Company No: 1275638 - T

ENEST GROUP BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2018

GRANT THORNTON MALAYSIA
CHARTERED ACCOUNTANTS
Member of Grant Thornton International Ltd

Company No: 1275638 - T

ENEST GROUP BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

CONTENTS **PAGES**

Corporate Information	2
Directors' Report	3 - 7
Statement by Directors and Statutory Declaration	8
Independent Auditors' Report	9 - 14
Statements of Financial Position	15 - 16
Statements of Profit or Loss and Other Comprehensive Income	17
Statements of Changes in Equity	18
Statements of Cash Flows	19 - 21
Notes to the Financial Statements	22 - 72

ENEST GROUP BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

CORPORATE INFORMATION

DIRECTORS	Tan Teh Jie (First Director) Tan Teh Sheng (First Director) Tan Heng Guan (Appointed on 16 November 2018) Datuk Ng Seing Liong (Appointed on 16 November 2018)
SECRETARIES	Lim Seck Wah (First Secretary) M. Chandrasegaran A/L S. Murugasu (Appointed on 10 April 2018)
AUDITORS	Grant Thornton Malaysia (Member of Grant Thornton International Ltd) Chartered Accountants Level 11, Sheraton Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur
REGISTERED OFFICE	Level 15-2, Bangunan Faber Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur
PRINCIPAL PLACE OF BUSINESS	No. 2, Jalan Semenyih Bandar Kajang 43000 Kajang Selangor Darul Ehsan
BANKERS	Public Bank Berhad Malayan Banking Berhad

ENEST GROUP BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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 period from the date of incorporation on 9 April 2018 to 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The principal activities of its subsidiaries are disclosed in Note 5(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 period.

CHANGE OF COMPANY STATUS AND NAME

On 25 October 2018, the Company converted from a private limited liability company to a public limited liability company and changed its name from Enest Group Sdn. Bhd. to Enest Group Berhad.

FINANCIAL RESULTS

	Group RM	**Company** RM
Net profit for the financial period	3,064,049	298,853
Attributable to:-		
Owners of the Company	2,676,250	298,853
Non-controlling interests	387,799	-
	3,064,049	298,853

DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the date of its incorporation.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial period are disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial period, the Company issued:-

(a) 2 new ordinary shares at an issue price of RM1 each for a total cash consideration of RM2 as subscribers' shares.

(b) 20,750,000 new ordinary shares by way of share swap of 10,721,600 ordinary shares in Ming Feng Marketing (M) Sdn. Bhd..

(c) 394,250,038 new ordinary shares by way of shares split of 20,750,002 ordinary shares into 415,000,040 units of ordinary shares at the basis of every 1 ordinary share split into 20 new ordinary shares.

The new ordinary shares issued during the financial period ranked pari passu in all respect with existing ordinary shares of the Company.

The Company did not issue any debenture and did not grant any option to anyone to take up any unissued shares of the Company during the financial period.

DIRECTORS

The Directors who held office since the date of incorporation and up to the date of this report are as follows:-

Tan Teh Jie (First Director)*
Tan Teh Sheng (First Director)*
Tan Heng Guan (Appointed on 16 November 2018)*
Datuk Ng Seing Liong (Appointed on 16 November 2018)

*Directors of the Company and of its subsidiaries

DIRECTORS OF THE SUBSIDIARIES

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

Christopher Tan Yew Leong
Lok Chyi Yeu

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016 ("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 period are as follows:-

	Number of ordinary shares				
	At date of incorporation	Additions*	Shares split	Sold	At 31.12.2018
The Company					
Direct interest					
- Tan Teh Jie	1	4,152,075	78,889,444	-	83,041,520
- Tan Teh Sheng	1	4,226,775	80,308,744	-	84,535,520
- Tan Heng Guan	-	4,357,500	82,792,500	-	87,150,000

* The additions were consequent to the acquisition of a subsidiary on 10 July 2018.

By virtue of their interest in the Company, they are also deemed interested in the shares of the subsidiaries, to the extent that the Company has interest under Section 8 of the Act.

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

DIRECTORS' FEES AND BENEFITS

During and at the end of the financial period, no arrangements 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 date of incorporation, 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 26 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 all known bad debts had been written off and no provision for doubtful debts was required; 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.

OTHER STATUTORY INFORMATION (CONT'D)

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

(a) which would render it necessary to make any provision for doubtful debts in the financial statements of the Group and of the Company or the amount written off for bad debts 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 period 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 period.

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 period 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 period 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 period 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 period in which this report is made.

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

EVENTS AFTER THE REPORTING PERIOD

The events after the reporting period are disclosed in Note 34 to the Financial Statements.

AUDITORS

The total amount of fees paid to or receivable by the Auditors, Messrs Grant Thornton Malaysia, as remuneration for their services as auditors of the Company and of its subsidiaries for the financial period from 9 April 2018 (date of incorporation) to 31 December 2018 amounted to RM12,000 and RM48,000 respectively.

There was no indemnity given to or insurance effected for the auditors of the Group and of the Company.

The Auditors, Messrs Grant Thornton Malaysia, 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
15 July 2019

ENEST GROUP BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 15 to 72 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 2018 and of their financial performance and cash flows for the financial period from 9 April 2018 (date of incorporation) to 31 December 2018.

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
15 July 2019

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 72 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)
15 July 2019) ....

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)
AND ITS SUBSIDIARIES
Company No: 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 2018 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 period from the date of incorporation on 9 April 2018 to 31 December 2018, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 15 to 72.

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 2018, and of their financial performance and cash flows for the financial period from the date of incorporation on 9 April 2018 to 31 December 2018 in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

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

Company No: 1275638 - T

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

Key audit matters	How our audit addressed the key audit matters
Revenue recognition Referring to Note 19 to the Financial Statements, the Group's revenue for the financial period amounted to RM14,653,538. Revenue is regarded as key audit matter because the amount of revenue contributed is significant to the financial statements of the Group and they involved the processing of large volume of transactions. Revenue is recognised through a five steps model by identifying the contracts, identifying performance obligation, determine transaction price, allocate transaction price to performace obligation and recognise revenue. 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 and the Company, revenue targets form part of the Group's and of the Company'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:- • Performing substantive tests to verify the revenue recognised; • Performing analytical procedures on the trend of revenue recognised to identify any abnormalities; and • Performing cut-off test around the financial period end to check the revenue is recognised on the correct accounting period. The Group's accounting policies in respect of revenue recognition is outlined in Group's significant accounting policies and disclosures in Notes 3.13 and 19 to the Financial Statements respectively.

Company No: 1275638 - T

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

Key Audit Matters (cont'd)

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>Goodwill

Referring to Note 6 to the Financial Statements, the Group holds goodwill of RM1,839,979 on the statements of financial position.

The determination of the recoverable amount of goodwill is a key judgement area as small changes in assumptions made, notably in respect of the future performance of the business and the discount rates applied to future cash flows projections can result in material different outcomes.</td><td>Our procedures included, amongst others:-

• Evaluating the Directors' future cash flows projections, and the process which they were drawn up, including testing the underlying calculations and comparing them to the latest Directors' approved budgets; and
• Challenging the Directors' key assumptions for long term growth rates in the projections by comparing them to historical results, and economic and industry forecasts, and the discount rate used by assessing the cost of capital for the Group.

The Group's accounting policies in respect of goodwill is outlined in Group's significant accounting policies and disclosures in Notes 3.1.2 and 6 to the Financial Statements respectively.</td></tr>
<tr><td>Inventories

Referring to Note 7 to the Financial Statements, the Group holds inventories of RM3,805,160 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 obsolescence or theft. 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.</td><td>Our procedures included, amongst others:-

• Attending inventories count at the financial period end and to assess the adequacy of controls over the existence of inventories.

• Testing sample of inventories items to ensure they were held at the lower of cost and net realisable value. Also evaluating management judgement with regards to the application of provisions to the inventories.

The Group's accounting policies in respect of inventories is outlined in Group's significant accounting policies and disclosures in Notes 3.8 and 7 to the Financial Statements respectively.</td></tr>
</table>

Company No: 1275638 - T

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

Key Audit Matters (cont'd)

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 Group and 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.

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.

Company No: 1275638 - T

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

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

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.

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 provided 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, related safeguards.

Company No: 1275638 - T

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

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

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 period 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 5(a) to the Financial Statements.

Other Matters

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

GRANT THORNTON MALAYSIA	OOI POH LIM
(NO. AF: 0737)	(NO: 3087/10/19 (J))
CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANT

Kuala Lumpur
15 July 2019

Company No: 1275638 - T

ENEST GROUP BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	Group 2018 RM	Company 2018 RM
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,669,588	-
Investment in subsidiaries	5(a)	-	2,075,060
Goodwill	6	1,839,979	-
Total non-current assets		4,509,567	2,075,060
Current assets			
Inventories	7	3,805,160	-
Trade receivables	8	394,176	-
Other receivables	9	5,861,357	-
Amount due from a subsidiary	5(c)	-	395,000
Financial assets at fair value through profit or loss	10	3,950,406	-
Cash and bank balances	11	103,178	4,995
Total current assets		14,114,277	399,995
TOTAL ASSETS		18,623,844	2,475,055
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company:-			
Share capital	12.1	2,075,002	2,075,002
Merger deficit	12.2	(375,108)	-
Foreign currency translation reserve	12.3	1,390	-
Retained earnings		3,030,849	298,853
		4,732,133	2,373,855
Non-controlling interests	5(b)	527,777	-
Total equity		5,259,910	2,373,855
LIABILITIES			
Non-current liabilities			
Borrowings	13	1,860,762	-
Deferred tax liabilities	14	16,000	-
Total non-current liabilities		1,876,762	-

ENEST GROUP BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 (CONT'D)

	Note	Group 2018 RM	Company 2018 RM
EQUITY AND LIABILITIES (CONT'D)			
LIABILITIES (CONT'D)			
Current liabilities			
Trade payables	15	574,363	-
Other payables	16	9,019,622	34,007
Amount due to Directors	17	628,995	60
Borrowings	13	211,157	-
Bank overdraft	18	713,840	-
Tax payable		339,195	67,133
Total current liabilities		11,487,172	101,200
Total liabilities		13,363,934	101,200
TOTAL EQUITY AND LIABILITIES		18,623,844	2,475,055

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

ENEST GROUP BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 9 APRIL 2018 (DATE OF INCORPORATION) TO 31 DECEMBER 2018

	Note	**Group** 9.4.2018 to 31.12.2018 RM	**Company** 9.4.2018 to 31.12.2018 RM
Revenue	19	14,653,538	400,000
Cost of sales		(9,395,932)	-
Gross profit		5,257,606	400,000
Other income	20	4,238	-
Selling and distribution expenses		(52,582)	-
Administrative expenses		(1,225,133)	(34,014)
Other expenses	21	(57,199)	-
Finance costs	22	(103,581)	-
Profit before tax	23	3,823,349	365,986
Tax expense	24	(759,300)	(67,133)
Net profit for the financial period		3,064,049	298,853
Other comprehensive income for the financial period:-			
Item that will be reclassified subsequently to profit or loss			
- Foreign currency translation, net of tax		1,390	-
Total comprehensive income for the financial period		3,065,439	298,853
Net profit for the financial period attributable to:-			
Owners of the Company		2,676,250	298,853
Non-controlling interests		387,799	-
		3,064,049	298,853
Total comprehensive income for the financial period attributable to:-			
Owners of the Company		2,677,640	298,853
Non-controlling interests		387,799	-
		3,065,439	298,853
Earnings per share attributable to owners of the Company:-			
- Basic (sen)	25(a)	0.67	
- Diluted (sen)	25(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)
AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD FROM 9 APRIL 2018 (DATE OF INCORPORATION) TO 31 DECEMBER 2018

	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								
At 9 April 2018 (date of incorporation)	12.1	2	-	-	-	2	-	2
Net profit for the financial period		-	-	-	2,676,250	2,676,250	387,799	3,064,049
Other comprehensive income for the financial period								
- Foreign currency translation		-	-	1,390	-	1,390	-	1,390
Total comprehensive income for the financial period		-	-	1,390	2,676,250	2,677,640	387,799	3,065,439
Transactions with owners:-								
Share issuance pursuant to acquisition of a subsidiary	12.1/12.2	2,075,000	(375,108)	-	354,599	2,054,491	-	2,054,491
Acquisition of a subsidiary	5(a)	-	-	-	-	-	139,978	139,978
Total transaction with owners		2,075,000	(375,108)	-	354,599	2,054,491	139,978	2,194,469
Balance at 31 December 2018		2,075,002	(375,108)	1,390	3,030,849	4,732,133	527,777	5,259,910
Company								
At 9 April 2018 (date of incorporation)	12.1	2	-	-	-	2	-	2
Total comprehensive income for the financial period		-	-	-	298,853	298,853	-	298,853
Transaction with owners:-								
Share issuance pursuant to acquisition of a subsidiary	12.1	2,075,000	-	-	-	2,075,000	-	2,075,000
Total transaction with owners		2,075,000	-	-	-	2,075,000	-	2,075,000
Balance at 31 December 2018		2,075,002	-	-	298,853	2,373,855	-	2,373,855

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

ENEST GROUP BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 9 APRIL 2018 (DATE OF INCORPORATION) TO 31 DECEMBER 2018

	Note	Group 9.4.2018 to 31.12.2018 RM	Company 9.4.2018 to 31.12.2018 RM
OPERATING ACTIVITIES			
Profit before tax		3,823,349	365,986
Adjustments for:-			
Bad debts written off		23,517	-
Depreciation of property, plant and equipment		120,987	-
Interest expenses		103,581	-
Dividend income from financial assets at fair value through profit or loss		(3,477)	-
Operating profit before working capital changes		4,067,957	365,986
Changes in working capital:-			
Inventories		1,101,474	-
Receivables		(4,473,292)	-
Payables		3,750,171	34,007
Cash generated from operations		4,446,310	399,993
Tax paid		(401,037)	-
Tax refunded		51,000	-
Net cash from operating activities		4,096,273	399,993
INVESTING ACTIVITIES			
Acquisition of a subsidiary		-	(60)
Acquisition of a subsidiary, net of cash acquired	5(a)	(1,543,366)	-
Purchase of property, plant and equipment		(2,276,115)	-
Net investment in financial assets at fair value through profit or loss		(3,947,000)	-
Dividend received from financial assets at fair value through profit or loss		71	-
Net cash used in investing activities		(7,766,410)	(60)
FINANCING ACTIVITIES			
Advances from Directors		595,843	60
Interest paid		(103,581)	-
Repayments of term loans	**A**	(78,852)	-
Drawdown of term loans	**A**	2,150,771	-
Advances to a subsidiary		-	(395,000)
Proceeds from issuance of shares in a subsidiary prior to merger exercise		400,000	-
Net cash from/(used in) financing activities		2,964,181	(394,940)

ENEST GROUP BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 9 APRIL 2018 (DATE OF INCORPORATION) TO 31 DECEMBER 2018 (CONT'D)

	Note	Group 9.4.2018 to 31.12.2018 RM	Company 9.4.2018 to 31.12.2018 RM
CASH AND CASH EQUIVALENTS			
Net changes		(705,956)	4,993
Effect of acquisition of subsidiaries/At date of incorporation	**B**	95,294	2
At the end of financial period	**C**	(610,662)	4,995

NOTES TO STATEMENTS OF CASH FLOWS

A. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING LIABILITIES

	Effect of acquisition of subsidiaries RM	Drawdowns RM	Repayments RM	31.12.2018 RM
Term loans	-	2,150,771	(78,852)	2,071,919

B. EFFECT OF ACQUISITION OF SUBSIDIARIES/AT DATE OF INCORPORATION

	Group 9.4.2018 to 31.12.2018 RM
Effect of acquisition of subsidiaries	95,292
At date of incorporation	2
	95,294

ENEST GROUP BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD FROM 9 APRIL 2018 (DATE OF INCORPORATION) TO 31 DECEMBER 2018 (CONT'D)

NOTES TO STATEMENTS OF CASH FLOWS (CONT'D)

B. EFFECT OF MERGER OF SUBSIDIARIES/AT DATE OF INCORPORATION (CONT'D)

	Group 9.4.2018 to 31.12.2018 RM
Property, plant and equipment	284,943
Inventories	570,728
Trade receivables	254,073
Other receivables	412,861
Cash and bank balances	95,292
Deferred tax liabilities	(17,000)
Trade payables	(1,023)
Other payables	(174,454)
Amount due to a Director	(33,152)
Tax payable	(37,668)
Net assets acquired	1,354,600

C. CASH AND EQUIVALENTS

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

	Group 9.4.2018 to 31.12.2018 RM	**Company** 9.4.2018 to 31.12.2018 RM
Cash and bank balances	103,178	4,995
Bank overdraft	(713,840)	-
	(610,662)	4,995

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

ENEST GROUP BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur. The principal place of business of the Company is located at No. 2, 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 5(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 period.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 15 July 2019.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and of 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.

2. BASIS OF PREPARATION (CONT'D)

2.2 Basis of measurement (cont'd)

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.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, 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 determines 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 has 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 has 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. BASIS OF PREPARATION (CONT'D)

2.4 MFRSs

2.4.1 Adoption of new or revised MFRSs

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

Since the date of incorporation, the Group and the Company adopted amendments/ improvements to MFRSs which are mandatory for the current financial period.

The initial application of the amendments/improvements to the standards did not have a material impact on the financial statements.

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 pronouncement. The initial application of the new standards, amendments and interpretations are not expected to have any material impacts to the financial statements of the Group and of the Company except as mentioned below.

<u>MFRS 16 Leases</u>

MFRS 16 was issued in January 2016 and it replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

2. BASIS OF PREPARATION (CONT'D)

2.4 MFRSs (cont'd)

2.4.2 Standards issued but not yet effective (cont'd)

MFRS 16 Leases (cont'd)

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under MFRS 16 is substantially unchanged from today's accounting under MRFS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under MFRS 117.

The non-cancellable operating lease commitments is disclosed in Note 28.1 to the Financial Statements.

A preliminary assessment indicates that RM318,250 of these arrangements relate to leases other than short-term leases and leases of low value assets with the threshold less than United States Dollar 5,000. Hence, the Group will recognise right of use assets of RM363,572 and corresponding lease liability of RM363,572 in respect of all these leases.

Accordingly, there will not be any material impact to the Group gearing ratio, results of operations, operating cash flows and earnings before income tax, depreciation and amortisation.

The Group will apply MFRS 16 for the first time using the modified retrospective method which the comparative amounts for the year prior to the first adoption of the new Standard will not be restated.

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.

2. BASIS OF PREPARATION (CONT'D)

2.5 Significant accounting estimates and judgements (cont'd)

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 property, plant and equipment to be within 5 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. 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 assets.

The management expects that the expected useful lives of the property, plant and equipment would not have material differences from the management's estimation hence it would not result in material variance in the Group's profit for the financial period.

The carrying amount of the Group's property, plant and equipment at the end of the reporting date is disclosed in Note 4 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 period.

The carrying amount of the Group's inventories at the end of the reporting date is disclosed in Note 7 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)

<u>Provision for expected credit losses ("ECL") of receivables</u>

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 ECL 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.

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 ECL 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 5(c), 8 and 9 to the Financial Statements.

<u>Impairment of non-financial assets</u>

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.

2. BASIS OF PREPARATION (CONT'D)

2.5 Significant accounting estimates and judgements (cont'd)

2.5.1 Estimation uncertainties (cont'd)

Impairment of non-financial assets (cont'd)

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 6 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.

2.5.2 Significant management judgement

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

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 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 31 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 are 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 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 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)

3.1.2 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. The acquisition of Ming Feng Marketing (M) Sdn. Bhd. and Ye Lin Industrial (Shanghai) Co., Ltd, resulted in a business involving common control entities since the management of all the entities which took part in the acquisition were controlled by common Directors and under common shareholders before and immediately after the acquisition, and accordingly the accounting treatment is outside the scope of MFRS 3. 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 effected throughout the current and previous periods. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.2 Basis of consolidation (cont'd)

<u>Business combinations and goodwill (cont'd)</u>

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.

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 MFRS.

Goodwill in 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.3 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.

3.1.4 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.

Losses applicable to NCI in a subsidiary is allocated to the non-controlling interests 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Property, plant and equipment (cont'd)

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 building	Over the lease term at 99 years
Furniture and fittings	10%
Office equipments	10%
Tool and equipments	20%
Air-conditioners	10% - 20%
Computers	20%
Electrical and fittings	10%
Plant and machineries	10%
Signboards	10%
Renovations	10% - 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 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.

3.3 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

<u>Operating lease</u>

Leases, where the Group do not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units to which the asset belongs.

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

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

Goodwill is tested for impairment annually at the end of each reporting period, and when circumstances indicated that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3.5 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.

3.5.1 Financial assets

3.5.1.1 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

3.5.1 Financial assets (cont'd)

3.5.1.1 Initial recognition and categorisation (cont'd)

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.

3.5.1.2 Subsequent measurement

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

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 a subsidiary and cash and cash equivalents.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

3.5.1 Financial assets (cont'd)

3.5.1.2 Subsequent measurement (cont'd)

<u>FVTPL</u>

Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. The Group 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.

3.5.2 Impairment of financial assets

The Group and the Company assess on a forward-looking basis the expected credit loss ("ECLs") for all debt instrument not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The maximum period considered when estimating ECLs are the maximum contractual period (including extension options) over which the Group and the Company are exposed to credit risk.

ECL is measured on either of the following bases:-

- 12-months ECLs: these are losses that are expected to result from possible default events within 12 months after the reporting date; and

- Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the terms, irrespective of the timing of the default to which ECLs model applies.

For all other financial instruments, the Group and the Company recognise a loss allowance equal to 12-months ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

3.5.2 Impairment of financial assets (cont'd)

ECLs are re-measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Group and the Company recognise an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVTOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have any assets or sources of income that could generate sufficient cash flows to repay the amount subject to write-off.

3.5.3 Financial liabilities

3.5.3.1 Initial recognition and categorisation

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

All 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, borrowings and bank overdraft.

3.5.3.2 Subsequent measurement

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

Other financial liabilities including borrowings, bank overdraft, amount due to Directors, 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 period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

3.5 Financial instruments (cont’d)

3.5.4 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 continues 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 recognises 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.

3.5.5 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.

3.6 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Foreign currency transactions and balances (cont'd)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. 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).

3.7 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 period. 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.

3.8 Inventories

Inventories comprises raw materials, packing materials, 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 materials includes invoices value of goods purchased and expenditure incurred in acquiring the inventories. Cost of finished goods and work-in-progress comprises raw materials, direct labour and an appropriate proportion of production overhead which include expenditure incurred in bringing them to their existing location and condition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Inventories (cont'd)

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.

3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and bank overdraft and which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

Bank overdraft is shown in current liabilities in the statements of financial position.

3.10 Equity

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 period retained earnings and from acquisition of subsidiaries.

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

3.11 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 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.

3.13 Revenue recognition

The Group and the Company applied five-step model revenue recognition under MFRS 15 Revenue from Contracts with Customers effective 1 January 2018.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Revenue recognition (cont'd)

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.

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>

The Group processing and selling bird nest product. 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 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 19 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Tax expense

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

Current tax

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.

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

Supply of goods and services in Malaysia and other jurisdiction is subject to Goods and Services Tax ("GST").

The net amount of such taxes recoverable from, or payable to, the relevant authorities is included as part of "other receivables" or "other payables" in the statements of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Tax expense (cont'd)

Indirect tax (cont'd)

Revenues, expenses and assets are recognised net of the amount of such taxes. If such taxes incurred on the purchase of assets is not recoverable from the authorities, the taxes incurred are recognised as part of the cost of acquisition of the asset.

During the financial period, GST reset at standard rate of 0% with effective on 1 June 2018 and Sales and Services Tax ("SST") was enacted with effective on 1 September 2018 to replace GST.

3.15 Employee benefits expenses

Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial period 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.

Defined contribution plans

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 period.

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").

3.16 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Operating segments (cont'd)

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 period to acquire property, plant and equipment.

3.17 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.

3.18 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 building RM	Furniture and fittings RM	Office equipments RM	Tools and equipments RM	Air-conditioners RM	Computers RM	Electrical and fittings RM	Plant and machineries RM	Signboards RM	Renovations RM	Total RM
Cost											
At incorporation date	-	-	-	-	-	-	-	-	-	-	-
Effect of acquisition of a subsidiary	-	262,963	-	323,635	70,387	57,311	-	-	5,110	227,257	946,663
Effect of merger of subsidiaries	-	90,743	17,751	-	33,942	61,906	52,556	29,179	3,170	125,600	414,847
Additions	2,076,126	1,750	614	28,030	15,359	41,360	-	1,800	-	111,076	2,276,115
At 31.12.2018	2,076,126	355,456	18,365	351,665	119,688	160,577	52,556	30,979	8,280	463,933	3,637,625
Accumulated depreciation											
At incorporation date	-	-	-	-	-	-	-	-	-	-	-
Effect of acquisition of a subsidiary	-	207,414	-	223,065	61,620	41,646	-	-	3,151	180,250	717,146
Effect of merger of subsidiaries	-	26,101	3,575	-	10,087	28,745	15,490	7,867	951	37,088	129,904
Charge for the financial period	13,608	17,939	1,837	19,020	6,342	23,790	5,256	3,098	615	29,482	120,987
At 31.12.2018	13,608	251,454	5,412	242,085	78,049	94,181	20,746	10,965	4,717	246,820	968,037
Net carrying amount											
At 31.12.2018	2,062,518	104,002	12,953	109,580	41,639	66,396	31,810	20,014	3,563	217,113	2,669,588

Leasehold land and building of the Group have been pledged to a licensed bank 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 building.

5. SUBSIDIARIES

(a) Investment in subsidiaries

	Company 2018 RM
Unquoted shares, at cost	2,075,060

Details of the subsidiaries are as follows:-

Name of subsidiaries	Country of incorporation	Effective equity interest 2018 %	Principal activities
Ming Feng Marketing (M) Sdn. Bhd. ("MFMSB")	Malaysia	100	Processing and selling bird's nest products
Ye Lin Industrial (Shanghai) Co. Ltd ("YLIS")*	China	100	Importing and distributing the Group's edible bird's nest within China
Subsidiary of MFMSB			
Dynamic Transforms Sdn. Bhd. ("DTSB")	Malaysia	80	Processing and selling edible bird's nest products

* Not audited by Grant Thornton Malaysia.

Acquisition of subsidiaries

(i) On 10 July 2018, the Company acquired the entire equity interest in MFMSB of 10,721,600 units of ordinary shares in MFMSB for a total consideration of RM2,075,000 satisfied by issuance of 20,750,000 unit of new ordinary shares of the Company. As a result of this acquisition, MFMSB has become wholly-owned subsidiary of the Company.

(ii) On 30 August 2018, the Company acquired the entire equity interest in YLIS for a total cash consideration of RM60. As a result of this acquisition, YLIS has become wholly-owned subsidiary of the Company.

The consolidated financial statements have been prepared using the merger method to account for the acquisition of MFMSB and YLIS. Merger reserve or deficit are determined as the difference between the cost of merger and nominal value of the share capital of the subsidiaries acquired and recognised in statements of financial position.

5. SUBSIDIARIES (CONT'D)

(a) Investment in subsidiaries (cont'd)

Acquisition of a subsidiary (cont'd)

The recognised merger deficit at the acquisition date is derived as follow:-

	Group 2018 RM
Total consideration paid by issuance of shares of the Company	2,075,060
Less: Nominal value of the subsidiaries' share capital	(1,699,952)
Merger deficit	375,108

Impact of the acquisition on the consolidated statements of profit or loss and other comprehensive income

In the financial period when the merger took place, the subsidiaries' profits are included in the Group's profits for the full financial period, regardless of the effective date of merger.

Acquisition of a subsidiary under MFMSB

On 16 April 2018, MFMSB entered into a share purchase agreement ("SPA") to acquire 10% of the issued share capital in DTSB for a consideration of RM299,892 via issuance of 321,600 units of new ordinary shares of MFMSB.

On 30 May 2018, MFMSB entered into a supplemental letter to the SPA to acquire 70% of issued share capital in DTSB for a total cash consideration of RM2,100,000. Upon completion of this acquisition, DTSB had become subsidiary of MFMSB.

Consideration, assets recognised and liabilities assumed

The following summarises the major classes of consideration and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:-

	RM
Fair value of consideration	2,399,892

Fair value of identifiable assets acquired and liabilities assumed

	RM
Property, plant and equipment	229,517
Inventories	4,335,906
Trade and other receivables	1,138,824
Tax recoverable	108,736
Cash and bank balances	556,634
Trade and other payables	(5,669,726)
	699,891

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

(a) Investment in subsidiaries (cont'd)

Acquisition of a subsidiary under MFMSB (cont'd)

Goodwill arising from business combination

Goodwill was recognised as a result of the acquisition as follows:-

	RM
Fair value of consideration	2,399,892
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	139,978
Fair value of identifiable assets acquired and liabilities assumed	(699,891)
Goodwill arising on acquisition of a subsidiary	1,839,979

Net cash outflow arising from acquisition of a subsidiary

	RM
Fair value of consideration paid	2,399,892
Purchase consideration satisfied by issuance of shares of MFMSB	(299,892)
Cash and cash equivalents acquired	(556,634)
	1,543,366

Impact of the acquisition on the consolidated statements of profit or loss and other comprehensive income

From the beginning at the financial year, MFMSB acquired subsidiary has contributed RM14,330,529 to the Group's revenue and profit of RM2,335,344 for the financial year respectively.

(b) Non-controlling interests ("NCI") in a subsidiary

DTSB

	2018 RM
NCI percentage of ownership interest and voting interest	20%
Profit allocated to NCI	387,799
Carrying amount of NCI	527,777

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

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

Summarised financial information in respect of the above subsidiary with NCI is set out below. The summarised financial information below is before intra-group eliminations.

DTSB (cont'd)

	2018 RM
As at 31 December	
Non-current assets	334,543
Current assets	11,686,046
Total assets	12,020,589
Current liabilities/Total liabilities	9,381,704
Net Assets	2,638,885
Date of acquisition to 31 December	
Revenue	8,314,662
Profit and total comprehensive income for the financial period	1,938,994
Net cash inflow from operating activities	3,464,910
Net cash outflow from investing activities	(3,803,215)
Net cash inflow from financing activities	116,683
Net decrease in cash and cash equivalents	(221,622)

(c) Amount due from a subsidiary

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

6. GOODWILL

	Group 2018 RM
Cost	
Acquisition of a subsidiary/At 31.12.2018	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 5% per annum. The discount rate used is 5% per annum.

7. INVENTORIES

	Group 2018 RM
Raw materials	30,415
Packaging materials	7,190
Work-in-progress	57,734
Finished goods	3,709,821
	3,805,160
Recognised in profit or loss:-	
Inventories recognised as cost of sales	9,002,965

8. TRADE RECEIVABLES

Trade receivables are unsecured, non-interest bearing and the normal credit term granted are ranging from 0 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 30 to the Financial Statements.

8. TRADE RECEIVABLES (CONT'D)

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

	Group 2018 RM
Chinese Renminbi ("RMB")	170,790

9. OTHER RECEIVABLES

	Group 2018 RM
Non-trade receivables	18,692
Advances to suppliers	5,030,189
Deposits	79,100
Prepayments	31,600
Prepayments for listing expenses	337,448
GST receivable	364,328
	5,861,357

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group 2018 RM
At fair value:-	
Quoted investment in Malaysia ("Unit Trust")	3,950,406
Market value of quoted investment in Malaysia ("Unit Trust")	3,950,406

11. CASH AND BANK BALANCES

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

	Group 2018 RM
RMB	2,256

12. CAPITAL AND RESERVES

12.1 Share capital

	Number of ordinary shares 2018 Unit	Amount 2018 RM
Group and Company		
Issued and fully paid-up:-		
At 9 April 2018 (date of incorporation)	2	2
Pursuant to acquisition of subsidiaries	20,750,000	2,075,000
Shares split	394,250,038	-
At end of financial period	415,000,040	2,075,002

During the financial period, the Company issued:-

(a) 2 new ordinary shares at an issue price of RM1 each for a total cash consideration of RM2 as subscribers' shares.

(b) 20,750,000 new ordinary shares by way of share swap of 10,721,600 ordinary shares in MFMSB.

(c) 394,250,038 of new ordinary shares by way of shares split of 20,750,002 ordinary shares into 415,000,040 units of ordinary shares at the basis of every 1 ordinary share split into 20 new ordinary shares.

The new ordinary shares issued in current financial period rank pari passu in all respects with the existing ordinary shares of the Company.

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.

12.2 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 as disclosed in Note 5(a) to the Financial Statements.

12.3 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.

13. BORROWINGS

	Group 2018 RM
Current	
Secured:-	
Term loans	211,157
Non-current	
Secured:-	
Term loans	
- Between 2 to 5 years	999,120
- More than 5 years	861,642
	1,860,762
	2,071,919

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

(a) Corporate guarantee by the Company.

(b) Jointly and severally guaranteed by the Directors of the Group.

(c) Credit Guarantee Corporation Malaysia Berhad (CGC) guarantee under Flexi Guarantee Scheme (FGS) for RM560,000.

(d) Government Guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad for RM420,000.

(e) Asset Sale Agreement for RM1,160,899 over Shariah Compliant Commodities determined by the Bank.

(f) First party legal charge over the leasehold land and building of the Company as disclosed in Note 4 to the Financial Statements.

The effective interest of term loans are charged at the rate ranging 4.40% to 8.85% per annum and is repayable by ranged from 84 to 240 monthly instalments.

14. DEFERRED TAX LIABILITIES

	Group 2018 RM
Arising from merger acquisition in a subsidiary	(17,000)
Recognised in profit or loss (Note 24)	1,000
Carried forward	(16,000)

14. DEFERRED TAX LIABILITIES (CONT'D)

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

	Group 2018 RM
Carrying amount of qualifying property, plant and equipment in excess of its tax base	(16,000)

15. TRADE PAYABLES

Trade payables are unsecured, non-interest bearing and the normal credit term granted by the suppliers ranged from 0 to 90 days.

16. OTHER PAYABLES

	Group 2018 RM	Company 2018 RM
Non-trade payables	244,638	22,007
Advances received from customers	8,576,619	-
Accrual of expenses	178,365	12,000
Deposits received	20,000	-
	9,019,622	34,007

17. AMOUNT DUE TO DIRECTORS

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

18. BANK OVERDRAFT

The bank overdraft is unsecured. Interest is charged at rates of 2.2% per annum and repayable on demand.

19. REVENUE

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

	Group 9.4.2018 to 31.12.2018 RM	Company 9.4.2018 to 31.12.2018 RM
Geographical market		
Malaysia	499,180	400,000
China	13,350,858	-
Australia	458,500	-
Hong Kong	345,000	-
	14,653,538	400,000

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

	Group 9.4.2018 to 31.12.2018 RM	Company 9.4.2018 to 31.12.2018 RM
Selling of bird nest products		
Goods transferred at a point in time	14,653,538	-
Management fee		
Services rendered at a point in time	-	400,000

20. OTHER INCOME

	Group 9.4.2018 to 31.12.2018 RM
Dividend income from financial assets at FVTPL	3,477
Rental income	500

21. OTHER EXPENSES

	Group 9.4.2018 to 31.12.2018 RM
Bad debts written off	23,517
Realised loss on foreign exchange	33,682
	57,199

22. FINANCE COSTS

	Group 9.4.2018 to 31.12.2018 RM
Interest expenses on:-	
- term loans interest	76,973
- bank overdraft interest	26,608
	103,581

23. PROFIT BEFORE TAX

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

	Group 9.4.2018 to 31.12.2018 RM
Depreciation of property, plant and equipment	120,987
Directors' fee	3,000
Director's emoluments	80,729
Rental expenses	192,420

24. TAX EXPENSE

	Group 9.4.2018 to 31.12.2018 RM	**Company** 9.4.2018 to 31.12.2018 RM
Current tax		
- Current financial period provision	756,133	67,133
- Under provision in prior financial year	4,167	-
	760,300	67,133
Deferred tax (Note 14)		
- Over provision in prior financial years	(1,000)	-
	759,300	67,133

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 9.4.2018 to 31.12.2018 RM	**Company** 9.4.2018 to 31.12.2018 RM
Profit before tax	3,823,349	365,986
Tax at Malaysian statutory tax rate of 24%	917,604	87,837
Tax effects in respect of:-		
Expenses not allowable for tax purposes	174,985	1,256
Income not subject to tax	(4,242)	-
Tax savings for the first tranche of chargeable income	(60,000)	(21,960)
Movement of deferred tax assets not recognised	(274,800)	-
Utilisation of tax losses brought forward	(4,157)	-
Tax losses not recognised	6,743	-
Under provision of tax expense in prior financial year	4,167	-
Over provision of deferred tax in prior financial year	(1,000)	-
Effective tax expense	759,300	67,133

However, the above amounts are subject to the approval of the Inland Revenue Board of Malaysia.

25. 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 period as follows:-

	9.4.2018 to 31.12.2018
Net profit attributable to owners of the Company (RM)	2,676,250
Weighted average number of ordinary shares (unit)	400,503,464
Basic earnings per share (sen)	0.67

(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 period.

26. EMPLOYEE BENEFITS EXPENSES

	Group 9.4.2018 to 31.12.2018 RM
Salaries, bonus, overtime and allowances	1,045,342
Defined contribution plan	71,358
Social security contribution	8,862
Other benefits	28,493
	1,154,055

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

	Group 9.4.2018 to 31.12.2018 RM
Salaries and other emoluments	71,135
Directors' fees	3,000
Defined contribution plan	8,931
Social security contribution	663
	83,729

27. RELATED PARTY DISCLOSURES

(a) Related party transaction:-

	Company 9.4.2018 to 31.12.2018 RM
Management fee charged to a subsidiary	400,000

(b) Outstanding balances arising from related party transaction are disclosed in Notes 5 and 17 to the Financial Statements respectively.

(c) Key management personnel is 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.

The Group and the Company have no other members of key management personnel other than the Board of Directors.

28. COMMITMENTS

28.1 Operating lease commitments

The future lease payable under non-cancellable operating lease pertaining to the Group in respect of rental of premises are as follows:-

	Group 9.4.2018 to 31.12.2018 RM
Nor later than one year	178,500
Later than one year but not later than five years	165,250
	343,750

28.2 Capital commitment

	Group 9.4.2018 to 31.12.2018 RM
Authorised and contracted for:-	
Property, plant and equipment	387,000

29. 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.
Other	Investment holding.

Group	Trading RM	Other RM	Eliminations RM	Note	Consolidated RM
Revenue					
External sales	14,653,538	-	-		14,653,538
Inter-segment sales	1,384,544	400,000	(1,784,544)	A	-
Total revenue	16,038,082	400,000	(1,784,544)		14,653,538
Results					
Segment results	3,871,924	365,986	(132,794)		4,105,116
Finance costs	(103,581)	-	-		(103,581)
Depreciation	(120,987)	-	-		(120,987)
Other non-cash items of expenses	(57,199)	-	-	B	(57,199)
Profit before tax					3,823,349
Tax expense					(759,300)
Net profit for the financial period					3,064,049
Assets					
Segment assets	19,287,022	2,475,055	(3,138,233)		18,623,844
Consolidated total assets					18,623,844
Liabilities					
Segment liabilities	13,738,407	101,200	(475,673)		13,363,934
Consolidated total liabilities					13,363,934

29. OPERATING SEGMENTS (CONT'D)

Segment information (cont'd)

Group	Trading	Other	Eliminations	Note	Consolidated
	RM	RM	RM		RM
Other information					
Additions to property, plant and equipment	2,276,115	-	-		2,276,115

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 consists of the following items as presented in the respective notes to the financial statements:-

Group	9.4.2018 to 31.12.2018
	RM
Bad debts written off	23,517
Realised loss on foreign exchange	33,682
	57,199

Geographical information

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

Group	**Revenue** 9.4.2018 to 31.12.2018	**Non-current assets** 2018
	RM	RM
Malaysia*	499,180	4,509,567
China	13,350,858	-
Australia	458,500	-
Hong Kong	345,000	-
	14,653,538	4,509,567

* Company's home country

29. OPERATING SEGMENTS (CONT'D)

Geographical information (cont'd)

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

	Group
	2018
	RM
Property, plant and equipment	2,669,588
Goodwill	1,839,979
	4,509,567

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
	9.4.2018 to 31.12.2018
	RM
Customer A	3,809,900
Customer B	2,775,959
Customer C	2,217,624
Customer D	1,554,200
	10,357,683

30. 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	FA	FVTPL	OFL
	RM	RM	RM	RM
Group				
2018				
Financial assets				
Trade receivables	394,176	394,176	-	-
Other receivables	97,792	97,792	-	-
Financial assets at fair value through profit or loss	3,950,406	-	3,950,406	-
Cash and bank balances	103,178	103,178	-	-
	4,545,552	595,146	3,950,406	-
Financial liabilities				
Trade payables	574,363	-	-	574,363
Other payables	443,003	-	-	443,003
Amount due to Directors	628,995	-	-	628,995
Borrowings	2,071,919	-	-	2,071,919
Bank overdraft	713,840	-	-	713,840
	4,432,120	-	-	4,432,120
Company				
2018				
Financial assets				
Amount due from a subsidiary	395,000	395,000	-	-
Cash and bank balances	4,995	4,995	-	-
	399,995	399,995	-	-
Financial liabilities				
Other payables	34,007	-	-	34,007
Amount due to Directors	60	-	-	60
	34,067	-	-	34,067

30. **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 adopts 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 adopts the policy of dealing with reputable institutions.

Receivables

From 1 January 2018, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., customer type and rating and coverage by collateral). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if the Directors deem them uncollectable. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

The Group and the Company have not recognised any loss allowance as they are creditworthy customers with good payment records with the Group and the Company. The risk of default is expected to be close to zero as all customers have high quality external credit ratings with no history of default.

30. **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 ageing analysis of trade receivables are as follows:-

	Group
	MFRS 9
	31.12.2018
	RM
Neither past due nor impaired	27,301
Past due but not impaired	
- 0-30 days	57,481
- 31-60 days	71,169
- 61-90 days	168,100
- more than 90 days	70,125
	394,176

The Group and the Company continuously monitors credit standing of customers and other counterparties, identified either individually or by group and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used.

The Group's and the Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. None of the Group's and the Company's financial assets are secured by collateral or other credit enhancements and none of the carrying amount of financial assets whose terms have been renegotiated that would otherwise be past due or impaired.

30. **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)

Credit risk concentration

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

	2018
	RM
By country:-	
Australia	171,473
China	170,789
Malaysia	51,914
	394,176

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.

	2018	
	RM	%
Sales to top customers	364,855	93%

Based on historical information about customer default rates, management considers the credit quality of trade receivables that are past due but not impaired to be good.

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 subsidiary and monitor the results of the subsidiary regularly.

As at the end of the reporting period, there was no indication that the advances to the subsidiary are not recoverable.

30. **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)**

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.

(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, borrowings and bank overdraft, 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 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	2 to 5 years	More than 5 years	Total contractual cash flows
	RM	RM	RM	RM
Group				
2018				
Non-derivative financial liabilities				
Secured:-				
Borrowings	332,002	996,006	1,366,753	2,694,761
Unsecured:-				
Trade payables	574,363	-	-	574,363
Other payables	443,003	-	-	443,003
Amount due to Directors	628,995	-	-	628,995
Bank overdraft	713,840	-	-	713,840
Total undiscounted financial liabilities	2,692,203	996,006	1,366,753	5,054,962

30. 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	2 to 5 years	More than 5 years	Total contractual cash flows
	RM	RM	RM	RM
Company				
2018				
Non-derivative financial liabilities				
Unsecured:-				
Other payables	34,007	-	-	34,007
Amount due to Directors	60	-	-	60
Total undiscounted financial liabilities	34,067	-	-	34,067

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

(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:-

Group	RMB	Total
	RM	RM
Financial assets/Net exposure		
2018	173,046	173,046

30. 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 (cont'd)**

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
		2018
		RM
RMB/RM	- strengthened 3%	5,191
	- weakened 3%	(5,191)

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.

(d) **Interest rate risk**

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

The Group's floating rate borrowings are exposed to a risk of change in its fair value due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of upward changes in interest rates while enabling benefits to be enjoyed if interest rates fall.

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

	Group 2018 RM
Floating rate instruments	
Financial liabilities	
Borrowings	2,071,919
Bank overdraft	713,840
Net financial liabilities	2,785,759

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 2018 RM
Effect on profit for the financial period	
+ 0.25%	(6,964)
- 0.25%	6,964

(e) **Price risk**

The Group is 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% in the prices of the quoted securities would result an in an increase or decrease of RM39,504 to the profit or loss of the Group.

31. FAIR VALUE MEASUREMENT

The carrying amounts of financial assets and financial liabilities of the Group 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.

31.1 Fair value measurement of financial instrument

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 2018:-

Financial instrument	**Fair value as at 2018 RM**	**Fair value hierarchy**	**Valuation techniques and key inputs**
Financial assets at FVTPL:- Quoted investment in Malaysia	Assets 3,950,406	Level 2	Quoted bid prices in similar market

32. 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 financial period.

33. COMPARATIVE INFORMATION

There are no comparative figures as this is the first set of Financial Statements being presented.

34. EVENTS AFTER THE REPORTING PERIOD

On 28 March 2019, WYNCORP Advisory Sdn. Bhd. ("WYNCORP") on behalf of the Board of Directors of Enest Group Berhad ("Enest") had submitted an application to Bursa Malaysia Securities Berhad ("Bursa Securities") for the proposed admission of Enest to the Official List and the listing and quotation of entire enlarged issued share capital of Enest on the LEAP Market of Bursa Securities ("Listing Application").

On the same date, WYNCORP on behalf of Enest had deposited the Information Memorandum dated 28 March 2019 ("Information Memorandum") with the Securities Commission Malaysia.

On 2 April 2019, the Company Secretaries on behalf of Enest had lodged the Information Memorandum with the Companies Commission of Malaysia.

On 18 April 2019, Bursa Securities has resolved to approve the Listing Application.