equipment

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

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bring the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised on the straight-line method in order to write off the cost of each asset over its estimated useful lives. Other property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Leasehold land and buildings	Over the lease term at 99 years
Lease of buildings	2 to 9 years
Furniture and fittings	10%
Office equipment	10%
Tools and equipment	20%
Air-conditioners	10% to 20%
Motor vehicles	20%
Computers	20%
Electrical and fittings	10%
Plant and machineries	10%
Signboards	10%
Renovations	10% to 20%

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least once annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Investment property

Investment property is properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply or goods or services or for administrative purposes. Investment property is measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise.

Cost includes expenditures that are directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials, direct labour, and other costs directly attributable to bring the investment property to a working condition for their intended use and borrowing costs are capitalised. It excludes costs of day-to-day servicing of an investment property. Where the fair value of the investment property under construction is not reliably determinable, it is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

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

3.4 Leases

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.4.1 Group and Company as lessee

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3.4.1.1 Right-of-use assets

The Group and the Company recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:-

• Leasehold land and buildings	Over the lease term at 99 years
• Lease of buildings	2 to 9 years
• Motor vehicles	5 years

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Leases (cont'd)

3.4.1 Group and Company as lessee (cont'd)

3.4.1.1 Right-of-use assets (cont'd)

If ownership of the leased asset transfers to the Group and the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Section 3.5 Impairment of non-financial assets.

3.4.1.2 Lease liabilities

At the commencement date of the lease, the Group and the Company recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Company and payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Company use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3.4.1.3 Short-term leases and leases of low-value assets

The Group and the Company apply the short-term lease recognition exemption to its short-term leases of assets (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

3.4.2 Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in the statements of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior financial years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instruments of another entity.

3.6.1 Financial assets

3.6.1.1 Initial recognition and categorisation

At initial recognition, financial assets are either classified and measured at amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics, and the Group's and the Company's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

At the reporting date, the Group and the Company have not designated any financial assets at FVTOCI. The Group and the Company carry only financial assets measured at amortised cost and at FVTPL on their statements of financial position.

<u>Financial assets at amortised cost</u>

Financial assets measures at amortised cost if both of the conditions are met:-

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flow; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

<u>FVTPL</u>

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (cont'd)

3.6.1 Financial assets (cont'd)

3.6.1.2 Subsequent measurement

Financial assets at amortised cost

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

The Group's and the Company's financial assets at amortised cost include trade receivables, most of the other receivables, amount due from subsidiaries, amount due from associates, fixed deposit with a licensed bank and cash and bank balances.

FVTPL

Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. The Group and the Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Net changes in fair value is recognised at in profit or loss in the period which it arises.

3.6.2 Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets, and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (cont'd)

3.6.2 Impairment of financial assets (cont'd)

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

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

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

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

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

3.6.3 Financial liabilities

3.6.3.1 Initial recognition and categorisation

Financial liabilities are classified, at initial recognition, as liabilities at FVTPL, loans and borrowings, payables, or derivatives financial instruments.

Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables net of directly attributable transaction cost.

The Group's and the Company's financial liabilities include trade and most of the other payables, amount due to Directors, amount due to a subsidiary, borrowings and bank overdrafts.

3.6.3.2 Subsequent measurement

<u>Other financial liabilities measured at amortised cost</u>

Other financial liabilities including borrowings, bank overdrafts, amount due to Directors, amount due to a subsidiary, trade and most of the other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (cont'd)

3.6.4 Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset have expired or control of the asset is not retained or substantially all of the risk and rewards of ownership of the financial asset are transferred to another party. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the transferred asset, the Group and the Company recognise their retained interest in the asset and associated liability for amounts they may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of transferred assets, the Group and the Company continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

The Group and the Company derecognise a financial liability when its contractual obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.6.5 Offsetting of financial instruments

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

3.7 Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising in translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Foreign operation

Financial statements of foreign subsidiaries with functional currency other than RM are translated into RM for consolidation purpose. Assets and liabilities, including goodwill and fair value adjustments arising in an acquisition, are translated at year-end exchange rates and income and expenses are translated to RM at average rates during the financial year. Foreign currency differences arising from the consolidation are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the translation difference is allocated to non-controlling interest.

When interest in a foreign subsidiary is disposed totally or partially, resulting in loss of control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposed part of its interest but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interest.

When the Group disposes only part of an associate while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign subsidiary is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such item will form part of the net investment in the foreign subsidiary. Differences of such nature are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

3.9 Inventories

Inventories comprises raw materials, trading merchandise, work-in-progress and finished goods are stated at the lower of cost and net realisable value.

Inventories are determined on first-in-first-out method. Cost of raw materials and trading merchandise includes invoices value of goods purchased and expenditure incurred in acquiring the inventories. Cost of finished goods and work-in-progress comprise raw materials, direct labour and an appropriate proportion of production overhead which include expenditure incurred in bringing them to their existing location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make sale. Write-down to net realisable value and inventory losses are recognised as an expense when it occurred and any reversal is recognised in profit or loss in the period in which it occurs.

3.10 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, fixed deposit with a licensed bank and bank overdrafts which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown in current liabilities in the statements of financial position. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposit.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Equity and dividends

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Ordinary shares are equity instruments.

Retained earnings include all current financial year and prior financial year retained earnings.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Final dividends proposed by the Directors are not accounted for in shareholder's equity as an appropriation of retained earnings, until they have been approved by the shareholder in a general meeting. When these dividends have been approved by the shareholder and declared, they are recognised as a liability.

All transactions with owners of the Company are recorded separately within equity.

3.12 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group and the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

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. Where the effect of the time of money is material, provision 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.

3.13 Borrowing costs

Borrowing costs are interest and other costs incurred by the Group in connection with the borrowing of funds. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying assets are recognised in profit or loss using the effective interest method. However, borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets during the period of time that is necessary to complete and prepare the asset for its intended use or sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Contingencies

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

3.15 Revenue recognition

The Group and the Company recognise revenue from contracts with customers for goods or services based on the five-step model as set out in this standards:-

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

ii. Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer either a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

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

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

v. Recognise revenue when (or as) the Group and the Company satisfy a performance obligation. An asset is transferred when (or as) the customer obtains control of the asset.

The Group and the Company satisfy a performance obligation and recognises revenue over time if the Group's and the Company's performance:-

i. Do not create an asset with an alternative use to the Group and the Company and have an enforceable right to payment for performance completed to-date; or

ii. Create or enhance an asset that the customer controls as the asset is created or enhanced; or

iii. Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.15 **Revenue recognition (cont'd)**

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

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

Revenue is measured at fair value of consideration received or receivable. The followings describe the performance obligation in contracts with customers:-

<u>Sales of goods</u>

All revenue is recognised at a point in time, which is typically on delivery of goods. Goods are sold when (or as) the customer obtains control of the asset. All the contracts are completed at the adoption date. The revenue is recognised net of any related rebates, discounts and tax. The Group and the Company shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors as disclosed in Note 23 to the Financial Statements.

<u>Rental income</u>

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

<u>Dividend income</u>

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

<u>Management fee</u>

Management fee is recognised when services are rendered.

3.16 **Tax expense**

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

<u>Current tax</u>

Current tax expense is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted by the reporting date. Current tax for current and prior financial periods is recognised in the statements of financial position as liability (or asset) to the extent that it is unpaid (or refundable). Current tax is recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Tax expense (cont'd)

Deferred tax

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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

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

Indirect tax

Expenses and assets are recognised net of the amount of sales tax, except:-

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax payable to the taxation authority is included as part of payables in the statements of financial position.

3.17 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Employee benefits

<u>Short term employee benefits</u>

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

A provision is made for the estimated liability for leave as a result of services rendered by employees up to the reporting date.

<u>Defined contribution plans</u>

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

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

3.19 Operating segments

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses, including revenues and expenses related to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Executive Directors to determine the resources to be allocated to the segment and to assess its performance.

Segment results that are reported to the Executive Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprised mainly of corporate assets, head office expenses, and tax assets and liabilities.

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

3.20 Earnings per ordinary share

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

Basic EPS is calculated by dividing the net profit attributable to owners of the Company by the weighted average number of ordinary shares in issue.

Diluted EPS is calculated by dividing the net profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue, adjusted for the dilutive effects of all potential ordinary shares to be issued. Diluted EPS is not applicable as the Group does not have potential dilutive equity instruments that would give a diluted effect to the basic EPS.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 Related parties

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

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

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

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

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

4. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and buildings	Lease of buildings	Furniture and fittings	Office equipment	Tools and equipment	Air-conditioners	Motor vehicles	Computers	Electrical and fittings	Plant and machineries	Signboards	Renovations	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost													
At 1.1.2020	2,076,126	859,696	443,072	362,184	379,792	119,688	409,648	167,562	102,005	38,276	8,280	619,393	5,585,722
Additions	-	61,200	2,517	8,120	3,500	-	-	8,787	-	-	-	109,000	193,124
At 31.12.2020	2,076,126	920,896	445,589	370,304	383,292	119,688	409,648	176,349	102,005	38,276	8,280	728,393	5,778,846
Additions	430,000	532,364	85,086	50,582	1,292	-	-	71,723	-	-	-	297,665	1,468,712
Early termination of lease contracts	-	(161,311)	-	-	-	-	-	-	-	-	-	-	(161,311)
Remeasurement of lease contracts	-	166,060	-	-	-	-	-	-	-	-	-	-	166,060
At 31.12.2021	2,506,126	1,458,009	530,675	420,886	384,584	119,688	409,648	248,072	102,005	38,276	8,280	1,026,058	7,252,307
Accumulated depreciation													
At 1.1.2020	36,935	245,582	284,279	41,630	278,819	86,762	81,930	121,250	30,946	14,793	5,545	308,387	1,536,858
Charge for the financial year	23,327	203,471	33,248	37,030	36,662	8,713	81,930	20,549	10,200	3,828	828	74,631	534,417
At 31.12.2020	60,262	449,053	317,527	78,660	315,481	95,475	163,860	141,799	41,146	18,621	6,373	383,018	2,071,275
Charge for the financial year	28,052	285,424	27,707	41,028	33,431	8,110	81,930	21,934	10,200	3,828	828	89,464	631,936
Early termination of lease contracts	-	(86,032)	-	-	-	-	-	-	-	-	-	-	(86,032)
Remeasurement of lease contracts	-	(230,751)	-	-	-	-	-	-	-	-	-	-	(230,751)
At 31.12.2021	88,314	417,694	345,234	119,688	348,912	103,585	245,790	163,733	51,346	22,449	7,201	472,482	2,386,428
Net carrying amount													
At 31.12.2021	2,417,812	1,040,315	185,441	301,198	35,672	16,103	163,858	84,339	50,659	15,827	1,079	553,576	4,865,879
At 31.12.2020	2,015,864	471,843	128,062	291,644	67,811	24,213	245,788	34,550	60,859	19,655	1,907	345,375	3,707,571

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Leasehold land and buildings of the Group have been pledged to licensed banks as security for banking facilities granted to the Group.

The Directors of the Group are of the opinion that unreasonable expenses would be incurred in segregating the cost of the leasehold land and buildings.

	Lease of buildings RM	Office equipment RM	Renovation RM	Total RM
Company				
Cost				
At 1.1.2020	-	-	-	-
Additions	61,200	-	109,000	170,200
At 31.12.2020	61,200	-	109,000	170,200
Additions	-	16,449	-	16,449
Remeasurement of lease contracts	28,150	-	-	28,150
At 31.12.2021	89,350	16,449	109,000	214,799
Accumulated depreciation				
At 1.1.2020	-	-	-	-
Charge for the financial year	2,550	-	10,900	13,450
At 31.12.2020	2,550	-	10,900	13,450
Charge for the financial year	29,784	1,645	10,900	42,329
Remeasurement of lease contracts	(68)	-	-	(68)
At 31.12.2021	32,266	1,645	21,800	55,711
Net carrying amount				
At 31.12.2021	57,084	14,804	87,200	159,088
At 31.12.2020	58,650	-	98,100	156,750

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

	2021 RM	2020 RM
Group		
Leasehold land and buildings	2,417,812	2,015,864
Lease of buildings	1,040,315	471,843
Motor vehicles	163,858	245,788
	3,621,985	2,733,495
Company		
Lease of buildings	57,084	58,650

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) Depreciation charge of right-of-use assets is as follow:-

	2021 RM	2020 RM
Group		
Leasehold land and buildings	28,052	23,327
Lease of buildings	285,424	203,471
Motor vehicles	81,930	81,930
	395,406	308,728
Company		
Lease of buildings	29,784	2,550

(c) Additions to right-of-use assets are as follows:-

	2021 RM	2020 RM
Group		
Leasehold land and buildings	430,000	-
Lease of buildings	532,364	61,200
	962,364	61,200
Company		
Lease of buildings	-	61,200

5. INVESTMENT PROPERTY

	Freehold building RM
Group	
Fair value of investment property	
At 1.1.2020/31.12.2020	-
Addition	534,206
Fair value adjustment	94,067
At 31.12.2021	628,273

Income and expenses recognised in profit or loss:-

	2021 RM
Group	
Fair value adjustment on investment property	(94,067)
Direct operating expenses	
- Non-income generating	22,498

5. INVESTMENT PROPERTY (CONT'D)

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

The Group's investment property is carried at fair value and classified as Level 3 fair value item for the purpose of fair value hierarchy disclosures.

6. SUBSIDIARIES

(a) Investment in subsidiaries

	Company 2021 RM	Company 2020 RM
Unquoted shares, at cost	2,175,261	2,075,032

Details of the subsidiaries are as follows:-

Name of subsidiaries	**Principal place of business**	**Effective equity interest** 2021 %	2020 %	**Principal activities**
Ming Feng Marketing (M) Sdn. Bhd. ("MFMSB")	Malaysia	100	100	Processing and selling bird's nest products
Ye Lin Industrial (Shanghai) Co., Ltd ("YLIS")*	China	100	50	Importing and distributing the Group's edible bird's nest within China
Enest Properties Sdn. Bhd. ("EPSB")	Malaysia	100	100	Property development activities and investment properties
Enest Swiftlets Sdn. Bhd. ("ESSB")	Malaysia	100	100	Dormant
Kang Li Pharmacy Sdn. Bhd. ("KPLSB")	Malaysia	100	-	Distributing, importing, exporting, wholesaling and dealing in patent medicine, pharmaceutical, medical, chemical and orthopaedic goods and any of the pharmaceutical related business
Enest Marketing Sdn. Bhd. ("EMSB")	Malaysia	100	-	Dormant

6. **SUBSIDIARIES (CONT'D)**

(a) Investment in subsidiaries (cont'd)

Details of the subsidiaries are as follows (cont'd):-

Name of subsidiaries	Principal place of business	Effective equity interest		Principal activities
		2021 %	2020 %	
Subsidiary of MFMSB				
Dynamic Transforms Sdn. Bhd. ("DTSB")	Malaysia	80	80	Processing and selling edible bird's nest products

* Not audited by Grant Thornton Malaysia PLT.

Incorporation of subsidiaries

2021

(i) On 18 February 2021, the Company incorporated and subscribed 100% of the equity interest in KLPSB, comprising 100 units of ordinary shares for a total cash consideration of RM100.

(ii) On 20 April 2021, the Company incorporated and subscribed 51% of the equity interest in EMSB, comprising 51 units of ordinary shares for a total cash consideration of RM51.

2020

(i) On 7 September 2020, the Company incorporated and subscribed 100% of the equity interest in EPSB, comprising 1 unit of ordinary share for a total cash consideration of RM1.

(ii) On 8 September 2020, the Company incorporated and subscribed 100% of the equity interest in ESSB, comprising 1 unit of ordinary share for a total cash consideration of RM1.

Acquisition of non-controlling interests

2021

(i) On 21 May 2021, the Company acquired 50% of remaining equity interest in YLIS, for a total cash consideration of RM30. As a result, the Company's equity interest in YLIS increased from 50% to 100%.

The carrying amount of YLIS's net assets in the Group's financial statements at the date of acquisition was RM36,120. The Group recognised a decrease in non-controlling interest of RM18,060 and an increase in retained earnings of RM18,079.

6. **SUBSIDIARIES (CONT'D)**

(a) Investment in subsidiaries (cont'd)

Acquisition of non-controlling interests (cont'd)

2021 (cont'd)

(ii) On 12 November 2021, the Company acquired 49% of remaining equity interest in EMSB, for a total cash consideration of RM49. As a result, the Company's equity interest in EMSB increased from 51% to 100%.

The carrying amount of EMSB's net liabilities in the Group's financial statements at the date of acquisition was RM13,714. The Group recognised an increase in non-controlling interest of RM6,720 and a decrease in retained earnings of RM6,769.

The following summarises the effect of changes in the equity of interest in YLIS and EMSB that is attributable to owners of the Company:-

	YLIS RM	EMSB RM	Total RM
Equity interest at 1 January 2021	1,459	-	1,459
Effect of increase/(decrease) in Group's ownership interest	640,465	(13,714)	626,751
Equity interest at 31 December 2021	641,924	(13,714)	628,210

Disposal of a subsidiary

2020

On 6 February 2020, the Company disposed of its entire shareholding in MFTLSB, comprising 200,000 shares at RM1 each, for total cash consideration of RM200,000.

Consideration, assets disposed and liabilities transferred

The following summarises the major classes of consideration and the recognised amounts of assets disposed and liabilities transferred at the disposal date:-

	2020 RM
Fair value of consideration	200,000
Fair value of identifiable assets disposed and liabilities transferred	
Other receivables	196,000
Cash and bank balances	3,074
Other payables	(10,012)
Amount due to Directors	(10,107)
Goodwill	13,066
Less: Accumulated impairment of goodwill	(13,066)
Total identifiable net assets	178,955

6. SUBSIDIARIES (CONT'D)

(a) Investment in subsidiaries (cont'd)

Disposal of a subsidiary (cont'd)

2020 (cont'd)

Consideration, assets disposed and liabilities transferred (cont'd)

The following summarises the major classes of consideration and the recognised amounts of assets disposed and liabilities transferred at the disposal date (cont'd):-

Gain on disposal of a subsidiary

	RM
Fair value of consideration	200,000
Fair value of identifiable assets disposed and liabilities transferred	(178,955)
Gain on disposal of a subsidiary	21,045

Net cash inflow arising from disposal of a subsidiary

	RM
Fair value of consideration	200,000
Cash and cash equivalents disposed	(3,074)
	196,926

Disposal of interest in a subsidiary without loss of control

2020

On 24 March 2020, the Company disposed of 50% of equity interest in YLIS, for a total cash consideration of RMNil. As a result, the Company's equity interest in YLIS decreased from 100% to 50% with control retained.

The carrying amount of YLIS's net liabilities in the Group's financial statements at the date of disposal was RM51,266. The Group recognised a decrease in non-controlling interest of RM23,129, an increase in retained earnings of RM25,633 and a decrease in foreign currency translation reserve of RM2,504. The net cash inflow for the disposal amounted to RMNil.

Additional investment in a subsidiary

2021

On 27 October 2021, the Company subscribed 99,999 units of newly issued shares of EPSB for cash consideration of RM99,999, which did not result in any change in effective equity interest.

6. **SUBSIDIARIES (CONT'D)**

(b) Non-controlling interests ("NCI") in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:-

	DTSB RM	YLIS RM	Total RM
2021			
NCI percentage of ownership interest and voting interest	20%	-	
Carrying amount of NCI	1,553,862	-	1,553,862
Total comprehensive income allocated to NCI	475,197	17,379	492,576
2020			
NCI percentage of ownership interest and voting interest	20%	50%	
Carrying amount of NCI	1,078,665	730	1,079,395
Total comprehensive income allocated to NCI	320,413	23,859	344,272

The summary of financial information before intra-group elimination for the Group's subsidiaries that have material non-controlling interests ("NCI") is as below:-

	2021 DTSB RM	**2020** DTSB RM	**2020** YLIS RM
Summary of financial position			
Non-current assets	179,499	282,583	-
Current assets	15,409,121	14,274,878	3,479,276
Total assets	15,588,620	14,557,461	3,479,276
Non-current liabilities	17,470	46,536	-
Current liabilities	7,801,842	9,117,603	3,477,817
Total liabilities	7,819,312	9,164,139	3,477,817
Net assets	7,769,308	5,393,322	1,459
Summary of financial performance			
Revenue	56,218,192	38,167,299	2,343,582
Profit for the financial year	2,375,984	1,602,064	41,397
Total comprehensive income for the financial year	2,375,984	1,602,064	38,541

6. SUBSIDIARIES (CONT'D)

(b) Non-controlling interests ("NCI") in subsidiaries (cont'd)

The summary of financial information before intra-group elimination for the Group's subsidiaries that have material non-controlling interests ("NCI") is as below (cont'd):-

	2021	← 2020	→
	DTSB	DTSB	YLIS
	RM	RM	RM
Summary of cash flows			
Net cash from/(used in) operating activities	2,152,854	(157,950)	88,971
Net cash (used in)/from investing activities	(952,794)	9,716	-
Net cash (used in)/from financing activities	(758,384)	478,989	-
Net cash inflows	441,676	330,755	88,971

(c) Amount due from/(to) subsidiaries

The amount due from/(to) subsidiaries are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

7. ASSOCIATES

(a) Investment in associates

	Group	
	2021	2020
	RM	RM
Unquoted shares, at cost	3	15,003
Share of post-acquisition reserves		
Retained earnings		
At 1 January	(773)	(3)
Total comprehensive loss	-	(770)
Disposal	770	-
At 31 December	(3)	(773)
	-	14,230

7. ASSOCIATES (CONT'D)

(a) Investment in associates (cont'd)

	Company 2021 RM	Company 2020 RM
Unquoted shares, at cost	3	3

Details of the associates which the principal place of business in Malaysia, are as follows:-

Name of associate	Principal place of business	Effective equity interest 2021 %	Effective equity interest 2020 %	Principal activities
Direct interest				
Dynamic Bird Nest Sdn. Bhd. ("DBNSB")	Malaysia	30	30	Trade, import, export, manufacture and process the raw material of bird's nest
Indirect interest				
Enest Development Sdn. Bhd. ("EDSB")*	Malaysia	-	30	Dormant

* Associate of EPSB.

Disposal of an associate

On 30 June 2021, EPSB disposed of its entire shareholding in EDSB, comprising 15,000 units of ordinary shares for total cash consideration of RM2.

	2021 RM
Proceeds from disposal of EDSB	2
Less: Carrying amount of the investment at equity method	(14,230)
Loss on disposal of an associate	(14,228)

7. ASSOCIATES

(a) Investment in associates (cont'd)

The following table summarises the information of associates adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates.

	2021 RM	2020 RM
Summary of financial position		
Non-current assets	128,911	142,092
Current assets	9,665	211,539
Current liabilities	(298,672)	(368,699)
Equity	(160,096)	(15,068)
Proportion of the Group's ownership	30.00%	30.00%
Carrying amount of the investment	-	14,230
Summary of financial performance		
Administrative expenses	(97,595)	(55,691)
Loss for the financial year	(97,595)	(55,691)
Group's share of loss for the financial year	-	(770)

Unrecognised share of losses

The Group has 30% in the equity interests of Dynamic Bird Nest Sdn. Bhd..

The Group has not recognised losses related to Dynamic Bird Nest Sdn. Bhd. of totalling and cumulatively RM48,029 (2020: RM19,170), since the Group has no obligation in respect of these losses.

Contingent liabilities and capital commitments

The associates have no contingent liabilities or capital commitments as at the reporting dates.

(b) Amount due from associates

The amount due from associates is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

8. GOODWILL

	Group	
	2021	2020
	RM	RM
Cost		
At 1 January	1,839,979	1,853,045
Disposal of a subsidiary	-	(13,066)
At 31 December	1,839,979	1,839,979
Accumulated impairment		
At 1 January	-	(13,066)
Reversal upon disposal	-	13,066
At 31 December	-	-
	1,839,979	1,839,979

The recoverable amount of the goodwill is determined from value-in-use calculation. The key assumptions for the value-in-use calculation are those regarding the discount rate, growth rates and expected changes to selling prices and direct costs during the period. The Directors estimate discount rate using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the goodwill. The growth rates and changes in selling prices and direct costs are based on expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors for the next 1 year and extrapolates cash flows for the following 4 years based on estimated growth rate of 1% (2020: 3%) per annum. The discount rate used is 6.90% (2020: 6.90%) per annum.

With regards to the assessments, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying values of these units to differ materially from their recoverable amounts except for the changes in prevailing operating environment which is not ascertainable.

9. INVENTORIES

	Group	
	2021	2020
	RM	RM
Raw materials	101,369	31,262
Work-in-progress	-	377,609
Finished goods	11,525,653	9,071,554
Trading merchandise	649,423	-
	12,276,445	9,480,425

Recognised in profit or loss:-

Inventories recognised as cost of sales	81,103,797	65,644,240

10. TRADE RECEIVABLES

	Group 2021 RM	Group 2020 RM
Trade receivables	8,263,492	5,410,889
Less: Allowance for expected credit losses	(569,187)	-
	7,694,305	5,410,889

The movement of the allowance for expected credit losses is as follows:-

	Group 2021 RM	Group 2020 RM
Loss allowance as at 1 January	-	-
Loss allowance recognised during the financial year	569,187	-
Loss allowance as at 31 December	569,187	-

Trade receivables are unsecured, non-interest bearing and the normal credit term granted are ranging from cash term to 90 days (2020: cash term to 90 days). Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition. Information on financial risk of trade receivable is disclosed in Note 34 to the Financial Statements.

The foreign currency exposure profile of the trade receivables is as follow:-

	Group 2021 RM	Group 2020 RM
Chinese Renminbi ("RMB")	7,658,323	4,574,227

11. OTHER RECEIVABLES

	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Non-trade receivables	688,934	708,538	-	4,800
Advances to suppliers	7,275,255	7,867,152	-	-
Deposits	234,978	120,332	8,800	8,100
Prepayments	370,902	4,408	366,494	-
	8,570,069	8,700,430	375,294	12,900

Included in non-trade receivables of the Group and of the Company is an amount of RMNil (2020: RM4,800) due from a company in which certain Directors have interests. The amount is unsecured, non-interest bearing and repayable on demand.

12. OTHER INVESTMENTS

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
At fair value:-				
Quoted investments in Malaysia ("Unit Trust")	1,585,831	1,556,785	1,585,538	1,556,492
Market value of quoted investments in Malaysia ("Unit Trust")	1,585,831	1,556,785	1,585,538	1,556,492

13. FIXED DEPOSIT WITH A LICENSED BANK

The interest rate of fixed deposit of the Group during the financial year at 2.65% (2020: 2.65%) per annum. The maturity of fixed deposit at the end of the financial year was 12 months (2020: 12 months).

The entire fixed deposit with a licensed bank of the Group is pledged to a licensed bank for bank facilities granted to the Group.

14. CASH AND BANK BALANCES

The foreign currency exposure profile of cash and bank balances is as follow:-

	Group	
	2021	2020
	RM	RM
Chinese Renminbi ("RMB")	143,781	235,266

15. CAPITAL AND RESERVES

15.1 Share capital

	Number of ordinary shares	Amount
	Units	RM
Group and Company		
Issued and fully paid with no par value:		
At 1.1.2020/31.12.2020/31.12.2021	465,000,040	5,431,272

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

15. CAPITAL AND RESERVES (CONT'D)

15.2 Merger deficit

The merger deficit arises as and when the combination take place, it comprises the difference between the cost of merger and the nominal value of shares acquired in MFMSB and YLIS.

15.3 Foreign currency translation reserve

Foreign currency translation reserve represents exchange differences arising from translation of financial statements of foreign operations whose functional currencies differed from the Group's presentation currency.

16. BORROWINGS

	Group	
	2021	2020
	RM	RM
Current		
Secured:-		
Term loans	270,837	245,496
Non-current		
Secured:-		
Term loans		
- Between 2 to 5 years	877,968	1,046,308
- More than 5 years	656,176	507,234
	1,534,144	1,553,542
	1,804,981	1,799,038

Term loans of the Group are secured by means of the following:-

(a) Jointly and severally guaranteed by the Directors of the Group;
(b) Credit Guarantee Corporation Malaysia Berhad (CGC) guarantee under Flexi Guarantee Scheme (FGS) for RM560,000;
(c) Government Guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad for RM384,083;
(d) Asset Sale Agreement for RM1,160,899 over Shariah Compliant Commodities determined by the Bank;
(e) First party legal charge over the leasehold land and buildings of the Group as disclosed in Note 4 to the Financial Statements; and
(f) Corporate guarantee by a subsidiary of the Company.

The effective interest of term loans is charged at the rates ranging from 3.20% to 7.45% (2020: 3.20% to 7.45%) per annum and are repayable by ranged from 84 to 240 (2020: 84 to 240) monthly instalments.

17. DEFERRED TAX LIABILITIES

	Group 2021 RM	Group 2020 RM
Brought forward	73,000	69,000
Recognised in profit or loss (Note 28)	(3,000)	4,000
Carried forward	70,000	73,000

The components of deferred tax liabilities are made up of temporary differences arising from:-

	Group 2021 RM	Group 2020 RM
Carrying amount of qualifying property, plant and equipment in excess of its tax base	70,000	73,000

18. LEASE LIABILITIES

18.1 Lease liabilities are presented in the statements of financial position as follows:-

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Lease liabilities				
Current	374,201	273,141	29,890	29,890
Non-current	997,766	567,665	28,892	28,892
	1,371,967	840,806	58,782	58,782

18.2 Future minimum lease payments are as follows:-

	Minimum lease payments due			
	Within 1 year	2 to 5 years	After 5 years	Total
	RM	RM	RM	RM
Group				
2021				
Lease payments	427,296	862,084	248,690	1,538,070
Finance charges	(53,095)	(95,462)	(17,546)	(166,103)
Net present values	374,201	766,622	231,144	1,371,967
2020				
Lease payments	306,096	528,180	96,990	931,266
Finance charges	(32,955)	(53,809)	(3,696)	(90,460)
Net present values	273,141	474,371	93,294	840,806

18. **LEASE LIABILITIES (CONT'D)**

18.2 Future minimum lease payments are as follows (cont'd):-

	Minimum lease payments due			
	Within 1 year	2 to 5 years	After 5 years	Total
	RM	RM	RM	RM
Company				
2021				
Lease payments	32,400	29,700	-	62,100
Finance charges	(2,510)	(808)	-	(3,318)
Net present values	29,890	28,892	-	58,782
2020				
Lease payments	32,400	29,700	-	62,100
Finance charges	(2,510)	(808)	-	(3,318)
Net present values	29,890	28,892	-	58,782

18.3 Lease payments not recognised as a liability

The Group and the Company have elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expenses relating to payments not included in the measurement of the lease liabilities are as follows:-

	2021	2020
	RM	RM
Group		
Short-term leases	60,401	75,200
Lease of low value assets	6,574	2,496
	66,975	77,696

The effective interest rate of lease liabilities of the Group and of the Company were charged at rates ranging from 3.20% to 5.57% (2020: 4.40% to 5.55%) and 5.55% (2020: 5.55%) per annum respectively.

19. TRADE PAYABLES

Group

Trade payables are unsecured, non-interest bearing and the normal credit term granted by the suppliers ranged from cash term to 90 days (2020: cash term to 90 days).

20. OTHER PAYABLES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Non-trade payables	1,401,879	31,443	163,271	15,900
Contract liabilities	7,818,677	10,749,711	-	-
Accrual of expenses	444,566	296,665	108,257	54,053
Deposits received	20,950	176,450	1,500	-
	9,686,072	11,254,269	273,028	69,953

As at 31 December 2021, the Group has contract liabilities of RM10,096,634 (2020: RM10,749,711).

	Group	
	2021 RM	2020 RM
At 1 January	10,749,711	6,938,798
Deferred during the financial year	8,259,952	21,278,711
Recognised as revenue during the financial year	(11,190,986)	(17,467,798)
At 31 December	7,818,677	10,749,711
Analysed as		
Current	7,818,677	10,749,711

21. AMOUNT DUE TO DIRECTORS

Group

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

22. BANK OVERDRAFTS

	Group	
	2021 RM	2020 RM
Secured	1,009,028	93,089
Unsecured	728,680	519,460
	1,737,708	612,549

22. BANK OVERDRAFTS (CONT'D)

The bank overdrafts of the Group are secured by means of the following:-

(a) Pledge of fixed deposit with a licensed bank as disclosed in Note 13 to the Financial Statements;
(b) Corporate guarantee by the Company;
(c) Debenture on fixed and floating, present and future assets of a subsidiary; and
(d) Jointly and severally guaranteed by the Directors of the Company.

Interest is charged at rates ranging from 5.40% to 6.50% (2020: 2.20% to 7.50%) per annum.

23. REVENUE

The Group's and the Company's revenue disaggregated by primary geographical markets are as follows:-

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Geographical market				
Malaysia	1,194,318	607,085	1,100,000	750,000
China	91,963,151	76,149,200	-	-
Australia	1,303,600	895,750	-	-
Others	101,150	110,580	-	-
	94,562,219	77,762,615	1,100,000	750,000

The Group's and the Company's revenue disaggregated by pattern of revenue recognition is as follows:-

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Distribution and trading of products				
Goods transferred at a point in time	94,562,219	77,762,615	-	-
Management fee				
Services rendered at a point in time	-	-	750,000	750,000
Other				
Dividend income	-	-	350,000	-

Revenue of the Group is recognised when the goods are delivered and accepted by the customer at their premise, or when the services are rendered. Revenue of the Company is recognised when the services are rendered or when the dividend is declared by the subsidiaries. The revenue of the Group and the Company contain no elements of variable consideration, obligations for returns or refund or warranties.

24. OTHER INCOME

	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Fair value adjustment on investment property	94,067	-	-	-
Gain on early termination of lease contract	4,414	-	-	-
Gain on remeasurement of lease contracts	5,074	-	-	-
Dividend income from other investments	29,046	44,132	29,046	43,934
Realised gain on foreign exchange	1,996,511	1,214,386	-	-
Unrealised gain on foreign exchange	217,818	-	-	-
Gain on disposal of subsidiaries	-	21,045	-	199,970
Interest income	10,727	110	-	-

25. OTHER EXPENSES

	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Loss on disposal of an associate	14,228	-	-	-
Loss on remeasurement of lease contract	-	-	62	-

26. FINANCE COSTS

	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Interest expenses on:-				
- term loans interest	79,112	108,624	-	-
- bank overdrafts interest	56,664	39,224	-	-
- lease liabilities interest	53,149	32,602	4,120	282
	188,925	180,450	4,120	282

27. PROFIT BEFORE TAX

Profit before tax has been determined after charging, amongst other items, the following:-

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Depreciation of property, plant and equipment	236,530	225,689	12,545	10,900
Depreciation of right-of-use assets	395,406	308,728	29,784	2,550
Impairment loss on financial assets				
- Trade receivables	569,187	-	-	-
- Amount due from an associate	81,214	-	81,214	-
Expenses relating to short term leases	60,401	75,200	-	-
Expenses relating to lease of low value assets	6,574	2,496	-	-

28. TAX EXPENSE

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Current tax				
- Current financial year provision	2,099,691	1,795,441	33,920	19,202
- (Over)/Under provision in prior financial year	(15,148)	(34,029)	(3,202)	28,742
	2,084,543	1,761,412	30,718	47,944
Deferred tax (Note 17)				
- Current financial year provision	(3,000)	4,000	-	-
	2,081,543	1,765,412	30,718	47,944

28. TAX EXPENSE (CONT'D)

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Profit before tax	8,563,811	7,244,550	258,047	254,034
Tax at Malaysian statutory tax rate of 24%	2,055,315	1,738,692	61,931	60,968
Tax effects in respect of:-				
Expenses not deductible for tax purposes	226,994	93,704	59,220	23,647
Income not subject to tax	(244,418)	(32,955)	(87,231)	(65,413)
Movement of deferred tax assets not recognised	58,800	-	-	-
(Over)/Under provision of current tax in prior financial year	(15,148)	(34,029)	(3,202)	28,742
Total tax expense	2,081,543	1,765,412	30,718	47,944

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Unabsorbed business losses	233,000	-	-	-
Unutilised capital allowances	12,000	-	-	-
	245,000	-	-	-

Deferred tax assets have not been fully recognised in respect of these items because it is uncertain whether the Group and the Company can generate adequate future taxable profits against which it can fully utilise the benefit therefrom.

The unutilised capital allowances do not expire under current tax legislation. Unabsorbed business losses for which no deferred tax asset was recognised expire as follows:-

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Year of assessment 2031	233,000	-	-	-

29. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the net profit attributable to owners of the Company over the weighted average number of ordinary shares in issue of the Group during the financial year as follows:-

	2021	2020
Net profit attributable to owners of the Company (RM)	5,996,461	5,132,867
Weighted average number of ordinary shares (unit)	465,000,040	465,000,040
Basic earnings per share (sen)	1.29	1.10

(b) Diluted earnings per share

There is no diluted earnings per share as the Group does not have any dilutive potential ordinary shares outstanding as at the end of the reporting year.

30. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Salaries, bonus, overtime and allowances	1,804,725	1,777,779	446,516	392,000
Defined contribution plan	222,970	184,411	49,155	44,941
Social security contribution	34,187	29,878	3,948	3,751
Other benefits	52,168	86,161	11,605	2,814
	2,114,050	2,078,229	511,224	443,506

Included in the employee benefits expenses are the Directors' remuneration as follows:-

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Salaries and other emoluments	301,820	300,289	230,260	210,289
Directors' fees	36,000	36,000	36,000	36,000
Defined contribution plan	35,100	34,905	27,300	27,105
Social security contribution	3,793	3,845	2,870	2,922
	376,713	375,039	296,430	276,316

31. RELATED PARTY DISCLOSURES

(a) Related party transactions:-

	Group	
	2021	2020
	RM	RM
Sales to a company in which a Director has interest	28,709	-
Purchases from a company in which a Director has interest	265,377	349,158
Lease paid to Directors	32,400	2,700

	Company	
	2021	2020
	RM	RM
Dividend income received from a subsidiary	350,000	-
Management fee charged to a subsidiary	750,000	750,000

(b) The outstanding balances arising from related party transaction are disclosed in Notes 6(c), 7(b), 11 and 21 to the Financial Statements respectively.

(c) Key management personnel are defined as the person having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly.

Key management includes all the Directors of the Group and certain members of senior management of the Group.

The remuneration of the Directors is disclosed in Note 30 to the Financial Statements.

The remuneration of the other key management personnel is as follows:-

	Group and Company	
	2021	2020
	RM	RM
Salaries and other emoluments	166,767	148,525
Defined contribution plan	18,733	17,836
Social security contribution	829	829
	186,328	167,190

32. DIVIDEND

	2021	2020
	RM	RM
Group and Company		
In respect of financial year ended 31 December 2021:-		
Interim single tier dividend of 0.075 sen per share declared on 29 January 2021 and paid on 26 February 2021	348,750	-

The Directors do not recommend any final dividend payment for the current financial year.

33. OPERATING SEGMENTS

Segment information

Segment information is presented in respect of the Group's business segments, which reflect the Group's internal reporting structure that are regularly reviewed by the Group's chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.

For management purposes, the Group is organised into the following operating divisions:-

Reportable segment	Descriptions
Trading	Processing and selling bird's nest products.
Others	Investment holding, property investment and pharmaceutical business.

2021

Group	Trading RM	Others RM	Eliminations RM	Note	Consolidated RM
Revenue					
External sales	94,121,706	440,513	-		94,562,219
Inter-segment sales	8,675,281	1,127,036	(9,802,317)	A	-
Total revenue	102,796,987	1,567,549	(9,802,317)		94,562,219
Results					
Segment results	9,152,071	(161,999)	(526,016)		8,464,056
Finance costs	(172,205)	(18,033)	1,313		(188,925)
Depreciation	514,054	101,573	16,309		631,936
Other non-cash items of expenses	(341,819)	(1,437)	-	B	(343,256)
Profit/(Loss) before tax	9,152,101	(79,896)	(508,394)		8,563,811
Tax expense	(2,050,825)	(30,718)	-		(2,081,543)
Net profit/(loss) for the financial year	7,101,276	(110,614)	(508,394)		6,482,268
Assets					
Segment assets	41,286,930	9,360,009	(10,312,731)		40,334,208
Consolidated total assets	41,286,930	9,360,009	(10,312,731)		40,334,208
Liabilities					
Segment liabilities	22,143,255	3,495,480	(7,316,227)		18,322,508
Consolidated total liabilities	22,143,255	3,495,480	(7,316,227)		18,322,508
Other information					
Additions to property, plant and equipment	643,451	825,261	-		1,468,712

33. **OPERATING SEGMENTS (CONT'D)**

Segment information (cont'd)

For management purposes, the Group is organised into the following operating divisions (cont'd):-

2020

Group	**Trading** RM	**Others** RM	**Eliminations** RM	**Note**	**Consolidated** RM
Revenue					
External sales	77,762,615	-	-		77,762,615
Inter-segment sales	3,378,862	750,000	(4,128,862)	A	-
Total revenue	81,141,477	750,000	(4,128,862)		77,762,615
Results					
Segment results	6,729,169	190,256	(49,117)		6,870,308
Finance costs	(180,168)	(282)	-		(180,450)
Depreciation	497,640	36,777	-		534,417
Other non-cash items of income	-	21,045	-		21,045
Share of results of associates	-	(770)	-		(770)
Profit before tax	7,046,641	247,026	(49,117)		7,244,550
Tax expense	(1,717,468)	(47,944)	-		(1,765,412)
Net profit for the financial year	5,329,173	199,082	(49,117)		5,479,138
Assets					
Segment assets	33,233,811	6,418,548	(6,204,807)		33,447,552
Investment in associates	-	14,230	-		14,230
Consolidated total assets	33,233,811	6,432,778	(6,204,807)		33,461,782
Liabilities					
Segment liabilities	20,853,122	209,084	(3,466,926)		17,595,280
Consolidated total liabilities	20,853,122	209,084	(3,466,926)		17,595,280
Other information					
Additions to property, plant and equipment	22,924	170,200	-		193,124

33. OPERATING SEGMENTS (CONT'D)

Segment information (cont'd)

Notes to the nature of adjustments and eliminates to arrive at amounts reported in the consolidated financial statements.

A. Inter-segment sales are eliminated on consolidation.

B. Other non-cash items of (expenses)/income consists of the following items as presented in the respective notes to the financial statements:-

	2021 RM	2020 RM
Group		
Impairment loss on financial assets		
- Trade receivables	(569,187)	-
- Amount due from an associate	(81,214)	-
Gain on early termination of lease contract	4,414	-
Gain on remeasurement of lease contracts	5,074	-
Fair value adjustment on investment property	94,067	-
Unrealised gain on foreign exchange	217,818	-
Loss on disposal of an associate	(14,228)	-
Gain on disposal of a subsidiary	-	21,045
	(343,256)	21,045

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:-

Group	**Revenue**		**Non-current assets**	
	2021 RM	2020 RM	2021 RM	2020 RM
Malaysia*	1,194,318	607,085	7,334,131	5,561,780
China	91,963,151	76,149,200	-	-
Australia	1,303,600	895,750	-	-
Others	101,150	110,580	-	-
	94,562,219	77,762,615	7,334,131	5,561,780

* Company's home country

33. OPERATING SEGMENTS (CONT'D)

Geographical information (cont'd)

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:-

	Group	
	2021	2020
	RM	RM
Property, plant and equipment	4,865,879	3,707,571
Investment property	628,273	-
Investment in associates	-	14,230
Goodwill	1,839,979	1,839,979
	7,334,131	5,561,780

Major customers

The following are major customers with revenue equal or more than 10% of the Group's total revenue in the trading segment:-

	Revenue	
	2021	2020
	RM	RM
Customer A	12,697,316	13,571,518
Customer B	-	12,226,032
Customer C	-	11,065,269
	12,697,316	36,862,819

34. **FINANCIAL INSTRUMENTS**

Categories of financial instruments

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

(a) Financial assets measured at amortised cost (“FA”);
(b) Financial assets measured at fair value through profit or loss (“FVTPL”); and
(c) Other financial liabilities measured at amortised cost (“OFL”).

	Carrying amount RM	FA RM	FVTPL RM	OFL RM
Group				
2021				
Financial assets				
Trade receivables	7,694,305	7,694,305	-	-
Other receivables	923,912	923,912	-	-
Other investments	1,585,831	-	1,585,831	-
Fixed deposit with a licensed bank	440,000	440,000	-	-
Cash and bank balances	2,433,427	2,433,427	-	-
	13,077,475	11,491,644	1,585,831	-
Financial liabilities				
Trade payables	716,847	-	-	716,847
Other payables	1,867,395	-	-	1,867,395
Amount due to Directors	64,830	-	-	64,830
Borrowings	1,804,981	-	-	1,804,981
Bank overdrafts	1,737,708	-	-	1,737,708
	6,191,761	-	-	6,191,761
2020				
Financial assets				
Trade receivables	5,410,889	5,410,889	-	-
Other receivables	828,870	828,870	-	-
Amount due from associates	85,000	85,000	-	-
Other investments	1,556,785	-	1,556,785	-
Fixed deposit with a licensed bank	400,000	400,000	-	-
Cash and bank balances	2,266,737	2,266,737	-	-
	10,548,281	8,991,496	1,556,785	-
Financial liabilities				
Trade payables	1,411,727	-	-	1,411,727
Other payables	504,558	-	-	504,558
Amount due to Directors	70,292	-	-	70,292
Borrowings	1,799,038	-	-	1,799,038
Bank overdrafts	612,549	-	-	612,549
	4,398,164	-	-	4,398,164

34. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments categorised as follows (cont'd):-

(a) Financial assets measured at amortised cost ("FA");
(b) Financial assets measured at fair value through profit or loss ("FVTPL"); and
(c) Other financial liabilities measured at amortised cost ("OFL").

	Carrying amount RM	FA RM	FVTPL RM	OFL RM
Company				
2021				
Financial assets				
Other receivables	8,800	8,800	-	-
Amount due from subsidiaries	2,380,611	2,380,611	-	-
Other investments	1,585,538	-	1,585,538	-
Cash and bank balances	13,248	13,248	-	-
	3,988,197	2,402,659	1,585,538	-
Financial liabilities				
Other payables	273,028	-	-	273,028
Amount due to a subsidiary	226,800	-	-	226,800
	499,828	-	-	499,828
2020				
Financial assets				
Other receivables	12,900	12,900	-	-
Amount due from subsidiaries	2,518,329	2,518,329	-	-
Amount due from an associate	38,500	38,500	-	-
Other investments	1,556,492	-	1,556,492	-
Cash and bank balances	11,295	11,295	-	-
	4,137,516	2,581,024	1,556,492	-
Financial liabilities				
Other payables	69,953	-	-	69,953
Amount due to Directors	8,100	-	-	8,100
	78,053	-	-	78,053

34. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies

Financial risks

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the Group's and of the Company's business whilst managing their risks. The Group and the Company operate within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

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

(a) Credit risk

Credit risk refers to the risk that a counterparty will default in its contractual obligations resulting in financial loss to the Group and to the Company. The Group and the Company adopt the policy of dealing with customers of appropriate standing to mitigate credit risk and customers who wish to trade on credit terms are subject to credit evaluation. Receivables are monitored on an ongoing basis to mitigate risk of bad debts. For other financial assets, the Group and the Company adopt the policy of dealing with reputable institutions.

Receivables

Receivables are monitored on an ongoing basis to mitigate risk of bad debts. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry in which customers operate.

The management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Credit limits are established for each customer and reviewed quarterly. Any credit exceeding those limits require approval from the management.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses ("ECL"). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security.

34. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company, and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) **Credit risk (cont'd)**

Receivables (cont'd)

The following table provides information about the credit risk exposure on the Group's trade receivables using a provision of matrix:-

	2021			2020		
	Gross carrying amount RM	Loss allowances RM	Net balances RM	Gross carrying amount RM	Loss allowances RM	Net balances RM
Group						
Current (Not past due)	3,121,991	-	3,121,991	3,570,730	-	3,570,730
1-30 days past due	1,600,752	-	1,600,752	3,272	-	3,272
31-60 days past due	304,506	-	304,506	105,490	-	105,490
61-90 days past due	1,173,729	-	1,173,729	814,928	-	814,928
More than 90 days past due	2,062,514	569,187	1,493,327	916,469	-	916,469
	8,263,492	569,187	7,694,305	5,410,889	-	5,410,889

Credit risk concentration

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instrument is broadly diversified along geographical lines and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

The credit risk concentration profile by country on trade receivables of the Group as at the reporting date are as follows:-

	2021 RM	2020 RM
By country:-		
Australia	6,426	97,500
China	7,658,323	5,239,278
Malaysia	29,556	74,111
	7,694,305	5,410,889

34. **FINANCIAL INSTRUMENTS (CONT'D)**

Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company, and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) **Credit risk (cont'd)**

Receivables (cont'd)

In respect of trade and other receivables, the Group is not subjected credit risk exposure to a single counterparty or a group of counterparties having similar characteristics, except below mentioned.

	2021		2020	
	RM	%	RM	%
Sales to top 2 (2020: 2) customers	2,242,942	29	2,564,816	47

The net carrying amount of receivables is considered a reasonable approximate of its fair value. The maximum exposure to credit risk is the carrying value of each class of receivables as disclosed in Notes 10 and 11 to the Financial Statements.

It is the Group's and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group and the Company do not offer credit terms without the approval of the management.

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, the management has taken reasonable steps to ensure that receivables are stated at their realisable values. A significant portion of the receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk, and are monitored individually.

Intercompany loans and advances

The maximum exposure to credit risk is represented by its carrying amount in the statements of financial position.

The Company provides unsecured advances to its subsidiaries and associates and monitors their results regularly.

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable. The advances to associates had been fully impaired as it is in view that it is not recoverable.

Cash and bank balances

The credit risk for cash and cash equivalents are considered negligible, since the counterparties are reputable banks with high quality external credit ratings and have no history of default.

34. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company, and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) **Credit risk (cont'd)**

Financial guarantee

The Company provides secured financial guarantee to financial institutions in respect of borrowing granted to a subsidiary. The Company monitors on an ongoing basis on the repayment to financial institutions. As at the reporting date, there was no indication that the subsidiary would default on repayment.

(b) **Liquidity risk**

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due, due to shortage of funds.

In managing its exposures to liquidity risk arises principally from its various payables, amount due to Directors, lease liabilities, borrowings and bank overdrafts, the Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet their liabilities as and when they fall due.

The Group and the Company aim at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

The summary of the maturity profile based on the contractual undiscounted repayment obligations are as below:-

	Maturity			
	Current	Non-current		
	On demand/ less than 1 year RM	2 to 5 years RM	More than 5 years RM	Total contractual cash flows RM
Group				
2021				
Non-derivative financial liabilities				
Borrowings	350,002	1,039,189	759,118	2,148,309
Lease liabilities	427,296	862,084	248,690	1,538,070
Trade payables	716,847	-	-	716,847
Other payables	1,867,395	-	-	1,867,395
Amount due to Directors	64,830	-	-	64,830
Bank overdrafts	1,737,708	-	-	1,737,708
Total undiscounted financial liabilities	5,164,078	1,901,273	1,007,808	8,073,159

34. **FINANCIAL INSTRUMENTS (CONT'D)**

Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company, and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(b) **Liquidity risk (cont'd)**

The summary of the maturity profile based on the contractual undiscounted repayment obligations are as below (cont'd):-

	Maturity			
	Current	**Non-current**		
	On demand/ less than 1 year RM	2 to 5 years RM	More than 5 years RM	Total contractual cash flows RM
Group (cont'd)				
2020				
Non-derivative financial liabilities				
Borrowings	332,002	1,236,149	569,716	2,137,867
Lease liabilities	306,096	528,180	96,990	931,266
Trade payables	1,411,727	-	-	1,411,727
Other payables	504,558	-	-	504,558
Amount due to Directors	70,292	-	-	70,292
Bank overdrafts	612,549	-	-	612,549
Total undiscounted financial liabilities	3,237,224	1,764,329	666,706	5,668,259
Company				
2021				
Non-derivative financial liabilities				
Lease liabilities	32,400	29,700	-	62,100
Other payables	273,028	-	-	273,028
Amount due to a subsidiary	226,800	-	-	226,800
Total undiscounted financial liabilities	532,228	29,700	-	561,928
Financial guarantee*				
Corporate guarantee obtained by a subsidiary	1,009,028	-	-	1,009,028

34. **FINANCIAL INSTRUMENTS (CONT'D)**

Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company, and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(b) **Liquidity risk (cont'd)**

The summary of the maturity profile based on the contractual undiscounted repayment obligations are as below (cont'd):-

	Maturity			
	Current	**Non-current**		
	On demand/ less than 1 year RM	2 to 5 years RM	More than 5 years RM	Total contractual cash flows RM
Company (cont'd)				
2020				
Non-derivative financial liabilities				
Lease liabilities	32,400	29,700	-	62,100
Other payables	69,953	-	-	69,953
Amount due to Directors	8,100	-	-	8,100
Total undiscounted financial liabilities	110,453	29,700	-	140,153
Financial guarantee*				
Corporate guarantee obtained by a subsidiary	93,089	-	-	93,089

* This exposure is included in liquidity risk for illustration only. No financial guarantee was called upon by the holders as at the end of the reporting period.

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of financial liabilities as at the reporting date.

34. **FINANCIAL INSTRUMENTS (CONT'D)**

Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company, and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(c) **Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on financial assets and financial liabilities that are denominated in a currency other than the functional currency of Group. The currency giving rise to this risk is primarily Chinese Renminbi ("RMB").

Carrying amounts of the Group's exposure to foreign currency risk are as follows:-

	2021	2020
	RM	RM
RMB		
Trade receivables	7,658,323	4,574,227
Cash and bank balances	143,781	235,266
Financial assets/Net exposure	7,802,104	4,809,493

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the RMB exchange rates against the respective functional currency of the Group entities, with all other variables held constant.

		Group	
		2021	2020
		RM	RM
RMB/RM	- strengthened 6% (2020: 5%)	468,126	240,475
	- weakened 6% (2020: 5%)	(468,126)	(240,475)

The assumed movement in the above foreign currency rate for the foreign currency exchange rate sensitivity analysis is based on the prudent estimate of the current market environment.

The exposure to foreign exchange risk varies during the financial years depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

34. **FINANCIAL INSTRUMENTS (CONT'D)**

Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company, and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(d) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of change in market interest rates.

The Group's and Company's fixed rate instruments are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate instruments are exposed to a risk of change in cash flows due to changes in interest rates.

The Group's interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group targets a mix of fixed and floating debt based on assessment of its existing exposure and desired interest rate profile.

The carrying amount of the Group's and Company's significant interest-bearing financial instruments, as at the reporting date are as follows:-

	Group	
	2021	2020
	RM	RM
Fixed rate instrument		
Financial liability		
Lease liabilities/Net financial liability	1,371,967	840,806
Floating rate instruments		
Financial liabilities		
Borrowings	1,804,981	1,799,038
Bank overdrafts	1,737,708	612,549
Net financial liabilities	3,542,689	2,411,587

	Company	
	2021	2020
	RM	RM
Fixed rate instrument		
Financial liability		
Lease liabilities/Net financial liability	58,782	58,782

34. **FINANCIAL INSTRUMENTS (CONT'D)**

Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company, and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(d) **Interest rate risk (cont'd)**

The Group and the Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/-25 basis points ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Group	
	2021	2020
	RM	RM
Effect on profit for the financial year		
+ 0.25%	(8,857)	(6,029)
- 0.25%	8,857	6,029

(e) **Price risk**

The Group and the Company are exposed to equity price risk due to fluctuation in prices of quoted securities under investments in unit trust. The movements in quoted price of these securities are monitored continuously.

An increase or decrease of 1% (2020: 1%) in the prices of the quoted securities would result in an increase or decrease of RM15,858 (2020: RM15,568) and RM15,855 (2020: RM15,565) to the profit or loss of the Group and of the Company respectively.

35. FAIR VALUE MEASUREMENT

The carrying amounts of financial assets and financial liabilities of the Group and of the Company at the reporting date approximate their fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

35.1 The following table summaries the method, used in determining the fair value of financial instrument of the Group on a recurring basis at 31 December 2021 and 31 December 2020:-

Group

Financial assets	Fair value as at 2021 RM	Fair value as at 2020 RM	Fair value hierarchy	Valuation techniques and key inputs
Other investments:- Quoted investments in Malaysia	Assets 1,585,831	Assets 1,556,785	Level 2	Quoted bid prices in similar market

Company

Financial assets	Fair value as at 2021 RM	Fair value as at 2020 RM	Fair value hierarchy	Valuation techniques and key inputs
Other investments:- Quoted investments in Malaysia	Assets 1,585,538	Assets 1,556,492	Level 2	Quoted bid prices in similar market

35.2 The following table summaries the method, used in determining the fair value of non-financial asset of the Group on a recurring basis at 31 December 2021 and 31 December 2020:-

Group

Non-financial asset	Fair value as at 2021 RM	Fair value as at 2020 RM	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Investment property	Freehold building 628,273	Freehold building Nil	Level 3	Freehold building Sales comparison approach which reflects recent market transactions for similar properties and comparable by utility and age, adjusted for obsolescence.	Freehold building Adjustment for factors such as plot size, location, physical deterioration, functional and economic obsolescence.	Freehold building The extent and direction of this adjustment depends on the number of characteristics of the observable market transactions in similar properties that we used as starting point for valuation. While depreciation is deducted to reflect the current condition of the buildings and structures.

36. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholders' value.

The Group and the Company manage its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes in the Group's and the Company's approach to capital management during the current and previous financial year.

37. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE REPORTING PERIOD

The World Health Organisation declared the Coronavirus ("COVID-19") outbreak as a pandemic on 11 March 2020. The Government of Malaysia imposed the Movement Control Order ("MCO") on 18 March 2020 and has subsequently entered into various phases of the MCO and national recovery plan.

The Group has performed assessments on the overall impact of the situation on the Group's operations and financial implications, including the recoverability of the carrying amount of asset and subsequent measurement of assets and liabilities, and concluded that there is no material adverse effect on the financial statements for the financial year ended 31 December 2021.

Given the fluidity of the situation, the Group will continuously monitor the impact of the COVID-19 and take appropriate and timely measures to minimise the impact of the outbreak on the Group's operations.