ADVENTA BERHAD 200301016113 (618533-M)

ANNUAL REPORT 2020

For Financial Year Ended 31 December 2020

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

EDMOND CHEAH SWEE LENG
Chairman
Senior Independent Non-Executive Director

LOW CHIN GUAN
Managing Director

KWEK SIEW LENG
Executive Director

TOH SENG THONG
Independent Non-Executive Director

DATO' DR. NORRAESAH BINTI HAJI MOHAMAD
Independent Non-Executive Director

AUDIT COMMITTEE

TOH SENG THONG *(Chairman)*

EDMOND CHEAH SWEE LENG

DATO' DR. NORRAESAH BINTI HAJI MOHAMAD

NOMINATION COMMITTEE

EDMOND CHEAH SWEE LENG *(Chairman)*

TOH SENG THONG

REMUNERATION COMMITTEE

EDMOND CHEAH SWEE LENG *(Chairman)*

LOW CHIN GUAN

TOH SENG THONG

COMPANY SECRETARY

CHUA SIEW CHUAN
(SSM PC NO. 201908002648)(MAICSA 0777689)

LIM LIH CHAU
(SSM PC NO. 201908001454)(LS 0010105)

REGISTERED OFFICE

21, Jalan Tandang 51/205A
Seksyen 51
46050 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-9213 0520
Fax : 03-7772 9821

SHARE REGISTRAR

Securities Services (Holdings) Sdn. Bhd.
Level 7, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
Damansara Heights, 50490 Kuala Lumpur
Tel : 03-2084 9000
Fax : 03-2094 9940

PRINCIPAL BANKERS

HSBC Bank (Malaysia) Berhad

OCBC Bank (Malaysia) Berhad

EXTERNAL AUDITORS

Moore Stephens Associates PLT
Unit 3.3A, 3rd Floor, Surian Tower
No 1 Jalan PJU 7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan

INTERNAL AUDITORS

PKF Risk Management Sdn. Bhd.
Level 33, Menara 1MK
Kompleks 1 Mont Kiara
No. 1, Jalan Kiara Mont Kiara
50480 Kuala Lumpur

STOCK EXCHANGE LISTING

Main Market of
Bursa Malaysia Securities Berhad

GROUP CORPORATE STRUCTURE

ADVENTA BERHAD
200301016113 (618533-M)

100% SUN HEALTHCARE (M) SDN. BHD.
- Distribution of medical and healthcare equipment, appliances and medical disposal products

  51% MYCARE LANKA (PRIVATE) LIMITED
  - Distribution of medical and healthcare equipment, appliances and medical disposal products

100% LUCENXIA (M) SDN. BHD.*
- Provision of home dialysis services and products for the treatment of end stage renal disease and its related services

  100% LUCENXIA LANKA (PRIVATE) LIMITED
  - Importing and distribution of medical and healthcare equipment, appliances and medical disposable products

  55% LUCENXIA HEALTHCARE (PRIVATE) LIMITED
  - Provision of home dialysis services and products for the treatment of end stage renal disease and its related services

100% LUCENXIA INTERNATIONAL SDN. BHD. *
- Investment holding and provision of home dialysis services and products for the treatment of end stage renal disease and its related services

  80% LUCENXIA (THAILAND) CO. LTD.
  - Dormant

  70% PT LUCENXIA INDONESIA INTERNATIONAL
  - Dormant

  98% LUCENXIA PHILIPPINES INTERNATIONAL INC.
  - Dormant

100% PTM PROGRESS TRADING & MARKETING SDN. BHD.
- Provision of storage and warehousing services

90% PT HUMANA MEDICAL INTERNATIONAL
- Dormant

49% PT AKEMA HEALTHCARE INTERNATIONAL
- Dormant

** Disposed of after financial year ended 31 December 2020*

MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders

This has been a time of changes and challenges unforeseen in all our years of business. The external factors significantly impact the direction and trends in the economy beyond anything we are prepared for, positively or otherwise.

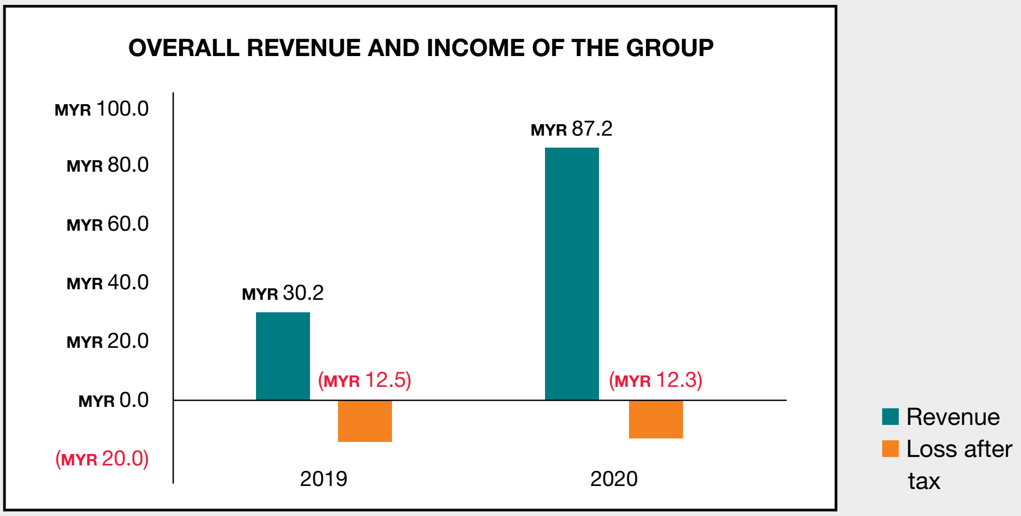
We have scrambled to understand and adapt to respond to the Covid-19, from the way we are to work to the unexpected changes in our customers' business. We are proud to say with our very committed and talented people, we have weathered the pandemic better than expected in such testing times. We have to protect our people and their families. Our hospital customers experienced extreme drops in their business from the lockdowns and faced significant challenges. The Company rose to the challenge. We helped all our customers through difficult times, delivering urgently needed Personal Protection Equipment ("**PPE**") and delaying deliveries of Operating Room products. Many critical products are airfreighted to meet crisis deadlines. At the same time, some inventory was lost due to the expiry of shelf life when sales were not as predicted. Looking back, it is with pride to say we did our part for the society and country.

In the developing crisis, we took immediate steps to safeguard the Company and protect the jobs of our people. The product portfolio was realigned to meet pandemic-driven needs. Marketing and Sales personnel are retrained for a new business environment of distanced or virtual meetings. Our logistics system based on new information technology investments was able to cope well with the extraordinarily large numbers of shipments. Our wide inventory of products that we have developed in the past two years helps sustain our business growth.

HIGHLIGHTS

Our hospital supplies division exceeded our expectations, with sales of RM82.0 million in 2020 as compared to RM28.5 million in 2019, largely driven by the PPE segment. Surgery-related sales dropped almost to the bottom, as the hospital suspended all elective surgeries for a good part of the year.

MANAGEMENT DISCUSSION AND ANALYSIS
CONT'D



OUR FUTURE STRATEGY

As the country starts to emerge from the pandemic economy, we see signs of hospital resurgence, with more elective surgeries performed. This bodes well for the technical products that typically drive our preference sales. The Company, learning from the crisis, has decided to drop business segments that have long gestation time to focus on the new medical trends and industry preference for fast delivery and low inventory. Improving the supply chain is now critical given global material shipping capacity shortages. We are increasing self-manufacturing to reduce the risk of supply interruptions. As a medium-term direction, key products may be sourced closer to home.

We have decided to divest from the business of dialysis as the business model no longer meets the Company's new strategy going forward. The dialysis business will require more investments in the coming years. This will free up cash for future aligned growth that can increase returns to our shareholders and stakeholders in the shorter term. More focus will be placed on technology and information-driven growth businesses.

Our core strengths are in the supply chain and product promotion, especially in the medical sector. Leveraging on this capability, the Company will look for compatible and similar competency organic and acquisition-driven growth.

ACKNOWLEDGEMENT & APPRECIATION

The Company will never have achieved what we did nor get through the Covid-19 crisis without the sheer commitment and passion of our people, who worked selflessly to procure and deliver critical products, from ventilators to the facemask, in the face of contagious infections at hospitals and healthcare centers. Such passion is and will be the foundation of a greater future for the Company.

Our culture of delivering with Value and Quality remains the foundation of all we do. We strive for customer loyalty.

Low Chin Guan
Managing Director

SUSTAINABILITY STATEMENT

Sustainable development is the responsibility of a body to improve the quality of life of the community and future generation in which it operates. Adventa Berhad (“**Adventa**”) is committed to sustainable development and to continuously return better values to all stakeholders. We strive to make life better and safer and to protect the environment wherever we are. These values should be embedded in how and why we do things, in the policies and culture of our business and people. The future generation and the future should be protected from the acts, products, and education we set and seek forth.

To achieve this objective, Adventa is in continuous evaluation of our processes and development on the Environmental, Social and Governance aspects and impact. We have the responsibility to deliver stakeholders expectation of returns and at the same time to ensure a safe environment in the process.

APPROACH TO SUSTAINABILITY

In addressing this initiative, the Group plans development and management of the Economic, Environmental and Social (“**EES**”) elements in its strategy. This general Sustainability Statement is prepared in accordance to the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Malaysia Securities**") and the Sustainability Reporting Guide, including its accompanying toolkits, issued by Bursa Malaysia Securities.

This statement is to communicate our Group's material sustainability matters that reflect significant economic, social and environmental impacts of the business.

This statement covers the financial year ended 31 December 2020 for our healthcare segment.

THE GOVERNANCE

The Group's approach to sustainability is formulated based on its core values and principled around the Group’s policy and culture, which are illustrated below and available on the company website.

INTEGRITY

Adventa maintains integrity in all dealings and trade, working to achieve excellence through honesty and responsibility, and without compromising on its duty of care. Undue and illegitimate practices are not tolerated.

CORPORATE RESPONSIBILITY

Adventa operates with a clear open policy when dealing with its shareholders and the authorities, making proper and timely disclosures of any and all material factors it faces. Adventa is to uphold and maintain the trust of its customers and shareholders.

QUALITY AND VALUES

Adventa strives for quality in all it does, giving customers the value they expect and deserve. Adventa endeavors to meet customer requirements and exceed expectations with the products it manufactures and sells.

FOCUS

The Group maintains a clear and defined focus on its objectives and targets. Adventa is set to be a multi layered and multi-product group producing and distributing products used in the healthcare industry.

NON-POLITICAL INVOLVEMENTS

Adventa operates for commercial enterprise and to create value and returns for its shareholders. The Group is determined to operate within the legitimate laws and regulations set down by the democratically elected governments and do not involve themselves in any political, philosophical activity or movement of any particular group, country, or region.

ENVIRONMENTAL & SOCIAL CARES

Adventa operates within accepted social and environmental requirements. Its responsibility to society and social wellbeing is a priority in all its commercial decisions. Adventa works to achieve a cleaner and healthier environment for all employees and the societies it operates in, and uses its knowledge and ability to contribute back to its environment. The lives, careers and the rights of its employees are respected and enhanced in recognition of their loyalty and dedication in the organisation.

MATERIAL CORE FOCUS AREAS

Materiality, in sustainability terms, is not limited to matters that may have a financial impact on the Group but includes issues that may impinge on its ability to meet its present and future needs. The Group's definition of materiality is derived from the prescribed guidelines provided by Section 6.3 of the Practice Note 9 of the MMLR of Bursa Malaysia Securities, where material issues are defined as those which:

- reflect our Group's significant EES impacts; and/or
- substantively influence the assessment and decisions of the stakeholders.

The Group have internally performed a materiality assessment on the Group's EES matters and has identified the key focus areas which may have a greater direct or indirect impact on our Group's ability to create, preserve or erode the EES position. We evaluate business strategy decisions for sustainability risks and long term impacts. Collateral risks are identified and contained.

SUSTAINABILITY STATEMENT
CONT'D

EES

The Group has made awareness and commitment to sustainability as a part of our management goal. We strive to achieve equitable diversity in our people, culture, philosophies and open-minded inclusiveness in all communities we engaged with. The Group carries out continuous engagements with all stakeholders on the best approach to social, environmental and economic goals without negative impacts. Our environmental and social footprints are to be minimised. Wastages, emissions, and inefficiencies are targeted as an environmental issue. Energy saving processes and product designs are parameters in our Research & Development (R&D).

Being in the healthcare industry, product competitiveness and quality, functional relevance and service levels are fundamental criteria for the company. Our policy and culture underpin our goals of:

- Products and services of value and quality that can ensure better safety and health of our customers.
- Minimal environmental footprint in process and product consumption.
- Improved social impact with our services.
- Safety and health assurance for our employees.

The Group practices diversity and equal opportunity for all, measured solely on performance metrics. There shall be zero discrimination in compensation and opportunities. Parental and family commitments are assessed and accommodated effectively to enable employees of all age and sex to participate productively and wholeheartedly.

BUILDING A SUSTAINABLE FUTURE

Adventa is committed to ensure sustainability with the active participation of all its people, continuously assessing risks and opportunity, work with newer technologies, open engagement and with integrity in all we do.

DIRECTORS' PROFILE

EDMOND CHEAH SWEE LENG

Chairman, Senior Independent Non-Executive Director

Malaysian, male

Mr. Edmond Cheah Swee Leng ("**Mr. Cheah**"), aged 66, was appointed to the Board of Adventa Berhad on 9 August 2004 and is presently the Chairman of the Company. He is a member of the Audit Committee and Chairman of the Remuneration Committee and Nomination Committee.

He is a Chartered Accountant by profession and a member of the Malaysian Institute of Accountants and Association of Chartered Accountants, England and Wales. He is also a Certified Financial Planner. His professional experience has been in the fields of audit, merchant banking, corporate & financial advising, portfolio & investment management, unit trust management and financial planning.

His career started with a professional accounting firm in London where he was an Audit Manager. He was the manager in charge of Portfolio Investment in a merchant bank in Malaysia and subsequently in charge of the corporate and planning division in a public listed company. Mr. Cheah was the Chief Executive Officer/Executive Director and a member of the Investment Committee of Public Mutual Fund Berhad, the largest private unit trust management company in Malaysia.

He was also a council member and Chairman of the Secretariat of the Federation of Investment Managers Malaysia (FIMM), a former Task Force Member on Islamic Finance for Labuan International Offshore Financial Centre (LOFSA), and a former member on the Securities Market Consultation Panel in Bursa Malaysia Securities Berhad.

He attended all four (4) Board Meetings held during the financial year ended 31 December 2020.

Mr. Cheah sits on the Board of Nylex Malaysia Berhad and Ancom Berhad, all of which are listed on Bursa Malaysia Securities Berhad. He is also an Investment Committee Member and Director of MAAKL Mutual Berhad.

LOW CHIN GUAN

Managing Director, Key Senior Management

Malaysian, male

Mr. Low Chin Guan ("**Mr. Low**"), aged 61, was appointed to the Board of Adventa Berhad on 12 April 2004 and is presently the Managing Director of the Company. He is also a member of the Remuneration Committee.

He graduated as a Civil Engineer from the University of Manchester Institute of Science and Technology (UMIST), United Kingdom.

Mr. Low founded the initial subsidiary of the Group in 1988. He has years of experience in project management, operations of manufacturing and assembly plants, financial control, strategic planning and marketing. In 2004, he formed Adventa Berhad to hold the various companies and manufacturing facilities under a single group management.

He now leads the Group in the areas of strategic planning, business development, investments, acquisitions and key personnel recruitment. He is also actively involved in product development, particularly in technological directions.

He attended all four (4) Board Meetings held during the financial year ended 31 December 2020.

Mr. Low is the major shareholder of the Company. Mr. Low also is the brother of Ms. Low Lea Kwan, who is substantial shareholder of the Company. He does not have any family relationship with any other director nor any conflict of interest in any business arrangement involving the Company, except as disclosed in the Financial Statements.

DIRECTORS' PROFILE
CONT'D

KWEK SIEW LENG

Executive Director,
Key Senior Management
Malaysian, female

Ms. Kwek Siew Leng ("**Ms. Kwek**"), aged 54, was appointed to the Board of Adventa Berhad on 12 April 2004 and is presently the Executive Director of the Company.

She is an Associate Member of the Chartered Institute of Management Accountants (CIMA) and a Chartered Malaysian Institute of Accountants (MIA). She has senior operations experience in audit and accounting prior to joining the Adventa Berhad group. Her prior employment in public practice includes stints in statutory and regulatory reporting, financial planning, budgeting and forecasting, taxation, managerial skills as well as system development in various fields.

She joined one of the Company's subsidiaries as Finance Manager in 2002 and assumed the position of Group Finance Manager of Adventa Berhad in 2003. She was subsequently promoted to Finance Director in 2004. She is now responsible for the overall management and operations of the accounts and finance departments.

She attended all four (4) Board Meetings held during the financial year ended 31 December 2020.

TOH SENG THONG

Independent Non-Executive Director
Malaysian, male

Mr. Toh Seng Thong ("**Mr. Toh**"), aged 62, was appointed to the Board of Adventa Berhad on 10 May 2004. He is the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee.

He graduated with a Bachelor of Commerce (Accounting) Degree from the University of Canterbury, New Zealand in 1981. He is a Chartered Accountant by profession and a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants, Chartered Accountants Australia and New Zealand, a Fellow member of the Malaysian Institute of Taxation and an Associate member of the Harvard Business School Alumni Club of Malaysia.

Mr. Toh has over 30 years' experience in auditing, taxation and corporate and financial advisory. He is also a practicing Chartered Accountant of Malaysia. He started his own practice under Messrs. S T Toh & Co in 1997.

He attended all four (4) Board Meetings held during the financial year ended 31 December 2020.

He sits on the Board of Latitude Tree Holdings Berhad and Grand Hoover Berhad, all of which are listed on Bursa Malaysia Securities Berhad.

DIRECTORS' PROFILE
CONT'D

DATO' DR. NORRAESAH BINTI HAJI MOHAMAD

Independent Non-Executive Director
Malaysian, female

Dato' Dr. Norraesah binti Haji Mohamad ("**Dato' Dr. Norraesah**"), aged 73, was appointed to the Board of Adventa Berhad on 8 November 2005. She is also a member of the Audit Committee.

Dato' Dr. Norraesah is a graduate with a Bachelor of Arts (Hons) Economics from University of Malaya, a Masters in International Economics Relations from International Institute of Public Administration, France and Masters in International Economics and Finance from University of Paris I, Pantheon-Sorbonne, France.

She further obtained a PhD (Economics Science) International Economics and International Finance from University of Paris I, Pantheon-Sorbonne, France.

She has over forty-five (45) years of working experience in the field of banking, consultancy, telecommunication, international trade and commerce.

She served the Government of Malaysia from 1972 to 1988 for a total of sixteen (16) years before leaving the public sector to join the private sector.

In the private sector, she assumed diverse roles between year 1989 to 2003. She was a Managing Director with a consulting firm which provides financial and consulting services appointed as the Chief Representative of Credit Lyonnais Bank in Malaysia and later was appointed as the Chairman of Bank Kerjasama Rakyat Malaysia.

She was appointed as a Senator from October 2005 to February 2008. She is a recipient of several state awards and was conferred the Chevalier de la Legion d'Honneur from French Government in 2004.

She sits on the Board of Directors of Excel Force MSC Berhad, MY E.G. Services Berhad and Latitude Tree Holdings Berhad, all of which are public companies. She also sits on the Board of Directors of several private limited companies.

She attended all four (4) Board Meetings held during the financial year ended 31 December 2020.

She is currently the Chairman of the World Islamic Businesswomen Network of the World Islamic Economic Forum (WIEF) and sits on its Board of Trustees and is a member of the International Advisory Panel.

Save as disclosed, none of the Directors have:-

1. Any other directorship in public companies and listed issuers;
2. Any family relationship with any Director and/or major shareholder of the Company;
3. Any conflict of interest with the Company;
4. Any convictions for offences within the past five (5) years other than traffic offences, if any; and
5. Any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2020.

KEY SENIOR MANAGEMENTS' PROFILE

LOW CHIN GUAN

Managing Director, Key Senior Management

Malaysian, male

The profile of Mr. Low Chin Guan is set out on page 9 of this Annual Report.

KWEK SIEW LENG

Executive Director, Key Senior Management

Malaysian, female

The profile of Ms. Kwek Siew Leng is set out on page 10 of this Annual Report.

Save as disclosed, none of the key senior management have:-

1. Any other directorship in public companies and listed issuers;
2. Any family relationship with any Director and/or major shareholder of the Company;
3. Any conflict of interest with the Company;
4. Any convictions for offences within the past five (5) years other than traffic offences, if any; and
5. Any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2020.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("**the Board**") of Adventa Berhad ("**the Company**") is pleased to present this Corporate Governance ("**CG**") Overview Statement ("**Statement**") to provide the shareholders and investors with an overview on the application of CG practices by the Company and its subsidiaries ("**the Group**") as set out in the Malaysian Code on Corporate Governance ("**MCCG**") throughout the financial year ended 31 December 2020 ("**FYE 2020**").

This Statement is prepared in accordance with Bursa Malaysia Securities Berhad's ("**Bursa Malaysia Securities**") Main Market Listing Requirements ("**MMLR**") and it is to be read together with the CG Report of the Company in respect of FYE 2020 ("**CG Report**") which is published at www.adventa.com.my.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Company is led by a dynamic and experienced Board, with high personal integrity, business acumen and management skills, which is primarily entrusted with the responsibility of charting the direction of the Group.

The major responsibilities of the Board are outlined in the Board Charter. The Board discharged its key fiduciary duties, leadership functions and responsibilities, as follows:

- Reviewing and adopting a strategic plan for the Company;
- Overseeing the conduct of the Company's business;
- Considering the management recommendations on key issues - including acquisitions and divestments, restricting, funding and significant capital expenditure;
- Identifying principal risks and ensuing the implementation of appropriate systems to manage these risks;
- Reviewing the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- Deciding on necessary steps to protect the Company's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- Ensuring that the Company's financial statements are true and fair and conform with any applicable laws and/or regulations; and
- Ensuring that the Company has appropriate corporate governance structures in place including standards of ethical behaviour and promoting a culture of corporate responsibility.

For the effective function of the Board, the Board has established the following Board Committees to assist in the discharge of its responsibilities:

(i) Audit Committee ("**AC**");
(ii) Nomination Committee ("**NC**"); and
(iii) Remuneration Committee ("**RC**").

The Board Committees operates within clearly defined Terms of Reference ("**TOR**") which were duly approved by the Board. The TORs are to be regularly reviewed as and when required to ensure they are consistent with MMLR and MCCG.

The Board is led by Mr. Edmond Cheah Swee Leng ("**Mr. Edmond**"), who is the Chairman of the Company who always strive for instilling good CG practices, demonstrating leadership and oversee the effectiveness of the Board. The positions of Chairman and Managing Director are held by different individuals and their roles and responsibilities are distinct and clearly defined in the Board Charter.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (Cont'd)

The Board is supported by two (2) Company Secretaries who are suitably qualified under the Companies Act 2016 ("**CA 2016**"), in all respect in the CA 2016, MMLR of Bursa Malaysia Securities, MCCG and company secretaryship matters. The Board has full access to the advice and services of the Company Secretaries for the Board's affairs and the businesses.

The Board received meeting materials, which are complete and accurate within a reasonable time prior to the meeting. Upon conclusion of the meeting, the minutes of meetings are circulated in a timely manner.

The Board met four (4) times during the FYE 2020. All Directors complied with the minimum requirements on attendance at Board meetings as stipulated in the MMLR (a minimum of 50% of the total Board meetings held during the FYE 2020). The details of the Directors' attendance at the Board meetings during the FYE 2020 are as follows:

No.	Name of Directors	Attendance of Board Meetings
1.	Edmond Cheah Swee Leng	4/4
2.	Low Chin Guan	4/4
3.	Kwek Siew Leng	4/4
4.	Toh Seng Thong	4/4
5.	Dato' Dr. Norraesah binti Haji Mohamad	4/4

The Board Charter of the Company documented the governance and structure of the Board, authority, major roles and responsibilities and TOR of the Board Committees, matters reserved for the Board and other guidance on the Board conduct.

The Company has in place the Whistleblowing Policy to foster an environment where integrity and ethical behaviour are maintained and any illegal or improper action and/or wrongdoing in the Group may be exposed. The AC oversees the administration of the Whistleblowing Policy.

The Group has in place a Code of Conduct and Ethical Practice that is applicable to all the Directors of the Group where appropriate standards of conduct and ethical behaviour are maintained in the Group to preserve the Group's reputation and success of its operation.

The Board Charter, Whistleblowing Policy and the Code of Conduct and Ethical Practice are to be regularly reviewed by the Board as and when required, and they are available for viewing at the Company's website www.adventa.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition

The Company is led by an experienced and competent Board with different expertise. Presently, there are five (5) members of the Board, comprising one (1) Managing Director, one (1) Executive Director, two (2) Independent Non-Executive Directors and one (1) Senior Independent Non-Executive Director.

The Board deems its composition as appropriate in terms of its membership and size. There is a good mix of skills and core competencies in the current Board membership. The Board is well represented by individuals with diverse professional backgrounds and experience in the areas of finance, accounting and economics, as well as capital markets services.

The three (3) Independent Non-Executive Directors out of five (5) of the Board members, make up more than half of the Board and is in compliance with the Paragraph 15.02(1) of the MMLR and Practice 4.1 of the MCCG. Notwithstanding the above, the Board views the number of its Independent Non-Executive Directors as adequate to provide the necessary check and balance to the Board's decision-making process.

The Board has not developed a policy which limits the tenure of its Independent Directors ("**ID**") to nine (9) years. In the event the Board deems its beneficial to the Group to retain an ID beyond nine (9) years tenure, it will need to justify the recommendation to shareholders and seek shareholders' approval at a general meeting.

The Company has on its Board, three (3) IDs, who served as IDs for more than nine (9) years as at end of the financial year under review.

Following the assessment and recommendation made by the NC of the Company, the Board opined that the Director's Independence remains unimpaired, they were able to exercise independent judgement over business dealings of the Company is not influenced by the interest of other Directors or substantial shareholders. They also do not have any conflict of interest with the Company and have not been entering/is not expected to enter into any contracts with the Company and/or its subsidiary companies.

Accordingly, the Board recommended that the IDs of the Company, who served for a cumulative term of more than nine (9) years as at the end of the financial year under review, save for Dato' Dr. Norraesah binti Haji Mohamad who has expressed her intention to retire and to not remain as an Independent Director of the Company, be retained as IDs subject to shareholders' approval at the forthcoming Annual General Meeting of the Company by way of ordinary resolution in line with Section 291 of the CA 2016. Key justifications for retaining them as IDs are set out under the explanatory notes of Notice of Annual General Meeting in the Company's Annual Report 2020.

In any appointment of Board and Senior Management, a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge, have been considered to maintain a diversified Board and Senior Management team that will help to grow the Group and have better governance in the Group.

The Board is also committed to gender diversity which includes the representation of women in the composition of the Board of the Company and at management level of the Group which is available for viewing at the Company's website https://www.adventa.com.my/diversity.

As at 31 December 2020, there are two (2) women Directors on Board which fulfils the recommendation of at least 30% women participation notwithstanding the Company is not classified as "Large Company".

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

The NC that is established by the Board, is responsible for screening, evaluating and recommending to the Board suitable candidates for appointment as Directors and Senior Management as well as filling vacancies in the Board Committees. The NC is chaired by Mr. Edmond, the Senior Independent Non-Executive Director, who is also the Chairman of the Company.

The Board, through the NC, has established a formal assessment mechanism to carry out assessment on an annual basis on the effectiveness of the Board Committees, the Board as a whole and the contribution of each individual Director, including the independence of the ID. The areas covered in the annual assessment criteria of the Board, Board Committees and individual Directors are as follows:

Evaluation	Assessment Criteria
Board and Board Committees	• Board mix and composition • Quality of information and decision making • Boardroom activities • Board relationship with the Management • Board Committees' Performance
Individual Directors	• Time commitment • Preparation for meetings • Contribution and performance

In FYE 2020, the NC had carried out the abovesaid assessments. The results indicated that the Board as a whole, the Board Committees and each individual Director had performed well and effectively and the overall composition of the Board in terms of size, mix of skills, experience, core competencies and the balance between the Executive Directors, Non-Executive Directors and IDs, is appropriate. The IDs had also fulfilled their independent role in corporate accountability.

All Directors of the Company have completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities for directors of listed issuers. Directors' training is an on-going process as the Directors recognise the need to continually develop and refresh their skills and knowledge and to update themselves on the developments in the related industry and business landscape.

The Directors will continue to participate from time to time in training programmes to keep abreast with the latest developments in the capital markets, relevant changes in laws and regulations, corporate governance matters, and current business issues, from time to time.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

During FYE 2020, all Directors had attended various training programmes and seminars as follows:

Directors	Training(s) Attended
Edmond Cheah Swee Leng	- Workshop on Section 17A of the Malaysian Anti-Corruption Commission Act 2009
Low Chin Guan	- 12th PD Masterclass – "New Norm in PD For Better Patient Outcome"
Toh Seng Thong	- Corporate Liability Readiness & Action Plan by Chartered Accountants Australia and New Zealand - "Applying ISAs in a Pandemic Environment including implications on Going Concern by Malaysian Institute of Accountants" - National Tax Conference by Chartered Tax Institute of Malaysia
Kwek Siew Leng	- Deloitte CFO Webinar – Thriving in a Covid-19 world, Virtual Finance Operations - Digital Transformation for Malaysian Corporates by HSBC Bank Malaysia Bhd - HSBC Economic & FX Outlook by HSBC Bank Malaysia Bhd - Achieving Competitive Advantage Using OCBC eCommerce Solutions by OCBC Bank Malaysia Bhd - Malaysia Budget 2021 by RHB Bank - Market Updates Live Webinar by HSBC Bank Indonesia
Dato' Dr. Norraesah binti Haji Mohamad	- WBN (Women Business Network) Developing Content Strategy - Digital Marketing online workshop - Corporate Liability Provision – Malaysian Anti-Corruption Commission Amendment Act 2018 - WIEF (World Islamic Economic Forum) – iEM Power webinar Cash Flow – Management During A Pandemic - WIEF (World Islamic Economic Forum) – SIDC PowerTalk Webinar - Moving Forward: Banking and Capital Market Trends

III. Remuneration

The Board has adopted a policies and procedures to determine the remuneration of Directors and Senior Management of the Company. The Board is aware that competitive remuneration is important to attract, retain and motivate its Directors to lead the Group in the long term.

The RC reviewed the remuneration packages of the Executive Directors to ensure their remuneration is sufficiently attractive and is able to retain and motivate them to run the Company successfully.

The remuneration packages for Directors was determined by the Board as a whole following the relevant recommendations made by the RC, with the Directors concerned abstaining from deliberations and voting on his/her own remuneration.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III. Remuneration (Cont'd)

The full terms of reference of the RC is available on the Company's website at www.adventa.com.my

Details of the Board's remuneration for FYE 2020 are set out as below: -

(i) Executive Directors

Name of Directors	Fee	Salary and Bonus	Benefits in Kind	Total
Low Chin Guan	31,200.00	553,350.00	28,000	612,550.00
Kwek Siew Leng	31,200.00	216,580.00	–	247,780.00

(ii) Non-Executive Directors

Name of Directors	Fees	Allowances	Total
Edmond Cheah Swee Leng	69,600.00	–	69,600.00
Toh Seng Thong	69,600.00	–	69,600.00
Dato' Dr. Norraesah Binti Haji Mohamad	69,600.00	–	69,600.00

The Directors' Fees of both Executive and Non-Executive Directors is subject to shareholders' approval annually.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AC

The AC of the Company comprises exclusively three (3) Independent Non-Executive Directors. The members of the AC possess a wide range of necessary skills to discharge its duties. The Chairman of AC, Mr. Toh Seng Thong, is a separate person from the Chairman of the Board as the Board acknowledges that the AC, being an independent and objective body, should function as the Company's independent watchdog to ensure the integrity of financial controls and effective financial risk management. The performance of the members of the AC is reviewed by the NC annually.

The AC has adopted Policy – External and Internal Auditors to assess the suitability, objectivity and independence of the External Auditors and with requirement to observe the cooling-off period of at least two (2) years before appointment of a former key audit partner as a member of the AC. In FYE 2020, none of the AC members were former key audit partners of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

II. Risk Management and Internal Control Framework

The Risk Management Committee ("**RMC**") is responsible to manage and monitor risk management. The Group has in place an on-going process for identifying, evaluating and managing significant risks that may affect the achievement of the business objective of the Group. The Board through the AC and RMC reviews the key risks identified on a regular basis to ensure proper management of risks and that measures are taken to mitigate any weaknesses in the control environment.

The AC is established by the Board to provide independent oversight on the Company's internal and external audit functions, financial reporting, internal control systems and to ensure proper checks and balances within the Company.

The Board has established an internal audit function within the Company, which is led by the outsourced Internal Auditors ("**IA**"), PKF Risk Management Sdn. Bhd., who reports directly to the AC as an integral part of control structure and risk management framework of the Group.

During the FYE 2020, the AC is satisfied the IA has the necessary competencies, experience and sufficient resources to carry out the function effectively and independently.

The details of the Risk Management and Internal Control Framework are set out in the Statement on Risk Management and Internal Control in this Annual Report 2020.

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

I. Effective Communication with Stakeholders

The Board recognises the importance of timely and high quality disclosure as a key component to uphold the principles and best practices of corporate governance for the Group. As such, maintaining an effective communication policy between members of the public and the Company is important to build trust and understanding between the Company and its various stakeholders.

The Board has in place Policy on Shareholders Communications and Investor Relations to ensure that shareholders and investment community are provided with timely and equal access to balanced and understandable information on the Company to enable shareholders to exercise their right in an informed manner and to allow shareholders and the investment community to engage actively with the Company.

Shareholders may communicate with the Company on investor relation matters by posting their enquiries to the Company through the Company's website enquiry form on its website, www.adventa.com.my.

The Board also recognises that effective and timely communication of information related to the Company's business strategies, financial performance and business initiatives are essential in maintaining good relationship with investors.

Various communication channels are used for disseminating information to the shareholders and the investing public on a timely basis, i.e. Annual General Meeting ("**AGM**"), Annual Report, quarterly announcements and corporate disclosures to Bursa Malaysia Securities, press releases, and investor and analyst briefings, the Company's website with updated information.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

I. Effective Communication with Stakeholders (Cont'd)

The Company has yet to adopt integrated reporting for FYE 2020 but the Board ensures there is continuous communication between the Company and its stakeholders to facilitate mutual understanding of each other's objectives and expectations.

II. Conduct of General Meetings

The AGM has been the main forum for shareholders to engage with the Board to facilitate greater understanding of the Company's business, governance and performance.

The Notice of Seventeenth (17th) AGM, together with the explanatory notes of the background information and reports or recommendations that are relevant to the proposed resolutions, as well as the Form of Proxy, was sent to shareholders at least twenty-eight (28) days prior to the date of the 17th AGM, so as to give sufficient time for the shareholders to consider the resolutions that will be discussed and decided at the 17th AGM, and to arrange for proxies to attend the 17th AGM on their behalf, if so required.

All Directors, Chairman of AC, RC and NC had attended the 17th AGM held on 21 July 2020 and the Extraordinary General Meeting ("**EGM**") held on 8 April 2021.

The Directors had actively responded to relevant questions addressed to them during the 17th AGM and the EGM.

The representatives of external auditors and/or representatives of Principal Adviser for the corporate exercise were also present to respond to the queries raised by the shareholders.

COMPLIANCE WITH MCCG

The Board is satisfied that during FYE 2020, the Company has complied with the best practices in MCCG on the application of the principles and best practices in corporate governance, except for those departures highlighted in the CG Report.

This Statement and the CG Report were approved by the Board of Directors of the Company on 4 May 2021.

ADDITIONAL COMPLIANCE INFORMATION

OTHER INFORMATION PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. UTILISATION OF PROCEEDS

For the financial year ended 31 December 2020, the details of utilisation of the proceeds from the disposal of 100% equity interest in Electron Beam Sdn. Bhd. ("**EBSB Disposal**") were as follows: -

Details of Utilisation	*Revised expected utilisation of proceeds time frame	Proposed Utilisation	Revised Proposed Utilisation	Actual Utilisation	Remaining balance
		RM ('000)	**RM ('000)**	**RM ('000)**	**RM ('000)**
Special dividend	Within 6 months (unchanged)	10,700	10,700	10,700	–
Business expansion	Within 24 months	22,500	6,188	6,188	–
Repayment of bank borrowings	Within 6 months (unchanged)	20,000	20,000	20,000	–
Working capital	Within 12 months	21,000	37,312	37,312	–
Estimated expenses	Within 3 months (unchanged)	800	800	800	–
Total		**75,000**	**75,000**	**75,000**	**–**

Note:

* Announcement on variation to the utilisation of consideration from EBSB Disposal was made to Bursa Malaysia Securities Berhad on 28 August 2020.

ADDITIONAL COMPLIANCE INFORMATION

CONT'D

2. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPTs")

The RRPTs entered into by the Group during the financial year ended 31 December 2020 ("**FYE 2020**") were as follows:

Nature of RRPTs	Name of Company	Related Parties	Interested Directors and/or interested Major Shareholders	Aggregate value of the RRPTs during the FYE 2020
Rental of office Address: No. 21, Jalan Tandang 51/205A, Seksyen 51, 46050 Petaling Jaya, Selangor Darul Ehsan Frequency of payment: monthly	Sun Healthcare (M) Sdn. Bhd.	Low Chin Guan	Low Chin Guan	RM180,000
Rental of apartment for employees accommodation Address: Zehn Bukit Pantai, No. 10, Jalan Bukit Pantai, 59100 Kuala Lumpur, Wilayah Persekutuan Frequency of payment: monthly	Adventa Berhad	Low Chin Guan	Low Chin Guan	RM55,000
Rental of office Address: No. 21, Jalan Tandang 51/205A, Seksyen 51, 46050 Petaling Jaya, Selangor Darul Ehsan Frequency of payment: monthly	Adventa Berhad	Low Chin Guan	Low Chin Guan	RM120,000

ADDITIONAL COMPLIANCE INFORMATION
CONT'D

2. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPTs") (CONT'D)

The RRPTs entered into by the Group during the financial year ended 31 December 2020 ("**FYE 2020**") were as follows: (Cont'd)

Nature of RRPTs	Name of Company	Related Parties	Interested Directors and/or interested Major Shareholders	Aggregate value of the RRPTs during the FYE 2020
Rental of office Address: No. 21, Jalan Tandang 51/205A, Seksyen 51, 46050 Petaling Jaya, Selangor Darul Ehsan Frequency of payment: monthly	Lucenxia (M) Sdn. Bhd.	Low Chin Guan	Low Chin Guan	RM120,000

3. AUDIT AND NON-AUDIT FEES

The audit and non-audit fees paid by the Group to external auditors or company affiliated to the external auditors' firm for the FYE 2020 were as follows: -

	Company (RM)	Group (RM)
Audit services rendered	75,000	155,000
Non-audit services rendered	5,000	5,000
Total	**80,000**	**160,000**

4. MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

There were no material contracts entered into by the Company and its subsidiaries involving the interests of the Directors, chief executive who is not a director or major shareholders, either still subsisting at the end of the FYE 2020 or, if not then subsisting, entered into since the end of the previous financial year except the following :

On February 2021, the Company had entered into a share sale agreement ("**SSA**") with Mr. Low Chin Guan, the Managing Director and Major Shareholder of the Company for the disposal of the entire equity interest held by the Company in Lucenxia (M) Sdn. Bhd. ("**Lucenxia**") for a total cash consideration of RM11.0 million ("**Proposed Disposal of Lucenxia**"), subject to the terms as set out in the SSA. The Proposed Disposal of Lucenxia were duly approved by the shareholders of the Company at the Extraordinary General Meeting held on 8 April 2021 and completed on 3 May 2021.

AUDIT COMMITTEE REPORT

The Board of Directors of the Company ("**the Board**") is pleased to present the report of the Audit Committee ("**AC**") for the financial year ended 31 December 2020 ("**FYE 2020**") in compliance with Paragraph 15.15(1) of the Main Market Listing Requirements ("**Main LR**") of Bursa Malaysia Securities Berhad ("**Bursa Malaysia Securities**").

COMPOSITION AND MEETINGS

The AC comprises three (3) members, which consist of all Independent Non-Executive Directors. This complies with Paragraphs 15.09(1)(a) and (b) of the Main LR of Bursa Malaysia Securities.

The Chairman of the AC, Mr. Toh Seng Thong is an Independent Non-Executive Director. In this respect, the Company complies with Paragraph 15.10 of the Main LR of Bursa Malaysia Securities. Furthermore, in compliance with the Practice 8.1 of the Malaysian Code on Corporate Governance ("**MCCG**"), the Chairman of the AC is not the Chairman of the Board.

Mr. Toh Seng Thong and Mr. Edmond Cheah Swee Leng, being members of Malaysian Institute of Accountants (MIA), fulfil the requirement of Paragraph 15.09(1)(c) of the Main LR of Bursa Malaysia Securities.

The term of office and performance of the AC and individual AC member has been reviewed by the Nomination Committee on 23 February 2021 in accordance with Paragraph 15.20 of the Main LR of Bursa Malaysia Securities. Having reviewed the results of the AC and individual AC member's performance, the Board is satisfied that the AC and individual AC member have been able to carry out their duties with care and diligence in accordance with the Terms of Reference of the AC for the FYE 2020.

During the FYE 2020, the AC conducted a total of four (4) meetings. The composition of the AC and the attendance of the respective members at the meetings during the FYE 2020 are disclosed as follows:-

Name	Designation	Directorship	Attendance
Mr. Toh Seng Thong	Chairman	*Independent Non–Executive Director*	4/4
Mr. Edmond Cheah Swee Leng	Member	*Chairman / Senior Independent Non-Executive Director*	4/4
Dato' Dr. Norraesah binti Haji Mohamad	Member	*Independent Non-Executive Director*	4/4

The Terms of Reference of the AC is available for reference on the Company's website at www.adventa.com.my.

AUDIT COMMITTEE REPORT
CONT'D

SUMMARY OF WORK OF THE AC

1. OVERSIGHT OF THE FINANCIAL REPORTING PROCESS

During the FYE 2020, the AC carried out its duties as set out on its Terms of Reference. The AC discharged its oversight role by carrying out the following activities during the FYE 2020:

(a) Reviewed and discussed the quarterly and year-end financial statements, prior to recommendations to the Board. The key areas of focus are the following:

- any change in accounting policies and practices;
- significant adjustments arising from the audit;
- going concern assumption;
- compliance with accounting standards and other legal requirements;
- significant matters highlighted in the financial statements; and
- significant judgements made by the Management.

(b) The dates the AC met during the FYE 2020 to deliberate on financial reporting matters as detailed below:-

Date of meetings	Financial Reporting Statements Reviewed
26 February 2020	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the fourth quarter ended 31 December 2019
21 May 2020	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the first quarter ended 31 March 2020
26 August 2020	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the second quarter ended 30 June 2020
25 November 2020	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the third quarter ended 30 September 2020

2. OVERSIGHT OF EXTERNAL AUDIT FUNCTION

During the FYE 2020, the AC:-

(a) Reviewed with the External Auditors, their audit plan including non-audit services for the FYE 2020, outlining the audit scope, methodology and timetable, audit materiality, area of focus, fraud considerations and the risk of management override and also the new and revised auditors reporting standards.

(b) Discussed and considered the significant accounting adjustments, auditing issues and management letter arising from the interim audit as well as the final audit with the External Auditors.

(c) Met with the External Auditors on 26 February 2020 and 25 November 2020 without the presence of the Executive Director and the Management.

(d) Assessed the performance of the External Auditors for the financial year ended 31 December 2019 covering areas such as suitability, objectivity and independence as well as the audit and non-audit fees of the External Auditors.

SUMMARY OF WORK OF THE AC (CONT'D)

2. OVERSIGHT OF EXTERNAL AUDIT FUNCTION (Cont'd)

During the FYE 2020, the AC:- (Cont'd)

(e) Considered and recommended the re-appointment of External Auditors for the ensuing year.

Messrs. Moore Stephens Associates PLT ("**MSA**") declared their independence and confirmed that they were not aware of any relationship between MSA and the Group that, in their professional judgement, might reasonably be thought to impair their independence.

The AC was satisfied with the independence, suitability and performance of MSA, recommended to the Board for approval, the re-appointment of MSA as External Auditors for the ensuing year at the Seventeenth Annual General Meeting of the Company.

3. OVERSIGHT OF INTERNAL AUDIT FUNCTION

In discharging its duties and responsibilities, the AC is supported by an independent and adequately resources internal audit function. The internal audit function is outsourced to PKF Risk Management Sdn. Bhd. ("**Internal Auditors**"), an independent professional services firm which assesses the adequacy, efficiency and effectiveness of the Group's internal control and risk management system.

During the FYE 2020, the internal audit function carried out audits in accordance with the internal audit plan approved by the AC. The results of the internal audit reviews and the recommendations for enhancement of existing controls were duly presented to the AC. The AC has full access to the Internal Auditors and has received reports on audits performed.

The internal audits were performed using a risk based approach and focused on:-

(a) reviewing identified high risk areas for compliance with established policies, procedures, rules, guidelines, laws and regulations;

(b) evaluating the adequacy of controls for safeguarding assets; and

(c) identifying business risks which have not been appropriately addressed.

During the FYE 2020, the AC performed the following activities:

(a) Reviewed the adequacy and performance of the internal audit function and its comprehensive coverage of the Group's activities.

(b) Reviewed the internal audit report relating to fixed assets and inventory management of the Group.

(c) Reviewed the audit findings and recommendations to improve any weaknesses or non-compliance, and the respective management's response thereon, and monitored the implementation recommendations and action plans.

(d) Sought and obtain periodic updates from Internal Auditors on the status of implementation of post-audit recommendations from previous, as well as current, internal audit cycles.

The professional fees incurred for the internal audit function in respect of FYE 2020 amounted to RM15,000/-.

AUDIT COMMITTEE REPORT
CONT'D

SUMMARY OF WORK OF THE AC (CONT'D)

4. OTHER ACTIVITIES

(a) Reviewed the contents of the AC Report and Statement on Risk Management and Internal Control for the FYE 2020 and ensured that these reports were prepared in accordance with the applicable requirements for inclusion in the Annual Report prior to recommendation to the Board for approval.
(b) Reviewed related party transactions and the adequacy of the Group's procedures and processes in identifying, monitoring, reporting and reviewing related party transactions in a timely and orderly manner.
(c) Reviewed and recommended to the Board for approval the Statement to Shareholders in relation to the Proposed Renewal of Authority for Share Buy-Back.
(d) Received updates from the External Auditors on the new developments and amendments in disclosure requirements arising from the new and amended Malaysian Financial Reporting Standards and IC interpretation, Companies Act 2016 and the amendments to the Main LR of Bursa Malaysia Securities.
(e) Reviewed and recommended to the Board for approval the adoption of Anti-Bribery and Corruption Policy.

BOARD'S CONCLUSION

The Board is satisfied that the AC and its members have carried out their functions, duties and responsibilities in accordance with the Terms of Reference of the AC and there were no material misstatements, frauds and deficiencies in the systems of internal control not addressed by the Management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

INTRODUCTION

The Statement on Risk Management and Internal Control Statement ("**this Statement**") is made pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Malaysia Securities**") in accordance with the Practices and Guidance relating to risk management and internal controls provided in the Malaysian Code on Corporate Governance ("**MCCG**") and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD RESPONSIBILITIES

The Board recognises and affirms its overall responsibility for the Group's system of risk management and internal control for good corporate governance. Due to the limitations that are inherent in any internal control system, the Group's system of internal control can only manage rather than eliminate the risk of failure to achieve business objectives and therefore can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. Notwithstanding this, the Board requires that the procedures and controls in place are subject to regular review as part of an ongoing process for identifying, evaluating and managing the significant risks faced by the Group.

The Board has received assurance from the Managing Director and Executive Director of the Group that the Group's risk management and internal control systems have been operating adequately and effectively, in all material aspects, during the financial year ended 31 December 2020 ("**financial year under review**") and up to the date of this Statement.

The Board has extended the responsibilities of the Audit Committee ("**AC**") to include the role of reviewing and monitoring the effectiveness of the Group's internal control system. The AC receives assurance reports from the Internal Auditors on findings from audits carried out at operating units, and the External Auditors on areas for improvement identified during the course of statutory audit.

The Reports of the AC is set out on pages 24 to 27 of the Annual Report 2020.

RISK MANAGEMENT

The oversight of the Group's risk management process is the responsibility of the Managing Director who is assisted by the heads of department of the respective operating companies. During the financial year under review, the Group monitored significant risks and risk mitigation strategies on an ongoing basis through its Management at the Risk Management Committee ("**RMC**") meetings and Board meetings. Under the purview of the RMC, the respective heads of each operating subsidiary and department of the Group are empowered with the responsibility of managing their respective operations. Its functions include, inter alia:

- developing risk management framework;
- coordinate the updating of the risk profile;
- monitor the implementation of action plans; and
- review and assess the applicability of the control environment in mitigating risk.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT
CONT'D

RISK MANAGEMENT (CONT'D)

In view of a constantly changing environment and competitive landscape, the Board is committed in maintaining a system of internal control that comprises the following environment, key processes and monitoring systems: -

- An annual risk assessment analysis that assists the Management to continuously identify significant risks associated with key processes within a changing business and operating environment;
- The AC, through the RMC, reviews the adequacy and effectiveness of the Group's risk management and internal control procedures as well as any internal control issues identified by the Internal and External Auditors. This also involves identifying alternative controls to reduce risk identified;
- The AC, through the Internal Audit, assess the potential financial and non-financial impacts to the business risk identified and with the assistance of the RMC formulate and develop action plan to address the risk with timeline; and
- The RMC will update the risk profile of operating companies and Group, monitor and update progress to the AC annually.

The Enterprise Risk Management ("**ERM**") framework, risks and control measures established by the Company are documented and compiled by the RMC to represent the risk profile of the operating companies which in turn are consolidated to form the risk profile of the Group. Risk profiles are reviewed and updated on a yearly basis. Meetings are held at least once a year in which the updated risk profile will be deliberated by the AC before reporting to the Board.

During the financial year under review, the Group has continued with its ERM efforts. The risk profile of the Group was reviewed and updated to reflect the current conditions.

INTERNAL AUDIT FUNCTION

The Internal Audit Function adopts a risk-based approach, is guided by the International Professional Practice Framework (IPPF) and prepares its strategies and plans for AC's approval prior to execution of internal audit assessments. Internal audit reviews the internal controls in the key activities of the Group's businesses.

The internal audit team from PKF Risk Management Sdn. Bhd. ("**PKF**"), the independent consulting firm to which the Internal Audit Function has been outsourced, assesses the adequacy and effectiveness of the internal control system based on the scope of work approved by the AC and reports to the AC directly on its findings and recommendations for improvement. The Internal Auditors also reviews the extent to which its recommendations have been accepted and implemented by the Management. The AC reviews internal audit reports and management responses thereto and ensures significant findings especially control deficiencies are adequately addressed and rectified by the Management of the operating units concern. The AC reviews internal control matters and update the Board on significant issues for the Board's attention and action.

The Internal Auditors, which report directly to the AC, conducts reviews on the adequacy and effectiveness of the Group's system of internal controls that the Management has put in place. These audits review the internal controls in the key activities of the Group's business based on a three (3)-years detailed internal audit plan approved by the AC. Based on these audits, the Internal Auditors provide the AC with annual reports highlighting observations, recommendations and management action plans to improve the system of internal control.

During the financial year under review, the AC with the assistance of the external professional consulting firm, PKF, reviewed the adequacy and integrity of the Group's internal control systems relating to fixed assets and inventory management. There were no material issues highlighted by PKF during the financial year under review.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

CONT'D

INTERNAL AUDIT FUNCTION (CONT'D)

The Engagement Partner, Dato' Josephine Low, a Certified Internal Auditor and certified Information Systems Auditor, has a diverse professional experience in internal audit, risk management and corporate governance advisory, and the internal audit staff on the engagement are free from any relationships or conflicts of interest, which could impair their objectivity and independence. Each internal audit review ranges from one (1) to two (2) staff per visit. Upon conduct a review on the Internal Audit Function, the AC concluded that the Internal Audit function is independent and PKF has performed their audit assignments with impartiality, proficiency and due professional care for the financial year under review.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Apart from risk management and internal audit, the Group's system of internal controls comprises the following key elements:-

- a well defined organisational structure with clear reporting lines and accountabilities;
- clearly defined internal policies and procedures for key processes to ensure full compliance by all operating units and to minimise operating risks;
- a close monthly monitoring and review of financial results and forecasts for all operating units by the Managing Director; and
- clear reporting structures to ensure proper monitoring of the Group's operations together with regular quarterly reports which monitor the Group's performance.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have performed limited procedures on this Statement on Risk Management and Internal Control for the inclusion in the Annual Report 2020 of the Company in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagement other than Audits or Reviews of Historical Information and Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Controls. Their work performance are restricted to the requirements by Paragraph 15.23 of the MMLR of Bursa Malaysia Securities.

OPINION OF THE BOARD

The improvement of the system of internal control is an ongoing process and the Board maintains an ongoing commitment to strengthening the Group's internal control and risk management environment and processes.

Based on the internal processes which have been put into place by the Management, as well as the activities carried out by and subsequent reports of the outsourced Internal Audit function, the Board is of the view that the Group's system of internal control and risk management is sufficiently sound and adequate to safeguard the shareholders' investments and Group's assets for the financial year under review.

This statement is made in accordance with a resolution of the Board of Directors dated 4 May 2021.

RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS

The Directors are required under the provisions of the Companies Act 2016 to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and their results and cash flows of the Group and the Company. In preparing the financial statements for the financial year ended 31 December 2020 in this 2020 Annual Report, the Directors have adopted suitable accounting policies and applied them consistently, made judgements and estimates that are reasonable and prudent, as well as ensured that all applicable accounting standards in Malaysia have been followed.

The Directors have ensured that proper accounting records are kept which disclose with reasonable accuracy the financial position of the Group and the Company and ensured that the financial statements comply with the provision of the Companies Act 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and all applicable accounting standards in Malaysia.

The Directors also have general responsibilities for taking the necessary steps to safeguard the assets of the Group and the Company and to detect and prevent fraud as well as other irregularities.

This statement is made in accordance with a resolution of the Board of Directors dated 4 May 2021.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and provision of management services.

The principal activities and other information of its subsidiaries are set out in Note 16 to the financial statements.

There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year, net of tax	(12,335,015)	(5,803,455)
Attributable to:		
- Owners of the Company	(11,778,923)	(5,803,455)
- Non-controlling interests	(556,092)	–
	(12,335,015)	(5,803,455)

DIVIDENDS

On 30 December 2019, the Directors declared a single-tier special dividend of RM0.07 per ordinary share for the financial year ended 31 December 2019 amounted to RM10,695,004. The dividends were subsequently paid by the Company on 22 January 2020.

The Directors do not recommend any dividend in respect of the current financial year.

RESERVES AND PROVISIONS

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

ISSUANCE OF SHARES OR DEBENTURES

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

DIRECTORS' REPORT

CONT'D

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS OF THE COMPANY

The Directors in office since the beginning of the financial year to the date of this report are:

Low Chin Guan #
Kwek Siew Leng #
Toh Seng Thong
Edmond Cheah Swee Leng
Dato' Dr. Norraesah Binti Haji Mohamad

Being a Director of one or more subsidiaries

DIRECTORS OF THE SUBSIDIARIES OF THE COMPANY

Pursuant to Section 253(2) of the Companies Act 2016 ("Act"), the Directors who served in the subsidiaries (excluding Directors who are also Directors of the Company) in office since the beginning of the financial year to the date of this report are as follows:

Tan Xi Yi	
Galabada Payagalage Dinesh Udayakantha	(Appointed on 8 January 2020)
Hussain Jiffry Jazook Ahamed	(Resigned on 8 January 2020)
Sellakapu Dinithi Niluthpala Silva	(Resigned on 1 December 2020)

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings kept by the Company under Section 59 of the Act, the interest of Directors in office at the end of the financial year in shares of the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares			
	At 01.01.2020 Unit	**Acquired Unit**	**Sold Unit**	**At 31.12.2020 Unit**
Name of Directors:				
Ordinary shares in the Company				
Direct interest:				
- Low Chin Guan	58,446,552	589,100	–	59,035,652
- Kwek Siew Leng	1,000,000	–	(350,000)	650,000
- Toh Seng Thong	200,000	–	(60,000)	140,000
- Edmond Cheah Swee Leng	140,000	–	(140,000)	–
- Dato' Dr. Norraesah Binti Haji Mohamad	140,000	–	–	140,000

DIRECTORS' REPORT

CONT'D

DIRECTORS' INTERESTS (CONT'D)

Low Chin Guan is deemed to have interest in the shares held by the Company in its subsidiaries by virtue of his substantial interest in shares of the Company.

DIRECTORS' REMUNERATION AND BENEFITS

The amount of fees and other benefits paid to or receivable by the Directors or past Directors of the Company and the estimated money value of any other benefits received or receivable by them otherwise than in cash from the Company and its subsidiaries for their services to the Company and its subsidiaries were as follows:

	Company RM
Fees	271,200
Salaries and other emoluments	647,000
Contributions to defined contribution plan	122,930
Social security contributions	1,572
Estimated monetary value of benefits-in-kind	28,000
Total remuneration	1,070,702

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than Directors' emoluments received or due and receivable as disclosed in the financial statements or the fixed salary of a full-time employee of the Company) 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, except as disclosed in Note 27(b) to the financial statements.

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

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

   (i) 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 that adequate provision had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their value 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.

DIRECTORS' REPORT

CONT'D

OTHER STATUTORY INFORMATION (CONT'D)

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

   (i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent;

   (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading;

   (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

   (iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

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

   (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

   (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Directors:

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

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

   (iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

(e) The total amount paid to or receivable by the auditors of the Company and its subsidiaries as remuneration for their services for the financial year are as set out in Note 8 to the financial statements.

(f) There was no amount paid to or receivable by any third party in respect of the services provided to the Company or any of its subsidiaries by any Director or past Director of the Company.

(g) There was no indemnity given to or insurance effected for any Director, officer or auditor of the Company and its subsidiaries.

DIRECTORS' REPORT
CONT'D

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 34 to the financial statements.

EVENTS SUBSEQUENT TO THE END OF FINANCIAL YEAR

Details of significant events subsequent to the end of financial year are disclosed in Note 35 to the financial statements.

AUDITORS

The auditors, Messrs. Moore Stephens Associates PLT, have expressed their willingness to continue in office.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 30 April 2021.

LOW CHIN GUAN

KWEK SIEW LENG

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

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying financial statements as set out on pages 45 to 151 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 2020 and of their financial performance and cash flows for the financial year then ended.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 30 April 2021.

LOW CHIN GUAN

KWEK SIEW LENG

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

I, KWEK SIEW LENG (MIA No.: 22423), being the Director primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 45 to 151 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed
at Kuala Lumpur in the Federal Territory
on 30 April 2021

KWEK SIEW LENG

Before me,

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ADVENTA BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Adventa Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 45 to 151.

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 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT

CONT'D

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (Cont'd)

Recoverability Assessment of Trade Receivables

As at 31 December 2020, as shown in Note 19 to the financial statements, the Group has net trade receivables balance of RM17,100,351, representing approximately 21% of the Group's total assets. During the financial year, the Group has recognised a net impairment loss of RM4,102,704 for its trade receivables.

The impairment losses have been determined in accordance with Expected Credit Loss ("ECL") model which requires significant judgement and estimation to determine the recoverability of the trade debts, as well as considering the impact of the COVID-19 pandemic.

We have identified recoverability on trade receivables as a key audit matter because of the significance of trade receivables in the financial statements both in amount and nature and the significant judgements required for the determination of the amount of impairment loss required as mentioned above.

Our audit procedures performed and responses thereon

We have performed the following audit procedures in relation to the recoverability assessment of trade receivables:-

- Reviewed the reliability of ageing of trade receivables at year end and considered the credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports prepared by management;
- Reviewed subsequent settlement of trade receivables after the financial year end, if any;
- Reviewed management's assessment on the recoverability of past due debts to assess the sufficiency of allowance for trade receivables through specific and collective provisions with reference to historical payment pattern of the customer, historical trend of bad debts or impairment provided for and forward-looking information as well as its correlation with macroeconomic factors and recoverability impact from COIVD-19 pandemic; and
- Circulated confirmation letters to debtors to ascertain validity of the balance of debtors as at financial year end.

INDEPENDENT AUDITORS' REPORT
CONT'D

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (Cont'd)

Impairment Assessment of the Company's Investment in Subsidiaries

As at 31 December 2020, as shown in Note 16 to the financial statements, the carrying amount of the Company's investment in subsidiaries amounted to RM47,556,726, representing approximately 58% of the Company's total assets.

A history of recent losses and significant accumulated losses recorded by certain subsidiaries has resulted in multiple indications that the carrying amounts of investment in subsidiaries may be impaired. Accordingly, the Company estimated the recoverable amounts of the investment in subsidiaries based on the higher of value-in-use ("VIU") calculation using cash flows projections derived from the most recent financial forecast and projections approved by the Directors covering a three-year period or fair value less costs of disposal (as the case may be).

During the financial year, the Company has recognised an additional impairment loss of RM5,100,000 for its investment in subsidiaries.

We have identified the impairment review of investment in subsidiaries as a key audit matter as impairment test involves significant management judgement in estimating the underlying assumptions to be applied in the discounted cash flows projections of the VIU calculation. The recoverable amounts of the Company's investment in subsidiaries are highly sensitive to key assumptions applied in respect of revenue growth, gross margin and the pre-tax discount rate used in the cash flows projections as well as considering the impact of the COVID-19 pandemic. A small change in the assumptions can have a significant impact on the estimation of the recoverable amount.

Our audit procedures performed and responses thereon

We have performed the following audit procedures to evaluate management's methodology and assumptions used in the VIU and the estimate of fair value less costs of disposal:-

- Assessed the cash flows forecast and projections which was approved by the Directors against recent performance and the mathematical accuracy of the projections;
- Assessed and compared the key assumptions including forecasted revenue, gross margin and the pre-tax discount rate used against our knowledge of the individual subsidiary's historical performance, business and cost management strategies based on facts and circumstances currently available;
- Reviewed the pre-tax discount rate used by comparison to third party information, the Group's cost of capital and relevant risk factors;
- Performed sensitivity analysis by changing certain key assumptions used in the VIU calculations and assessed the impact of the recoverable amounts of the investment in subsidiaries; and
- Assessed the adjusted net assets of the subsidiary in deriving the recoverable amounts of the investment in subsidiaries to estimate the fair value of the subsidiary.

INDEPENDENT AUDITORS' REPORT

CONT'D

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT

CONT'D

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 International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) 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.

(b) 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.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) 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.

(e) 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.

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

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

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

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

INDEPENDENT AUDITORS' REPORT

CONT'D

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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 16 to the financial statements.

Other Matter

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

MOORE STEPHENS ASSOCIATES PLT
201304000972 (LLP0000963-LCA)
Chartered Accountants (AF002096)

LO KUAN CHE
03016/11/2022 J
Chartered Accountant

Petaling Jaya, Selangor
Date: 30 April 2021

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Continuing operations					
Revenue	4	87,171,425	30,229,013	1,814,600	2,168,800
Cost of sales	5	(77,525,751)	(26,426,104)	–	–
Gross profit		9,645,674	3,802,909	1,814,600	2,168,800
Other income	6	534,663	502,945	1,115,614	64,794,438
Other items of expense					
Administrative expenses		(6,994,321)	(6,311,787)	(2,711,912)	(2,549,992)
Selling and marketing expenses		(6,792,785)	(1,411,473)	–	–
Other operating expenses		(8,610,472)	(7,852,790)	(5,998,967)	(1,063,121)
(Loss)/profit from operations		(12,217,241)	(11,270,196)	(5,780,665)	63,350,125
Finance costs	7	(525,814)	(748,850)	(22,790)	(263,732)
(Loss)/profit before tax	8	(12,743,055)	(12,019,046)	(5,803,455)	63,086,393
Tax credit/(expense)	11	408,040	(486,560)	–	–
(Loss)/profit from continuing operations, net of tax		(12,335,015)	(12,505,606)	(5,803,455)	63,086,393
Discontinued operation					
Profit from discontinued operation, net of tax	16(c)(i)	–	34,703,020	–	–
(Loss)/profit for the financial year		(12,335,015)	22,197,414	(5,803,455)	63,086,393
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		60,135	34,679	–	–
Total comprehensive income for the financial year		(12,274,880)	22,232,093	(5,803,455)	63,086,393

STATEMENTS OF COMPREHENSIVE INCOME
CONT'D

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
(Loss)/profit attributable to:					
- Owners of the Company		(11,778,923)	22,438,245	(5,803,455)	63,086,393
- Non-controlling interests		(556,092)	(240,831)	–	–
		(12,335,015)	22,197,414	(5,803,455)	63,086,393
Total comprehensive income attributable to:					
- Owners of the Company		(11,742,246)	22,456,537	(5,803,455)	63,086,393
- Non-controlling interests		(532,634)	(224,444)	–	–
		(12,274,880)	22,232,093	(5,803,455)	63,086,393
Basic (loss)/earnings per ordinary share attributable to Owners of the Company (sen):	12				
- from continuing operations		(7.71)	(8.02)		
- from discontinued operation		–	22.71		
		(7.71)	14.69		

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	13	15,506,930	9,156,483	624,181	612,707
Right-of-use assets	14	7,841,965	7,721,501	113,505	–
Intangible assets	15	3,847,552	3,628,581	–	–
Investment in subsidiaries	16	–	–	47,556,726	52,156,728
Deferred tax assets	17	400,000	–	–	–
		27,596,447	20,506,565	48,294,412	52,769,435
Current Assets					
Inventories	18	16,844,693	11,632,076	–	–
Trade and other receivables	19	21,479,623	29,280,576	31,682,632	12,469,403
Tax recoverable		60,764	261,019	21,813	21,000
Fixed deposits placed with licensed banks	20(i)	3,500,000	25,322,165	–	22,822,165
Cash and bank balances	20(ii)	11,674,108	14,810,360	1,422,842	9,989,208
		53,559,188	81,306,196	33,127,287	45,301,776
TOTAL ASSETS		81,155,635	101,812,761	81,421,699	98,071,211

STATEMENTS OF FINANCIAL POSITION
CONT'D

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
EQUITY AND LIABILITIES					
Equity					
Share capital	21	57,680,204	57,680,204	57,680,204	57,680,204
(Accumulated loss)/Retained earnings		(2,526,879)	9,252,044	18,335,283	24,138,738
Foreign currency translation reserve	22	58,582	21,905	–	–
Total equity attributable to Owners of the Company		55,211,907	66,954,153	76,015,487	81,818,942
Non-controlling interests		(976,872)	(504,850)	–	–
Total Equity		54,235,035	66,449,303	76,015,487	81,818,942
Non-Current Liabilities					
Loans and borrowings	23	–	1,500,000	–	–
Lease liabilities	24	591,947	595,772	–	–
		591,947	2,095,772	–	–
Current Liabilities					
Trade and other payables	25	24,092,836	17,691,250	5,289,650	5,557,265
Loans and borrowings	23	1,500,000	4,500,000	–	–
Lease liabilities	24	716,202	381,413	116,562	–
Tax payable		19,615	19	–	–
Dividend payables	26	–	10,695,004	–	10,695,004
		26,328,653	33,267,686	5,406,212	16,252,269
Total Liabilities		26,920,600	35,363,458	5,406,212	16,252,269
TOTAL EQUITY AND LIABILITIES		81,155,635	101,812,761	81,421,699	98,071,211

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		< ------- Attributable to Owners of the Company ------- >					
		< - Non-Distributable - >					
	Note	**Share Capital RM**	**Foreign Currency Translation Reserve RM**	**(Accumulated Loss)/ Distributable Retained Earnings RM**	**Total RM**	**Non-Controlling Interests RM**	**Total Equity RM**
Group							
At 1 January 2019		57,680,204	3,613	(2,491,197)	55,192,620	–	55,192,620
Profit net of tax		–	–	22,438,245	22,438,245	(240,831)	22,197,414
Other comprehensive income:							
Foreign currency translation differences for foreign operations		–	18,292	–	18,292	16,387	34,679
Total comprehensive income		–	18,292	22,438,245	22,456,537	(224,444)	22,232,093
Transactions with Owners of the Company:							
- Acquisition of a subsidiary	16(a)(i)	–	–	–	–	(280,406)	(280,406)
- Dividends	26	–	–	(10,695,004)	(10,695,004)	–	(10,695,004)
Total transactions with Owners of the Company		–	–	(10,695,004)	(10,695,004)	(280,406)	(10,975,410)
At 31 December 2019		57,680,204	21,905	9,252,044	66,954,153	(504,850)	66,449,303

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONT'D

		< ------- Attributable to Owners of the Company ------- >					
		< - Non-Distributable - >					
	Note	Share Capital RM	Foreign Currency Translation Reserve RM	Distributable Retained Earnings/ (Accumulated Loss) RM	Total RM	Non-Controlling Interests RM	Total Equity RM
Group							
At 1 January 2020		57,680,204	21,905	9,252,044	66,954,153	(504,850)	66,449,303
Loss net of tax		–	–	(11,778,923)	(11,778,923)	(556,092)	(12,335,015)
Other comprehensive income:							
Foreign currency translation differences for foreign operations		–	36,677	–	36,677	23,458	60,135
Total comprehensive income		–	36,677	(11,778,923)	(11,742,246)	(532,634)	(12,274,880)
Transactions with Owners of the Company:							
- Acquisition of a subsidiary	16(a)(i)	–	–	–	–	49,332	49,332
- Incorporation of a subsidiary	16(b)(i)(i)	–	–	–	–	11,280	11,280
Total transactions with Owners of the Company		–	–	–	–	60,612	60,612
At 31 December 2020		57,680,204	58,582	(2,526,879)	55,211,907	(976,872)	54,235,035

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Share Capital RM	(Accumulated Loss)/ Distributable Retained Earnings RM	Total Equity RM
Company				
At 1 January 2019		57,680,204	(28,252,651)	29,427,553
Profit net of tax, representing total comprehensive income for the financial year		–	63,086,393	63,086,393
Transaction with Owners of the Company:				
Dividends	26	–	(10,695,004)	(10,695,004)
At 31 December 2019		57,680,204	24,138,738	81,818,942
At 1 January 2020		57,680,204	24,138,738	81,818,942
Loss net of tax, representing total comprehensive income for the financial year		–	(5,803,455)	(5,803,455)
At 31 December 2020		57,680,204	18,335,283	76,015,487

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Cash Flows from Operating Activities					
(Loss)/profit before tax:					
- from continuing operations		(12,743,055)	(12,019,046)	(5,803,455)	63,086,393
- from discontinued operation	16(c)(i)	–	35,565,220	–	–
		(12,743,055)	23,546,174	(5,803,455)	63,086,393
Adjustments for:					
Bad debts written off		64,835	–	–	–
Development costs written off	15	–	3,024,355	–	–
Deposit written off		–	8,610	–	–
Depreciation of property, plant and equipment	13	891,320	1,414,259	216,498	216,104
Depreciation of right-of-use assets	14	949,924	417,602	113,505	–
Gain on disposal of a subsidiary	16(c)(iii)	–	(31,733,656)	–	(64,141,780)
Impairment loss on:					
- investment in subsidiaries	16(d)	–	–	5,100,000	–
- trade receivables	29(i)	4,185,331	1,506,847	–	–
- other receivables	29(i)	–	34,253	–	–
Interest expense	7	525,814	1,100,101	22,790	263,732
Interest income	6	(432,150)	(479,274)	(1,114,224)	(652,658)
Inventories written down, net	18	10,745,838	1,651,025	–	–
Inventories written off	18	481,593	10,482	–	–
Loss on disposal of property, plant and equipment		–	46,219	–	46,219
Property, plant and equipment written off		113	1,342	–	–
Reversal of impairment loss on trade receivables	29(i)	(82,627)	(403,002)	–	–
Unrealised loss on foreign exchange, net		191,198	221,552	–	–
Operating profit/(loss) before changes in working capital, balance carried forward		4,778,134	366,889	(1,464,886)	(1,181,990)

STATEMENTS OF CASH FLOWS
CONT'D

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Operating profit/(loss) before changes in working capital, balance brought forward		4,778,134	366,889	(1,464,886)	(1,181,990)
Changes in working capital:					
Inventories		(16,440,945)	440,367	–	–
Trade and other receivables		3,544,387	(8,924,268)	7,558,734	(76,177)
Trade and other payables		1,488,026	11,386,192	(267,615)	361,737
Cash (used in)/generated from operations		(6,630,398)	3,269,180	5,826,233	(896,430)
Tax paid		(67,764)	(825,109)	(28,813)	(21,000)
Tax refunded		295,750	452,750	28,000	–
Interest paid		(525,814)	(1,100,101)	(22,790)	(263,732)
Interest received		432,150	479,274	1,114,224	652,658
Net cash (used in)/from operating activities		(6,496,076)	2,275,994	6,916,854	(528,504)
Cash Flows from Investing Activities					
Acquisition of right-of-use assets:					
- Cash payments	14	–	(23,700)	–	–
Acquisition of a subsidiary	16(a)(ii)	–	–	–	(2)
Additional investment in subsidiaries	16(a)(iii)	–	–	(499,998)	(23,500,000)
Advances to subsidiaries, net		–	–	(26,771,963)	(8,602,802)
Cash inflows arising from, net:					
- Acquisition of a subsidiary	16(a)(i)	33,473	282,903	–	–
- Non-controlling interest arising from incorporation of a subsidiary	16(b)(i)(i)	11,280	–	–	–
- Disposal of a subsidiary	16(c)(iv)	–	53,475,200	–	65,641,780
Payment for development costs	15	(200,252)	(1,107,061)	–	–
Purchase of property, plant and equipment	13	(7,214,177)	(1,095,763)	(228,686)	(565,803)
Proceeds from disposal of property, plant and equipment		714	131,000	714	131,000
Net cash (used in)/from investing activities		(7,368,962)	51,662,579	(27,499,933)	33,104,173
Balance carried forward		(13,865,038)	53,938,573	(20,583,079)	32,575,669

STATEMENTS OF CASH FLOWS
CONT'D

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Balance brought forward		(13,865,038)	53,938,573	(20,583,079)	32,575,669
Cash Flows from Financing Activities					
Advances from a Director		1,500,000	–	–	–
Advances from/(repayment to) a related party, net		3,606,000	(106,000)	–	–
Dividends paid	26	(10,695,004)	–	(10,695,004)	–
Increase in deposits pledged		(283,984)	(332,915)	–	–
Increase in fixed deposit pledged		(1,000,000)	(2,500,000)	–	–
Payment for the principal portion of lease liabilities	(ii), (iii)	(784,733)	(420,046)	(110,448)	–
Repayment of loans and borrowings, net	(iii)	(4,500,000)	(22,567,008)	–	–
Net cash used in financing activities		(12,157,721)	(25,925,969)	(10,805,452)	–
Net (decrease)/increase in cash and cash equivalents		(26,022,759)	28,012,604	(31,388,531)	32,575,669
Effect of exchange rate changes on cash and cash equivalents		(219,642)	(12,394)	–	–
Cash and cash equivalents at beginning of the financial year		37,299,610	9,299,400	32,811,373	235,704
Cash and cash equivalents at end of the financial year	(i)	11,057,209	37,299,610	1,422,842	32,811,373

STATEMENTS OF CASH FLOWS
CONT'D

Note:

(i) Cash and cash equivalents comprise:

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Fixed deposits placed with licensed banks		3,500,000	25,322,165	–	22,822,165
Cash and bank balances		11,057,209	14,477,445	1,422,842	9,989,208
Pledged deposits to licensed banks		616,899	332,915	–	–
		11,674,108	14,810,360	1,422,842	9,989,208
		15,174,108	40,132,525	1,422,842	32,811,373
Less:					
- Fixed deposits pledged as collateral	20(i)	(3,500,000)	(2,500,000)	–	–
- Pledged deposits as performance bond	20(ii)	(616,899)	(332,915)	–	–
		11,057,209	37,299,610	1,422,842	32,811,373

(ii) Cash outflows for right-of-use assets are as follows:

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Included in net cash (used in)/from operating activities					
- Interest paid in relation to lease liabilities		(70,241)	(25,951)	(9,552)	–
- Payment relating to short-term leases		(69,562)	(453,013)	–	–
Included in net cash used in financing activities					
- Payment for the principal portion of lease liabilities		(784,733)	(420,046)	(110,448)	–
		(924,536)	(899,010)	(120,000)	–

Note: (Cont'd)

(iii) The reconciliation of the movement of liabilities to cash flows arising from financing activities:

	Bankers' Acceptance RM	Hire Purchase Payables RM	Lease Liabilities RM	Revolving Credit RM	Term Loans RM	Total RM
Group						
2019						
At 1 January 2019, as previously reported	1,433,000	599,106	–	13,200,000	13,934,008	29,166,114
Adjustment on initial application of MFRS 16						
- Hire purchase payables	–	(599,106)	599,106	–	–	–
At 1 January 2019, as restated	1,433,000	–	599,106	13,200,000	13,934,008	29,166,114
Additions (Note 14)	–	–	798,125	–	–	798,125
Drawdown	2,833,000	–	–	–	–	2,833,000
Repayment	(4,294,881)	–	(445,997)	(11,191,182)	(10,949,582)	(26,881,642)
Finance costs	28,881	–	25,951	491,182	515,574	1,061,588
Net changes from financing cash flows	(1,433,000)	–	(420,046)	(10,700,000)	(10,434,008)	(22,987,054)
At 31 December 2019	–	–	977,185	2,500,000	3,500,000	6,977,185

STATEMENTS OF CASH FLOWS
CONT'D

Note: (Cont'd)

(iii) The reconciliation of the movement of liabilities to cash flows arising from financing activities: (Cont'd)

	Lease Liabilities RM	Revolving Credit RM	Term Loans RM	Total RM
Group				
2020				
At 1 January 2020	977,185	2,500,000	3,500,000	6,977,185
Additions (Note 14)	1,117,163	–	–	1,117,163
Exchange differences	(1,466)	–	–	(1,466)
Drawdown	–	27,928,137	–	27,928,137
Repayment	(854,974)	(30,751,187)	(2,116,507)	(33,722,668)
Finance costs	70,241	323,050	116,507	509,798
Net changes from financing cash flows	(784,733)	(2,500,000)	(2,000,000)	(5,284,733)
At 31 December 2020	1,308,149	–	1,500,000	2,808,149

	Lease Liabilities RM
Company	
2020	
At 1 January 2020	–
Addition (Note 14)	227,010
Repayment	(120,000)
Finance costs	9,552
Net changes from financing cash flows	(110,448)
At 31 December 2020	116,562

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia.

The principal place of business of the Company is located at No. 21, Jalan Tandang 51/205A, Seksyen 51, 46050 Petaling Jaya, Selangor Darul Ehsan.

The principal activity of the Company is investment holding and provision of management services. The principal activities and other information of its subsidiaries are set out in Note 16. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 30 April 2021.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The Group and the Company have also considered the new accounting pronouncements in the preparation of the financial statements.

(i) Accounting pronouncements that are effective and adopted during the financial year

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 4	Insurance Contracts (Extension of the Temporary Exemption from Applying MFRS 9)
Amendments to MFRS 9 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to References to the Conceptual Framework in MFRSs	

The adoption of the above accounting pronouncements did not have any significant effect on the financial statements of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

(ii) Accounting pronouncements that are issued but not yet effective and have not been early adopted

The Group and the Company have not adopted the following new accounting pronouncements that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:-

Effective for financial periods beginning on or after 1 June 2020

Amendments to MFRS 16	Covid-19 – Related Rent Concessions

Effective for financial periods beginning on or after 1 January 2021

Amendments to MFRS 9, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform – Phase 2

Effective for financial periods beginning on or after 1 April 2021

Amendments to MFRS 16	Covid-19 – Related Rent Concessions beyond 30 June 2021

Effective for financial periods beginning on or after 1 January 2022

Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to MFRSs 2018 – 2020 Cycle	

Effective for financial periods beginning on or after 1 January 2023

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current
Amendments to MFRS 101 and MFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates

Effective date to be announced

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company will adopt the above accounting pronouncements when they become effective in the respective financial periods. These accounting pronouncements are not expected to have any effect to the financial statements of the Group and of the Company upon their initial applications.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

2. BASIS OF PREPARATION (CONT'D)

(b) Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost convention except otherwise disclosed in the accounting policy notes.

(c) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, unless otherwise stated.

(d) Significant accounting estimates and judgements

The summary of accounting policies as described in Note 3 are essential to understand the Group's and the Company's results of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Group's and the Company's accounting policies.

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 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.

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

(i) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line method over the assets' useful lives. The Directors estimate the useful lives of these property, plant and equipment to be between 4 to 40 years.

The Group and the Company anticipate that the residual values of their property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

2. BASIS OF PREPARATION (CONT'D)

(d) Significant accounting estimates and judgements (Cont'd)

(ii) Impairment of development costs

The development costs are related to costs incurred for development of home dialysis machines including patient care management system. The Group reviews the useful lives of development costs at each reporting date in accordance with the accounting policy as disclosed in Note 3(l). The Group also assesses whether there are any indicators of impairment for development costs at each reporting date and tested for impairment when there are indicators that the carrying amounts may not be recoverable.

This requires management to estimate the expected future cash flows, which depends significantly on the procurement of future contracts, to apply a suitable discount rate to determine the present value of those cash flows. The impairment assessment could be materially affected by the changes in the assumptions and estimates used in the cash flows projections.

(iii) Impairment of goodwill

The Group is required to perform an annual impairment test and at other times when such indicators exist of the cash-generating units ("CGUs") or groups of CGUs to which goodwill has been allocated. The Group estimates the recoverable amounts of its CGUs or group of CGUs to which goodwill is allocated based on the higher of an assets' fair value less costs to sell and value-in-use.

This requires management to estimate the expected future cash flows of the CGUs and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(iv) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group and the Company recognise tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business.

Where the final 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 year in which such determination is made.

(v) Impairment of financial assets and receivables

The Group and the Company assess on a forward-looking basis the expected credit loss associated with their debt instruments carried at amortised cost. The impairment methodology applied as disclosed in Note 3(p)(i) depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group and the Company apply the simplified approach permitted by MFRS 9, which required expected lifetime losses to be recognised from initial recognition of the receivables.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

2. BASIS OF PREPARATION (CONT'D)

(d) Significant accounting estimates and judgements (Cont'd)

(vi) Write-down of inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(vii) Deferred tax assets and liabilities

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the profit or loss in the period in which actual realisation and settlement occurs.

(viii) Carrying value of investment in subsidiaries

Investment in subsidiaries is reviewed for impairment annually in accordance with its accounting policy or whenever events or changes in circumstances indicate that the carrying values may not be recoverable.

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involves uncertainties and are significantly affected by assumptions and judgements made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the carrying value of investment in subsidiaries.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances. The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant power activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(ii) Potential voting rights held by the Company, other vote holders or other parties;
(iii) Rights arising from other contractual arrangements; and
(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

When control ceases, the disposal proceeds and the fair value of any retained investment are compared to the Group's share of the net assets disposed. The difference together with the carrying amount of allocated goodwill and the exchange reserve that relate to the subsidiary is recognised as gain or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

Business combination

Acquisitions of subsidiaries 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. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction cost incurred are expensed and included in the 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 the profit or loss or 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.

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 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.

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in the 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 has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Business combinations under common control are accounted using the predecessor method of merger accounting where the profit or loss and other comprehensive income include the results of each of the combining entities from the earliest date presented or from the date when these entities came under the control of the common controlling party (if later).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

Business combination (Cont'd)

The assets and liabilities of the combining entities are accounted for based on the carrying amounts from the perspective of the common controlling party, or the combining entities if the common controlling party does not prepare consolidated financial statements.

The difference in cost of acquisition over the aggregate carrying value of the assets and liabilities of the combining entities as of the date of the combination is taken to equity. Transaction cost for the combination is recognised in the profit or loss.

Similar treatment applies in the Company's separate financial statements when assets and liabilities representing the underlying businesses under common control are directly acquired by the Company. In accounting for business combinations in the Company's separate financial statements, the excess of the cost of acquisition over the aggregate carrying amounts of assets and liabilities as of the date of the combination is taken to equity.

Subsidiaries

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

Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable directly or indirectly, to Owners of the Company, and is presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position, separately from equity attributable to Owners of the Company. Non-controlling interest is initially measured at acquisition-date share of net assets other than goodwill as of the acquisition date and is subsequently adjusted for the changes in the net assets of the subsidiary after the acquisition date.

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 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 interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to Owners of the Company.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

Transactions eliminated on consolidation

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

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

(b) Foreign currency

(i) Foreign currency transactions and balances

In preparing the financial statements of the Company and its subsdiaries, transactions in currencies other than the Company and its subsidiaries' functional currency (foreign currencies) are recorded in Ringgit Malaysia using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are translated to the functional currencies at the exchange rates on the reporting date. Non-monetary items denominated in foreign currencies are not retranslated at the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation.

(ii) Foreign Operations Denominated in Functional Currencies other than Ringgit Malaysia

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:-

- Assets and liabilities for each reporting date presented are translated at the closing rate prevailing at the reporting date;
- Income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to other comprehensive income.

Exchange reserve in respect of a foreign operation is recognised to the profit or loss when control, joint control or significant influence over the foreign operation is lost. On partial disposal without losing control, a proportion of the exchange reserve in respect of the subsidiary is re-attributed to the non-controlling interest. The proportionate share of the cumulative translation differences is reclassified to the profit or loss in respect of all other partial disposals.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Revenue and other income recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's and the Company's customary business practices.

Revenue is measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group and the Company estimate the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- The customer simultaneously receives and consumes the benefits provided by the Group's and the Company's performance as the Group and the Company perform;
- The Group's and the Company's performance create or enhance an asset that the customer controls as the asset is created or enhanced; or
- The Group's and the Company's performance do not create an asset with an alternative use and the Group and the Company have an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

<u>Rental income</u>

Rental income from dialysis machine is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

<u>Sales of goods</u>

Revenue from the sales of goods is recognised upon delivery of goods where the control of the goods has been passed to the customers, or performance of services, net of sales and goods and services taxes and discounts.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Revenue and other income recognition (Cont'd)

Services rendered

Revenue from services rendered are recognised in the profit or loss when the services are performed.

Storage and warehouse handling services

Revenue from storage and warehouse handling services is recognised in the profit or loss when the services are rendered.

Management fee

Management fee is recognised when services are rendered.

Other revenue earned by the Group and the Company is recognised on the following basis:

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(d) Employee benefits

Short-term employee benefits

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

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

Defined contribution plan

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). The subsidiaries outside Malaysia make contributions to the relevant state pension scheme. Such contributions are recognised as an expense as incurred. Once the contributions have been paid, the Group and the Company have no further payment obligations.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Borrowing costs

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

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

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

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

(f) Income taxes

Current tax

Tax expense represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the financial year, using tax rates enacted or substantively enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Income taxes (Cont'd)

Deferred tax (Cont'd)

Deferred tax assets relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

(g) Leases

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are as follows:

Leasehold land	40 years
Lease of premises	Over the lease period of 2 to 5 years
Motor vehicles	10 years

If right-of-use asset relates to a class of property, plant and equipment to which the lessee applies the revaluation model in MFRS 116, a lessee may elect to apply that revaluation model to all of the right-of-use assets that relate to that class of property, plant and equipment.

The right-of-use assets and lease liabilities are presented as a separate line in the statements of financial position.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The Group and the Company apply MFRS 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 3(p)(ii).

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Group's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group and the Company are reasonably certain to exercise.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Leases (Cont'd)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group and the Company change their assessment of whether they will exercise an extension or termination option.

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(h) Discontinued operation

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, whichever is earlier. When an operation is classified as a discontinued operation, the comparative statements of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(i) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the financial year for the effects of all dilutive potential ordinary shares.

(j) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

(i) <u>Recognition and measurement</u>

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing 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. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in the profit or loss as incurred.

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

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Property, plant and equipment (Cont'd)

(i) Recognition and measurement (Cont'd)

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 the profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

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

Depreciation is recognised in the profit or loss on straight line basis over their estimated useful lives of each component of an item of property, plant and equipment at the following annual rates:

Building	2.5%
Computers	20% - 25%
Machinery	14%
Motor vehicles	10%
Furniture and fittings, medical equipment, office equipment, renovation, signboard, warehouse, factory and lab equipment	10% - 20%

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

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

(k) Capital work-in-progress

Capital work-in-progress is stated at cost less any accumulated impairment losses and includes borrowing costs incurred during the period of construction.

No depreciation is provided on capital work-in-progress and upon completion of construction, the cost will be transferred to property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Intangible assets

Goodwill

Goodwill acquired in a business combination represents the difference between the purchase consideration and the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities in the subsidiaries at the date of acquisition.

Goodwill is allocated to cash-generating units and is measured at cost less accumulated impairment losses, if any. Impairment test is performed annually. Goodwill is also tested for impairment when indication of impairment exists. Impairment losses recognised are not reversed in subsequent periods.

Upon the disposal of investment in the subsidiary, the related goodwill will be included in the computation of gain or loss on disposal of investment in subsidiary in the profit or loss.

Development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the profit or loss as incurred.

Expenditure on the development activities is also recognised as an expense in the period incurred except when the expenditure meets the following criteria where it will be capitalised as intangible assets:

(i) the product or process is clearly defined and costs are separately identified and can be measured reliably;
(ii) the technical feasibility of the product is demonstrated;
(iii) the product or process will be sold or used in-house;
(iv) the assets will generate future economic benefits (e.g. potential market exists for the product or its usefulness, in case of internal use, is demonstrated); and
(v) adequate technical, financial and other resources required for completion of the project are available.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to prepare the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in the profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Intangible assets (Cont'd)

Amortisation

Amortisation is calculated based on the cost of an asset less its residual value.

Amortisation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives of the development costs for the current and comparative periods 20 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Gain or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

(m) Inventories

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

The cost of inventories is measured based on first-in, first-out ("FIFO") cost formula, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

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

(n) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and fixed deposits placed with licensed banks that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Financial instruments

(i) Initial recognition and measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

<u>Amortised cost</u>

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

Interest income, foreign exchange gains and losses and impairment are recognised in the profit or loss. Any gain or loss on derecognition is recognised in the profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(p)(i)) where the effective interest rate is applied to the amortised cost.

All financial assets are subject to impairment assessment (see Note 3(p)(i)).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Financial instruments (Cont'd)

(ii) Financial instrument categories and subsequent measurement (Cont'd)

Financial liabilities

Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

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

(iii) Offsetting of financial instruments

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

(iv) Financial guarantee contracts

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

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

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

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

(v) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and

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

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Financial instruments (Cont'd)

(vi) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risk and rewards of ownership of the financial assets are transferred to another party. 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.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

(p) Impairment

(i) Financial assets

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

Loss allowances of the Group and of the Company are measured on either of the following basis:

(i) 12-month ECLs - represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

(ii) Lifetime ECLs - represents the ECLs that will result from all possible default events over the expected life of a financial instrument.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Simplified approach - trade receivables

The Group and the Company apply the simplified approach to provide ECLs for all trade receivables as permitted by MFRS 9. The simplified approach required expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's and the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where applicable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Impairment (Cont'd)

(i) Financial assets (Cont'd)

General approach - other financial instruments and financial guarantee contracts

The Group and the Company apply the general approach to provide for ECLs on all other financial instruments and financial guarantee contracts, which requires the loss allowance to be measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group and the Company assess whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward looking information, where available.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group and the Company consider the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held); or
- The financial asset is more than 365 days past due.

The Group and the Company consider a financial guarantee contract to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditors and the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held). The Group and the Company only apply a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

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

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Impairment (Cont'd)

(i) Financial assets (Cont'd)

Credit impaired financial assets

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

Evidence that a financial asset is credit impaired includes the observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or significant past due event (e.g. being more than 270 to 365 days past due);
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider (e.g. the restructuring of a loan or advance by the Group and the Company on terms that the Group and the Company would not consider otherwise);
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for security because of financial difficulties.

Write-off policy

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

(ii) Non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in the profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Impairment (Cont'd)

(ii) Non-financial assets (Cont'd)

Except for goodwill, assets that were previously impaired are reviewed for possible reversal of the impairment at the end of each reporting period. Any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation reserve. Reversal of impairment loss is restricted by the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

An impairment loss recognised for goodwill is not reversed.

An impairment loss is recognised for the amount by which the carrying amount of the subsidiary, joint venture or associate exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and present value of the estimated future cash flows expected to be derived from the investment including the proceeds from its disposal. Any subsequent increase in recoverable amount is recognised in the profit or loss.

(q) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of their liabilities. Ordinary shares are equity instruments.

Ordinary shares

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the year in which they are declared.

(r) Provisions

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

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

Any reimbursement that the Group or 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. The relating expense relating to any provision is presented in the statements of comprehensive income net of any reimbursement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Operating segments

Operating segments are defined as components of the Group that:

(a) engage in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) for which discrete financial information is available.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

(a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments.

(b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount of:

(i) the combined reported profit of all operating segments that did not report a loss; and
(ii) the combined reported loss of all operating segments that reported a loss.

(c) Its assets are 10% or more of the combined segments that reported a loss.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least 75% of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment date for comparative purposes.

(t) Contingencies

(i) Contingent liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Contingencies (Cont'd)

(ii) Contingent assets

Where is not probable that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow 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 unless the probability of inflow of economic benefits is remote.

(u) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

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

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

4. REVENUE

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Continuing operations					
Healthcare business:					
- Distribution of medical and healthcare equipment	(i)	81,992,487	28,524,424	–	–
- Renal dialysis treatment	(ii)	5,113,938	1,484,589	–	–
Management fee	(iii)	23,000	220,000	1,814,600	2,168,800
		87,129,425	30,229,013	1,814,600	2,168,800
Warehousing provider:					
- Storage and warehouse handling fee	(iv)	42,000	–	–	–
		87,171,425	30,229,013	1,814,600	2,168,800
Discontinued operation					
Sterilisation of medical product and equipment	(v)	–	8,650,868	–	–
		87,171,425	38,879,881	1,814,600	2,168,800
Timing of revenue recognition:					
- Point in time		87,171,425	38,879,881	1,814,600	2,168,800

The disaggregation of revenue by segment and geographical market is disclosed in Note 28.

<u>**Continuing operations**</u>

(i) <u>Distribution of medical and healthcare equipment</u>

The Group is engaged in the trading of medical and healthcare equipment, appliances and medical disposable products as well as the sale of personal protective equipment to its customers arising from the Coronavirus ("COVID-19") pandemic.

<u>Performance obligation ("PO")</u>

The contracts with customers are bundled and consist of obligations for the sale of goods and delivery of the said goods to its customers in some instances. Contracts for bundled services are comprised of multiple POs and are capable of being distinct and separately identifiable. However, the management has assessed that the delivery obligation is primarily a value-added fulfilment service and is not considered to be a significant distinct PO. Accordingly, the contract with customers is considered as a single PO and is satisfied at point in time basis.

4. REVENUE (CONT'D)

Continuing operations (Cont'd)

(i) Distribution of medical and healthcare equipment (Cont'd)

Timing of recognition/Unsatisfied PO

Revenue is recognised at point in time when the control over the goods have been transferred to the customer and obtain customer acceptance of the said goods. Revenue is recognised based on the price specified in the invoices, net of discounts, rebates and incentives where applicable. There is no unsatisfied PO yet to be recognised as revenue as at the reporting date.

(ii) Renal dialysis treatment

The Group provides home dialysis products for the treatment of end stage renal disease and its related services to its customers.

Performance obligation ("PO")

The contracts with customers are bundled and consist of obligations for the sales of dialysis treatment package which includes supply of dialysis machine and medical consumables in relation to the treatment of end stage renal disease. However, the management has assessed that these services are interrelated and interdependent and shall not be considered as distinct services which come as a service package offered to customers. Accordingly, the contract with customers is considered as a single PO and is satisfied at point in time basis upon monthly services rendered and charged based on the fixed package price per month.

Timing of recognition/Unsatisfied PO

Revenue is recognised at point in time when the agreed scope of work stipulated in the service contract has been performed and accepted by respective contract customer. There is no unsatisfied PO yet to be recognised as revenue as at the reporting date.

(iii) Management fee

The performance obligation is satisfied at point in time upon completion of services rendered and billed on a monthly basis.

(iv) Storage and warehouse handling fee

Performance obligation ("PO")

The contracts with customers are bundled and consist of obligations for managing storage of goods and arranging transportation for delivery of goods. However, the management has assessed that these services are interrelated and interdependent and shall not be considered as distinct services which come as a service package offered to customers. Accordingly, the contract with customers is considered as a single PO and is satisfied at point in time basis upon monthly services rendered.

4. REVENUE (CONT'D)

Continuing operations (Cont'd)

(iv) Storage and warehouse handling fee (Cont'd)

Timing of recognition/Unsatisfied PO

Revenue is recognised at point in time based on monthly billing at pre-determined charges. There is no unsatisfied PO yet to be recognised as revenue as at the reporting date.

Discontinued operation

(v) Sterilisation of medical product and equipment

Performance obligation ("PO")

In prior year, the contracts with customers were considered as a single PO and capable of being distinct and separately identifiable as stipulated in the service contract and scope of work. The duration and price were also stipulated in the respective contract. The PO was satisfied upon services rendered and acknowledged by customers via the issuance of Certificate of Irradiation.

Timing of recognition/Unsatisfied PO

In prior year, revenue was recognised at point in time when sterilisation of medical product and equipment have been completed and obtain customer acceptance of the sterilised products. There was no unsatisfied PO yet to be recognised as revenue as at the reporting period as the sole revenue generating subsidiary pertaining to the sterilisation provider segment had been disposed as disclosed in Note 16(c).

5. COST OF SALES

Cost of sales represents cost of goods sold, direct costs and overheads of services provided.

6. OTHER INCOME

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Continuing operations				
Gain on disposal of a subsidiary	–	–	–	64,141,780
Interest income	432,150	449,710	1,114,224	652,658
Realised gain on foreign exchange	–	53,235	–	–
Reversal of impairment loss on trade receivables	82,627	–	–	–
Sundry income	19,886	–	1,390	–
	534,663	502,945	1,115,614	64,794,438
Discontinued operation				
Gain on disposal of a subsidiary	–	31,733,656	–	–
Interest income	–	29,564	–	–
Reversal of impairment loss on trade receivables	–	403,002	–	–
Unrealised gain on foreign exchange	–	10,204	–	–
	–	32,176,426	–	–
	534,663	32,679,371	1,115,614	64,794,438

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7. FINANCE COSTS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Continuing operations				
- Bankers' acceptance	–	28,881	–	–
- Bank overdraft	13,238	15,201	13,238	15,201
- Hire purchase payables	–	–	–	–
- Interest charged by subsidiaries	–	–	–	248,531
- Lease liabilities	70,241	21,011	9,552	–
- Letter of credit	2,778	8,621	–	–
- Revolving credit	323,050	229,828	–	–
- Term loans	116,507	445,308	–	–
	525,814	748,850	22,790	263,732
Discontinued operation				
- Bank overdraft	–	14,691	–	–
- Lease liabilities	–	4,940	–	–
- Revolving credit	–	261,354	–	–
- Term loan	–	70,266	–	–
	–	351,251	–	–
	525,814	1,100,101	22,790	263,732

8. (LOSS)/PROFIT BEFORE TAX

Other than those disclosed in Notes 6 and 7, (loss)/profit before tax is arrived at after charging/(crediting):-

		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
Auditors' remuneration					
- auditors of the Company:					
- statutory audit		155,000	135,000	75,000	70,000
- other services		5,000	20,000	5,000	20,000
- overprovision in prior year		–	(8,000)	–	–
- component auditors:					
- statutory audit		9,864	5,744	–	–
Bad debts written off		64,835	–	–	–
Development costs written off	15	–	3,024,355	–	–
Deposit written off		–	8,610	–	–
Depreciation of property, plant and equipment	13	891,320	1,414,259	216,498	216,104
Depreciation of right-of-use assets	14	949,924	417,602	113,505	–
Employee benefit expenses	9	6,965,795	7,976,607	2,517,659	2,350,621
Impairment loss on:					
- investment in subsidiaries	16(d)	–	–	5,100,000	–
- trade receivables	29(i)	4,185,331	1,506,847	–	–
- other receivables	29(i)	–	34,253	–	–
Inventories written down, net	18	10,745,838	1,651,025	–	–
Inventories written off	18	481,593	10,482	–	–
Loss on foreign exchange, net:					
- realised		162,279	68,964	1,301	–
- unrealised		191,198	231,756	–	–
Loss on disposal of property, plant and equipment		–	46,219	–	46,219
Property, plant and equipment written off		113	1,342	–	–
Right-of-use assets:					
- Short-term leases		69,562	453,013	–	–

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9. EMPLOYEE BENEFIT EXPENSES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Salaries, allowances, overtime and bonus	5,054,709	6,036,094	1,302,032	1,234,211
Directors' remuneration (Note 10)	1,263,145	1,207,224	1,042,702	944,112
Contributions to defined contribution plan	581,107	655,487	157,031	147,672
Social security contributions	66,834	77,802	15,894	24,626
	6,965,795	7,976,607	2,517,659	2,350,621

10. DIRECTORS' REMUNERATION

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Directors of the Company:				
Executive Directors:				
Fees	62,400	62,400	62,400	62,400
Salaries and other emoluments	647,000	564,000	647,000	564,000
Contributions to defined contribution plan	122,930	107,160	122,930	107,160
Social security contributions	1,572	1,752	1,572	1,752
	833,902	735,312	833,902	735,312
Non-Executive Directors:				
Fees	208,800	208,800	208,800	208,800
	1,042,702	944,112	1,042,702	944,112
Directors of the subsidiaries:				
Executive Directors:				
Salaries and other emoluments	196,000	237,000	–	–
Contributions to defined contribution plan	23,520	25,140	–	–
Social security contributions	923	972	–	–
	220,443	263,112	–	–
Total	1,263,145	1,207,224	1,042,702	944,112
Estimated monetary value of benefits-in-kind	28,000	28,000	28,000	28,000

10. DIRECTORS' REMUNERATION (CONT'D)

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed as below:

	Number of Directors	
	2020	2019
Executive Directors:		
RM200,001 - RM250,000	1	1
RM550,001 - RM600,000	–	1
RM600,001 - RM650,000	1	–
Non-Executive Directors:		
RM50,001 - RM100,000	3	3

11. TAX (CREDIT)/EXPENSE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Income tax:				
Continuing operations:				
- Current year	19,691	27,731	–	–
- (Over)/underprovision in prior year	(27,731)	31,148	–	–
	(8,040)	58,879	–	–
Discontinued operation:				
- Current year	–	304,300	–	–
- Overprovision in prior year	–	(100)	–	–
	–	304,200	–	–
	(8,040)	363,079	–	–

NOTES TO THE FINANCIAL STATEMENTS
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11. TAX (CREDIT)/EXPENSE (CONT'D)

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Deferred tax (Note 17):				
Continuing operations:				
- Relating to (reversal)/origination of temporary differences	(400,000)	405,335	–	–
- Underprovision in prior year	–	22,346	–	–
	(400,000)	427,681	–	–
Discontinued operation:				
- Relating to origination of temporary differences	–	669,500	–	–
- Overprovision in prior year	–	(111,500)	–	–
	–	558,000	–	–
	(400,000)	985,681	–	–
Income tax expense for the financial year				
- from continuing operations	(408,040)	486,560	–	–
- from discontinued operation	–	862,200	–	–
	(408,040)	1,348,760	–	–

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

11. TAX (CREDIT)/EXPENSE (CONT'D)

The reconciliation of the tax amount at statutory income tax rate to the Group's and to the Company's tax expense is as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
(Loss)/profit before tax:				
- from continuing operations	(12,743,055)	(12,019,046)	(5,803,455)	63,086,393
- from discontinued operation	–	35,565,220	–	–
	(12,743,055)	23,546,174	(5,803,455)	63,086,393
Tax at the Malaysian statutory income tax rate of 24% (2019: 24%)	(3,058,300)	5,651,100	(1,392,800)	15,140,700
Income not subject to tax	(5,389)	(7,616,100)	–	(15,394,000)
Expenses not deductible for tax purposes	288,659	1,503,146	1,271,632	253,300
Deferred tax assets not recognised	2,557,235	1,868,720	121,168	–
Utilisation of previously unrecognised unabsorbed capital allowances	(162,514)	–	–	–
(Over)/underprovision in prior year:				
- income tax	(27,731)	31,048	–	–
- deferred tax	–	(89,154)	–	–
Tax (credit)/expense for the financial year	(408,040)	1,348,760	–	–

The Group and the Company have the following estimated unutilised tax losses and unabsorbed capital allowances, available for set-off against future taxable profits:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Unutilised tax losses	28,778,470	21,281,014	1,367,288	1,070,112
Unabsorbed capital allowances	10,368,665	7,137,679	691,856	454,715
	39,147,135	28,418,693	2,059,144	1,524,827

With effect from Year of Assessment ("YA") 2019, the unutilised tax losses in a YA of the Company and its subsidiaries in Malaysia can only be carried forward for a maximum period of 7 consecutive YAs to be utilised against income from any business source.

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12. (LOSS)/EARNINGS PER ORDINARY SHARE

(a) Basic

Basic (loss)/earnings per ordinary share for the financial year is calculated by dividing (loss)/profit after tax attributable to Owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2020	**2019**
Basic (loss)/earnings per share:		
(Loss)/profit after tax attributable to Owners of the Company (RM):		
- from continuing operations	(11,778,923)	(12,264,775)
- from discontinued operation	–	34,703,020
	(11,778,923)	22,438,245
Weighted average number of ordinary shares in issue (unit)	152,785,770	152,785,770
Basic (loss)/earnings per share (sen):		
- from continuing operations	(7.71)	(8.02)
- from discontinued operation	–	22.71
	(7.71)	14.69

(b) Diluted

The Group has no dilution in its (loss)/earnings per ordinary share as there were no potential dilutive ordinary shares outstanding as at 31 December 2020 and 31 December 2019.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RM	Computers RM	Machinery RM	Motor vehicles RM	Capital work-in progress RM	Other assets * RM	Total RM
Group							
2020							
Cost							
At 1 January 2020	6,988,735	1,253,541	743,374	619,167	442,493	1,970,914	12,018,224
Additions	–	86,481	6,252,322	159,748	–	715,626	7,214,177
Disposals	–	(1,628)	–	–	–	(812)	(2,440)
Reclassification	–	–	290,510	–	(442,493)	151,983	–
Transfer from right-of-use assets (Note 14)	–	–	–	92,183	–	–	92,183
Written off	–	–	–	–	–	(320)	(320)
Exchange differences	–	(1,031)	–	(17,075)	–	(1,219)	(19,325)
At 31 December 2020	6,988,735	1,337,363	7,286,206	854,023	–	2,836,172	19,302,499
Accumulated Depreciation							
At 1 January 2020	769,079	524,566	248,501	211,225	–	1,108,370	2,861,741
Charge for the financial year	174,718	260,553	181,263	76,583	–	198,203	891,320
Disposals	–	(1,628)	–	–	–	(98)	(1,726)
Transfer from right-of-use assets (Note 14)	–	–	–	46,848	–	–	46,848
Written off	–	–	–	–	–	(207)	(207)
Exchange differences	–	(565)	–	(1,593)	–	(249)	(2,407)
At 31 December 2020	943,797	782,926	429,764	333,063	–	1,306,019	3,795,569
Net Carrying Amount							
At 31 December 2020	6,044,938	554,437	6,856,442	520,960	–	1,530,153	15,506,930

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

	Leasehold land RM	Buildings RM	Computers RM	Machinery RM	Motor vehicles RM	Capital work-in progress RM	Other assets * RM	Total RM
Group								
2019								
Cost								
At 1 January 2019, as previously reported	10,996,760	23,370,562	989,082	24,330,273	1,212,427	–	2,157,870	63,056,974
Effect on adoption of MFRS 16	(10,996,760)	–	–	–	(813,040)	–	–	(11,809,800)
At 1 January 2019, as restated	–	23,370,562	989,082	24,330,273	399,387	–	2,157,870	51,247,174
Additions	–	–	400,799	3,374	–	442,493	249,097	1,095,763
Acquisition of a subsidiary [Note 16(a)(i)]	–	–	59,430	–	323,736	–	56,457	439,623
Disposal	–	–	–	–	(202,539)	–	–	(202,539)
Disposal of a subsidiary [Note 16(c)(iii)]	–	(16,381,827)	(191,664)	(23,590,273)	(96,000)	–	(490,940)	(40,750,704)
Transfer from right-of-use assets (Note 14)	–	–	–	–	202,539	–	–	202,539
Written off	–	–	(2,392)	–	–	–	–	(2,392)
Exchange differences	–	–	(1,714)	–	(7,956)	–	(1,570)	(11,240)
At 31 December 2019	–	6,988,735	1,253,541	743,374	619,167	442,493	1,970,914	12,018,224

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

	Leasehold land RM	Buildings RM	Computers RM	Machinery RM	Motor vehicles RM	Capital work-in progress RM	Other assets * RM	Total RM
Group								
2019								
Accumulated Depreciation								
At 1 January 2019, as previously reported	1,194,667	3,925,332	349,060	7,338,229	267,102	–	1,079,188	14,153,578
Effect on adoption of MFRS 16	(1,194,667)	–	–	–	(53,942)	–	–	(1,248,609)
At 1 January 2019, as restated	–	3,925,332	349,060	7,338,229	213,160	–	1,079,188	12,904,969
Charge for the financial year	–	360,555	275,885	543,164	56,080	–	178,575	1,414,259
Acquisition of a subsidiary [Note 16(a)(i)]	–	–	2,878	–	19,388	–	2,338	24,604
Disposal	–	–	–	–	(25,320)	–	–	(25,320)
Disposal of a subsidiary [Note 16(c)(iii)]	–	(3,516,808)	(101,923)	(7,632,892)	(69,582)	–	(151,564)	(11,472,769)
Transfer from right-of-use assets (Note 14)	–	–	–	–	18,568	–	–	18,568
Written off	–	–	(1,050)	–	–	–	–	(1,050)
Exchange differences	–	–	(284)	–	(1,069)	–	(167)	(1,520)
At 31 December 2019	–	769,079	524,566	248,501	211,225	–	1,108,370	2,861,741
Net Carrying Amount								
At 31 December 2019	–	6,219,656	728,975	494,873	407,942	442,493	862,544	9,156,483

* *Other assets comprise of furniture and fittings, medical equipment, office equipment, renovation, signboard, warehouse, factory and lab equipment*

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

	Computers RM	Motor vehicles RM	Office equipment, renovation, furniture and fittings RM	Total RM
Company				
2020				
Cost				
At 1 January 2020	802,720	–	54,486	857,206
Additions	32,224	159,748	36,714	228,686
Disposals	(1,628)	–	(812)	(2,440)
At 31 December 2020	833,316	159,748	90,388	1,083,452
Accumulated Depreciation				
At 1 January 2020	239,115	–	5,384	244,499
Charge for the financial year	201,858	7,986	6,654	216,498
Disposals	(1,628)	–	(98)	(1,726)
At 31 December 2020	439,345	7,986	11,940	459,271
Net Carrying Amount				
At 31 December 2020	393,971	151,762	78,448	624,181
2019				
Cost				
At 1 January 2019	456,068	–	19,306	475,374
Additions	346,652	183,971	35,180	565,803
Disposal	–	(183,971)	–	(183,971)
At 31 December 2019	802,720	–	54,486	857,206
Accumulated Depreciation				
At 1 January 2019	34,470	–	677	35,147
Charge for the financial year	204,645	6,752	4,707	216,104
Disposal	–	(6,752)	–	(6,752)
At 31 December 2019	239,115	–	5,384	244,499
Net Carrying Amount				
At 31 December 2019	563,605	–	49,102	612,707

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14. RIGHT-OF-USE ASSETS

	Leasehold land RM	Lease of premises RM	Motor vehicles RM	Total RM
Group				
2020				
Cost				
At 1 January 2020	7,500,000	522,125	910,201	8,932,326
Additions	–	1,117,163	–	1,117,163
Transfer to property, plant and equipment (Note 13)	–	–	(92,183)	(92,183)
Exchange differences	–	(1,545)	–	(1,545)
At 31 December 2020	7,500,000	1,637,743	818,018	9,955,761
Accumulated Depreciation				
At 1 January 2020	968,750	130,531	111,544	1,210,825
Charge for the financial year	187,500	679,840	82,584	949,924
Transfer to property, plant and equipment (Note 13)	–	–	(46,848)	(46,848)
Exchange differences	–	(105)	–	(105)
At 31 December 2020	1,156,250	810,266	147,280	2,113,796
Net Carrying Amount				
At 31 December 2020	6,343,750	827,477	670,738	7,841,965

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14. RIGHT-OF-USE ASSETS (CONT'D)

	Leasehold land RM	Lease of premises RM	Motor vehicles RM	Total RM
Group				
2019				
Cost				
At 1 January 2019, as previously reported	–	–	–	–
Effect on adoption of MFRS 16	10,996,760	–	813,040	11,809,800
At 1 January 2019, as restated	10,996,760	–	813,040	11,809,800
Additions:				
- Cash payments	–	–	23,700	23,700
- Hire purchase arrangements	–	–	276,000	276,000
- New lease	–	522,125	–	522,125
Transfer to property, plant and equipment (Note 13)	–	–	(202,539)	(202,539)
Disposal of a subsidiary [Note 16(c)(iii)]	(3,496,760)	–	–	(3,496,760)
At 31 December 2019	7,500,000	522,125	910,201	8,932,326
Accumulated Depreciation				
At 1 January 2019, as previously reported	–	–	–	–
Effect on adoption of MFRS 16	1,194,667	–	53,942	1,248,609
At 1 January 2019, as restated	1,194,667	–	53,942	1,248,609
Charge for the financial year	210,901	130,531	76,170	417,602
Transfer to property, plant and equipment (Note 13)	–	–	(18,568)	(18,568)
Disposal of a subsidiary [Note 16(c)(iii)]	(436,818)	–	–	(436,818)
At 31 December 2019	968,750	130,531	111,544	1,210,825
Net Carrying Amount				
At 31 December 2019	6,531,250	391,594	798,657	7,721,501

14. RIGHT-OF-USE ASSETS (CONT'D)

	2020 RM
Company	
Lease of premise	
Cost	
At 1 January 2020	–
Addition	227,010
At 31 December 2020	227,010
Accumulated Depreciation	
At 1 January 2020	–
Charge for the financial year	113,505
At 31 December 2020	113,505
Net Carrying Amount	
At 31 December 2020	113,505

(i) The expenses charged to the profit or loss during the financial year are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Depreciation of right-of-use assets	949,924	417,602	113,505	–
Interest expense on lease liabilities	70,241	25,951	9,552	–
Short-term leases	69,562	453,013	–	–

(ii) The Group's leasehold land has remaining unexpired lease period of 35 years (2019: 36 years).

(iii) In prior year, the pledge of leasehold land with respective financial institutions had been discharged as the Group had fully settled its term loans and revolving credit facilities (Note 23).

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15. INTANGIBLE ASSETS

	Goodwill RM	Development costs RM	Total RM
Group			
2020			
Cost			
At 1 January 2020	630,757	27,741,422	28,372,179
Acquisition of subsidiaries [Note 16(a)(i)]	18,719	–	18,719
Additions	–	200,252	200,252
At 31 December 2020	649,476	27,941,674	28,591,150
Accumulated Amortisation			
At 1 January/31 December 2020	–	2,875,512	2,875,512
Accumulated Impairment Loss			
At 1 January/31 December 2020	193,169	21,674,917	21,868,086
Net Carrying Amount			
At 31 December 2020	456,307	3,391,245	3,847,552
2019			
Cost			
At 1 January 2019	5,017,193	29,658,716	34,675,909
Acquisition of a subsidiary [Note 16(a)(i)]	382,718	–	382,718
Additions	–	1,107,061	1,107,061
Written off	–	(3,024,355)	(3,024,355)
Disposal of a subsidiary [Note 16(c)(iii)]	(4,769,154)	–	(4,769,154)
At 31 December 2019	630,757	27,741,422	28,372,179
Accumulated Amortisation			
At 1 January/31 December 2019	–	2,875,512	2,875,512
Accumulated Impairment Loss			
At 1 January/31 December 2019	193,169	21,674,917	21,868,086
Net Carrying Amount			
At 31 December 2019	437,588	3,190,993	3,628,581

Development costs

Development costs are related to costs incurred for development of home dialysis machines including patient care management system and amortised over a period of 20 years upon commercial implementation of the projects. It includes development costs of completed successful projects for commercial implementation and also ongoing development projects.

15. INTANGIBLE ASSETS (CONT'D)

Goodwill

Impairment testing for goodwill

Goodwill arising from business combinations has been allocated to three individual cash-generating units ("CGUs") for impairment testing as follows:

i) Sun Healthcare (M) Sdn. Bhd.;
ii) Lucenxia Healthcare (Private) Limited; and
iii) Lucenxia Thailand Company Limited

The carrying amounts of goodwill allocated to each CGUs are as follows:

	Group	
	2020	**2019**
	RM	**RM**
Sun Healthcare (M) Sdn. Bhd. *	54,870	54,870
Lucenxia Healthcare (Private) Limited ^	382,718	382,718
Lucenxia (Thailand) Company Limited	18,719	–
	456,307	437,588

^ The recoverable amount of the CGU has been determined based on fair value less cost to sell.

The recoverable amount of the CGU has been determined based on value-in-use calculation using cash flows projections from financial forecast and projections approved by Board of Directors covering a three-year (2019: five-year) period and by extrapolation using the growth rate based on historical experience, management's assessment of future trends and expectation of market development in the respective segments. The pre-tax discount rate (per annum) applied to the cash flows projections are as follows:

	Pre-tax discount rates	
	2020	**2019**
	RM	**RM**
Sun Healthcare (M) Sdn. Bhd. *	8.75%	5.65%
Lucenxia Healthcare (Private) Limited	–	5.65%

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15. INTANGIBLE ASSETS (CONT'D)

Goodwill (Cont'd)

Impairment testing for goodwill (Cont'd)

The calculations of value-in-use for the CGUs (*) are most sensitive to the following assumptions:

(i) Revenue and growth

2020

Revenue is projected based on future demand outlook and taking into consideration of COVID-19 impact. Revenue is projected to normalise at 0% to -2% growth over the next three years. Terminal value is based on the third-year cash flows and incorporated 1% growth rate.

2019

Revenue is projected based on future demand outlook as well as average historical revenue growth achieved in the past four years.

(ii) Gross margin

Gross margins are based on the average value achieved in the four years preceding to the start of the budget period. Gross margins are assumed to be maintained over the budgeted period.

(iii) Pre-tax discount rate

Pre-tax discount rate per annum applied to the cash flows was used to determine the recoverable amounts of the CGUs.

The discount rate used is based on the average cost of capital of the Company and several comparable that operates in the similar industry.

16. INVESTMENT IN SUBSIDIARIES

	Company 2020 RM	Company 2019 RM
Unquoted shares, at cost		
At 1 January	89,556,728	75,056,726
Additions	499,998	23,500,002
Disposal of a subsidiary	–	(9,000,000)
At 31 December	90,056,726	89,556,728
Accumulated Impairment Loss		
At 1 January	37,400,000	37,400,000
Impairment loss for the financial year	5,100,000	–
At 31 December	42,500,000	37,400,000
Net Carrying Amount		
At 31 December	47,556,726	52,156,728

The details of its subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Principal Activities	Effective Equity Interest 2020	Effective Equity Interest 2019
Held through the Company:				
Sun Healthcare (M) Sdn. Bhd. ("SH")	Malaysia	Distribution of medical and healthcare equipment, appliances and medical disposal products	100%	100%
Lucenxia (M) Sdn. Bhd. ("LCX")	Malaysia	Provision of home dialysis products for the treatment of end stage renal disease and its related services	100%	100%
"PTM Progress Trading & Marketing Sdn. Bhd ("PTM")	Malaysia	Provision of storage and warehousing services	100%	100%
Lucenxia International Sdn. Bhd. ("LCX International")	Malaysia	Dormant	100%	100%

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

The details of its subsidiaries are as follows: (Cont'd)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Effective Equity Interest 2020	Effective Equity Interest 2019
Held through the Company: (Cont'd)				
PT Humana Medical International ("PT Humana") *	Indonesia	Dormant	90%	–
PT Akema Healthcare International ("PT Akema") *#	Indonesia	Dormant	49%	–
Held through SH:				
Mycare Lanka (Private Limited ("Mycare Lanka") ^*	Sri Lanka	Distribution of medical and healthcare equipment, applicances and medical disposal products	51%	51%
Held through LCX:				
Lucenxia Lanka (Private) Limited ("Lucenxia Lanka") ^*	Sri Lanka	Dormant	100%	100%
Lucenxia Healthcare (Private) Limited ("Lucenxia Healthcare") ^*	Sri Lanka	Provision of home dialysis products for the treatment of end stage renal disease and its related services	55%	55%
Held through LCX International:				
Lucenxia (Thailand) Company Limited ("Lucenxia Thailand") *	Thailand	Dormant	80%	–
PT Lucenxia Indonesia International ("PT Lucenxia") *	Indonesia	Dormant	70%	–
Lucenxia Philippines International Inc. ("Lucenxia Philippines") *	Philippines	Dormant	98%	–

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

The details of its subsidiaries are as follows: (Cont'd)

^ *Audited by member firm of Moore Global Network Limited*
* *Not audited by Moore Stephens Associates PLT*
# *The Company 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. The Company has consolidated the financial statements of PT Akema based on its 49% equity interest and accounted for the balance of 51% as non-controlling interests. There is no contribution to the Group's financial performance for the financial year ended 31 December 2020.*

(a) Acquisition of subsidiaries

(i) Acquisition of subsidiaries by the Group

2020

On 5 June 2020, LCX International completed the acquisition of 80% equity interest in Lucenxia Thailand from Mr. Low Chin Guan comprising 16,000 ordinary shares of THB100 each for a total cash consideration of THB1.6 million equivalent to RM216,048. Consequent thereon, Lucenxia Thailand became a subsidiary of LCX International. For accounting purposes, the cut-off was taken on 31 May 2020.

Fair values of the identifiable assets and liabilities of Lucenxia Thailand as at the date of acquisition were:-

	As at 31 May 2020 RM
Cash and bank balances	249,521
Other payables	(2,860)
Fair value of net identifiable assets acquired	246,661

The effect of the acquisition on cash flows is as follows:-

Net cash flow arising from acquisition of a subsidiary	**RM**
Cash consideration	216,048
Less: Cash and cash equivalents of the subsidiary acquired	(249,521)
Net cash inflow from acquisition of a subsidiary	(33,473)

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of subsidiaries (Cont'd)

(i) Acquisition of subsidiaries by the Group (Cont'd)

2020 (Cont'd)

The effect of the acquisition on cash flows is as follows:- (Cont'd)

Goodwill arising from business combination	RM
Fair value of consideration transferred	216,048
Less:	
- Fair value of net identifiable assets acquired	246,661
- Attributable to non-controlling interests	(49,332)
	197,329
Goodwill on consolidation (Note 15)	18,719

2019

On 23 July 2019, LCX completed the acquisition of 55% equity interest in Lucenxia Healthcare from Mr. S. M. Vignaswaren S. Suppiah comprising 165,000 ordinary shares of LKR10 each for a total cash consideration of LKR1.65 million equivalent to RM40,000. Consequent thereon, Lucenxia Healthcare became a subsidiary of LCX. For accounting purposes, the cut-off was taken on 23 July 2019.

Fair values of the identifiable assets and liabilities of Lucenxia Healthcare as at the date of acquisition were:-

	As at 23 July 2019 RM
Plant and equipment	415,019
Inventories	66,140
Other receivables, deposits and prepayments	354,461
Cash and bank balances	322,903
Trade and other payables	(50,299)
Amounts due to related parties	(1,731,348)
Fair value of net identifiable liabilities acquired	(623,124)

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of subsidiaries (Cont'd)

(i) Acquisition of subsidiaries by the Group (Cont'd)

2019 (Cont'd)

The effect of the acquisition on cash flows is as follows:-

Net cash flow arising from acquisition of a subsidiary	**RM**
Cash consideration	40,000
Less: Cash and cash equivalents of the subsidiary acquired	(322,903)
Net cash inflow from acquisition of a subsidiary	(282,903)

Goodwill arising from business combination	**RM**
Fair value of consideration transferred	40,000
Less:	
- Fair value of net identifiable liabilities acquired	(623,124)
- Attributable to non-controlling interests	280,406
	(342,718)
Goodwill on consolidation (Note 15)	382,718

(ii) Acquisition of subsidiaries by the Company

2019

On 5 November 2019, the Company completed the acquisition of 100% equity interest in LCX International from Mr. Low Chin Guan and Mr. Tan Xi Yi comprising 2 ordinary shares of RM1 each for a total cash consideration of RM2. Consequent thereon, LCX International become a wholly-owned subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of subsidiaries (Cont'd)

(iii) Additional investment in subsidiaries

2020

On 30 September 2020, the Company has subscribed for 499,998 units of additional ordinary shares in LCX International amounting to RM499,998, representing additional investment into the subsidiary by the Company.

2019

(i) During the financial year, the Company had capitalised the amounts due from LCX and PTM amounted to RM9,000,000 and RM8,400,000 by way of subscription of 9,000,000 units and 8,400,000 units of additional redeemable preference shares of the subsidiaries respectively, representing additional investments into the subsidiaries by the Company.

(ii) During the financial year, the Company had subscribed for 6,000,000 units and 100,000 units of additional redeemable preference shares in LCX and PTM amounted to RM6,000,000 and RM100,000 respectively, representing additional investments into the subsidiaries by the Company.

(b) Incorporation of subsidiaries

(i) Incorporation of subsidiaries by the Group

2020

(i) On 10 September 2019, SH incorporated Mycare Lanka in Sri Lanka with 51% equity interest comprising 51,000 ordinary shares of LKR10 each for a total cash consideration of LKR510,000. Mycare Lanka became a subsidiary of SH since the date of incorporation.

On 20 January 2020, the issued and paid up share capital of LKR510,000 equivalent to RM22,670 was made, with RM11,280 attributable to non-controlling interest.

(ii) On 5 June 2020, LCX International incorporated PT Lucenxia in Indonesia with 70% equity interest comprising 1,750 ordinary shares of IDR1,000,000 each for a total cash consideration of IDR1.75 billion. PT Lucenxia became a subsidiary of LCX International since the date of incorporation. As at 31 December 2020, the issued and paid up share capital for PT Lucenxia has not been made.

(iii) On 28 October 2020, LCX International incorporated Lucenxia Philippines in Philippines with 98% equity interest. Lucenxia Philippines became a subsidiary of LCX International since the date of incorporation. As at 31 December 2020, the issued and paid up share capital for Lucenxia Philippines has not been made.

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Incorporation of subsidiaries (Cont'd)

(ii) Incorporation of subsidiaries by the Company

2020

(i) On 26 March 2020, the Company incorporated PT Humana in Indonesia with 90% equity interest comprising 3,375 ordinary shares of IDR1,000,000 each for a total cash consideration of IDR3,375,000,000. PT Humana became a subsidiary of the Company since the date of incorporation. As at 31 December 2020, the issued and paid up share capital for PT Humana has not been made.

(ii) On 30 March 2020, the Company incorporated PT Akema in Indonesia with 49% equity interest comprising 1,225 ordinary shares of IDR1,000,000 each for a total cash consideration of IDR1,225,000,000. PT Akema became a subsidiary of the Company since the date of incorporation. As at 31 December 2020, the issued and paid up share capital for PT Humana has not been made.

(c) Disposal of a subsidiary

On 28 May 2019, the Company entered into a Shares Sale Agreement ("SSA") with Synergy Sterilisation (M) Sdn. Bhd. ("Purchaser") to dispose 100% equity interest in one of its subsidiaries, Electron Beam Sdn. Bhd. ("EBSB") ("Disposed Subsidiary" or "Discontinued Operation"), comprising 2,500,000 ordinary shares for a total cash consideration of RM75,000,000.

The SSA became unconditional and the disposal was completed on 25 July 2019 ("Completion Date").

A sum of RM7,500,000 was paid upon signing of the SSA as deposit and the balance consideration of RM67,500,000 was partially utilised to settle the outstanding loans and borrowings of EBSB and the remaining was paid on the Completion Date.

The balances of RM2,301,013 and RM7,500,000 being the adjustment on the consideration pursuant to the terms and conditions set forth in the SSA and 10% retention sum which shall be paid by the Purchaser until the expiry of twelve (12) months from the Completion Date respectively.

The management decided to dispose EBSB, being the sole revenue generating subsidiary pertaining to the sterilisation provider segment due to the collective decision to focus on the healthcare business segment during the financial year. Upon completion of the disposal exercise, EBSB ceased to be a subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Disposal of a subsidiary (Cont'd)

(i) Profit attributable to the discontinued operation was as follows:-

	Group 01.01.2019 to 25.07.2019 RM
Revenue	8,650,868
Cost of sales	(3,898,615)
Gross profit	4,752,253
Other income	442,770
Expenses	(1,012,208)
Results from operating activities	4,182,815
Finance costs	(351,251)
Gain on disposal of a subsidiary [Note 16(c)(iii)]	31,733,656
Profit before tax	35,565,220
Tax expense	(862,200)
Result from operating activities, net of tax	34,703,020

In prior year, the profit from discontinued operation of RM34,703,020 is attributable entirely to the Owners of the Company.

(ii) The net cash flows of the discontinued operation before intra-group elimination of the subsidiary were as follows:-

	Group 01.01.2019 to 25.07.2019 RM
Cash and cash equivalents at beginning of the financial period	7,153,312
Net cash from operating activities	3,171,357
Net cash from investing activities	149,382
Net cash from financing activities	1,692,529
Net increase in cash and cash equivalents	5,013,268
Cash and cash equivalents at end of the financial period	12,166,580

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Disposal of a subsidiary (Cont'd)

(iii) The summary of the effect of disposal of a subsidiary on the financial position of the Group was as follows:-

	As at 25 July 2019 RM
Property, plant and equipment	29,277,935
Right-of-use assets	3,059,942
Inventories	1,897,360
Trade and other receivables	5,018,827
Cash and bank balances	12,166,580
Deferred tax liabilities	(3,276,615)
Trade and other payables	(11,234,135)
Tax payable	(270,924)
Attributable assets disposed	36,638,970
Goodwill on consolidation (Note 15)	(4,769,154)
Other incidental costs arising from disposal	(4,159,233)
Total adjusted cash consideration [Note 16(c)(iv)]	77,301,013
Gain on disposal of a subsidiary	(31,733,656)

The summary of the effect of disposal of a subsidiary on the financial position of the Company was as follows:-

	As at 25 July 2019 RM
Total adjusted cash consideration [Note 16(c)(iv)]	77,301,013
Less:	
- Cost of investment of disposed subsidiary	(9,000,000)
- Other incidental costs arising from disposal	(4,159,233)
	(13,159,233)
Gain on disposal of a subsidiary	64,141,780

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Disposal of a subsidiary (Cont'd)

(iv) The effect of the disposal on cash flows is as follows:-

Net cash flow arising from disposal of a subsidiary	RM
Cash consideration	75,000,000
Adjustment on the net cash pursuant to the SSA	2,301,013
Adjusted cash consideration	77,301,013
Less:	
- Other incidental costs arising from disposal	(4,159,233)
- Retention sum, consideration receivable through deferred payment 12 months from Completion Date	(7,500,000)
	(11,659,233)
Net cash inflow from disposal (Company)	65,641,780
Less: Cash and cash equivalents of the subsidiary disposed	(12,166,580)
Net cash inflow from disposal (Group)	53,475,200

(d) Impairment loss on investment in subsidiaries

2020

As at 31 December 2020, the Group carried out a review of the recoverable amount of its investment in LCX due to its continuously loss-making and significant accumulated losses position. An impairment loss of RM5,100,000 representing the impairment of the investment in subsidiaries to the recoverable amount was recognised as "other operating expenses" line item of the statements of comprehensive income for the financial year ended 31 December 2020. The recoverable amount of LCX was derived based on fair value less costs of disposal which was measured based on the proposed disposal price of RM11 million which was announced in Bursa Malaysia Securities Berhad on 5 February 2021. The proposed disposal price was based on a third-party independent valuation report dated 24 February 2021.

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16. INVESTMENT IN SUBSIDIARIES (CONT'D)

(e) Non-controlling interests in subsidiaries

The subsidiaries of the Group that have material non-controlling interests ("NCIs") are as follows:

	Mycare Lanka RM	Lucenxia Healthcare RM	Lucenxia Thailand RM	Total RM
2020				
NCI percentage of ownership and voting interest	49%	45%	20%	
Carrying amount to NCI	16,020	(1,041,015)	48,123	(976,872)
Profit/(loss) allocated to NCI	5,345	(560,441)	(996)	(556,092)
Other comprehensive income allocated to NCI	(605)	24,276	(213)	23,458
Total comprehensive income allocated to NCI	4,740	(536,165)	(1,209)	(532,634)
2019				
NCI percentage of ownership and voting interest	–	45%	–	
Carrying amount to NCI	–	(504,850)	–	(504,850)
Loss allocated to NCI	–	(240,831)	–	(240,831)
Other comprehensive income allocated to NCI	–	16,387	–	16,387
Total comprehensive income allocated to NCI	–	(224,444)	–	(224,444)

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

(e) Non-controlling interests in subsidiaries (Cont'd)

The summarised financial information before intra-group elimination of the subsidiaries that have NCI as at the end of each reporting period are as follows:

	Mycare Lanka RM	Lucenxia Healthcare RM	Lucenxia Thailand RM
As at 31 December 2020			
Assets and liabilities:			
Non-current assets	289,155	357,688	–
Current assets	842,155	1,180,384	249,377
Non-current liabilities	(242,921)	(4,278)	–
Current liabilities	(856,206)	(3,846,833)	(8,761)
Net assets/(liabilities)	32,183	(2,313,039)	240,616
As at 31 December 2019			
Assets and liabilities:			
Non-current assets	–	398,690	–
Current assets	–	860,570	–
Current liabilities	–	(2,380,821)	–
Net liabilities	–	(1,121,561)	–
2020			
Results:			
Revenue	1,776,175	651,545	–
Profit/(loss) for the financial year/period	10,908	(1,245,424)	(4,982)
Total comprehensive income	9,674	(1,191,478)	(6,045)
2019			
Results:			
Revenue	–	166,437	–
Loss for the financial period	–	(535,179)	–
Total comprehensive income	–	(498,764)	–

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

(e) Non-controlling interests in subsidiaries (Cont'd)

The summarised financial information before intra-group elimination of the subsidiaries that have NCI as at the end of each reporting period are as follows: (Cont'd)

	Mycare Lanka RM	Lucenxia Healthcare RM	Lucenxia Thailand RM
2020			
Cash flows:			
Net cash from/(used in) operating activities	206,585	(86,006)	(216,192)
Net cash used in investing activities	–	(21,470)	–
Net cash used in financing activities	(21,480)	(432)	–
	185,105	(107,908)	(216,192)
2019			
Cash flows:			
Net cash used in operating activities	–	(448,852)	–
Net cash used in investing activities	–	(17,726)	–
Net cash from financing activities	–	542,390	–
	–	75,812	–

NOTES TO THE FINANCIAL STATEMENTS
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17. DEFERRED TAX (ASSETS)/LIABILITIES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
At 1 January	–	2,290,934	–	–
Recognised in profit or loss (Note 11)	(400,000)	985,681	–	–
Disposal of a subsidiary [Note 16(c)(iii)]	–	(3,276,615)	–	–
At 31 December	(400,000)	–	–	–

Presented after appropriate offsetting as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Deferred tax assets	(1,337,156)	(411,353)	–	–
Deferred tax liabilities	937,156	411,353	–	–
	(400,000)	–	–	–

The recognised deferred tax (assets)/liabilities arising from temporary differences before offsetting are as follows:

	Unutilised investment tax allowances RM	Unutilised tax losses and Unabsorbed capital allowances RM	Others RM	Total RM
Group				
Deferred tax assets:				
At 1 January 2020	–	(322,902)	(88,451)	(411,353)
Recognised in profit or loss (Note 11)	–	(574,341)	(351,462)	(925,803)
At 31 December 2020	–	(897,243)	(439,913)	(1,337,156)
At 1 January 2019	(1,884,239)	(633,970)	(285,100)	(2,803,309)
Recognised in profit or loss (Note 11)	617,003	311,068	152,598	1,080,669
	(1,267,236)	(322,902)	(132,502)	(1,722,640)
Disposal of a subsidiary [Note 16(c)(iii)]	1,267,236	–	44,051	1,311,287
At 31 December 2019	–	(322,902)	(88,451)	(411,353)

17. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D)

The recognised deferred tax (assets)/liabilities arising from temporary differences before offsetting are as follows: (Cont'd)

	Property, plant and equipment and Right-of-use assets RM	Others RM	Total RM
Group			
Deferred tax liabilities:			
At 1 January 2020	404,347	7,006	411,353
Recognised in profit or loss (Note 11)	523,429	2,374	525,803
At 31 December 2020	927,776	9,380	937,156
At 1 January 2019	5,075,597	18,646	5,094,243
Recognised in profit or loss (Note 11)	(86,547)	(8,441)	(94,988)
	4,989,050	10,205	4,999,255
Disposal of a subsidiary [Note 16(c)(iii)]	(4,584,703)	(3,199)	(4,587,902)
At 31 December 2019	404,347	7,006	411,353

	Unutilised tax losses and Unabsorbed capital allowances RM	Property, plant and equipment and Right-of-use assets RM	Total RM
Company			
At 1 January 2020	(45,514)	45,514	–
Recognised in profit or loss (Note 11)	(7,068)	7,068	–
At 31 December 2020	(52,582)	52,582	–
At 1 January 2019	(36,873)	36,873	–
Recognised in profit or loss (Note 11)	(8,641)	8,641	–
At 31 December 2019	(45,514)	45,514	–

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17. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D)

The estimated temporary differences for which no deferred tax assets have been recognised in the financial statements are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Unutilised tax losses	28,778,470	21,281,014	1,367,288	1,070,112
Unabsorbed capital allowances	6,630,155	5,792,254	472,765	265,073
Other deductible temporary differences	3,336,519	1,693,873	–	–
	38,745,144	28,767,141	1,840,053	1,335,185

Deferred tax assets have been recognised in respect of these items up to the extent that it has become probable that future taxable profit will be available for the assets to be utilised based on profit forecast and projections approved by the Board of Directors covering a three-year period.

The comparative figures have been restated to reflect the actual unutilised tax losses and unabsorbed capital allowances carry forward and other deductible temporary differences available to the Company and its subsidiaries.

18. INVENTORIES

	Group	
	2020 RM	2019 RM
At cost:		
- Trading goods	7,317,479	10,273,968
- Consumables	1,746,786	1,352,002
	9,064,265	11,625,970
At net realisable value:		
- Consumables	–	6,106
- Trading goods	7,780,428	–
	16,844,693	11,632,076

(a) The Group recognised inventories as cost of sales amounted to RM57,889,565 (2019: RM24,372,511).

(b) The Group has written down and written off inventories of RM10,745,838 (2019: RM1,651,025) and RM481,593 (2019: RM10,482) respectively which were recognised as cost of sales.

19. TRADE AND OTHER RECEIVABLES

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Trade receivables:					
Third parties	(i)	23,190,750	16,932,141	–	–
Less: Allowance for impairment loss		(6,090,399)	(3,081,612)	–	–
Trade receivables, net		17,100,351	13,850,529	–	–
Other receivables:					
Third parties	(ii)	4,276,668	15,141,098	2,697	7,581,150
Goods and Services Tax ("GST") receivable		–	287,705	–	–
Amounts due from subsidiaries	(iii)	–	–	31,559,600	4,787,637
		4,276,668	15,428,803	31,562,297	12,368,787
Less: Allowance for impairment loss - Third parties		(356,183)	(390,436)	–	–
		3,920,485	15,038,367	31,562,297	12,368,787
Deposits		273,571	219,541	32,500	2,500
Prepayments		185,216	172,139	87,835	98,116
Other receivables, net		4,379,272	15,430,047	31,682,632	12,469,403
Total trade and other receivables		21,479,623	29,280,576	31,682,632	12,469,403

(i) The normal credit terms of trade receivables of the Group and of the Company are 30 to 90 days (2019: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(ii) Other receivables

(a) In prior year, included in the other receivables of the Group and of the Company was an amount of RM7,500,000, being 10% retention sum, consideration receivable through deferred payment 12 months from Completion Date due from Purchaser of EBSB as disclosed in Note 16(c)(iv).

(b) Included in other receivables of the Group are net advance payments made to suppliers for purchase of inventories amounted to RM1,463,924 (2019: RM360,993).

(iii) These non-trade amounts represent management fee receivable which is subject to normal credit term of 60 days (2019: 60 days) and unsecured advances for purchase of goods, which bear interest of 3.25% to 4% (2019: 3.25%) per annum which are collectible on demand.

NOTES TO THE FINANCIAL STATEMENTS
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20. FIXED DEPOSITS PLACED WITH LICENSED BANKS / CASH AND BANK BALANCES

(i) The effective interest rates of the fixed deposits placed with licensed banks of the Group range from 1.45% to 1.65% (2019: 2.75% to 3.30%) per annum and have maturity period of 1 to 12 months (2019: 1 month). Included in the fixed deposits placed with licensed banks of the Group at the end of the reporting period was an amount of RM3,500,000 (2019: RM2,500,000) which have been pledged to licensed banks as security for banking facilities granted as disclosed in Note 23.

In prior year, the effective interest rate of the fixed deposits placed with licensed banks of the Company was 3.30% per annum and has maturity period of 1 month.

(ii) Included in the cash and bank balances of the Group at the end of the reporting period was an amount of RM616,899 (2019: RM332,915) pledged deposits to licensed banks as security for performance guarantee which is non-interest bearing.

21. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2020 Unit	2019 Unit	2020 RM	2019 RM
Ordinary shares				
Issued and fully paid:				
At beginning/end of the financial year	152,785,770	152,785,770	57,680,204	57,680,204

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 regards to the Company's residual interests.

22. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

23. LOANS AND BORROWINGS

	2020 RM	2019 RM
Group		
Current:		
Revolving credit	–	2,500,000
Term loan	1,500,000	2,000,000
	1,500,000	4,500,000
Non-current:		
Term loan	–	1,500,000
Total loans and borrowings:		
Revolving credit	–	2,500,000
Term loan	1,500,000	3,500,000
	1,500,000	6,000,000

The remaining maturities of the loans and borrowings as at the reporting date are as follows:

	2020 RM	2019 RM
Group		
On demand or within 1 year	1,500,000	4,500,000
More than 1 year but not more than 2 years	–	1,500,000
	1,500,000	6,000,000

The range of interest rates per annum at the reporting date for the loans and borrowings are as follows:

	2020 %	2019 %
Revolving credit	–	COF + 1.50
Term loan	COF + 1.25	COF + 1.25

COF – Cost of Funds

The Group's loans and borrowings are secured by the following:

(i) Pledged of fixed deposits to licensed banks as disclosed in Note 20(i); and

(ii) Corporate guarantee by the Company.

NOTES TO THE FINANCIAL STATEMENTS
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24. LEASE LIABILITIES

	Lease of premises RM	Motor vehicles RM	Total RM
Group			
2020			
Future minimum lease payments:			
Payable within one year	626,092	134,988	761,080
Payable more than 1 year but not more than 2 years	71,368	134,988	206,356
Payable more than 2 years but not more than 5 years	207,158	211,900	419,058
Payable more than 5 years	–	41,982	41,982
	904,618	523,858	1,428,476
Less: Unexpired finance charges	(56,389)	(63,938)	(120,327)
Present value of future minimum lease payments	848,229	459,920	1,308,149
Present value of future minimum lease payments:			
Payable within one year	596,752	119,450	716,202
Payable more than 1 year but not more than 2 years	59,218	119,450	178,668
Payable more than 2 years but not more than 5 years	192,259	184,959	377,218
Payable more than 5 years	–	36,061	36,061
	848,229	459,920	1,308,149
Analysed as:			
Current	596,752	119,450	716,202
Non-current	251,477	340,470	591,947
	848,229	459,920	1,308,149

24. LEASE LIABILITIES (CONT'D)

	Lease of premises RM	Motor vehicles RM	Total RM
Group			
2019			
Future minimum lease payments:			
Payable within one year	136,529	276,000	412,529
Payable more than 1 year but not more than 2 years	134,988	138,000	272,988
Payable more than 2 years but not more than 5 years	300,988	–	300,988
Payable more than 5 years	87,882	–	87,882
	660,387	414,000	1,074,387
Less: Unexpired finance charges	(80,022)	(17,180)	(97,202)
Present value of future minimum lease payments	580,365	396,820	977,185
Present value of future minimum lease payments:			
Payable within one year	120,445	260,968	381,413
Payable more than 1 year but not more than 2 years	119,450	135,852	255,302
Payable more than 2 years but not more than 5 years	264,967	–	264,967
Payable more than 5 years	75,503	–	75,503
	580,365	396,820	977,185
Analysed as:			
Current	120,445	260,968	381,413
Non-current	459,920	135,852	595,772
	580,365	396,820	977,185

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

24. LEASE LIABILITIES (CONT'D)

	Lease of premise RM
Company	
2020	
Future minimum lease payments:	
Payable within one year	120,000
Less: Unexpired finance charges	(3,438)
Present value of future minimum lease payments	116,562
Present value of future minimum lease payments:	
Payable within one year	116,562

The range of interest rates per annum at the reporting date for the lease liabilities are as follows:

	Group		Company
	2020 %	2019 %	2020 %
Hire purchase (motor vehicles)	2.27 - 2.34	2.27 - 3.37	–
Premises	5.04 - 5.40	5.40	5.40

25. TRADE AND OTHER PAYABLES

		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
Trade payables:					
Third parties	(i)	6,349,591	3,891,633	–	–
Other payables:					
Third parties		515,688	397,904	117,651	75,575
Accruals		2,227,557	3,507,713	171,999	481,690
Amount due to a Director	(ii)	6,500,000	5,000,000	5,000,000	5,000,000
Amount due to a related party	(ii)	8,500,000	4,894,000	–	–
		17,743,245	13,799,617	5,289,650	5,557,265
Total trade and other payables		24,092,836	17,691,250	5,289,650	5,557,265

(i) The normal credit terms granted by the trade creditors to the Group are 30 to 120 days (2019: 30 to 120 days).

(ii) These non-trade amounts represent unsecured, interest-free advances which are repayable on demand.

26. DIVIDEND PAYABLES

On 30 December 2019, the Directors declared a single-tier special dividend of RM0.07 per ordinary share for the financial year ended 31 December 2019 amounted to RM10,695,004. The dividends were subsequently paid by the Company on 22 January 2020.

27. RELATED PARTIES DISCLOSURES

(a) Identity of related parties

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

The Group and the Company have a related party relationship with its subsidiaries, related companies, related parties and key management personnel. The related parties are companies in which certain Directors have substantial financial interests and/or also Director of the companies and close family member of the Director.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

27. RELATED PARTIES DISCLOSURES (CONT'D)

(b) <u>Related party transactions</u>

The related party balances are shown in Notes 19 and 25 respectively. The related party transactions of the Group and of the Company are shown below.

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Transactions with related parties:				
- Advances from/(repayment to), net	3,606,000	(106,000)	–	–
- Rental of premise	276,000	138,000	–	–
Transactions with Directors:				
- Acquisition of a subsidiary	–	–	–	(2)
- Advances from	1,500,000	–	–	–
- Rental of premises	475,000	370,800	175,000	–
Transactions with subsidiaries:				
- Advances to, net	–	–	(26,771,963)	(6,654,002)
- Interest paid/payables	–	–	–	248,531
- Interest received/receivables	–	–	(737,793)	(216,302)
- Management fee receivables	–	–	(1,791,600)	(1,948,800)
- Purchase of fixed assets	–	–	–	209,463

(c) <u>Compensation of key management personnel</u>

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel comprise all the Directors of the Company and its subsidiaries.

The remunerations paid by the Group and the Company to key management personnel during the year has been disclosed in Note 10.

28. SEGMENT INFORMATION

(a) Reporting format

Segment information is presented in respect of the Group's business segments. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

i. The healthcare business segment comprises the supply of healthcare and related products and services to hospitals, healthcare centres and pharmacies. This also includes the renal dialysis business which are both for home and centre-based treatments, serving both the domestic and export markets.

ii. The sterilisation provider is a provider of an industrial and commercial sterilisation services, warehousing and handling services. This segment has been renamed to warehousing provider pursuant to the disposal of a subsidiary as disclosed in Note 16(c).

iii. The corporate segment is involved in Group-level corporate services, treasury functions and provision of management services to subsidiaries.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

In prior year, the Company had disposed its sole revenue generating subsidiary pertaining to the sterilisation provider as disclosed in Note 16(c). The comparative segment information has been re-presented to show the discontinued operation separately from continuing operations.

Segment revenue and results

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment results represent profit or loss before finance costs and tax of the segment. Inter-segment transactions are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

Segment assets

Segment assets are measured based on all assets of the segment, excluding deferred tax assets and tax assets.

Segment liabilities

Segment liabilities are measured based on all liabilities of the segment, excluding deferred tax liabilities and tax liabilities.

(b) Allocation basis and transfers

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

28. SEGMENT INFORMATION (CONT'D)

2020	Healthcare Business RM	Warehousing Provider RM	Corporate RM	Elimination RM	NoteM	Total RM
Revenue:						
External sales	87,106,425	42,000	23,000	–	A	87,171,425
Inter-segment sales	18,432,216	1,891,433	1,791,600	(22,115,249)	B	–
Total revenue	105,538,641	1,933,433	1,814,600	(22,115,249)		87,171,425
Results:						
Bad debts written off	64,835	–	–	–		64,835
Depreciation of property, plant and equipment	430,932	246,057	216,498	(2,167)		891,320
Depreciation of right-of-use assets	648,919	187,500	113,505	–		949,924
Impairment loss on:						
- investment in subsidiaries	–	–	5,100,000	(5,100,000)		–
- trade receivables	4,185,331	–	–	–		4,185,331
Interest income	(137,044)	–	(1,114,224)	819,118		(432,150)
Inventories written down, net	10,745,838	–	–	–		10,745,838
Inventories written off	481,593	–	–	–		481,593
Property, plant and equipment written off	113	–	–	–		113
Reversal of impairment loss on trade receivables	(82,627)	–	–	–		(82,627)
Unrealised loss on foreign exchange, net	191,198	–	–	–		191,198

28. SEGMENT INFORMATION (CONT'D)

2020	Healthcare Business RM	Warehousing Provider RM	Corporate RM	Elimination RM	Note	Total RM
Segment results	(11,089,211)	366,707	(5,780,665)	4,285,928		(12,217,241)
Interest expense	(1,319,102)	–	(22,790)	816,078		(525,814)
(Loss)/profit before tax	(12,408,313)	366,707	(5,803,455)			(12,743,055)
Tax credit	408,040	–	–	–		408,040
(Loss)/profit for the financial year	(12,000,273)	366,707	(5,803,455)			(12,335,015)
Segment assets	71,198,905	13,687,976	81,421,699	(85,152,945)	C	81,155,635
Segment liabilities	59,165,712	47,593	5,406,212	(37,698,917)	D	26,920,600
Other information:						
Additions to non-current assets excluding deferred tax assets and financial assets	7,981,355	94,541	455,696	–	E	8,531,592

NOTES TO THE FINANCIAL STATEMENTS
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28. SEGMENT INFORMATION (CONT'D)

2019	Continuing Operations Healthcare Business RM	Warehousing Provider RM	Corporate RM	Elimination RM	Total RM	Discontinued Operation RM	Elimination RM	Note	Total RM
Revenue:									
External sales	30,009,013	–	220,000	–	30,229,013	8,650,868	–	A	38,879,881
Inter-segment sales	306,036	974,960	1,948,800	(3,229,796)	–	–	–	B	–
Total revenue	30,315,049	974,960	2,168,800	(3,229,796)	30,229,013	8,650,868	–		38,879,881
Results:									
Depreciation of property, plant and equipment	256,652	229,517	216,104	(2,167)	700,106	714,153	–		1,414,259
Depreciation of right-of-use assets	196,573	187,500	–	–	384,073	33,529	–		417,602
Development costs written off	3,024,355	–	–	–	3,024,355	–	–		3,024,355
Deposit written off	–	8,610	–	–	8,610	–	–		8,610
Gain on disposal of a subsidiary	–	–	(64,141,780)	32,408,124	(31,733,656)	–	–		(31,733,656)
Impairment loss on:									
- trade receivables	1,506,847	–	–	–	1,506,847	–	–		1,506,847
- other receivables	34,253	–	–	–	34,253	–	–		34,253
Interest income	(170,414)	–	(652,658)	373,362	(449,710)	(166,675)	137,111		(479,274)
Inventories written down, net	1,651,025	–	–	–	1,651,025	–	–		1,651,025
Inventories written off	10,482	–	–	–	10,482	–	–		10,482
Loss on disposal of property, plant and equipment	–	–	46,219	–	46,219	–	–		46,219
Property, plant and equipment written off	1,342	–	–	–	1,342	–	–		1,342
Reversal of impairment loss on trade receivables	–	–	–	–	–	(403,002)	–		(403,002)
Unrealised loss on foreign exchange, net	231,756	–	–	–	231,756	(10,204)	–		221,552

28. SEGMENT INFORMATION (CONT'D)

2019	Continuing Operations Healthcare Business RM	Warehousing Provider RM	Corporate RM	Elimination RM	Total RM	Discontinued Operation RM	Elimination RM	Note	Total RM
Segment results	(9,651,576)	(521,643)	63,350,125	(64,447,102)	(11,270,196)	4,319,926	31,596,545		24,646,275
Interest expense	(684,279)	(311,312)	(263,732)	510,473	(748,850)	(351,251)	–		(1,100,101)
(Loss)/profit before tax	(10,335,855)	(832,955)	63,086,393		(12,019,046)	3,968,675			23,546,174
Tax expense	(486,560)	–	–		(486,560)	(862,200)			(1,348,760)
(Loss)/profit for the financial year	(10,822,415)	(832,955)	63,086,393		(12,505,606)	3,106,475			22,197,414
Segment assets	50,952,751	13,473,245	98,071,211	(60,684,446)	101,812,761	51,420,644	(51,420,644)	C	101,812,761
Segment liabilities	27,748,588	199,569	16,252,269	(8,836,968)	35,363,458	14,781,674	(14,781,674)	D	35,363,458
Other information:									
Additions to non-current assets excluding deferred tax assets and financial assets	2,530,711	111,236	565,803	(217,690)	2,990,060	34,589	–	E	3,024,649

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

28. SEGMENT INFORMATION (CONT'D)

Operating segments

A Reconciliations of reportable segment revenues for the financial year to the corresponding amounts of the Group are as follows:

	2020 RM	2019 RM
Continuing operations		
Total revenue for reportable segments	87,171,425	30,229,013
Revenue of the Group per consolidated statement of comprehensive income	87,171,425	30,229,013

B Inter-segment revenues are eliminated on consolidation.

C The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2020 RM	2019 RM
Investment in subsidiaries	(47,899,500)	(52,272,064)
Inter-segment assets	(37,253,445)	(59,833,026)
	(85,152,945)	(112,105,090)

Reconciliation of assets:

	Group	
	2020 RM	2019 RM
Segment operating assets	80,694,871	101,551,742
Deferred tax assets	400,000	–
Tax recoverable	60,764	261,019
Total assets	81,155,635	101,812,761

28. SEGMENT INFORMATION (CONT'D)

D The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2020 RM	2019 RM
Inter-segment liabilities	(37,698,917)	(23,618,642)

Reconciliation of liabilities:

	Group	
	2020 RM	2019 RM
Segment operating liabilities	26,900,985	35,363,439
Tax payable	19,615	19
Total liabilities	26,920,600	35,363,458

E Additions to non-current assets for continuing operations excluding deferred tax assets and financial assets consist of:

	Group	
	2020 RM	2019 RM
Property, plant and equipment	7,214,177	1,061,174
Right-of-use assets	1,117,163	821,825
Intangible assets	200,252	1,107,061
	8,531,592	2,990,060

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

28. SEGMENT INFORMATION (CONT'D)

Geographical information

Revenue from continuing operations based on geographical location of the Group's customers are as follows:

	2020 RM	2019 RM
Revenue:		
- Malaysia	73,551,935	29,849,695
- Singapore	–	5,195
- Sri Lanka	2,868,948	235,036
- Indonesia	7,732,582	–
- Others	3,017,960	139,087
	87,171,425	30,229,013

Major customer information

The Group has 4 customers which contribute approximately RM45.43 million or 52% (2019: 2 customers, RM11.88 million or 39%) of the Group's revenue during the financial year after excluding discontinued operation.

29. FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group's and the Company's financial assets and financial liabilities are all categorised as amortised costs.

Financial Risk Management Objectives and Policies

The Group's and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's and of the Company's operations whilst managing their financial risks, including credit risk, interest rate risk, liquidity risk and foreign currency risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's and the Company's policy is not to engage in speculative transactions. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (Cont'd)

(i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises primarily from its receivables (which consist of trade and other receivables). The Company's exposure to credit risk arises primarily from receivables (which consist of trade and other receivables), loans and advances to its subsidiaries as well as financial guarantees given to banks for credit facilities granted to certain subsidiaries. There are no significant changes as compared to prior years.

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is minimised and monitored via strictly limiting the Group's and the Company's association to business partners with good credit rating. Credit evaluations are performed on all customers requiring credit over a certain amount.

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

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

Exposure to credit risk, credit quality and collateral

As the Group does not hold any collateral, the maximum exposure to credit risk from receivables is represented by the carrying amounts in the statements of financial position as at the end of the reporting period.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the segment profile of their receivables on an ongoing basis.

As at 31 December 2020, the Group has significant concentration of credit risk arising from the amounts due from 4 customers (2019: 2 customers) constituting 63% (2019: 63%) of net trade receivables of the Group.

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances and to ensure that receivables that are neither past due nor impaired are stated at their realisable values.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (Cont'd)

(i) Credit risk (Con'd)

Trade receivables (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

The Group has applied the simplified approach in MFRS 9 to measure the loss allowance at lifetime expected credit losses as disclosed in Note 3(p)(i). The Group assesses impairment of trade receivables on individual and collective basis.

For individual assessment, it is due to the number of debtors is minimal and these debtors can be individually managed by the Group in an effective and efficient manner. The Group has reasonable and supportable information available to assess the impairment individually.

Healthcare business – Distribution of medical and healthcare equipment

For collective assessment, the Group determines the expected credit losses by using a provision matrix for collective assessed receivables which are grouped together based on shared credit risk characteristics, the number of days past due and similar types of contracts which have similar risk characteristics.

Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency.

Loss rates are based on actual credit loss experienced over the prior years and are adjusted to reflect the forward-looking information on macroeconomic factors. The Group also considers differences between (a) economic conditions during the period over which the historical data has been collected, (b) current economic conditions and (c) the Group's view of economic conditions over the expected lives of the receivables.

The Group will initiate appropriate debt recovery procedures on past due balances which are monitored by the sales management team. Where necessary, the Group will also commence legal proceeding against the customers.

The Group has recognised a loss allowance of 100% for any receivables over 270 to 365 days past due from different customer profiles because historical experience has indicated that these receivables are generally not recoverable.

Healthcare business – Renal dialysis

The Group has recognised a loss allowance of 100% for any receivables over 270 to 365 days past due from different customer profiles because historical experience has indicated that these receivables are generally not recoverable.

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (Cont'd)

(i) Credit risk (Con'd)

Trade receivables (Cont'd)

Impairment losses

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2020 and 31 December 2019:

	2020 RM	2019 RM
Group		
Trade receivables		
Not past due	7,597,943	5,476,327
Past due:		
- Less than 30 days	1,778,671	2,050,906
- 31 to 60 days	949,360	3,163,607
- 61 to 90 days	513,294	901,118
- 91 to 120 days	203,990	1,161,720
- 121 to 150 days	572,996	1,030,633
- 151 to 180 days	2,959,286	101,437
- 181 to 210 days	4,976,646	114,202
- 211 to 240 days	2,900,190	131,406
- More than 240 days	738,374	2,800,785
	15,592,807	11,455,814
Trade receivables, gross	23,190,750	16,932,141
Less: **Loss allowances**		
- Collectively impaired	(936,963)	(2,524,803)
- Individually impaired	(5,153,436)	(556,809)
	(6,090,399)	(3,081,612)
Trade receivables, net	17,100,351	13,850,529

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (Cont'd)

(i) Credit risk (Con'd)

Trade receivables (Cont'd)

Impairment losses (Cont'd)

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records and mostly are regular customers that have been transacting with the Group. None of the trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

These trade receivables relate mostly to customers with slower repayment patterns, for whom there is no history of default. The Group does not hold any collateral or other credit enhancement over these balances.

The Group has not provided for these trade receivables as there has been no significant changes in their credit quality and the amounts are still considered recoverable which are not past due for more than 60 to 270 days.

Credit impaired

Trade receivables that are individually or collectively determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments which are past due more than 270 to 365 days from different customer profiles. These receivables are not secured by any collateral or credit enhancements.

The movement in the allowance for impairment loss on trade receivables is as follows:

	Group	
	2020 RM	**2019 RM**
At 1 January	3,081,612	2,126,182
Charge for the financial year	4,185,331	1,506,847
Reversal during the financial year	(82,627)	(403,002)
Disposal of a subsidiary	–	(148,415)
	4,102,704	955,430
Written off during the financial year	(1,093,917)	–
At 31 December	6,090,399	3,081,612

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (Cont'd)

(i) Credit risk (Con'd)

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the reporting date, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. These banks and financial institutions have low credit risks. Hence, a loss allowance is not necessary.

Other receivables

Expected credit loss of other receivables is determined individually after considering the financial strength of the other receivables. As at the end of the reporting period, the maximum exposure to credit risks is represented by their carrying amounts in the statements of financial position.

As at the end of the reporting period, the Group and the Company have assessed debtors which are past due more than 1 year as credit impaired. As such, the Group and the Company have provided allowances for expected credit losses on these debtors as disclosed in Note 19.

The movement in the allowance for impairment loss on other receivables is as follows:

	Group	
	2020 RM	2019 RM
At 1 January	390,436	356,183
Charge for the financial year	–	34,253
Written off during the financial year	(34,253)	–
At 31 December	356,183	390,436

Credit risk on deposits is mainly arising from deposits paid to landlord as security and utilities deposit for rental of premises which will be received upon termination of such services and thus have low credit risks. The Group and the Company manage the credit risk together with the leasing arrangement.

As at the end of the reporting period, no allowance for doubtful debts is necessary in respect of the deposits.

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (Cont'd)

(i) Credit risk (Con'd)

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors the ability of the subsidiaries to service their loans on an individual basis.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounted to RM1,500,000 (2019: RM6,000,000), representing the outstanding credit facilities of the subsidiaries as at the end of reporting period. The financial guarantees are provided as credit enhancements to the subsidiaries' secured loans.

Recognition and measurement of impairment loss

These financial guarantees are subject to the impairment requirement under MFRS 9. The Company assumes that there is a significant increase in credit risk when the subsidiaries' financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiaries are unlikely to repay its credit obligations to the bank in full; or
- The subsidiaries are continuously loss making and having a deficit in shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available. As at the end of the reporting period, there was no indication that the subsidiaries which were granted these loan facilities (Note 23) would default on repayment. Hence, the financial guarantees granted by the Company has not been recognised since the fair value on initial recognition was not material.

Amounts due from subsidiaries

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to its subsidiaries. The Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. Loans and advances provided are not secured by any collateral.

NOTES TO THE FINANCIAL STATEMENTS

CONT'D

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (Cont'd)

(i) Credit risk (Con'd)

Amounts due from subsidiaries (Cont'd)

Recognition and measurement of impairment loss

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in their credit risk when the subsidiaries' financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the subsidiaries' loans or advances to be credit impaired when the subsidiaries are unlikely to repay their loans or advances to the Company in full given insufficient highly liquid resources when the loans are demanded.

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

As at the reporting date, there were no indications of impairment loss in respect of amounts due from subsidiaries.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities.

In respect of interest-earning financial assets and interest-bearing financial liabilities, the effective interest rates at the reporting date, in which they reprice or mature, whichever is earlier are disclosed in Notes 20 and 23 respectively.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (Cont'd)

(ii) Interest rate risk (Con'd)

Exposure in interest rate risk

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Floating rate instruments:				
Financial assets:				
- Fixed deposits placed with licensed banks	3,500,000	25,322,165	–	22,822,165
Financial liabilities:				
- Revolving credit	–	(2,500,000)	–	–
- Term loans	(1,500,000)	(3,500,000)	–	–
	(1,500,000)	(6,000,000)	–	–
Net financial assets	2,000,000	19,322,165	–	22,822,165

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (Cont'd)

(ii) Interest rate risk (Con'd)

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis on the floating rate instruments to a reasonably possible change in the interest rate as at the end of the reporting period with all other variables held constant:

	Group		Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Effect on increase/(decrease) on results after tax:				
Increase of 50 basis points (2019: 50 basis points)	7,600	73,424	–	86,724
Decrease of 50 basis points (2019: 50 basis points)	(7,600)	(73,424)	–	(86,724)
Effect on increase/(decrease) on equity:				
Increase of 50 basis points (2019: 50 basis points)	7,600	73,424	–	86,724
Decrease of 50 basis points (2019: 50 basis points)	(7,600)	(73,424)	–	(86,724)

(iii) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations associated with financial liabilities. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. In addition, the Group and the Company maintain sufficient levels of cash and available banking facilities at a reasonable level to their overall debt position to meet their working capital requirement.

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (Cont'd)

(iii) Liquidity risk (Con'd)

The following table sets out the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

	Carrying Amount RM	<---- Contractual Cash Flows ---- On demand/ Within 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM	Total RM ---->
Group						
2020						
Financial liabilities:						
Trade and other payables	24,092,836	24,092,836	–	–	–	24,092,836
Term loan	1,500,000	1,537,931	–	–	–	1,537,931
Lease liabilities	1,308,149	761,080	206,356	419,058	41,982	1,428,476
	26,900,985	26,391,847	206,356	419,058	41,982	27,059,243
Company						
Financial liabilities:						
Trade and other payables	5,289,650	5,289,650	–	–	–	5,289,650
Financial guarantees*	–	1,500,000	–	–	–	1,500,000
	5,289,650	6,789,650	–	–	–	6,789,650

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (Cont'd)

(iii) Liquidity risk (Con'd)

The following table sets out the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period): (Cont'd)

	Carrying Amount RM	< ---------- Contractual Cash Flows ---------- > On demand/ Within 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM	Total RM
Group						
2019						
Financial liabilities:						
Trade and other payables	17,691,250	17,691,250	–	–	–	17,691,250
Dividend payables	10,695,004	10,695,004	–	–	–	10,695,004
Loans and borrowings:						
- Revolving credit	2,500,000	2,634,500	–	–	–	2,634,500
- Term loans	3,500,000	2,139,836	1,537,931	–	–	3,677,767
Lease liabilities	977,185	412,529	272,988	300,988	87,882	1,074,387
	35,363,439	33,573,119	1,810,919	300,988	87,882	35,772,908
Company						
Financial liabilities:						
Trade and other payables	5,557,265	5,557,265	–	–	–	5,557,265
Dividend payables	10,695,004	10,695,004	–	–	–	10,695,004
Financial guarantees*	–	6,000,000	–	–	–	6,000,000
	16,252,269	22,252,269	–	–	–	22,252,269

* This liquidity risk exposure is included for illustration purpose only as the related financial guarantees have not crystallised.

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (Cont'd)

(iv) 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 sales and purchases that are denominated in a currency other than the functional currency of the Group. The currencies giving rise to this risk are primarily Chinese Yuan Renminbi ("CNY"), Euro ("EUR"), Indonesian Rupiah ("IDR"), Sri Lankan Rupee ("LKR") and United States Dollar ("USD").

The Group also holds cash and cash equivalents denominated in foreign currencies to pay its foreign purchases as a natural hedge against fluctuations in foreign currency risk.

Foreign exchange exposures in transactional currencies other than functional currency of the Group are kept to an acceptable level.

Exposure to foreign currency risk

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

	Cash at bank RM	Receivables RM	Payables RM	Total RM
Group				
2020				
CNY	649,666	–	(20,449)	629,217
EUR	–	–	(12,014)	(12,014)
IDR	–	2,706,404	–	2,706,404
LKR	1,925	–	–	1,925
USD	196,872	703,199	(311,376)	588,695
	848,463	3,409,603	(343,839)	3,914,227
2019				
CNY	–	–	(14,896)	(14,896)
EUR	–	–	(1,519)	(1,519)
LKR	1,961	–	–	1,961
USD	128,873	348,789	(788,855)	(311,193)
	130,834	348,789	(805,270)	(325,647)

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (Cont'd)

(iv) Foreign currency risk (Cont'd)

Foreign currency risk sensitivity analysis

The following table demonstrates the sensitivity of the Group's result net of tax to a reasonably possible change in these foreign currencies exchange rates against RM, with all other variables held constant:

		Increase/ (Decrease) in Results net of tax	
		2020	**2019**
		RM	**RM**
Group			
CNY/RM	- Strengthened 5% (2019: 5%)	23,910	(566)
	- Weakened 5% (2019: 5%)	(23,910)	566
EUR/RM	- Strengthened 5% (2019: 5%)	(457)	(58)
	- Weakened 5% (2019: 5%)	457	58
IDR/RM	- Strengthened 5% (2019: 5%)	102,843	–
	- Weakened 5% (2019: 5%)	(102,843)	–
LKR/RM	- Strengthened 5% (2019: 5%)	73	75
	- Weakened 5% (2019: 5%)	(73)	(75)
USD/RM	- Strengthened 5% (2019: 5%)	22,370	(11,825)
	- Weakened 5% (2019: 5%)	(22,370)	11,825

30. FAIR VALUE INFORMATION

Financial instruments other than those carried at fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values

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

The carrying amount of long-term floating rate loan approximate its fair value as the loan will be re-priced to market interest rate on or near reporting date.

There were no material transfer between Level 1, Level 2 and Level 3 during the financial year.

31. CAPITAL MANAGEMENT

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

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic and business 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.

No changes were made in the objectives, policies and processes during the financial years ended 31 December 2020 and 31 December 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes loans and borrowings and lease liabilities, less cash and cash equivalents whilst total capital is the equity attributable to the Owners of the Company.

The gearing ratio as at 31 December 2020 and 31 December 2019, which are within the Group's and the Company's objective of capital management are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Loans and borrowings	1,500,000	6,000,000	–	–
Lease liabilities	1,308,149	977,185	116,562	–
	2,808,149	6,977,185	116,562	–
Less:				
- Fixed deposits placed with licensed banks	3,500,000	25,322,165	–	22,822,165
- Cash and bank balances	11,674,108	14,810,360	1,422,842	9,989,208
	15,174,108	40,132,525	1,422,842	32,811,373
Net cash	(12,365,959)	(33,155,340)	(1,306,280)	(32,811,373)
Equity attributable to the Owners of the Company, representing total capital	55,211,907	66,954,153	76,015,487	81,818,942
Capital and net debts	42,845,948	33,798,813	74,709,207	49,007,569
Gearing ratio	*	*	*	*

* *Not applicable*

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

The Group is in compliance with all externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

32. CAPITAL COMMITMENTS

The future capital commitments payable for the acquisition of property, plant and equipment at the reporting date but not recognised as payable is as follows:

	Group	
	2020 RM	2019 RM
Approved and contracted for:		
- Purchase of plant and equipment	–	586,592

33. CONTINGENT LIABILITIES

	Group	
	2020 RM	2019 RM
Unsecured:		
- Performance guarantee in favour of customers as security for supplies	–	276,713
- Bank guarantee in favour of Tenaga Nasional Berhad and Royal Malaysian Customs Department	–	41,000
- Letter of credit in favour of customers	–	690,048
	–	1,007,761

34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of the significant events in relation to the acquisition and incorporation of subsidiaries during the financial year are disclosed in Note 16(a)(i), Note 16(b)(i) and Note 16(b)(ii) respectively.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

35. EVENTS SUBSEQUENT TO THE END OF FINANCIAL YEAR

(i) The Company had on 5 February 2021 entered into a conditional Shares Sale Agreement ("SSA") with Mr. Low Chin Guan ("Buyer") for the proposed disposal of the entire equity interest held by the Company in LCX to the Buyer and/or his nominee(s) for a total cash consideration of RM11 million, subject to the terms as set out in the SSA.

On 8 April 2021, the proposed disposal of LCX was tabled at the Extraordinary General Meeting of the Company and were duly approved by the shareholders of the Company. The proposed disposal is yet to be completed as at the date of this report.

(ii) The Company had on 20 April 2021 disposed of the entire equity interest held by the Company in LCX International to Mr. Low Chin Guan ("Buyer") for a total cash consideration of RM485,438.

36. COMPARATIVE FIGURES

The comparative figures have been reclassified to conform with the current year's presentation:

	As previously reported RM	As reclassified RM
Group		
2019		
Statements of Cash Flows		
Cash Flows from Investing Activities		
Advances to subsidiaries, net	–	(8,602,802)
Cash Flows from Financing Activities		
Advances to subsidiaries, net	(8,602,802)	–

LIST OF PROPERTIES
FOR YEAR ENDED 31 DECEMBER 2020

Name of registered owner/Address	Description/ Existing Use	Land Area (square metres)	Tenure	Age of Building No. of Years	Net Book Value as at 31.12.2020 RM’000	Date of Revaluation Or Acquisition
PTM Progress Trading & Marketing Sdn. Bhd. Lot PT17 HSM 9655 Mukim of Sungai Buluh District of Petaling Selangor	Warehouse	8,090	60 years leasehold expiring on 29.12.2055	5	12,389	22 December, 2014

STATISTICS OF SHAREHOLDINGS
AS AT 4 MAY 2021

Class of Shares : Ordinary Shares
On a poll : One (1) vote per Ordinary Share
Total number of issued shares : 152,785,770 Ordinary Shares

ANALYSIS OF SHAREHOLDINGS

A. DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1- 99	167	1.90	6,348	0.00
100 - 1,000	2,387	27.17	1,738,948	1.14
1,001 - 10,000	5,122	58.30	22,674,409	14.84
10,001 - 100,000	1,059	12.05	30,407,853	19.90
100,001 to 7,639,287 (*)	47	0.53	9,534,400	6.24
7,639,288 and above (**)	4	0.05	88,423,812	57.87
Total	8,786	100.00	152,785,770	100.00

Remark: * less than 5% of issued holdings
** 5% and above of issued holdings

B. SUBSTANTIAL SHAREHOLDERS
(as shown in the Register of Substantial Shareholders)

		Direct		Indirect	
No.	Name	No. of Shares	%	No. of Shares	%
1.	Low Chin Guan	59,035,652	38.64	–	–
2.	Low Lea Kwan	8,410,960	5.51	–	–

C. DIRECTORS' SHAREHOLDINGS
(as shown in the Register of Directors' Shareholdings)

		Direct		Indirect	
No.	Name	No. of Shares	%	No. of Shares	%
1.	Low Chin Guan	59,035,652	38.64	–	–
2.	Kwek Siew Leng	–	–	–	–
3.	Toh Seng Thong	–	–	–	–
4.	Edmond Cheah Swee Leng	–	–	–	–
5.	Dato' Dr. Norraesah binti Haji Mohamad	–	–	–	–

Mr. Low Chin Guan, by virtue of his total direct interests of 59,035,652 shares in the Company, and pursuant to Section 8(4)(c) of the Companies Act 2016, is deemed interested in the shares in all of the Company's subsidiary companies to the extent that the Company has interests.

STATISTICS OF SHAREHOLDINGS
CONT'D

ANALYSIS OF SHAREHOLDINGS (CONT'D)

D. THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

No.	Shareholders	Number of Shares	%
1.	Low Chin Guan	45,035,652	29.48
2.	HSBC Nominees (Asing) Sdn. Bhd. Exempt an for Clearstream Banking S.A.	20,977,200	13.73
3.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Low Chin Guan	14,000,000	9.16
4.	Low Lea Kwan	8,410,960	5.51
5.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Teng Chi Lik	900,000	0.59
6.	K Mayah A/P Kuppusamy @ Naghuran	530,400	0.35
7.	RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Karich Sdn. Bhd.	400,000	0.26
8.	Cartaban Nominees (Asing) Sdn. Bhd. Exempt an for Barclays Capital Securities Ltd.	351,000	0.23
9.	Maybank Nominees (Tempatan) Sdn. Bhd. - Tan Sun Ping	332,800	0.22
10.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Soh Tong Hwa	320,000	0.21
11.	Lau Kien Wee	300,000	0.20
12.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Liew Guan Tuck	300,000	0.20
13.	Deva Dasson Solomon	283,200	0.19
14.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Sun Ping	244,000	0.16
15.	Lee Kheng Hee	230,000	0.15
16.	Lim Soon Huat	225,700	0.15
17.	M. Baaden Bin Asasmulia	222,300	0.15

STATISTICS OF SHAREHOLDINGS
CONT'D

ANALYSIS OF SHAREHOLDINGS (CONT'D)

D. THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS (CONT'D)

No.	Shareholders	Number of Shares	%
18.	Tan Geok Hong	207,000	0.14
19.	Lam Siew Way	200,000	0.13
20.	Syalin Sdn. Bhd.	200,000	0.13
21.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kow Wing Hong	190,000	0.12
22.	Affin Hwang Investment Bank Berhad - Choong Kwee Huat	188,900	0.12
23.	Wong Yin @ Wong Soo Ying	180,000	0.12
24.	Henry Tan Soong Yan	174,200	0.11
25.	Chong See Yoong	161,900	0.11
26.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Wong Quet Siong	160,000	0.10
27.	Teo Lay Ban	158,000	0.10
28.	Affin Hwang Investment Bank Berhad IVT	150,000	0.10
29.	Goh Seok Hong	150,000	0.10
30.	Hong Leong Investment Bank Berhad - Lee Hoi San	150,000	0.10
		95,333,212	62.40

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of the Company will be held on a **fully virtual basis** at the broadcast venue at Meeting Room of Adventa Berhad of 21, Jalan Tandang 51/205A, Seksyen 51, 46050 Petaling Jaya, Selangor Darul Ehsan on Thursday, 24 June 2021 at 10:30 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and the Auditors thereon. **[Please refer to Explanatory Note (i)]**

2. To approve the payment of Directors' fees and benefits amounting to RM271,200/- for the financial year ending 31 December 2021. **(Resolution 1)**

3. To re-elect Mr. Low Chin Guan, the Director who retires pursuant to Clause 114 of the Company's Constitution and being eligible, have offered himself for re-election. **(Resolution 2)**

4. To re-appoint Messrs. Moore Stephens Associates PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 3)**

5. **As Special Business**

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

   ORDINARY RESOLUTION
   - <u>RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTORS</u>

   (i) "**THAT** Mr. Toh Seng Thong who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years be and is hereby retained as an Independent Non-Executive Director." **(Resolution 4)**

   (ii) "**THAT** Mr. Edmond Cheah Swee Leng who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years be and is hereby retained as a Senior Independent Non-Executive Director." **(Resolution 5)**

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING
CONT'D

ORDINARY RESOLUTION **(Resolution 6)**
- AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO THE COMPANIES ACT 2016

"**THAT** subject always to the Companies Act 2016, the Constitution of the Company, the approvals of Bursa Malaysia Securities Berhad and any other relevant governmental and/or regulatory authorities, where such approval is necessary, the Directors of the Company be and are hereby empowered, pursuant to the Companies Act 2016, to issue and allot shares in the Company, at any time, at such price, to such persons and upon such terms and conditions and for such purposes as the Directors of the Company may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed twenty per centum (20%) of the total number of issued shares of the Company for the time being to be utilised until 31 December 2021 as empowered by Bursa Malaysia Securities Berhad pursuant to Bursa Malaysia Berhad's letter dated 16 April 2020 to grant additional temporary relief measures to listed issuers and thereafter ten per centum (10%) of the total number of issued shares of the Company for the time being as stipulated under Paragraph 6.03(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

AND THAT the Directors of the Company be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad;

AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

ORDINARY RESOLUTION **(Resolution 7)**
- PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"**THAT** subject to the Companies Act 2016, the Constitution of the Company and Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into the existing recurrent related party transactions of a revenue or trading nature ("**Recurrent Related Party Transactions**") as set out in the Company's Circular to Shareholders dated 25 May 2021 with the related parties mentioned therein subject further to the following:-

(i) the Recurrent Related Party Transactions are in the ordinary course of business which are necessary for day-to-day operations and are on normal commercial terms not more favourable than those generally available to the public and not detrimental to the minority shareholders of the Company; and

(ii) disclosure is made in the annual report of the breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year;

AND THAT the authority conferred by such mandate upon the passing of this ordinary resolution shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

(b) the expiration of the period within which the next Annual General Meeting of the Company after the date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(c) revoked or varied by resolution passed by the shareholders of the Company in general meeting,

whichever is the earlier,

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

ORDINARY RESOLUTION **(Resolution 8)**

- PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"**THAT** subject to the Companies Act 2016, the Constitution of the Company and Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature ("**Recurrent Related Party Transactions**") as set out in the Company's Circular to Shareholders dated 25 May 2021 with the related parties mentioned therein subject further to the following:-

(i) the Recurrent Related Party Transactions are in the ordinary course of business which are necessary for day-to-day operations and are on normal commercial terms not more favourable than those generally available to the public and not detrimental to the minority shareholders of the Company; and

(ii) disclosure is made in the annual report of the breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year;

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING
CONT'D

AND THAT the authority conferred by such mandate upon the passing of this ordinary resolution shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

(b) the expiration of the period within which the next Annual General Meeting of the Company after the date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(c) revoked or varied by resolution passed by the shareholders of the Company in general meeting,

whichever is the earlier,

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

6. To transact any other ordinary business of which due notice has been given in accordance with the Companies Act 2016 or the Constitution.

By Order of the Board

CHUA SIEW CHUAN (SSM PC NO. 201908002648) (MAICSA 0777689)
LIM LIH CHAU (SSM PC NO. 201908001454) (LS 0010105)
Company Secretaries

Kuala Lumpur
25 May 2021

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 17 June 2021 ("**General Meeting Record of Depositors**") shall be eligible to attend the Meeting.

2. A Member entitled to attend and vote at the Meeting of the Company, shall be entitled to appoint more than one (1) proxy to attend, participate, speak and vote instead of the Member at the Meeting. A proxy need not be a Member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting of the Company shall have the same rights as the Member to attend, participate, speak and vote at the Meeting and upon appointment a proxy shall be deemed to confer authority to demand or join in demanding a poll.

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

As guided by the Securities Commission Malaysia's Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers, the right to speak is not limited to verbal communication only but includes other modes of expression. Therefore, all shareholders, proxies and/or corporate representatives shall communicate with the main venue of the Eighteenth Annual General Meeting via real time submission of typed texts through a text box within Securities Services e- Portal's platform during the live streaming of the Eighteenth Annual General Meeting as the primary mode of communication. In the event of any technical glitch in this primary mode of communication, shareholders, proxies and/or corporate representatives may email their questions to eservices@sshsb.com.my during the Eighteenth Annual General Meeting. The questions and/or remarks submitted by the shareholders, proxies and/or corporate representatives will be broadcasted and responded by the Chairman/ Board/relevant advisers during the Eighteenth Annual General Meeting.

3. Where a Member appoints more than one (1) proxy in relation to the Meeting, he shall specify the proportion of his shareholdings to be represented by each proxy, failing which the appointment shall be invalid.

4. The instrument appointing a proxy shall be in writing under the hand of the Member or of his attorney duly authorised in writing or, if the Member is a corporation, shall either be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.

5. Where a Member of the Company is an Exempt Authorised Nominee which holds Deposited Securities in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

6. The instrument appointing a proxy must be deposited at Securities Services (Holdings) Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time for holding the Meeting or at any adjournment thereof. The proxy appointment may also be lodged electronically via Securities Services e-Portal at https://www.sshsb.net.my/. The lodging of the Form of Proxy will not preclude any shareholder from participating and voting remotely at the Eighteenth Annual General Meeting should any shareholder subsequently wishes to do so provided a Notice of Termination of Authority to act as Proxy is given to the Company.

   All resolutions set out in this notice of meeting are to be voted by poll.

   Should you wish to personally participate at the Meeting remotely, please register electronically via Securities Services e-Portal at https://www.sshsb.net.my/ by the registration cut-off date and time. Please refer to the Administrative Guide for the Eighteenth Annual General Meeting for further details.

   The Administrative Guide for the Eighteenth Annual General Meeting is available for download at https://www.adventa.com.my/investor-relations-info.

7. Any Notice of Termination of Authority to act as Proxy must be received in writing by the Company at Securities Services (Holdings) Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than twenty-four (24) hours the commencement of the General Meeting or at any adjournment thereof, failing which, the termination of the authority of a person to act as proxy will not affect the following in accordance with Section 338 of the Companies Act 2016:-

   (a) the constitution of the quorum at such meeting;
   (b) the validity of anything he did as chairman of such meeting;
   (c) the validity of a poll demanded by him at such meeting; or
   (d) the validity of the vote exercised by him at such meeting.

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING
CONT'D

Explanatory Notes to Ordinary and Special Business:

(i) Audited Financial Statements for the financial year ended 31 December 2020

This Agenda item is meant for discussion only, as the provision of Section 340(1) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

(ii) Resolutions 4 and 5 - Retention of Independent Non-Executive Directors

The Nomination Committee had assessed the independence of Mr. Toh Seng Thong and Mr. Edmond Cheah Swee Leng, who have served on the Board as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years. The Board has recommended that the approval of the shareholders be sought to retain Mr. Toh Seng Thong and Mr. Edmond Cheah Swee Leng as Independent Non-Executive Directors based on the following justifications:-

- had fulfilled the criteria under the definition of Independent Director pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- had ensured effective check and balance in the proceedings of the Board and the Board Committees;
- had actively participated in the Board deliberations, provided objectivity in decision making and an independent voice to the Board and contributed in preventing Board domination by any single party;
- had devoted sufficient time and attention to their responsibilities as an Independent Non-Executive Director of the Company; and
- had exercised their due care in the interest of the Company and shareholders during their tenure as an Independent Non-Executive Director of the Company.

(iii) Resolution 6 - Authority to issue and allot shares pursuant to the Companies Act 2016

The Company intended to renew the authority granted to the Directors of the Company at the Seventeenth Annual General Meeting of the Company held on 21 July 2020 ("**Previous Mandate**") to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed:

- twenty per centum (20%) of the total number of issued shares of the Company for the time being (for issuance and allotment until 31 December 2021 as empowered by Bursa Malaysia Securities Berhad pursuant to Bursa Malaysia Berhad's letter dated 16 April 2020 to grant additional temporary relief measures to listed issuers and thereafter ten per centum (10%) of the total number of issued shares); and
- ten per centum (10%) of the total number of issued shares of the Company for the time being (for issuance and allotment after 31 December 2021 as stipulated under Paragraph 6.03(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad),

collectively known as ("**General Mandate**").

The General Mandate will provide flexibility to the Company to raise additional funds expeditiously and efficiently during this challenging time, to meet its funding requirements including but not limited to working capital, operational expenditures, investment project(s), and/or acquisition(s).

The Board, having considered the current and prospective financial position, needs and capacity of the Group, is of the opinion that the General Mandate is in the best interests of the Company and its shareholders.

As at the date of this notice, the Previous Mandate granted by the shareholders had not been utilised and hence no proceeds were raised therefrom.

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

CONT'D

(iv) Resolutions 7 and 8 - Proposed renewal of existing shareholders' mandate and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature

The Proposed Resolution nos. 7 and 8 are to renew the existing shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("**Recurrent Related Party Transactions**") granted by the shareholders of the Company at the Seventeenth Annual General Meeting held on 21 July 2020 ("**Renewal of Existing Shareholders' Mandate**") and to obtain the new shareholders' mandate for new Recurrent Related Party Transactions ("**New Shareholders Mandate**") respectively. Both Renewal of Existing Shareholders' Mandate and New Shareholders' Mandate will enable the Company and/or its subsidiaries ("**the Group**") to enter into Recurrent Related Party Transactions which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those general available to the public and are not, in the Company's opinion, detrimental to the minority shareholders of the Company.

Dato' Dr. Norraesah binti Haji Mohamad, the Independent Non-Executive Director of the Company who retires pursuant to Clause 114 of the Company's Constitution, had expressed her intention not to seek for re-election and accordingly, will retire at the conclusion of the Eighteenth Annual General Meeting of the Company.

ADVENTA BERHAD

ADVENTA BERHAD

Registration No. 200301016113 (618533-M)

(Incorporated in Malaysia)

Form of Proxy

CDS ACCOUNT NO.	_ _ _ – _ _ _ – _ _ _ _ _ _ _ _ _
NO. OF SHARES HELD	
TELEPHONE NO.	
EMAIL ADDRESS	

I/We ....

(FULL NAME IN BLOCK LETTERS)

(NRIC No./Passport No./Registration No ....)

of...

(FULL ADDRESS)

being a *member/members of ADVENTA BERHAD ("**the Company**"), hereby appoint:-

First Proxy "A"

Full Name	NRIC/ Passport No.	Proportion of Shareholdings Represented	
Full Address		No. of Shares	%

and/or failing *him/her,

Second Proxy "B"

Full Name	NRIC/ Passport No.	Proportion of Shareholdings Represented	
Full Address		No. of Shares	%

100%

or failing him/her, the **CHAIRMAN OF THE MEETING**, as *my/our proxy to vote for *me/us and on *my/our behalf at the Eighteenth Annual General Meeting of the Company to be held on a fully virtual basis at the broadcast venue at Meeting Room of Adventa Berhad of 21, Jalan Tandang 51/205A, Seksyen 51, 46050 Petaling Jaya, Selangor Darul Ehsan on Thursday, 24 June 2021 at 10:30 a.m. and at any adjournment thereof.

Please indicate with an "X" in the space provided below how you wish your votes to be cast. If no specific direction as to voting is given, the Proxy will vote or abstain from voting at his discretion.

Item	**Agenda**			
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and the Auditors thereon			
		Resolution	**For**	**Against**
2.	To approve the payment of Directors' fees and benefits amounting to RM271,200/- for the financial year ending 31 December 2021	1		
3.	To re-elect Mr. Low Chin Guan who retires pursuant to Clause 114 of the Company's Constitution	2		
4.	To re-appoint Messrs. Moore Stephens Associates PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration	3		
Special Business				
5.	Retention of Mr. Toh Seng Thong as an Independent Non-Executive Director of the Company	4		
6.	Retention of Mr. Edmond Cheah Swee Leng as a Senior Independent Non-Executive Director of the Company	5		
7.	Authority to issue shares pursuant to the Companies Act 2016	6		
8.	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature	7		
9.	Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature	8		

* Strike out whichever not applicable.

Signed this .... day of 2021

....

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

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   (c) the validity of a poll demanded by him at such meeting; or
   (d) the validity of the vote exercised by him at such meeting.

Fold this flap for sealing

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AFFIX
STAMP

ADVENTA BERHAD 200301016113 (618533-M)

c/o Securities Services (Holdings) Sdn. Bhd.
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

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