19 Operating segments (continued)

	Fishing industry RM	Investment Holdings RM	Inter-segment Eliminations RM	Total RM
2019				
Revenue				
Revenue from external customers	2,807,112	-	-	2,807,112
Results				
Segment profit	404,982	-	-	404,982
Included in the segment profit are:				
Depreciation of property, plant and equipment	(102,685)	-	-	(102,685)
Taxation	(195,384)	-	-	(195,384)
Assets/(Liabilities)				
Segment assets	14,617,859	-	(3,074)	14,614,785
Included in the segment assets are:				
Additions to non-current assets	1,629	-	-	1,629
Segment liabilities	(13,396,518)	-	3,074	(13,393,444)

All the inter-segment transactions were carried out on normal commercial basis and in the ordinary course of business.

Geographical segment

The Group's fishing industry business operates in Malaysia, hence, the information by geographical segment is no presented.

19 Operating segments (continued)

Major customer

The following are the major customers with revenue equal or more than 10% of the Group's revenue:

	2020 RM	2019 RM
Customer A	-	1,894,652
Customer B	-	305,101
Customer C	3,145,110	-
Customer D	5,206,343	-
Customer E	6,638,076	-

20 Financial instruments

20.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC").

	Carrying amount 2020 RM	AC 2020 RM	Carrying amount 2019 RM	AC 2019 RM
Financial assets				
Group				
Trade and other receivables	2,871,175	2,871,175	2,607,033	2,607,033
Cash and cash equivalents	11,445,295	11,445,295	11,227,917	11,227,917
Fixed deposits placed with licensed banks	1,500,000	1,500,000	-	-
	15,816,470	15,816,470	13,834,950	13,834,950
Company				
Cash and cash equivalents	564,690	564,690	-	-
Financial liabilities				
Group				
Trade and other payables	2,798,059	2,798,059	2,970,606	2,970,606
Lease liability	65,248	65,248	-	-
Amount due to Directors	1,824,459	1,824,459	10,180,000	10,180,000
	4,687,766	4,687,766	13,150,606	13,150,606

20 Financial instruments (continued)

20.1 Categories of financial instruments (continued)

	Carrying amount 2020 RM	AC 2020 RM	Carrying amount 2019 RM	AC 2019 RM
Financial liability				
Company				
Other payables and accruals	477,640	477,640	-	-

20.2 Net gains and losses arising from financial instruments

	Group 2020 RM	Group 2019 RM	Company Period from 24.9.2019 (date of incorporation) to 30.6.2020 RM
Net (losses)/gains on:			
Financial assets and financial liabilities at amortised cost	(30,607)	79	1,293

20.3 Financial risk management

The Group has exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

20.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the individual characteristics of each customer and investment in debt securities. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries. There are no significant changes as compared to prior periods.

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount.

20 Financial instruments (continued)

20.4 Credit risk (continued)

Trade receivables (continued)

Risk management objectives, policies and processes for managing the risk (continued)

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

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when 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. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

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

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Company. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

Concentration of credit risk

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

	Group	
	2020	**2019**
	RM	**RM**
China	2,188,317	-
Singapore	157,592	-
Vietnam	472,943	-
	2,818,852	-

20 Financial instruments (continued)

20.4 Credit risk (continued)

Trade receivables (continued)

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. The Group's debt recovery process includes the issuance of formal reminder letter before the issuance of letter of demand and consequently legal actions. For debts past due more than 90 days, they are monitored individually by the sales management team.

The Group uses an allowance matrix to measure ECLs of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

The following table provides information about the exposure to credit risk and ECLs for trade receivables which are grouped together as they are expected to have similar risk nature.

Group

	Gross carrying amount RM	Loss allowance RM	Net Balance RM
2020			
Current (not past due)	1,428,275	-	1,428,275
1-30 days past due	946,921	-	946,921
31-60 days past due	215,664	-	215,664
61-90 days past due	-	-	-
More than 90 days past due	227,992	-	227,992
	2,818,852	-	2,818,852
Credit impaired			
More than 90 days past due			
- Individually impaired	-	-	-
Trade receivables	2,818,852	-	2,818,852

As at the end of the reporting period, the Company did not recognised any allowance for impairment losses on trade receivables.

20 Financial instruments (continued)

20.4 Credit risk (continued)

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. 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.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

Credit risks on other receivables are mainly arising from refundable deposits paid for office buildings, fixed deposit interest income receivable and wage subsidy receivable from PERKESO. These deposits will be received at the end of each lease terms. Subsequent to the financial year, the wage subsidy had received from PERKESO. The Group manages the credit risk together with lease arrangement.

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.

As at the end of the reporting period, the Company did not recognised any allowance for impairment losses on other receivables.

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides advances to related parties. The Company monitors the ability of the related parties to repay the 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 statement of financial position.

Advances provided are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment loss

Generally, the Company considers advances to related parties have low credit risk. The Company assumes that there is a significant increase in credit risk when a related parties's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the related parties' advances when they are payable, the Company considers the advances to be in default when the related parties are not able to pay when demanded. The Company considers a related parties's advance to be credit impaired when:

20 Financial instruments (continued)

20.4 Credit risk (continued)

Inter-company loans and advances (continued)

Recognition and measurement of impairment loss (continued)

- The related parties are unlikely to repay its advance to the Company in full; and
- The related parties are continuously loss making and is having a deficit shareholders' fund.

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

20.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

[The remainder of this page is intentionally left blank]

20 Financial instruments (continued)

20.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments.

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	2 - 5 years RM
2020					
Group					
Trade and other payables	2,798,059	-	2,798,059	2,798,059	-
Lease liability	65,248	4.44	72,883	16,200	56,683
Amount due to Directors	1,824,459	-	1,824,459	1,824,459	-
	4,687,766		4,695,401	4,638,718	56,683
Company					
Other payables and accruals	477,640	-	477,640	477,640	-
2019					
Group					
Trade and other payables	2,970,606	-	2,970,606	2,970,606	-
Amount due to Directors	10,180,000	-	10,180,000	10,180,000	-
	13,150,606		13,150,606	13,150,606	-

20 Financial instruments (continued)

20.6 Market risk

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

20.6.1 Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD").

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the foreign currency movement on a portfolio basis.

Exposure to foreign currency risk

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

	Denominated in USD RM
Group	
Balances recognised in the statement of financial position	
2020	
Trade and other receivables	70,400
Cash and cash equivalents	1,522,789
Net exposure	1,593,189
2019	
Cash and cash equivalents	353,477

20 Financial instruments (continued)

20.6 Market risk (continued)

20.6.1 Currency risk (continued)

Currency risk sensitivity analysis

A 5% (2019: 5%) strengthening of the Malaysia Ringgit against the following currencies at the end of the reporting period would have increased (decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant.

	Profit or loss	
	2020	**2019**
	RM	**RM**
USD	60,541	13,432

A 5% (2019: 5%) weakening of Malaysia Ringgit against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

20.6.2 Interest rate risk

The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income. The Group manages the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an ongoing risks.

Exposure to interest rate risk

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

20 Financial instruments (continued)

20.6 Market risk (continued)

20.6.2 Interest rate risk (continued)

Exposure to interest rate risk (continued)

	2020 RM	2019 RM
Group		
Fixed rate instruments		
Financial asset	1,500,000	-
Financial liability	65,248	-

Interest rate risk sensitivity analysis

The Group does not have any interest-bearing borrowings at the end of the reporting year and hence is not exposed to interest rate risk.

Fair value sensitivity analysis for fixed rate instruments

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

20.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The tables below analyses other financial instruments at fair value.

	Fair value of financial instruments not carried at fair value		Total fair value	Carrying amount
	Level 3 RM	Total RM	RM	RM
2020				
Group				
Financial liability				
Lease liability	65,248	65,248	65,248	65,248

20 Financial instruments (continued)

20.7 Fair value information (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Transfers between fair value levels

There has been no transfer between the fair value levels during the financial year (2019: no transfer in either direction).

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest determined by deference to similar borrowing arrangements at the end of the reporting period.

Level 3 fair value

The fair value of finance lease liabilities is calculated using discounted cash flows where the market rate of interest is determined by reference to similar borrowing arrangements with interest rates ranging from 4.44% (2019: NIL) .

21 Capital management

The objective of the Group on capital management is to ensure that it maintains a strong credit rating and safeguard the Group's ability to continue as a going concern, so as to support its business, maintain the market confidence and maximise shareholder value.

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

22 Related parties

22.1 Identity of related parties

The Company has related party relationship with:

(i) Its subsidiaries as disclosed in Note 5 to the financial statements; and
(ii) The directors who are the key management personnel.

22 Related parties (continued)

22.2 Significant related party transactions

The significant related party transactions of the Group are shown below.

	Group 2020 RM	Group 2019 RM
(i) *Companies in which certain Directors have substantial financial interests:*		
SS Oil & Gas Sdn. Bhd.		
- Advances from/(to)	2,547,326	(1,084,281)
(ii) *A company in which a Director has substantial financial interests:*		
- Advances (to)/from	(62,371)	55,476
(iii) *Directors' remuneration:*		
- Salaries and other benefits	60,000	30,000
- Contribution to Employees' Provident Fund	7,800	1,300
(iv) *(Repayment to)/Advance from Directors*	(8,355,541)	9,626,000

	Group 2020 RM	Group 2019 RM	Company Period from 24.9.2019 (date of incorporation) to 30.6.2020 RM
Transactions with a related party:			
- (Repayment to)/Advances from a related party	(930,207)	(62,246)	147

The balances with related parties are disclosed in Note 6, Note 12 and Note 13 to the financial statements. All the amounts outstanding are unsecured and are expected to be settled in cash.

23 Significant event

On 11 March 2020, the World Health Organisation declared the Coronavirus (COVID-19) outbreak to be a pandemic, which has caused severe global social and economic disruptions and uncertainties, including markets where the Company operate.

The Company is actively monitoring and managing its operations to respond to these changes, the Company does not consider it practicable to provide any quantitative estimate on the potential impact it may have on the Company.

24 Comparative figures

This is the first financial statements on the consolidated results for the financial year ended 30 June 2020. The comparative figures have been presented as if the combination has occurred from the date when the combining entities first came under common control.

No comparative figures are presented in Company's separate financial statements as this is the first set of financial statements prepared by the Company since its incorporation.

25 Date of Authorisation for Issue

These financial statements were authorised for issue by the Board of Directors on 30 December 2020.

ALPHA OCEAN RESOURCES BERHAD
[201901034353 (1343683-K)]
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2021

Audited by:

STYL ASSOCIATES PLT
Chartered Accountants (AF001929)
(LLP0019500-LCA)

Company No.: 201901034353 (1343683-K)

ALPHA OCEAN RESOURCES BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

CONTENTS Pages

ALPHA OCEAN RESOURCES BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2021.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding.

The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

There have been no significant changes to the nature of these principal activities during the financial year.

RESULTS

	Group RM	Company RM
Net profit/(loss) for the financial year	2,598,513	(394,031)
Other comprehensive deficit, net of tax	(112,360)	-
Total comprehensive income/(deficit) for the financial year	2,486,153	(394,031)
Attributable to:-		
Owners of the parent	2,486,153	(394,031)

DIVIDEND

No dividend was recommended by the directors for the financial year.

RESERVES AND PROVISIONS

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

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances that have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that there are no known bad debts and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the additional allowance for doubtful debts in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their values as shown in the accounting records of the Group and of the Company, have been written down to an amount that they might be expected to be realised.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

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

(ii) any contingent liabilities in respect of the Group and of the Company that has arisen since the end of the financial year.

In the opinion of the directors, no contingent liabilities or other liabilities of the Group and of the Company have 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 substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company that would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

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

ISSUES OF SHARES AND DEBENTURES

There were no issuance of shares and debentures during the financial year.

DIRECTORS

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

SIMON PUA **	
DATO' MUHAMMED BIN ABDULLAH	
DATO' PUA WOON KEE **	
LOH SEONG YEW	
NG CHONG KIAT	*(Appointed on 24 December 2020)*
DATO' NG CHONG CHING	*(Resigned on 24 December 2020)*

** These directors are also directors of the Company's subsidiaries.

DIRECTORS OF SUBSIDIARIES OF THE COMPANY

Pursuant to Section 253(2) of the Companies Act, 2016 in Malaysia, the directors who held office in the subsidiaries of the Company during the period from the end of the financial year to the date of this report not including those directors mentioned above, are as follows:-

BADRUL HISHAM BIN ZAINAL ABIDIN	
TENG MAY LOON	
GOH PEI SAN	
BEH TZE WEI	*(Resigned on 10 December 2020)*

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of those directors who held office at the end of the financial year in shares in the Company, in the holding company and in the related company during the financial year ended 30 June 2021 are as follows:-

	Number of ordinary shares			
	At 01.07.2020	Bought	Sold	At 30.06.2021
The Company				
Direct Interests				
Dato' Muhammed Bin Abdullah	2,500,000	1,350,000	-	3,850,000
Dato' Pua Woon Kee	3,000,000	1,800,000	-	4,800,000
Ng Chong Kiat	-	7,400,015	-	7,400,015

None of the other directors had any interest in the shares of the Company at the end of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial period, no director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements, or the fixed salary of a full-time employee of the Company or related corporations) 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 for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interest as disclosed in Note 24(b) to the financial statements.

Neither during nor at the end of the financial year was the Group and the Company a party to any arrangement whose object were to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REMUNERATIONS

The amounts of the remunerations of the directors of the Company comprising remunerations received or receivable from the Group and the Company during the financial year are disclosed in Note 20 to the financial statements.

INDEMNIFYING DIRECTORS, OFFICERS AND AUDITORS

No indemnities have been given or insurance premium paid, during or since the end of the financial year, for any person who is or has been the director, officer or auditor of the Company.

AUDITORS' REMUNERATIONS

Total amounts paid to or receivable by the auditors as remunerations for their statutory audit services is disclosed in Note 19 to the financial statements.

SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

SIGNIFICANT EVENTS

The significant events are disclosed in Note 30 to the financial statements.

AUDITORS

The auditors, **STYL Associates PLT**, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors,

DATO' PUA WOON KEE
Director

DATO' MUHAMMED BIN ABDULLAH
Director

Petaling Jaya, Selangor Darul Ehsan

Date: 29 SEP 2021

ALPHA OCEAN RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
(Pursuant to Section 251(2) of the Companies Act, 2016 in Malaysia)

We, **DATO' PUA WOON KEE** and **DATO' MUHAMMED BIN ABDULLAH**, being two of the directors of **ALPHA OCEAN RESOURCES BERHAD**, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 13 to 89 are properly drawn up in accordance with the 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 30 June 2021 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board of Directors,

DATO' PUA WOON KEE
Director

DATO' MUHAMMED BIN ABDULLAH
Director

Petaling Jaya, Selangor Darul Ehsan

Date: 29 SEP 2021

ALPHA OCEAN RESOURCES BERHAD
(Incorporated in Malaysia)

STATUTORY DECLARATION
(Pursuant to Section 251(1)(b) of the Companies Act, 2016 in Malaysia)

I, **DATO' PUA WOON KEE**, being the director primarily responsible for the financial management of **ALPHA OCEAN RESOURCES BERHAD**, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 13 to 89 are 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.

DATO' PUA WOON KEE
Director

Subscribed and solemnly declared by the abovenamed at Petaling Jaya in the state of Selangor Darul Ehsan on 29 SEP 2021

Before me,

PESURUHJAYA SUMPAH
No. B 508
WONG CHOY YIN
1.1.2021 - 31.12.2023
MALAYSIA

3 Damansara Shopping Mall
3, Jalan SS20/27
47400 Petaling Jaya
Selangor Darul Ehsan

....
Commissioner for Oaths

STYL

STYL ASSOCIATES PLT
Chartered Accountants (AF001929)
(LLP0019500-LCA)

Damansara Intan, Block A
No. 902, 9th Floor
No.1, Jalan SS20/27
47400 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel: +6(03) 7724 2128
Email: info@styl.com.my
Website: www.styl.com.my

Company No.: 201901034353 (1343683-K)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALPHA OCEAN RESOURCES BERHAD
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **ALPHA OCEAN RESOURCES BERHAD**, which comprise the statements of financial position as at 30 June 2021 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 financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 13 to 89.

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 30 June 2021, and of their financial performance and their cash flows for the financial 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 the IESBA Code.

Klang Branch - No. 45A, Jalan Kepayang, Kawasan 16, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan. Tel: +6(03) – 3341 0151
Penang Branch - 1-4-8, Level 5, I-Avenue, Medan Kampung Relau 1, 11900 Bayan Lepas, Pulau Pinang. Tel: +6(04) – 634 1030
Sungai Petani Branch - 2nd Floor, 177, Riverfront City, Jalan Mawar 2, Taman Pekan Baru, 08000 Sungai Petani, Kedah. Tel: +6(04) – 446 7227

Company No.: 201901034353 (1343683-K)

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition (Refer to Note 18 to the financial statements) For the financial year ended 30 June 2021, the Group has significant revenue amounting to RM28,378,222/- arising from deep-sea fishing, trading of seafood, port landing services and management of trade services.	Our audit procedures performed in this area included, among others:- • Obtained an understanding on how the Group recognise the revenue and their process activities relating to revenue recognition; • Tested the existence and accuracy of the sales to related documents; • Performed sales cut off test to ascertain the sales are properly recognised at correct accounting period; • Review major customers sales contracts (or purchase order if contract is not available) for MFRS 15 assessment; and • Assessed whether appropriate revenue recognition criteria have been applied and the transactions have been accounted for in accordance with the Group's accounting policies.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the 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.

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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

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

We 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 compiled 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.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 6 to the financial statements.

Company No.: 201901034353 (1343683-K)

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 contents of this report.

STYL ASSOCIATES PLT
LLP0019500-LCA & AF 001929
Chartered Accountants

NG WENG SUM
No. 3344/12/2021(J)
Chartered Accountant

Pulau Pinang

Date: 29 SEP 2021

ALPHA OCEAN RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2021

		Group		Company	
		2021	2020	2021	2020
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	3	9,257,902	9,692,926	-	-
Right-of-use assets	4	6,991	-	34,886	-
Intangible asset	5	68,656	-	-	-
Investment in subsidiaries	6	-	-	17,203,667	17,499,980
Total non-current assets		9,333,549	9,692,926	17,238,553	17,499,980
Current assets					
Receivables	7	7,091,441	3,361,125	711,687	480,049
Inventories	8	1,014,508	-	-	-
Amount owing by subsidiaries	9	-	-	182,707	-
Tax recoverables		179,828	-	-	-
Fixed deposits with licensed banks	10	1,545,511	1,500,000	-	-
Cash and bank balances	11	7,107,429	11,445,295	171,259	564,690
Total current assets		16,938,717	16,306,420	1,065,653	1,044,739
TOTAL ASSETS		26,272,266	25,999,346	18,304,206	18,544,719
EQUITY AND LIABILITIES					
Share capital	12	18,250,080	18,250,080	18,250,080	18,250,080
Reserves	13	(427,654)	(315,294)	-	-
Retained earnings/ (Accumulated losses)		4,330,526	1,910,032	(577,342)	(183,311)
Shareholders' funds		22,152,952	19,844,818	17,672,738	18,066,769
Non-controlling interests		-	1,322,011	-	-
Total Equity		22,152,952	21,166,829	17,672,738	18,066,769

ALPHA OCEAN RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2021 (CONTINUED)

		Group		Company	
		2021	2020	2021	2020
	Note	RM	RM	RM	RM
Non-current liabilities					
Lease liabilities	4	40,145	51,746	18,986	-
Deferred tax liabilities	14	69,728	130,000	-	-
Total non-current liabilities		109,873	181,746	18,986	-
Current liabilities					
Payables	15	2,291,202	2,798,059	222,940	32,303
Amount owing to a subsidiary	9	-	-	372,865	445,337
Amount owing to a director	16	-	1,824,459	-	-
Bank overdrafts	17	524,264	-	-	-
Lease liabilities	4	19,456	13,502	16,677	-
Tax payables		1,174,519	14,751	-	310
Total current liabilities		4,009,441	4,650,771	612,482	477,950
Total liabilities		4,119,314	4,832,517	631,468	477,950
TOTAL EQUITY AND LIABILITIES		26,272,266	25,999,346	18,304,206	18,544,719

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

ALPHA OCEAN RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

		Group		Company	
				01.07.2020 to 30.06.2021	24.09.2019 to 30.06.2020
		2021	2020		
	Note	RM	RM	RM	RM
Revenue	18	28,378,222	27,840,980	240,819	-
Cost of sales		(21,030,645)	(24,444,760)	(210,471)	-
Gross profit		7,347,577	3,396,220	30,348	-
Other income		264,508	170,891	1,394	1,293
Administrative expenses		(2,909,401)	(1,955,717)	(423,846)	(184,294)
Operating profit/(loss)	19	4,702,684	1,611,394	(392,104)	(183,001)
Finance costs	21	(13,290)	(848)	(1,927)	-
Profit/(Loss) before taxation		4,689,394	1,610,546	(394,031)	(183,001)
Taxation	22	(2,090,881)	(99,624)	-	(310)
Profit/(Loss) for the financial year/period		2,598,513	1,510,922	(394,031)	(183,311)
Other comprehensive (deficit)/income for the financial year/period:-					
Foreign currency translation		(112,360)	184,438	-	-
Total comprehensive income/(deficit) for the financial year/period		2,486,153	1,695,360	(394,031)	(183,311)

ALPHA OCEAN RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021 (CONTINUED)

	Note	Group 2021 RM	Group 2020 RM	Company 01.07.2020 to 30.06.2021 RM	Company 24.09.2019 to 30.06.2020 RM
Profit/(Loss) attributable to:-					
Owners of the parent		2,598,513	1,688,941	(394,031)	(183,311)
Non-controlling interests		-	(178,019)	-	-
		2,598,513	1,510,922	(394,031)	(183,311)
Total comprehensive income/ (deficit) attributable to:-					
Owners of the parent		2,486,153	1,873,379	(394,031)	(183,311)
Non-controlling interests		-	(178,019)	-	-
		2,486,153	1,695,360	(394,031)	(183,311)
Basic earnings per ordinary share (sen)	23	2.89	14.11		

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

ALPHA OCEAN RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	/------Attributable to Owners of the Company------/						
	/------Non-distributable------/			Distributable			
	Share capital RM	Foreign currency translation reserve RM	Merger reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
Group							
At 1 July 2019	1,000,411	(161)	-	221,091	1,221,341	-	1,221,341
Total comprehensive income/(deficit) for the financial year:-							
Profit/(Loss) for the financial year	-	-	-	1,688,941	1,688,941	(178,019)	1,510,922
Other comprehensive income for the financial year	-	184,438	-	-	184,438	-	184,438
Total comprehensive income/(deficit)	-	184,438	-	1,688,941	1,873,379	(178,019)	1,695,360
Transactions with owners:-							
Incorporation of the Company	100	-	-	-	100	-	100
Adjustment arising from restructuring exercise	17,249,569	-	(499,571)	-	16,749,998	1,500,030	18,250,028
Total transactions with owners	17,249,669	-	(499,571)	-	16,750,098	1,500,030	18,250,128
At 30 June 2020	18,250,080	184,277	(499,571)	1,910,032	19,844,818	1,322,011	21,166,829

ALPHA OCEAN RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021 (CONTINUED)

	Attributable to Owners of the Company						
	Non-distributable			Distributable			
	Share capital RM	Foreign currency translation reserve RM	Merger reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
Group							
At 1 July 2020	18,250,080	184,277	(499,571)	1,910,032	19,844,818	1,322,011	21,166,829
Total comprehensive income/(deficit) for the financial year:-							
Profit for the financial year	-	-	-	2,598,513	2,598,513	-	2,598,513
Other comprehensive deficit for the financial year	-	(112,360)	-	-	(112,360)	-	(112,360)
Total comprehensive (deficit)/income	-	(112,360)	-	2,598,513	2,486,153	-	2,486,153
Transactions with owners:-							
Acquisition of equity interest in a subsidiary	-	-	-	(178,019)	(178,019)	(1,322,011)	(1,500,030)
Total transactions with owners	-	-	-	(178,019)	(178,019)	(1,322,011)	(1,500,030)
At 30 June 2021	18,250,080	71,917	(499,571)	4,330,526	22,152,952	-	22,152,952

ALPHA OCEAN RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021 (CONTINUED)

	/-----Attributable to Owners of the Company----/		
	Non-distributable	**Distributable**	
	Share capital RM	**Accumulated losses RM**	**Total equity RM**
Company			
At 24 September 2019 (date of incorporation)	100	-	100
Issuance of ordinary shares	18,249,980	-	18,249,980
Total comprehensive deficit for the financial period	-	(183,311)	(183,311)
At 30 June 2020/1 July 2020	18,250,080	(183,311)	18,066,769
Total comprehensive deficit for the financial year	-	(394,031)	(394,031)
At 30 June 2021	18,250,080	(577,342)	17,672,738

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

ALPHA OCEAN RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Group		Company	
			01.07.2020 to	24.09.2019 to
	2021	2020	30.06.2021	30.06.2020
	RM	RM (Restated)	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES:-				
Profit/(Loss) before taxation	4,689,394	1,610,546	(394,031)	(183,001)
Adjustments for:-				
Depreciation of property, plant and equipment	728,426	482,226	-	-
Depreciation of right-of-use assets	3,496	-	15,350	-
Impairment losses on:-				
- trade receivables	368,447	-	-	-
- other receivables	484	-	-	-
- cost of investment in subsidiaries	-	-	296,313	-
Written off of property, plant and equipment	6,750	-	-	-
Interest income	(66,752)	(87,761)	(1,394)	(1,293)
Interest expenses	13,290	848	1,927	-
Unrealised (gain)/loss on foreign exchange	(91,315)	151,530	-	-
Operating profit/(loss) before working capital changes	5,652,220	2,157,389	(81,835)	(184,294)
Changes in working capital:-				
Receivables	(4,261,616)	(754,092)	(231,638)	(480,049)
Payables	(455,851)	(669,685)	190,637	477,640
Inventories	(1,014,508)	-	-	-
	(79,755)	733,612	(122,836)	(186,703)
Tax paid	(1,171,213)	(197,711)	(310)	-
Net Operating Cash Flows	(1,250,968)	535,901	(123,146)	(186,703)

ALPHA OCEAN RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021 (CONTINUED)

	Group		Company	
			01.07.2020 to	24.09.2019 to
	2021	2020	30.06.2021	30.06.2020
	RM	RM (Restated)	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES:-				
Advances to subsidiaries	-	-	(255,179)	-
Acquisition of intangible assets	(68,656)	-	-	-
Acquisition of subsidiaries	(1,500,030)	-	-	(17,499,980)
Interest received	21,241	87,761	1,394	1,293
Placement of fixed deposits pledged to banks	-	(1,500,000)	-	-
Purchase of property, plant and equipment	(300,152)	(7,005,679)	-	-
Net Investing Cash Flows	(1,847,597)	(8,417,918)	(253,785)	(17,498,687)
CASH FLOWS FROM FINANCING ACTIVITIES:-				
Interest paid	(13,290)	(848)	(1,927)	-
Payment of lease liabilities	(16,134)	(7,252)	(14,573)	-
Proceeds from issuance of ordinary shares (Note 29)	-	6,250,128	-	18,249,980
(Repayment to)/Advances from a director (Note 29)	(1,824,459)	1,824,459	-	-
Net Financing Cash Flows	(1,853,883)	8,066,487	(16,500)	18,249,980
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,952,448)	184,470	(393,431)	564,590
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	90,318	32,908	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR/PERIOD	11,445,295	11,227,917	564,690	100
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR/PERIOD	6,583,165	11,445,295	171,259	564,690

ALPHA OCEAN RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021 (CONTINUED)

		Group		Company	
				01.07.2020 to	24.09.2019 to
		2021	2020	30.06.2021	30.06.2020
	Note	RM	RM	RM	RM
ANALYSIS OF CASH AND CASH EQUIVALENTS:-					
Cash and bank balances		7,107,429	11,445,295	171,259	564,690
Fixed deposits with licensed banks		1,545,511	1,500,000	-	-
Bank overdrafts		(524,264)	-	-	-
		8,128,676	12,945,295	171,259	564,690
Less: Fixed deposits pledged to licensed banks	10	(1,545,511)	(1,500,000)	-	-
		6,583,165	11,445,295	171,259	564,690
CASH OUTFLOWS FOR LEASES AS A LESSEE					
Included in net cash from operating activities					
Payment relating to short-term leases	19	1,664	51,286	-	-
Interest paid in relation to lease liabilities	21	3,735	848	1,927	-
Included in net cash from financing activities					
Payment of lease liabilities		16,134	7,252	14,573	-
Total cash outflows for leases		21,533	59,386	16,500	-

ALPHA OCEAN RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021 (CONTINUED)

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

	Lease liabilities RM
Group	
At 1 July 2019	-
Net changes from financing cash flows	(7,252)
Acquisition of new leases	(72,500)
At 30 June 2020	(79,752)
Net changes from financing cash flows	(16,134)
Acquisition of new leases	10,487
At 30 June 2021	(85,399)
Company	
At 1 July 2020	-
Net changes from financing cash flows	(14,573)
Acquisition of new leases	50,236
At 30 June 2021	35,663

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

ALPHA OCEAN RESOURCES BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

1. GENERAL INFORMATION

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements. There have been no significant changes to the nature of these principal activities during the financial year.

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

The registered office of the Company is located at 39, Irving Road, 10400 George Town, Pulau Pinang.

The principal place of business of the Company is located at SO 33A-1 & 33A-8, Menara 1, Strata Offices, KL Eco City, No. 3, Jalan Bangsar, 59200 Kuala Lumpur.

The financial statements are expressed in Ringgit Malaysia.

The financial statements of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 September 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements of the Group and of the Company have been prepared under the historical cost basis, other than as disclosed in the significant accounting policies in Note 2.3 to the financial statements.

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting year. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.4 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int")

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:-

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases* - Interest Rate Benchmark Reform Phase 2

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 April 2021

- Amendments to MFRS 16, *Leases* - Covid-19-Related Rent Concessions beyond 30 June 2021

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 3, *Business Combinations* - Reference to the Conceptual Framework
- Amendments to MFRS 116, *Property, Plant and Equipment* - Proceeds before Intended Use
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets* - Onerous Contracts - Cost of Fulfilling a Contract
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards*, MFRS 9, *Financial Instruments*, Illustrative Examples accompanying MFRS 16, *Leases* and MFRS 141, *Agriculture* (Annual Improvements to MFRS Standards 2018 - 2020 cycle)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements* - Classification of Liabilities as Current or Non-current
- Amendments to MFRS 101, *Presentation of Financial Statements* - Disclosure of Accounting Policies
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Error* - Definition of Accounting Estimate
- Amendments to MFRS 112, *Income Taxes* - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

MFRSs, Interpretations and amendments effective for annual periods on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS *128, Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (Continued)

The Group and Company plan to apply the abovementioned accounting standards, amendments and interpretations from the annual period beginning on 1 July 2021 for the accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2021 and 1 April 2021.

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

The initial application for the accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period or prior period financial statements of the Group and Company.

2.3 Significant accounting policies

The accounting policies have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group and the Company, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transactions costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(a) Basis of consolidation (Continued)

(ii) Accounting for business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisition, the Group measures goodwill at the acquisition date as:-

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquire either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Accounting for non-controlling interest

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against the Group's reserve.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interest and the other components of equity related to the former subsidiary from consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(a) Basis of consolidation (Continued)

(v) Non-controlling interest

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

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(b) Foreign currency (Continued)

(i) Foreign currency transactions (Continued)

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

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

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

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

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

(c) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(h)(ii) to the financial statements.

Subsequent to initial recognition, all property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(c) Property, plant and equipment and depreciation (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of equipment are recognised in profit or loss as incurred.

Depreciation on property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another assets) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

The annual rates used for depreciation purpose are as follows:-

	Rate
Building	2%
Renovation	10%
Computer	10%
Equipment	10% - 20%
Furniture and fittings	10%
Motor vehicle	20%
Vessels	8.33% - 10%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

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.

An item of property, plant, and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(d) Intangible asset

(i) Development of recipe

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

Expenditure on development activities, whereby application of research findings are applied to a plan or design for the production of new or substantially improved products and process in technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing 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 profit or loss as incurred.

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

Recipe rights registered are exclusive and perpetual from the date of application and therefore have indefinite useful lives. Recipe rights are assessed for impairment annually or whenever there is an indication that may be impaired.

(e) Financial instruments

Recognition and initial measurement

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group or the Company become 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(e) Financial instruments (Continued)

Financial instrument categories and subsequent measurement

Financial assets

The categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company change 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.

(i) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss.

Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets as disclosed in Note 2.3(h)(i) to the financial statements, where the effective interest rate is applied to the amortised cost.

(ii) Fair value through other comprehensive income

(a) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, 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 debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets, where the effective interest rate is applied to the amortised cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(e) Financial instruments (Continued)

Financial instrument categories and subsequent measurement (Continued)

Financial assets (Continued)

(ii) Fair value through other comprehensive income (Continued)

(b) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(iii) Fair value through profit or loss ("FVTPL")

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment.

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:-

(i) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(e) Financial instruments (Continued)

<u>Financial instrument categories and subsequent measurement (Continued)</u>

Financial liabilities (Continued)

(i) Fair value through profit or loss (Continued)

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:-

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(ii) 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.

<u>Financial guarantee contracts</u>

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(e) Financial instruments (Continued)

Financial guarantee contracts (Continued)

Financial guarantees issued are initially measured at fair value. Subsequently 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.

Regular way purchase or sale of financial assets

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

Trade date accounting refers to:-

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

Settlement date accounting refers to:-

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

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

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

Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(e) Financial instruments (Continued)

Derecognition (Continued)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group and the Company currently have 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.

(f) Leased assets

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

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group and the Company have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group or the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Group or the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(f) Leased assets (Continued)

(i) As a lessee (Continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group and the Company use their incremental borrowing rate as the discount rate.

The Group and the Company determine their incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:-

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group and the Company are reasonably certain to exercise, lease payments in an optional renewal period if the Group and the Company are reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group and the Company are reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's and the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Group and the Company change their assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group and the Company present right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statements of financial position.

Short-term leases and leases of low-value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(f) Leased assets (Continued)

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease component on the basis of their relative standalone prices.

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

To classify each lease, the Group and the Company make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group and the Company consider certain indicators such as whether the lease is for the major part of the economic life of the asset.

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

If an arrangement contains lease and non-lease components, then the Group and the Company apply MFRS 15 to allocate the consideration in the contract.

The Group and the Company apply the derecognition and impairment requirements in MFRS 9 to the net investment in the lease. The Group and the Company further regularly review estimated unguaranteed residual values used in calculating the gross investment in the lease.

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

(g) Inventories

Inventories of work-in-progress are stated at the lower of cost and net realisable value. The cost of inventories is measured at first-in first-out basis.

The cost of work-in-progress includes cost of raw materials, consumables, direct labour and an appropriate allocation of overhead. The cost of raw materials includes the original purchase price plus costs incurred to bring the inventoried to their present locations and conditions.

Net realisable value is estimated based on the most reliable evidence available at the time the estimates are made as to what the inventories are expected to realise upon completion of the cycle.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(h) Impairment

(i) Impairment of financial assets

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(h) Impairment (Continued)

(i) Impairment of financial assets (Continued)

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 determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(ii) Impairment of other assets

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(h) Impairment (Continued)

(ii) Impairment of other assets (Continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(i) Provision for liabilities

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation.

(j) Equity instruments

Equity instruments are measured at cost on initial recognition and are not remeasured subsequently. Ordinary shares are classified as equity. Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

The Group measures a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

(k) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, bank balances, deposits with banks and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. Cash and cash equivalents are stated at net of bank overdrafts and deposits pledged to the financial institution.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(l) Revenue and other income

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, net of goods and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

(i) Sale of goods

The Group determines that the transfer of control of promised goods generally coincides with the transfer of risks and rewards of ownership. Accordingly, revenue from the sale of goods is recognised at a point in time when the significant risks and rewards of ownership have been transferred to the customer upon delivery.

(ii) Rendering of services

The Group determines that the transfer of control of promised services generally coincides with the Group's performance as the customer simultaneously receives and consumes the benefits of the performance as the Group performs. Accordingly, revenue from the rendering of services is recognised at a point in time when the services are performed.

(iii) Management income

Management fee is recognised on an accrual basis.

(iv) Rental income

Rental income is recognised in profit or loss 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.

(v) Interest income

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

(vi) Government grant

Government grants are recognised at their fair value when there is reasonable assurance that they will be received and all conditions attached will be met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(l) Revenue and other income (Continued)

(vi) Government grant (Continued)

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis over the period necessary to match them with the related expenses which they are intended to compensate for. These grants are presented as other income in profit or loss.

Grants that compensate the Group for the cost of an asset are recognised as deferred grant income in the statement of financial position and are amortised to profit or loss on a systematic basis over the expected useful life of the relevant asset.

(m) Borrowing costs

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

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

(n) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss, where appropriate, in the period in which the associated services are rendered by the employee.

(ii) Post-employment benefits

As required by law, the Group and the Company are required to make monthly contributions to the Employees Provident Fund ("EPF"), a statutory defined contribution plan for all its eligible employees based on certain prescribed rate of the employees' salaries. The Group's and the Company's contribution to EPF are disclosed separately and the employees' contributions to EPF are included in salaries, bonuses, allowances and other staff benefits. Once the contributions have been paid, the Group and the Company have no further payment obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(o) Income tax

Income tax expense in the profit or loss represents the aggregate amount of current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity or other comprehensive income.

Current tax expense is the expected tax payable or receivable to the taxation authorities in respect of the taxable profit or loss for the financial year and is measured using the tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period are recognised in profit or loss, and any adjustment to tax payable in respect of previous years.

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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

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

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

(p) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(p) Earnings per share (Continued)

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held for the effects of all dilutive potential ordinary shares, which comprise convertible notes, bonus issue and share options granted to employees.

(q) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(r) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

(s) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Market approach - which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.

Cost approach - which reflects the amount that would be required currently to replace the service capacity of an asset.

Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(s) Fair value measurement (Continued)

The inputs to valuation techniques used to measure fair value are categorised into the following levels of fair value hierarchy:-

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity 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.

Any transfers between the levels of fair value hierarchy are deemed to have occurred at the end of the reporting period.

<u>Financial assets and financial liabilities</u>

The carrying amounts of receivables, cash and cash equivalents, payables and loans and borrowings which are short-term nature or repayable on demand are reasonable approximations of fair values. The fair values of long-term loans and borrowings are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 3).

2.4 Significant accounting estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following:-

(a) Impairment assessment of property, plant and equipment

The Group assesses whether there is any indication that property, plant and equipment are impaired at the end of each reporting date. Impairment is measured by comparing the carrying amount of an asset with its recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting estimates and judgements (Continued)

(a) Impairment assessment of property, plant and equipment (Continued)

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

As at end of reporting period, the directors of the Company are of the opinion that there is no impact resulting from the impairment review by the management.

(b) Impairment assessment of investment in subsidiaries

The Company tests investment in subsidiaries for impairment test when there is an indication exist in accordance with its accounting policy. Impairment is measured by comparing the carrying amount with its recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from the subsidiary discounted at an appropriate discount rate.

Projected future cash flows are based on the Company's estimates calculated based on the operating results, approved business plans, sector and industry trends as well as future economic conditions, changes in technology and other available information.

Management estimates and judgements are used in the determination of the assumptions made, particularly the cash flow projections, discount rates and the growth rates used as disclosed in Note 6 to the financial statements.

(c) Impairment assessment of financial assets

The Group and the Company assess the credit risk at each reporting date, whether there have been significant increases in credit risk since initial recognition on an individual basis. To determine whether there is a significant increase in credit risk, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is significant increase in credit risk, the Group and the Company determine the lifetime expected credit loss by considering the loss given default and the probability of default assigned to each counterparty customer. The financial assets are written off either partially or full when there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-offs.

The carrying amounts of the receivables and amount owing by subsidiaries are disclosed in Note 7 and Note 9 respectively to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting estimates and judgements (Continued)

(d) Income taxes

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(e) Deferred tax

Deferred tax assets are recognised for all unutilised tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management's judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(f) Extension options and incremental borrowing rate in relation to leases

The Group and the Company assess at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Group and the Company consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group and the Company also apply judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Group and the Company first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

3. PROPERTY, PLANT AND EQUIPMENT - GROUP

	Building RM	Renovation RM	Computer RM	Equipment RM	Furniture and fittings RM	Motor vehicle RM	Vessels RM	Total RM
At cost								
At 1 July 2019	-	45,000	1,488	3,129	-	-	977,313	1,026,930
Additions	3,116,066	423,716	6,053	2,600	-	90,672	5,756,210	9,395,317
At 30 June 2020	3,116,066	468,716	7,541	5,729	-	90,672	6,733,523	10,422,247
Additions	-	48,741	95,922	28,470	-	-	127,019	300,152
Written off	-	(45,000)	-	-	-	-	-	(45,000)
Reclassification	-	(167,827)	-	-	167,827	-	-	-
At 30 June 2021	3,116,066	304,630	103,463	34,199	167,827	90,672	6,860,542	10,677,399
Accumulated depreciation								
At 1 July 2019	-	33,750	1,166	428	-	-	211,751	247,095
Charge for the financial year	5,193	8,031	502	673	-	10,578	457,249	482,226
At 30 June 2020	5,193	41,781	1,668	1,101	-	10,578	669,000	729,321
Charge for the financial year	62,321	47,246	6,139	6,429	-	18,134	588,157	728,426
Written off	-	(38,250)	-	-	-	-	-	(38,250)
Reclassification	-	(16,783)	-	-	16,783	-	-	-
At 30 June 2021	67,514	33,994	7,807	7,530	16,783	28,712	1,257,157	1,419,497
Net carrying amount								
At 30 June 2020	3,110,873	426,935	5,873	4,628	-	80,094	6,064,523	9,692,926
At 30 June 2021	3,048,552	270,636	95,656	26,669	151,044	61,960	5,603,385	9,257,902

3. PROPERTY, PLANT AND EQUIPMENT - GROUP (CONTINUED)

(a) The carrying amount of motor vehicle RM61,960/- (2020: RM80,094/-) is pledged to a licensed bank to secure the lease liability granted to the Group as disclosed in Note 4.2 to the financial statements.

(b) The cash disbursed for the purchase of property, plant and equipment is as follows:-

	2021 RM	2020 RM
Cost of property, plant and equipment purchased	300,152	9,395,317
Amount financed through finance lease liability	-	(72,500)
Amount financed through installment arrangement	-	(2,317,138)
Cash disbursed for purchase of property, plant and equipment	300,152	7,005,679

4. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

4.1 Right-of-use assets

	Group Office RM	Company Office RM
At cost		
At 1 July 2020	-	-
Additions	10,487	50,236
At 30 June 2021	10,487	50,236
Accumulated depreciation		
At 1 July 2020	-	-
Charge for the financial year	3,496	15,350
At 30 June 2021	3,496	15,350
Net carrying amount		
At 30 June 2021	6,991	34,886

<u>Amount recognised in profit or loss</u>

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Interest on lease liabilities	3,735	848	1,927	-
Expenses relating to short-term leases	1,664	51,286	-	-

4. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

4.1 Right-of-use assets (Continued)

The Group and the Company lease office that run between 1 year and 2 years, with an option to renew the lease after that date.

The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any re-measurement of the lease liabilities.

The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The principal depreciation of office is up to three (3) years.

Extension options

Some leases of office contain extension options exercisable by the Group and the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Group and the Company seek to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and the Company, and not by the lessors. The Group and the Company assess at lease commencement whether it is reasonably certain to exercise the extension options. The Group and the Company reassess whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

4.2 Lease liabilities

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Minimum lease liability payments:-				
- not later than one year	21,707	16,200	18,000	-
- later than one year but not later than five years	42,318	56,682	19,500	-
	64,025	72,882	37,500	-
Less: Future finance charges	(4,424)	(7,634)	(1,837)	-
	59,601	65,248	35,663	-

4. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

4.2 Lease liabilities (Continued)

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM	**RM**	**RM**	**RM**
Analysis of present value of lease liabilities:-				
Current				
- not later than one year	19,456	13,502	16,677	-
Non-current				
- later than one year but not later than five years	40,145	51,746	18,986	-
	59,601	65,248	35,663	-

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the Group's weighted average incremental borrowing rate of range from 3.72% - 4.75% (2020: 3.84% - 3.80%) per annum. The Company's weighted average incremental borrowing rate is 4.75% (2020: Nil) per annum.

The lease liabilities are secured by way of charge over the leased assets are disclosed in Note 3(a) to the financial statements.

After initial recognition, lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.

The Group and the Company determine the lease term of a lease as the non-cancellable period of the lease, together with periods covered by an option to extend or to terminate the lease if the Group and the Company are reasonably certain to exercise the relevant options. Management has considered the relevant facts and circumstances that create an economic incentive for the Group and the Company to either exercise the option to extend the lease, or to exercise the option to terminate the lease. Any differences in expectations from the original estimates would impact the carrying amounts of the lease liabilities of the Group and the Company.

The Group and the Company have recognised the lease payments associated with short term leases and low value assets on a straight-line basis over the lease terms and recognised as rental expenses as disclosed in Note 19 to the financial statements.

5. INTANGIBLE ASSET

	Development of recipe RM
Group	
At cost	
At 1 July 2020	-
Additions	68,656
At 30 June 2021	68,656
Carrying amount	
At 30 June 2021	68,656

Development cost principally comprises expenditure on the development of tuna patties recipe for scaleup production where it reasonably anticipated that the cost will be recovered through future commercial activities.

6. INVESTMENT IN SUBSIDIARIES

	Company 2021 RM	2020 RM
Unquoted shares, at cost		
At 1 July/24 September	17,499,980	17,499,980
Less: Accumulated impairment loss	(296,313)	-
At 30 June	17,203,667	17,499,980

Details of the subsidiaries company are as follows:-

Name of subsidiaries	Effective equity interest 2021 %	2020 %	Country of Incorporation and Place of Business	Principal activities
<u>**Direct subsidiaries**</u>				
Asia Tank Tuna Sdn. Bhd.	100	100	Malaysia	Commercial deep-sea fishing and all other kinds of activities related to the fishing industry.
ATI International Ltd.*	100	100	Malaysia (Labuan)	Trading of seafood and management of trade services.

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries company are as follows:- (Continued)

Name of subsidiaries	Effective equity interest 2021 %	2020 %	Country of Incorporation and Place of Business	Principal activities
Direct subsidiaries (Continued)				
Asia Ocean Resources Sdn. Bhd.	100	100	Malaysia	Research and development, processing, selling and distributing seafood products and related services.
Indirect subsidiaries				
Held through Asia Tank Tuna Sdn. Bhd.				
Asia Tank Marine Sdn. Bhd.	100	70	Malaysia	Dormant.

* Not audited by STYL Associates PLT.

(a) Impairment of investment in subsidiaries

During the financial year, the Company recognised an impairment loss of RM296,313/- (2020: RM Nil) on its investment in a wholly-owned subsidiary, Asia Ocean Resources Sdn. Bhd.

The recoverable amounts are determined based on the value in use calculations using cash flow projections approved by directors covering a five-year period. The future cash flows are based on management's five-year business plan, which is the best estimate of future performance. The pre-tax discount rate applied to the cash flow projections for the five-year period is 4.54% per annum.

The calculation of value in use is most sensitive to the following assumptions:-

(i) Budgeted revenue – Revenue is based on the performance of fishing industry.
(ii) Budgeted gross margin – Gross margin is based on average values achieved in prior years preceding the start of the budget period. The anticipated growth rate for gross margin is projected to be minimal.
(iii) Growth rates – Based on industry outlook for that segment.
(iv) Pre-tax discount rate – Discount rate of 4.54% represents the weighted average cost of capital.

The value assigned to the key assumptions represents directors' assessment of future trends in the fishing industry and are based on both external sources and internal sources.

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Impairment of investment in subsidiaries (Continued)

Sensitivity to changes in assumptions

Directors believe that no reasonable possible changes in any of the key assumptions above will cause the carrying values of the CGU to materially exceed its recoverable amount.

(b) Acquisition of 30% equity interest in Asia Tank Marine Sdn. Bhd. ("ATMSB")

On 22 December 2020, Asia Tank Tuna Sdn. Bhd. ("ATTSB"), a wholly-owned subsidiary of the Company entered into a Share Sale Agreement ("SSA") to acquire 30% equity interest in ATMSB for a total consideration of RM1,500,030/-.

Asia Tank Tuna Sdn. Bhd. principally engaged in the business of deep-sea fishing and all other kinds of activities related to the fishing industry.

(i) Fair value of the identifiable assets acquired and liabilities recognised

	RM
Assets	
Receivables	1,598,635
Cash and bank balances	231,914
Total assets	1,830,549
Liabilities	
Payables	(242,964)
Tax payables	(3,425)
Total liabilities	(246,389)
Total identifiable net assets acquired	1,584,160
Goodwill	(84,130)
Share capital and pre-acquisition retained earning	1,584,160
Fair value of consideration transferred	1,500,030

(ii) Effect of acquisition on cash flow

	RM
Fair value of consideration transferred	1,500,030
Less: Non-cash consideration	-
Consideration paid in cash	1,500,030
Less: Cash and cash equivalents of a subsidiary acquired	(231,914)
Net cash outflows on acquisition	1,268,116

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Non-controlling interest

The material non-controlling interests of the Group are arising from Asia Tank Marine Sdn. Bhd. ("ATMSB"), an indirect subsidiary held through Asia Tank Tuna Sdn. Bhd. ("ATTSB").

The percentage of ownership interest and voting interest of ATMSB by non-controlling interests ("NCI") is Nil (2020: 30%). The amount of NCI consolidated statement of financial position and loss allocated to NCI during the last financial period was from ATMSB.

The Group's subsidiary that has material non-controlling interest ("NCI") is as follows:-

	Group	
	2021	**2020**
	RM	**RM**
NCI percentage of ownership interest and voting interest	0%	30%
Carrying amount of NCI	-	1,322,011
Loss allocation to NCI	-	(178,019)

The summary of financial information before intra-group elimination for ATMSB which has material NCI is as below:-

	Group	
	2021	**2020**
	RM	**RM**
Summary of financial position		
Non-current assets	-	5,385,384
Current assets	-	1,365,066
Current liabilities	-	(2,343,747)
Net assets	-	4,406,703
Summary of financial performance		
Net loss for the financial year/period, (representing total comprehensive deficit for the financial year/period)	-	(593,397)
Include in the total comprehensive income is:-		
Revenue	-	-
Cash flows operating activities	-	2,061,807
Cash flows investing activities	-	(5,696,841)
Cash flows financing activities	-	5,000,000
Net changes in cash and cash equivalents	-	1,364,966

7. RECEIVABLES

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Trade receivables		6,065,908	2,818,852	-	-
Less: Allowance for impairment losses		(368,447)	-	-	-
Trade receivables, net	(a)	5,697,461	2,818,852	-	-
Other receivables		19,817	34,521	-	-
Less: Allowance for impairment losses		(484)	-	-	-
Other receivables, net	(b)	19,333	34,521	-	-
Deposits		159,615	17,802	-	-
Prepayments		1,215,032	489,950	711,687	480,049
		1,393,980	542,273	711,687	480,049
Total receivables		7,091,441	3,361,125	711,687	480,049

(a) Trade receivables

The Group's credit period granted ranges from 3 days to 90 days (2020: 3 days to 90 days). Other credit terms are assessed and approved on a case by case basis.

The currency exposure profile of trade receivables is as follows:-

	Group 2021 RM	Group 2020 RM
Ringgit Malaysia	54,146	-
United States Dollar	5,643,315	2,818,852
	5,697,461	2,818,852

7. RECEIVABLES (CONTINUED)

(a) Trade receivables (Continued)

The ageing analysis of the Group's trade receivables are as follows:-

	Group	
	2021	**2020**
	RM	**RM**
Neither past due nor impaired	218,064	1,428,275
Past due not impaired		
1 to 30 days	465,713	946,921
31 to 60 days	577,880	215,664
61 to 90 days	797,754	-
More than 90 days	4,006,497	227,992
	5,847,844	1,390,577
Impaired	(368,447)	-
	5,697,461	2,818,852

Impairment of trade receivables

The Group determines that a trade receivable is credit-impaired when the customer is experiencing significant financial difficulty and has defaulted in payments. Unless otherwise demonstrated, the Group generally considers a default to have occurred when the trade receivable is more than 90 days past due. The gross carrying amount of a credit-impaired trade receivable is directly written off when there is no reasonable expectation of recovery. This normally occurs when there is reasonable proof of customer insolvency.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. Such lifetime expected credit losses are calculated using a provision matrix based on historical observed default rates (adjusted for forward-looking estimates). The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished among the diversity of customer base.

The average credit loss rates were based on the payment profile of revenue over a period of 12 months and the corresponding historical credit losses experienced during the period. The rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

7. RECEIVABLES (CONTINUED)

(a) Trade receivables (Continued)

Impairment of trade receivables (Continued)

The reconciliation of trade receivables' movements accumulated impairment losses of the Group is as follows:-

	Group RM
At 1 July 2020	-
Impairment loss during the year	368,447
At 30 June 2021	368,447

(b) Other receivables

Other receivables are unsecured and non-interest bearing. The currency exposure profile of other receivables is entirely in Ringgit Malaysia.

The reconciliation of other receivables' movements in accumulated impairment losses of the Group is as follows:-

	Group RM
At 1 July 2020	-
Impairment loss during the year	484
At 30 June 2021	484

8. INVENTORIES

	Group 2021 RM	Group 2020 RM
At cost		
Work-in-progress	1,014,508	-

During the financial year, the cost of inventories recognised as an expense in the Group amounted to RM1,329,448/- (2020: RM Nil).

9. AMOUNT OWING BY/(TO) SUBSIDIARIES

Amount owing by/(to) subsidiaries is unsecured, interest-free and recoverable/(repayable) on demand.

	Company	
	2021	**2020**
	RM	**RM**
Amount owing by subsidiaries		
Non-trade balances	182,707	-
Amount owing (to) a subsidiary		
Non-trade balances	(372,865)	(445,337)

10. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed banks of the Group at the end of the reporting period bore effective interest rates of 1.85% to 2.10% (2020: 2.10% to 3.90%) per annum. Fixed deposits were pledged with licensed banks as security for banking facilities granted to the Group as disclosed in Note 17 to the financial statements.

11. CASH AND BANK BALANCES

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM	**RM**	**RM**	**RM**
Cash on hand	1,315	628	800	100
Cash at banks	7,106,114	11,444,667	170,459	564,590
Total	7,107,429	11,445,295	171,259	564,690

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

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	4,398,848	9,233,332	171,259	564,690
United States Dollar	2,708,581	2,211,963	-	-
Total	7,107,429	11,445,295	171,259	564,690

12. SHARE CAPITAL

	Group and Company			
	2021		2020	
	Number of shares Unit	RM	Number of shares Unit	RM
Ordinary shares				
Issued and fully paid:-				
At 1 July	90,000,000	18,250,080	1,000,102	1,000,411
On date of incorporation	-	-	100	100
Shares issued pursuant to restructuring exercise	-	-	88,999,798	17,249,569
At 30June	90,000,000	18,250,080	90,000,000	18,250,080

There was no issuance of shares by the Company during the financial year.

13. RESERVES

		Group	
	Note	2021 RM	2020 RM
Non-distributable			
Merger reserve	(a)	(499,571)	(499,571)
Foreign currency translation reserve	(b)	71,917	184,277
Total		(427,654)	(315,294)

The movements in reserves are shown in statement of changes in equity.

(a) Merger reserve

	Asia Tank Tuna Sdn. Bhd. RM	ATI International Ltd. RM	Asia Ocean Resources Sdn. Bhd. RM	Total RM
Consideration transferred	13,500,000	2,000,000	1,999,980	17,499,980
Less: Fair value of shares received	(13,000,000)	(2,000,409)	(2,000,000)	(17,000,409)
Merger reserve arising on acquisition	500,000	(409)	(20)	499,571

13. RESERVES (CONTINUED)

(a) Merger reserve (Continued)

The merger reserve arises from the acquisition of Asia Tank Tuna Sdn. Bhd., ATI International Ltd. and Asia Ocean Resources Sdn. Bhd. under common control, representing the difference between the fair value of shares received of the subsidiary companies as at the acquisition date and the acquisition consideration paid by the Company.

(b) Foreign currency translation reserve

Foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of a subsidiary whose functional currency is different from the Group's functional currency.

14. DEFERRED TAX LIABILITIES - GROUP

	Note	2021 RM	2020 RM
At 1 July		130,000	138,001
Recognised in profit or loss	22	(60,272)	(8,001)
At 30 June		69,728	130,000
Presented after appropriate offsetting as follows:-			
Deferred tax liabilities		69,728	130,000

Deferred tax liabilities

	Property, plant and equipment	
	2021 RM	2020 RM
At 1 July	130,000	138,001
Recognised in profit or loss	(10,207)	(8,001)
At 30 June	119,793	130,000

Deferred tax assets

	Unutilised tax losses	
	2021 RM	2020 RM
At 1 July	-	-
Recognised in profit or loss	(45,585)	-
At 30 June	(45,585)	-

14. DEFERRED TAX LIABILITIES - GROUP (CONTINUED)

Deferred tax assets (Continued)

	Others	
	2021	**2020**
	RM	**RM**
At 1 July	-	-
Recognised in profit or loss	(4,480)	-
At 30 June	(4,480)	-

15. PAYABLES

		Group		Company	
		2021	**2020**	**2021**	**2020**
	Note	**RM**	**RM**	**RM**	**RM**
Trade payables	**(a)**	485,494	292,789	-	-
Other payables	**(b)**	1,673,998	2,411,750	161,651	14,813
Accruals	**(c)**	131,710	93,520	61,289	17,490
		1,805,708	2,505,270	222,940	32,303
Total payables		2,291,202	2,798,059	222,940	32,303

(a) Trade payables

The credit period granted to the Group for trade purchases ranges from 30 days to 90 days (2020: 30 days to 90 days).

The currency exposure profile of trade payables is as follows:-

	Group	
	2021	**2020**
	RM	**RM**
Ringgit Malaysia	485,494	16,074
United States Dollar	-	276,715
Total	485,494	292,789

Included in trade payables of the Group is an amount of RM325,934/- (2020: RM Nil) owing to a related company in which certain directors of the Group have financial substantial financial interest.

15. PAYABLES (CONTINUED)

(b) Other payables

The currency exposure profile of other payables is as follows:-

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Ringgit Malaysia	832,555	94,612	161,651	14,813
United States Dollar	841,443	2,317,138	-	-
Total	1,673,998	2,411,750	161,651	14,813

Included in other payables of the Group is an amount of RM833,095/- (2020: RM2,318,938/-) representing purchase vessels from a third party, which is unsecured, interest-free and repayable on demand.

Included in other payables of the Group is an amount of RM500,572/- (2020: RM Nil) in relation to the acquisition of 30% equity interest in Asia Tank Marine Sdn. Bhd. from its ex-shareholder, where the amount is unsecured, subject to interest rate of 2% (2020: Nil) per annum and is repayable within 12 months from the date of the agreement.

(c) Accruals

The currency exposure profile of accruals is as follows:-

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Ringgit Malaysia	102,176	71,505	61,289	17,490
United States Dollar	29,534	22,015	-	-
Total	131,710	93,520	61,289	17,490

16. AMOUNT OWING TO A DIRECTOR

Amount owing to a director is unsecured, interest-free and repayable on demand.

17. BANK OVERDRAFTS

	Group 2021 RM	Group 2020 RM
Current		
Secured:-		
Bank overdrafts	524,264	-

Interest rate on bank overdrafts for the financial year is 3.60% (2020: Nil) per annum. The bank overdrafts are secured by way of pledged of fixed deposits as disclosed in Note 10 to the financial statements.

18. REVENUE

	Group		Company	
			01.07.2020 to 30.06.2021	24.09.2019 to 30.06.2020
	2021 RM	2020 RM	RM	RM
Major products and service lines				
Deep-sea fishing	2,147,810	1,969,478	-	-
Trading of seafood	25,989,151	25,706,677	-	-
Port landing services	176,659	164,825	-	-
Management of trade services	64,602	-	-	-
Management fees	-	-	240,819	-
Total revenue	28,378,222	27,840,980	240,819	-
Timing and recognition:-				
- at point in time	28,378,222	27,840,980	240,819	-
Revenue from contracts with customers	28,378,222	27,840,980	-	-
Other revenue	-	-	240,819	-
Total revenue	28,378,222	27,840,980	240,819	-

18. REVENUE (CONTINUED)

	Group		Company	
			01.07.2020 to	24.09.2019 to
	2021	2020	30.06.2021	30.06.2020
	RM	RM	RM	RM
Primary geographical markets				
Malaysia	64,602	-	240,819	-
China	22,214,092	19,609,857	-	-
Japan	-	394,687	-	-
Singapore	1,156,995	3,757,530	-	-
Sri Lanka	87,179	125,893	-	-
Taiwan	2,274,389	740,110	-	-
Thailand	67,470	-	-	-
Vietnam	2,513,495	3,212,903	-	-
Total revenue	28,378,222	27,840,980	240,819	-

Transaction price allocated to remaining performance obligations

The Group and the Company apply the practical expedient in paragraph 121(a) of MFRS 15 and to not disclose information about the remaining performance obligations that have original expected durations of one year or less.

[The remainder of this page is intentionally left blank.]

18. REVENUE (CONTINUED)

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

Nature of goods and services	Timing of recognition	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Deep-sea fishing	Revenue is recognised at a point in time when the goods are delivered to customers.	Credit period of 30 to 90 days from the invoice date.	Trade discounts.	Not applicable.	Not applicable.
Trading of seafood	Revenue is recognised at a point in time when the goods are delivered to customers.	Credit period of 30 to 90 days from the invoice date.	Trade discounts.	The Company allows returns only for exchange with new goods.	Not applicable.
Port landing services	Revenue is recognised at a point in time when services rendered to customers.	Credit period of 30 days from the invoice date.	Not applicable.	Not applicable.	Not applicable.
Management of trade services	Revenue is recognised at a point in time when services rendered to customers.	Credit period of 30 days from the invoice date.	Not applicable.	Not applicable.	Not applicable.
Management fees	Revenue is recognised at a point in time with the substance of the relevant terms of agreements/ contracts.	Repayable on demand.	Not applicable.	Not applicable.	Not applicable.

19. OPERATING PROFIT/(LOSS)

	Note	Group 2021 RM	Group 2020 RM	Company 01.07.2020 to 30.06.2021 RM	Company 24.09.2019 to 30.06.2020 RM
After charging:-					
Auditors' remuneration					
- current year		56,000	41,000	16,000	13,000
- prior year		(906)	3,000	-	-
Depreciation of property, plant and equipment		728,426	482,226	-	-
Depreciation of right-of-use assets		3,496	-	15,350	-
Directors' remuneration	20	170,952	67,800	58,702	-
Foreign exchange loss:-					
- unrealised		-	151,530	-	-
Impairment losses on:-					
- trade receivables		368,447	-	-	-
- other receivables		484	-	-	-
- cost of investment in subsidiaries		-	-	296,313	-
Written off of property, plant and equipment		6,750	-	-	-
Rental of office #		1,664	51,286	-	-
Staff costs:-					
- salaries, wages and bonuses		359,875	225,980	131,856	-
- Employees' Provident Fund, SOCSO and EIS		36,168	25,740	14,648	-
- other related staff costs		7,827	4,349	5,265	-
And crediting:-					
Foreign exchange gain:-					
- realised		(14,845)	(34,010)	-	-
- unrealised		(91,315)	-	-	-
Government subsidy *		(11,343)	-	-	-
Interest income		(66,752)	(87,761)	(1,394)	(1,293)
Rental income		(46,500)	-	-	-

\# The Group leases office with contract term of 1 year. These leases are short-term. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

* The Group received government grants as wage subsidies to retain local employees during the approved period of economic uncertainty brought about by the Coronavirus (COVID-19) outbreak.

20. DIRECTORS' REMUNERATION

	Group 2021 RM	Group 2020 RM	Company 01.07.2020 to 30.06.2021 RM	Company 24.09.2019 to 30.06.2020 RM
Executive Directors				
- salaries and bonuses	152,000	60,000	52,000	-
- others	18,952	7,800	6,702	-
Total	170,952	67,800	58,702	-

21. FINANCE COSTS

	Group 2021 RM	Group 2020 RM	Company 01.07.2020 to 30.06.2021 RM	Company 24.09.2019 to 30.06.2020 RM
Interest expenses on:-				
- bank overdrafts	9,555	-	-	-
- lease liabilities	3,735	848	1,927	-
Total	13,290	848	1,927	-

22. TAXATION

	Note	Group 2021 RM	Group 2020 RM	Company 01.07.2020 to 30.06.2021 RM	Company 24.09.2019 to 30.06.2020 RM
Income tax					
- current year/period		1,551,157	100,863	-	310
- under accrual in prior year/period		599,996	6,762	-	-
		2,151,153	107,625	-	310
Deferred tax	14				
- current year/period		932	(8,000)	-	-
- over accrual in prior year/period		(61,204)	(1)	-	-
		(60,272)	(8,001)	-	-
		2,090,881	99,624	-	310

22. TAXATION (CONTINUED)

A reconciliation of income tax expenses applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expenses at the effective income tax rate of the Group and of the Company is as follows:-

	Group		Company	
	2021 RM	2020 RM	01.07.2020 to 30.06.2021 RM	24.09.2019 to 30.06.2020 RM
Profit/(Loss) before taxation	4,689,394	1,610,546	(394,031)	(183,001)
Taxation at applicable tax rate of 24%	1,125,455	386,531	(94,567)	(43,920)
Tax effects arising from:-				
- expenses not deductible for tax purposes	632,619	273,931	90,677	44,230
- non-taxable income	(209,875)	-	-	-
- deferred tax assets not recognised	3,890	-	3,890	-
- effect of different tax rates in foreign jurisdictions *	-	(567,599)	-	-
- under/(over) accrual in prior years:-				
- income tax	599,996	6,762	-	-
- deferred tax	(61,204)	(1)	-	-
Tax for the financial year/period	2,090,881	99,624	-	310

* The subsidiary operates in the tax jurisdiction with lower tax rates.

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

	Group		Company	
	2021 RM	2020 RM	01.07.2020 to 30.06.2021 RM	24.09.2019 to 30.06.2020 RM
Unutilised tax losses carry forward	16,209	-	16,209	-
Potential deferred tax assets not recognised	3,890	-	3,890	-

23. EARNINGS PER SHARE

(a) Basic earnings per share

	Group 2021 RM	Group 2020 RM
Net profit attributable to owners of the parent	2,598,513	1,688,941
Weighted average number of ordinary shares as at 30 June	90,000,000	11,972,757
Basic earnings per ordinary share (sen)	2.89	14.11

The basic earnings per ordinary share is calculated by dividing the consolidated net profit attributable to equity owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

(b) Diluted earnings per share

The Group has no potential ordinary shares issued as at reporting date and therefore, diluted earnings per share equals basic earnings per ordinary share.

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Identification of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:-

(i) Direct subsidiaries;
(ii) Indirect subsidiaries;
(iii) Key management personnel which comprise persons (including the directors of the Group) having the authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly; and
(iv) Directors' related companies refer to companies in which directors of the Group have substantial financial interest.

24. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant related party transactions

During the financial year/period, the significant related party transactions are as follows:-

	Group		Company	
			01.07.2020 to 30.06.2021	24.09.2019 to 30.06.2020
	2021 RM	2020 RM	RM	RM
Related companies				
Purchase of goods/ services	(720,967)	(298,932)	(16,960)	-
Accounting fees	-	(11,492)	-	-
Rental income	30,000	-	-	-

(c) Key management personnel remuneration

The remuneration of the key management personnel is as follow:-

	Group		Company	
			01.07.2020 to 30.06.2021	24.09.2019 to 30.06.2020
	2021 RM	2020 RM	RM	RM
Salaries and bonuses	152,000	60,000	52,000	-
Others	18,952	7,800	6,702	-
Total	170,952	67,800	58,702	-

25. CAPITAL COMMITMENT

As of the reporting period, the Group has the following capital commitment:-

	Group	
	2021 RM	2020 RM
Contracted but not provided for:-		
- Vessel	1,954,274	-
- ERP software	264,000	-

26. SEGMENT REPORTING

The Group adopted MFRS 8, Operating Segments. MFRS 8 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and assess their performance.

General information

The information reported to the Group's chief operating decision maker to make decisions about resources to be allocated and for assessing their performance is based on the nature of the products and services, and has two reportable operating segments as follows:-

(a) Fishing industry; and
(b) Investment holdings.

Measurement of reportable segments

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements. Segment profit or loss is profit earned or loss incurred by each segment without allocation of depreciation and amortisation, finance cost, income from other investment and income tax expense. There are no significant changes from prior financial period in the measurement methods used to determine reported segment profit or loss. All the Group's assets and liabilities are allocated to reportable segments other than deferred tax assets and deferred tax liabilities.

	Fishing industry RM	**Investment holdings RM**	**Eliminations RM**	**Note**	**Consolidated RM**
Group					
2021					
Revenue					
External sales	28,378,222	-	-		28,378,222
Inter-segment sales	-	240,819	(240,819)	(a)	-
Total revenue	28,378,222	240,819	(240,819)		28,378,222
Results					
Segment results	5,890,890	(422,580)	275,225	(a)	5,743,535
Depreciation of property, plant and equipment	(477,622)	-	(250,804)	(a)	(728,426)
Depreciation of right-of-use assets	(49,291)	(15,350)	61,145	(a)	(3,496)
Finance costs	(19,026)	(1,927)	7,663	(a)	(13,290)
Income tax expenses	(2,089,930)	-	(951)	(a)	(2,090,881)
Interest income	65,358	1,394	-		66,752
Other non-cash expenses	48,167	-	(423,848)	(a)	(375,681)
Profit for the financial year					2,598,513

26. SEGMENT REPORTING (CONTINUED)

	Fishing industry RM	Investment holdings RM	Eliminations RM	Note	Consolidated RM
Group					
2021					
Assets					
Segment assets	39,119,595	18,259,776	(31,286,933)	(b)	26,092,438
Tax recoverable	179,828	-	-		179,828
Consolidated total assets					26,272,266
Other information					
Additions to property, plant and equipment	760,742	-	(460,590)	(a)	300,152
Additions to right-of-use assets	160,362	50,236	(200,111)	(a)	10,487
Liabilities					
Segment liabilities	10,009,630	595,805	(8,314,233)	(c)	2,291,202
Bank overdrafts	524,264	-	-		524,264
Lease liabilities	165,998	35,664	(142,061)	(c)	59,601
Tax payables	1,174,519	-	-		1,174,519
Deferred tax liabilities	69,728	-	-		69,728
Consolidated total liabilities					4,119,314
2020					
Revenue					
Revenue from external sales	27,840,980	-	-		27,840,980
Results					
Segment results	2,190,153	(184,294)	-		2,005,859
Depreciation of property, plant and equipment	(482,226)	-	-		(482,226)
Finance costs	(848)	-	-		(848)
Income tax expenses	(99,314)	(310)	-		(99,624)
Interest income	86,468	1,293	-		87,761
Profit for the financial year					1,510,922

26. SEGMENT REPORTING (CONTINUED)

	Fishing industry RM	Investment holdings RM	Eliminations RM	Note	Consolidated RM
Group					
2020					
Assets					
Segment assets	28,900,014	18,544,719	(21,445,387)	(b)	25,999,346
Consolidated total assets					25,999,346
Other information					
Additions to property, plant and equipment	9,395,317	-	-		9,395,317
Liabilities					
Segment liabilities	4,590,215	477,640	(445,337)	(c)	4,622,518
Lease liabilities	65,248	-	-		65,248
Tax payables	14,441	310	-		14,751
Deferred tax liabilities	130,000	-	-		130,000
Consolidated total liabilities					4,832,517

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:-

(a) Inter-segment transactions and revenue are eliminated on consolidation;
(b) Inter-segment assets are eliminated on consolidation; and
(c) Inter-segment liabilities are eliminated on consolidation.

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:-

(i) Other non-cash expenses consist of the following items:-

	Group 2021 RM	Group 2020 RM
Impairment on:-		
- trade receivables	368,447	-
- other receivables	484	-
Written off of property, plant and equipment	6,750	-
Total	375,681	-

26. SEGMENT REPORTING (CONTINUED)

Geographical information

No information is prepared on the geographical segments as the Group's entities are solely operated in Malaysia. Geographical information for revenue is disclosed in Note 18 to the financial statements.

Major customers

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

	Revenue		Segment
	2021 RM	2020 RM	
Customer A	15,035,216	1,699,937	Fishing industry
Customer B	4,384,628	582,192	Fishing industry
Customer C	2,794,492	6,638,076	Fishing industry
Customer D	2,063,054	3,145,110	Fishing industry
Customer E	-	5,206,343	Fishing industry

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

(i) Financial assets measured at amortised cost
(ii) Financial liabilities measured at amortised cost

	Carrying amounts RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM
Group			
2021			
Financial assets			
Receivables	5,876,409	5,876,409	-
Fixed deposits with licensed banks	1,545,511	1,545,511	-
Cash and bank balances	7,107,429	7,107,429	-
	14,529,349	14,529,349	-

27. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (Continued)

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

	Carrying amounts RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM
Group			
2021			
Financial liabilities			
Payables	2,291,202	-	2,291,202
Bank overdrafts	524,264	-	524,264
Lease liabilities	59,601	-	59,601
	2,875,067	-	2,875,067
Company			
2021			
Financial assets			
Amount owing by subsidiaries	182,707	182,707	-
Cash and bank balances	171,259	171,259	-
	353,966	353,966	-
Financial liabilities			
Payables	222,940	-	222,940
Amount owing to a subsidiary	372,865	-	372,865
Lease liabilities	35,663	-	35,663
	631,468	-	631,468
Group			
2020			
Financial assets			
Receivables	2,871,175	2,871,175	-
Fixed deposits with licensed banks	1,500,000	1,500,000	-
Cash and bank balances	11,445,295	11,445,295	-
	15,816,470	15,816,470	-
Financial liabilities			
Payables	2,798,059	-	2,798,059
Amount owing to a director	1,824,459	-	1,824,459
Lease liabilities	65,248	-	65,248
	4,687,766	-	4,687,766

27. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (Continued)

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

	Carrying amounts RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM
Company			
2020			
Financial asset			
Cash and bank balances	564,690	564,690	-
Financial liabilities			
Payables	32,303	-	32,303
Amount owing to a subsidiary	445,337	-	445,337
	477,640	-	477,640

(b) Net (gains)/losses arising from financial instruments

	Group		Company	
	2021 RM	2020 RM	01.07.2020 to 30.06.2021 RM	24.09.2019 to 30.06.2020 RM
Net (gains)/losses on:-				
Financial assets at amortised cost	(66,752)	(87,761)	(1,394)	(1,293)
Financial liabilities at amortised cost	13,290	848	1,927	-
	(53,462)	(86,913)	533	(1,293)
Net losses on impairment of financial assets:-				
Financial assets at amortised cost	368,931	-	-	-

27. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management

The activities of the Group are exposed to certain financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

(i) Credit risk

The Group's exposures to credit risk arises mainly from receivables and fixed deposits placed with licensed banks. The Company's exposures to credit risk arises mainly from its advances to subsidiaries. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statements of financial position.

Trade receivables

Risk management objectives, policies and processes for managing the risk

The Group has a credit policy in place to monitor and minimise the exposure of default. Credit evaluations are performed on all customers requiring credit over certain amount. The Group also has an internal credit review which is conducted if the credit risk is material. Trade receivables is monitored on an ongoing basis via Group management reporting procedures.

At each reporting date, the Group assesses whether any of the trade receivables is credit impaired or written off.

Exposure to credit risk, credit quality and collateral

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

As at 30 June 2021, the Group has significant concentration of credit risk in the form of outstanding amount of approximately RM5,218,290/- (2020: RM1,627,777/-) due from three (3) trade receivables respectively which represents 92% (2020: 58%) of the total trade receivables of the Group. The directors are of the opinion that these amounts outstanding are fully recoverable. Credit risk and receivables are monitored on an ongoing basis. These procedures substantially mitigate credit risk of the Group.

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

27. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (Continued)

(i) Credit risk (Continued)

Trade receivables (Continued)

Expected credit losses ("ECL") assessment for trade receivables

The Group uses simplified matrix approach to measure the ECLs of trade receivables from individual customers. To measure the expected credit losses, trade receivables have been grouped based on credit risk ranking and days past due.

The following table provides information about the exposure to credit risk and ECLs for trade receivables:-

	Gross carrying amount RM	Loss allowance RM	Net balance RM
Group			
2021			
Trade receivables			
Current (not past due)	218,064	42,846	175,218
1 to 30 days past due	465,713	53,165	412,548
31 to 60 days past due	577,880	65,548	512,332
61 to 90 days past due	797,754	45,735	752,019
	2,059,411	207,294	1,852,117
Credit impaired			
More than 90 days past due	4,006,497	161,153	3,845,344
	6,065,908	368,447	5,697,461
2020			
Trade receivables			
Current (not past due)	1,428,275	-	1,428,275
1 to 30 days past due	946,921	-	946,921
31 to 60 days past due	215,664	-	215,664
61 to 90 days past due	-	-	-
	2,590,860	-	2,590,860
Credit impaired			
More than 90 days past due	227,992	-	227,992
	2,818,852	-	2,818,852

27. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (Continued)

(i) Credit risk (Continued)

Trade receivables (Continued)

Movements in the allowance for impairment losses in respect of trade receivables.

During the financial year, the Group recognised RM368,447/- (2020: RM Nil) of ECLs for trade receivables as disclosed in Note 7(a) to the financial statements.

Other receivables

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

Expected credit loss of other receivables is determined individually after considering the financial strength, payment patterns and expected default rate of the other receivables. During the financial year, the Group recognised RM484/- (2020: RM Nil) of ECLs for other receivables as disclosed in Note 7(b) to the financial statements.

Inter-company balances

The Company provides unsecured loans and advances to its subsidiaries. The Company monitors the results of the subsidiary regularly.

Credit risk and impairment losses for inter-company balances

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.

Expected credit loss of inter-company loans and advances are determined individually after considering the financial strength, payment patterns and expected default rate of the inter-company. During the financial year, the Company has not recognised any ECLs for inter-company loans and advances as disclosed in Note 9 to the financial statements.

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. 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.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

27. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (Continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risks arises primarily from mismatched 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 the use of stand-by credit facilities.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all financing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements.

[The remainder of this page is intentionally left blank.]

27. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (Continued)

(ii) Liquidity risk (Continued)

<u>Maturity analysis</u>

The table below summarises the maturity profile of the Group's and the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:-

	Carrying amounts RM	Contratual interest rate/ Discount rate %	Contractual undiscounted cash flows RM	On demand or within 1 Year RM	1 - 5 Years RM	More than 5 Years RM
Group						
2021						
Financial liabilities						
Payables	2,291,202	-	2,291,202	2,291,202	-	-
Bank overdrafts	524,264	3.60	524,264	524,264	-	-
Lease liabilities	59,601	3.72 - 4.75	64,025	21,707	42,318	-
	2,875,067		2,879,491	2,837,173	42,318	-
2020						
Financial liabilities						
Payables	2,798,059	-	2,798,059	2,798,059	-	-
Amount owing to a director	1,824,459	-	1,824,459	1,824,459	-	-
Lease liabilities	65,248	3.84 - 3.80	72,882	16,200	56,682	-
	4,687,766		4,695,400	4,638,718	56,682	-

27. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (Continued)

(ii) Liquidity risk (Continued)

<u>Maturity analysis</u>

	Carrying amounts RM	Contratual interest rate/ Discount rate %	Contractual undiscounted cash flows RM	On demand or within 1 Year RM	1 - 5 Years RM	More than 5 Years RM
Company						
2021						
Financial liabilities						
Payables	222,940	-	222,940	222,940	-	-
Amount owing to a subsidiary	372,865	-	372,865	372,865	-	-
Lease liabilities	35,663	4.75	37,500	18,000	19,500	-
	631,468		633,305	613,805	19,500	-
2020						
Financial liabilities						
Payables	32,303	-	32,303	32,303	-	-
Amount owing to a subsidiary	445,337	-	445,337	445,337	-	-
	477,640		477,640	477,640	-	-

27. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (Continued)

(iii) Interest rate risk

The Group's and the Company's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely term deposits and loans and borrowings.

The Group and the Company observe the movements in interest rates and strives to obtain the most favourable rates available for new financing or during repricing. It is also the Group's and the Company's policy to maintain a mix of fixed and floating rate financial instruments.

	2021		2020	
	Effective interest rate %	Carrying amounts RM	Effective interest rate %	Carrying amounts RM
Group				
Financial asset				
Fixed deposits with licensed banks	1.85 - 2.10	1,545,511	2.10 - 3.90	1,500,000
Financial liabilities				
Bank overdrafts	3.60	524,264	-	-
Lease liabilities	3.72 - 4.75	59,601	3.84 - 3.80	65,248
Company				
Financial liability				
Lease liabilities	4.75	35,663	-	-

<u>Sensitivity analysis for interest rate</u>

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss, any changes in interest rates at the end of reporting year would not affect its profit or loss. For floating rate financial instruments stated at amortised cost, the following table demonstrates the sensitivity of profit or loss to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	Group	
	(Decrease)/ Increase in Profit or Loss 2021 RM	(Decrease)/ Increase in Profit or Loss 2020 RM
Increase in interest rate by 5%	(19,922)	-
Decrease in interest rate by 5%	19,922	-

27. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (Continued)

(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 the changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entity are kept to an acceptable level.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Labuan. The Group's investments in foreign operations are not hedged.

The financial assets and financial liabilities of the Group that are not denominated in the functional currencies are disclosed in respective notes to the financial statements.

Sensitivity analysis for foreign currency

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the exchange rates of United States Dollar ("USD") against the functional currency of the Group, with all other variables held constant.

	Increase/ (Decrease) in Profit or Loss 2021 RM	Increase/ (Decrease) in Profit or Loss 2020 RM
USD/RM		
- strengthened 5%	284,275	91,768
- weakened 5%	(284,275)	(91,768)

(d) Fair value information

The carrying amounts of short term receivables and payables and cash and cash equivalents approximate their fair values due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

27. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value information (Continued)

The table below analyses the fixed rate current financial instruments carried at fair value is disclosed, together with its fair value and carrying amount shown in the statements of financial position:-

	Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
	Level 1 RM	Level 2 RM	Level 3 RM	RM	RM
Group					
2021					
Financial liability					
Lease liabilities	-	-	64,025	64,025	59,601
2020					
Financial liability					
Lease liabilities	-	-	72,882	72,882	65,248
Company					
2021					
Financial liability					
Lease liabilities	-	-	37,500	37,500	35,663

Fair Value Hierarchy

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

There has been no transfer between level 1 and level 2 fair values during the financial year.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities. The Group uses valuation techniques in determining fair values for financial instruments.

Type of financial instruments	Description of valuation technique and inputs used
Lease liabilities	Discounted cash flows using a rate based on effective interest rate from lease liability agreement.

28. CAPITAL MANAGEMENT

The overall capital management objective of the Group and of the Company is to safeguard its ability to continue as a going concern so as to provide fair returns to shareholders and benefits to other stakeholders. In order to meet this objective, the Group and the Company always strive to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group and the Company consider its total equity (including non-controlling interests) and total loans and borrowings to be the key components of its capital structure and do, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group and the Company monitor capital using a debt-to-equity ratio, which is calculated as total loans and borrowings divided by total equity.

The gearing ratio of the Group and of the Company is as follows:-

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Payables	2,291,202	2,798,059	222,940	32,303
Amount owing to a subsidiary	-	-	372,865	445,337
Amount owing to a director	-	1,824,459	-	-
Bank overdrafts	524,264	-	-	-
Lease liabilities	59,601	65,248	35,663	-
Total debts	2,875,067	4,687,766	631,468	477,640
Total equity	22,152,952	21,166,829	17,672,738	18,066,769
Capital and total debts	25,028,019	25,854,595	18,304,206	18,544,409
Gearing ratio	11.5%	18.1%	3.4%	2.6%

29. COMPARATIVE FIGURES

In the prior years, advances from a director was erroneously classified as proceed from issuance of ordinary shares. The effects of correction of the error are disclosed below:-

	As previously reported RM	Adjustment RM	As restated RM
<u>Statement of cash flows</u>			
CASH FLOWS FROM FINANCING ACTIVITIES:-			
Proceeds from issuance of ordinary shares	16,430,128	(10,180,000)	6,250,128
(Repayment to)/Advances from a director	(8,355,541)	10,180,000	1,824,459

30. SIGNIFICANT EVENT

(a) Acquisition of 30% equity interest in Asia Tank Marine Sdn. Bhd. ("ATMSB")

On 22 December 2020, Asia Tank Tuna Sdn. Bhd. ("ATTSB"), a wholly-owned subsidiary of the Company entered into a Share Sale Agreement ("SSA") to acquire 30% equity interest in ATMSB for a total consideration of RM1,500,030/-. Further details are disclosed in Note 6(b) to the financial statements.

(b) Impact of COVID-19 pandemic

The pandemic has significantly affected economic activities of the world. The economic impact is highly dependent on variables that are difficult to predict such as the degree of which governments prohibit business and personal activities, level of compliance by people in the countries, and the nature and effectiveness of government assistance. In 2021, the Group's operations have been affected by the spread of COVID-19.

The impact of the pandemic on the Group's financial performance reflected in the financial statements for the year ended 30 June 2021 are summarised below:-

(i) Management continues to have a reasonable expectation that the Group has adequate resources to continue in operation for at least the next 12 months and that the going concern basis of accounting remains appropriate.

(ii) During movement control order implementation period in 2021, border closures, production stoppages and workplace closures have resulted in periods where the Group's operations were temporarily suspended to adhere to the respective government's movement control measures. These have negatively impacted business operation in 2021, resulting in a negative impact on the Group's financial performance for 2021.

For year ending 30 June 2022, as economic environment remains challenging due to the pandemic, the Group cannot reasonably ascertain the full extent of the probable impact of the pandemic disruptions on its operation and financial performance.

APPENDIX II

IMR REPORT

PROVIDENCE STRATEGIC PARTNERS SDN BHD
(1238910-A)
67-1, Block D, Jaya One, Jalan Prof Diraja Ungku Aziz
46200 Petaling Jaya, Selangor, Malaysia.
T: +603 7625 1769

Date: 30 September 2021

The Board of Directors
ALPHA OCEAN RESOURCES BERHAD
Unit SO-33A-1 & SO-33A-8
Menara 1, Strata Offices, KL Eco City
No. 3, Jalan Bangsar
59200 Kuala Lumpur

Dear Sirs,

Independent Market Research ("IMR") Report on the Global Tuna Industry and the Tuna Fishing Industry in Malaysia in conjunction with the Listing of Alpha Ocean Resources Berhad ("AORB") on the LEAP Market of Bursa Malaysia Securities Berhad

PROVIDENCE STRATEGIC PARTNERS SDN BHD ("**PROVIDENCE**") has prepared this IMR report on the Global Tuna Industry and the Tuna Fishing Industry in Malaysia in conjunction with the Listing of AORB on the LEAP Market of Bursa Malaysia Securities Berhad.

PROVIDENCE has taken prudent measures to ensure reporting accuracy and completeness by adopting an independent and objective view of these industries within the confines of secondary statistics, primary research and evolving industry dynamics.

For and on behalf of PROVIDENCE:

MELISSA LIM
EXECUTIVE DIRECTOR

About PROVIDENCE STRATEGIC PARTNERS SDN BHD:

PROVIDENCE is an independent research and consulting firm based in Petaling Jaya, Selangor, Malaysia. Since our inception in 2017, PROVIDENCE has been involved in the preparation of independent market research reports for capital market exercises. Our reports aim to provide an independent assessment of industry dynamics, encompassing aspects such as industry performance, demand and supply conditions and competitive landscape.

About MELISSA LIM:

Melissa Lim is the Executive Director of PROVIDENCE. She has more than 10 years of experience in market research for capital market exercises. Melissa Lim holds a Bachelor of Commerce (Double major in Marketing and Management) from Murdoch University, Australia.

1 THE GLOBAL TUNA INDUSTRY

INTRODUCTION

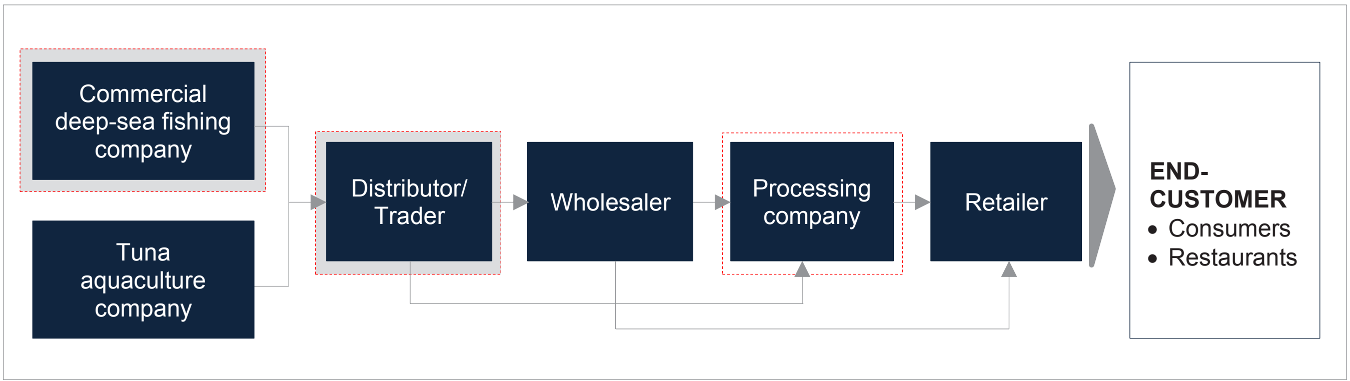
Tuna fishes are marine fishes which live in tropical or temperate waters. They are swift swimmers and are migratory, travelling long distances to feed and reproduce.

There are 2 types of tuna, namely oceanic and neritic tuna fishes. Oceanic tuna fishes are deep-sea fishes that are larger in size and command premium prices as compared to neritic tuna fishes. Examples of oceanic tuna fishes are albacore, bluefin, skipjack and yellowfin tuna fishes. Oceanic tuna fishes can largely be found in the East and West Pacific Ocean, Indian Ocean and Atlantic Ocean. Meanwhile, neritic tuna fishes are smaller in size and are usually found in coastal waters. Examples of neritic tuna fishes are bullet, frigate, kawakawa and longtail tuna fishes.

Depending on the quality and species, oceanic tuna fishes can be consumed raw, cooked or undergo minor processing to produce tuna steaks or cured tuna. It can also be processed into canned tuna and other processed tuna products such as tuna patties, tuna balls and tuna nuggets.

The value chain of the tuna industry, particularly for oceanic tuna fishes, is as elaborated below:

Value chain of the tuna industry



Notes:

1. denotes the segment(s) in which AORB Group is involved
2. denotes the segment(s) in which AORB Group intends to be involved
3. Parties in the abovementioned value chain may take on more than one role
4. Processed tuna products include tuna steaks and other processed tuna products such as canned tuna, tuna patties, tuna balls and tuna nuggets

Source: PROVIDENCE

The value chain of the tuna fishing industry, particularly for oceanic tuna fishes, begins with commercial deep-sea fishing of tuna fishes and tuna aquaculture. Commercial deep-sea fishing of tuna fishes is the main source of tuna fish production, comprising 99.3% of world tuna production in 2019.[1]

Longline[2] and purse seine[3] fishing are the 2 major techniques used for commercial deep-sea tuna fishing in the world. According to the Food and Agriculture Organisation ("**FAO**"), these 2 fishing techniques were utilised in approximately 75.0% of the world's tuna catch volume. The longline fishing technique is a more suitable method for bigeye, bluefin and yellowfin tuna, which are larger in size and can be consumed raw or cooked. Meanwhile, the purse seine fishing technique is more effective in fishing for skipjack tuna, which is primarily used for canned tuna. In addition, the longline fishing

[1] Source: FAO
[2] Longline fishing technique uses a main line that has been fitted with shorter branch fishing lines with baited hooks
[3] Purse seine fishing technique uses a large curtain of netting which hangs vertically in the water and draws shut at the bottom

technique is recognised as a more environmentally friendly fishing method that promotes sustainability as it targets fishes that are larger in size, as compared to purse seine technique which has a higher likelihood of catching immature and juvenile fishes, causing damage to fishery resources.

AORB Group employs the longline fishing technique and focuses on commercial deep-sea fishing for oceanic tuna fishes which are larger in size, and is not involved in the commercial fishing of neritic tuna.

The fishing areas where fishing companies operate in are regulated by 5 Regional Fishery Management Organisations ("**RFMO**"). These RFMOs aim to conserve and maintain sustainability of tuna stocks within their respective geographical areas. Among their responsibilities are monitoring tuna fishing activity, managing fish population, collecting data and regulating authorised vessels. The RFMOs are:

(i) Commission for the Conservation of Southern Bluefin Tuna;
(ii) Indian Ocean Tuna Commission ("**IOTC**");
(iii) Inter-American Tropical Tuna Commission;
(iv) International Commission for the Conservation of Atlantic Tunas; and
(v) Western and Central Pacific Fisheries Commission.

As AORB Group conducts its commercial deep-sea fishing activities in the Indian Ocean, it is under the jurisdiction of the IOTC.

Commercial deep-sea fishing companies may either produce fresh, frozen or super frozen tuna fishes. For tuna fishes such as albacore, bigeye, bluefin and yellowfin, fresh tuna fishes are premium products compared to frozen tuna fishes, and prices will be determined based on the grade of the fish. Super frozen tuna fishes are also premium products as the freshness of the tuna fishes can be maintained at a level similar to that of 'fresh tuna'.

The fishing company will typically inform the distributor/trader on the volume and type of catches prior to its landing at seaport. It is important to note that the commercial deep-sea fishing company may also undertake the distribution/trading of its catches. The distributor/trader will then arrange to sell the catches to wholesalers and/or processing companies, based on the quality and type of tuna fishes caught during the fishing operations. Generally, tuna fishes that will be consumed raw or cooked will be sold directly to wholesalers and subsequently to retailers for their onward sale to restaurants and consumers. Meanwhile, tuna fishes that will be processed will be sold to processing companies for onward processing into processed tuna products such as tuna steaks, canned tuna, tuna patties, tuna balls and tuna nuggets. Once the fishes are processed into its intended form, it will then be packed and branded and sold to a retailer for onward sale to consumers and restaurants.

AORB Group is presently involved in commercial deep-sea fishing and trading of tuna fishes. The Group also intends to be involved in the processing of tuna fishes into processed tuna products such as tuna patties, tuna balls and tuna nuggets.

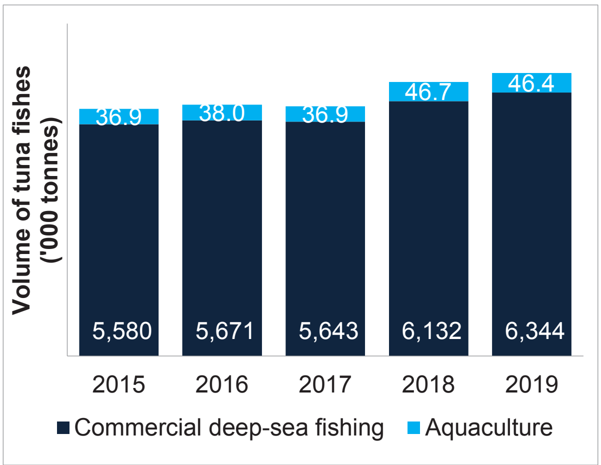
[The rest of this page is intentionally left blank]

INDUSTRY SIZE, PERFORMANCE AND GROWTH

Globally, the volume of tuna fishes caught via commercial fishing hovered between 5.6 million tonnes and 6.3 million tonnes between 2015 and 2019. Meanwhile, tuna aquaculture production hovered between 36,900 tonnes and 46,700 tonnes during the same period. At present, tuna aquaculture is a means to supplement commercial deep-sea fishing, and is not the main source of tuna fish production.

In 2019, approximately 54.9% of tuna catches caught during commercial fishing activities were from the Western and Central Pacific Ocean. The Indian Ocean is the world's second largest tuna fishing area, contributing approximately 21.1% of tuna catches in 2019. This is followed by the Eastern Pacific Ocean and the Atlantic Ocean, which contributed 13.3% and 10.7% of tuna catches in 2019, respectively.

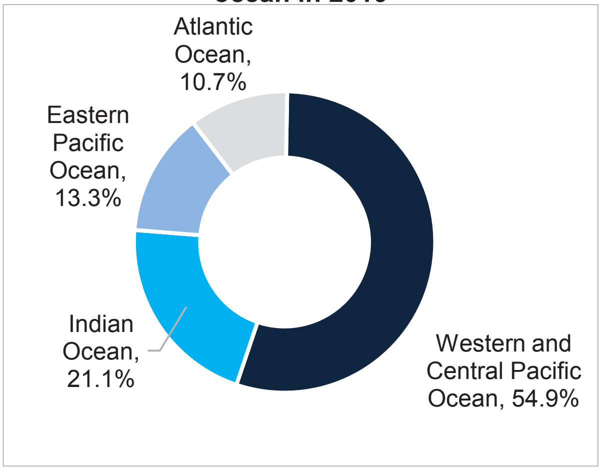
Global tuna fish production



Notes:
(i) Annual tuna catches from commercial deep-sea fishing includes production of 8 major species of tuna fishes, namely albacore, bigeye, bluefin, bullet, frigate, longtail, skipjack and yellowfin tuna fishes
(ii) Tuna aquaculture production includes aquaculture of all tuna and tuna-like fishes
(iii) Latest publicly available information is as at 2019

Source: FAO

Distribution of global tuna fish catches by ocean in 2019



Note:
Latest publicly available information is as at 2019

Source: International Seafood Sustainability Foundation

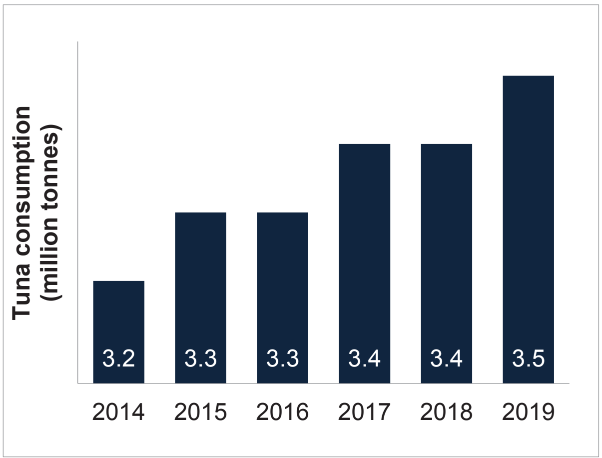
Tuna fish production is supported by the demand for tuna fishes worldwide. Global tuna consumption is estimated to have grown from 3.2 million tonnes in 2014 to an estimated 3.5 million tonnes in 2019, registering a compound annual growth rate ("**CAGR**") of 1.8%. Demand for tuna has been growing on the back of globalisation which has led to assimilation of cultures from countries which have higher fish consumption per capita such as Japan, increasing affluence resulting from greater spending power as well as population growth.

The two largest consuming countries for raw and cooked as well as processed tuna fishes are Japan and the United States of America ("**USA**"). Japan and the USA collectively consume close to 90.0% of the world's raw and cooked tuna, and over 30.0% of the world's canned tuna.[4]

Global imports of unprocessed fresh and frozen tuna fishes generally ranged between 0.8 million tonnes and 1.1 million tonnes between 2014 and 2020. Meanwhile, global exports of unprocessed fresh and frozen tuna fishes hovered between 0.7 million tonnes and 0.8 million tonnes during the same period. As global imports of unprocessed fresh and frozen tuna fishes generally exceed exports, this indicates an excess of demand in key consuming countries.

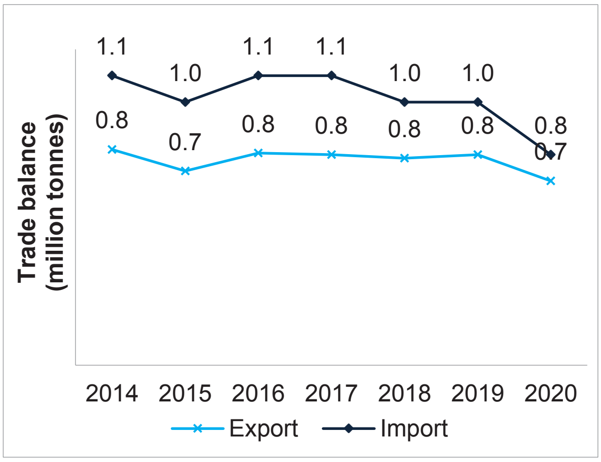
[4] Source: The Pew Charitable Trusts, Institute for Sustainable Development and International Relations, PROVIDENCE analysis

Estimated world tuna consumption



Source: FAO, PROVIDENCE analysis

Global export and import of unprocessed fresh and frozen tuna fishes



Source: Comtrade

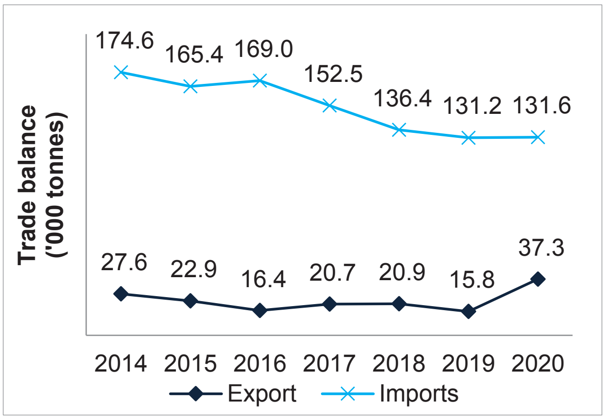
As an illustration, the following are the trade balances for the 2 key tuna consuming countries, i.e. Japan and the USA:

Japan

Tuna has been an important part of Japanese food culture. Japan is the largest consumer of fresh and frozen tuna in the world. In Japan, the popular forms of tuna are:

(i) Sashimi – thin slices of raw fish eaten with soy sauce;
(ii) Sushi – vinegared rice with ingredients such as fish or vegetables;
(iii) Katsuobushi – dried, fermented and smoked skipjack tuna; and
(iv) Tataki – meat or fish which is quickly seared on the outside and remains raw on the inside.

Export and import of unprocessed fresh and frozen tuna fishes for Japan



Note:
Includes data on fresh and frozen whole tuna fishes only

Source: Comtrade, PROVIDENCE analysis

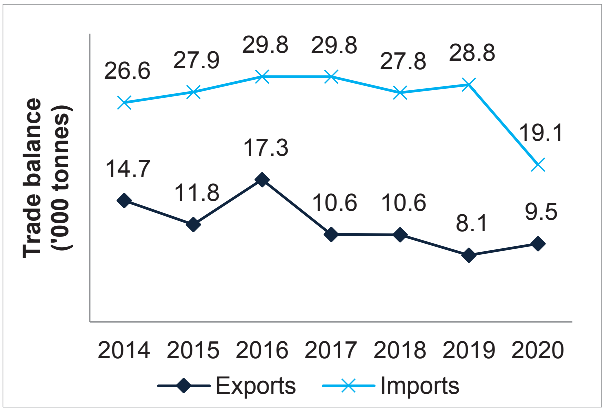
Japan's imports of fresh and frozen tuna far exceeded its exports, indicating that the supply of tuna fishes in the country is insufficient to fulfil its local demand for tuna fishes. In 2020, Japan imported 131,600 tonnes of unprocessed fresh and frozen tuna fishes and exported 37,300 tonnes of unprocessed fresh and frozen tuna fishes. However, imports of unprocessed fresh and frozen tuna fishes into Japan illustrated a general declining trend, in terms of tonnes, from 174,600 tonnes in 2014 to 131,600 tonnes in 2020. This is mainly due to an increase in imports of processed tuna such as tuna blocks and slices as opposed to whole fishes, which resulted in reduced tonnage of imported whole tuna. Meanwhile, exports of unprocessed fresh and frozen tuna fishes from Japan hovered between 15,800 tonnes and 27,600 tonnes between 2014 and 2019 before increasing to 37,300 tonnes in 2020 as there was lower demand for tuna fishes in Japan due to restrictions imposed on restaurants and other businesses to operate to curb the COVID-19 pandemic.

The USA

The USA is the highest consumer of canned tuna, and is also the second largest consumer of raw and cooked tuna.

Similar to Japan, the imports of unprocessed fresh and frozen tuna exceeded the exports of the same products for the USA. Imports of unprocessed fresh and frozen tuna into the USA have been on a growth trend from 26,600 tonnes in 2014 to 28,800 tonnes in 2019. In 2020, imports of fresh and frozen tuna into the USA dropped to 19,100 tonnes in 2020 as there were less supplies of fresh and frozen tuna from other countries such as Sri Lanka and the Maldives, and some restrictions of importation due to the COVID-19 pandemic. Exports of unprocessed fresh and frozen tuna from the USA, on the other hand, have been on a decreasing trend from 14,700 tonnes to 9,500 tonnes during the same period. Albeit the drop of imports of fresh and frozen tuna in 2020 into the USA which is expected to be a non-recurring event, this indicates a growing reliance on imports to fulfil the local demand for tuna.

Export and import of unprocessed fresh and frozen tuna fishes for the USA



Source: Comtrade, PROVIDENCE analysis

As such, the global tuna industry is backed by the growing consumption of tuna fishes worldwide, and the need for imports to fulfil demand for tuna fishes in key consuming countries such as Japan and the USA.

KEY DEMAND DRIVERS

Increased consumption of tuna resulting from globalisation

Japan accounts for the largest share of raw and cooked tuna consumption, which is estimated at 81.1% of the world's consumption of raw and cooked tuna.[5] The USA is the second largest consumer of raw and cooked tuna at 8.1%, followed by South Korea at 4.1%.[6] Tuna fishes are important in Japanese cuisine and remain popular. The Japanese mainly consume tuna fishes in the form of sashimi, sushi, katsuobushi and tataki.

As a result of globalisation and urbanisation, people around the world have been exposed to various cuisines, including Japanese food. As the popularity of Japanese food increases, so does the demand for tuna from the retail and food service industry worldwide.

Tuna is often consumed for its as nutritional value, as it is rich in omega-3 fatty acids, protein, selenium and Vitamin D. A dish that has become popular worldwide in recent years is the poke bowl, a Hawaiian dish consisting of marinated raw fish, often tuna, served with other ingredients such as vegetables, fruits and nuts on a bed of rice.

The global market for tuna is expected to benefit from growing consumption in new regions and the popularity of tuna as an ingredient.

Global economic growth leading to demand for tuna

Global economic growth is measured by gross domestic product ("**GDP**"), which increased to USD81.9 trillion in 2020 from USD73.8 trillion in 2014, registering a CAGR of 1.8%.[7] The growth of the global

[5] Source: The Pew Charitable Trusts, Institute for Sustainable Development and International Relations
[6] Source: The Pew Charitable Trusts, Institute for Sustainable Development and International Relations
[7] Source: World Bank

economy has led to an increase in disposable income. As the population have greater spending power, they become more affluent and have a higher likelihood of purchasing more costly food products.

Depending on the quality and species, tuna is typically more expensive than other types of fishes. Tuna is valued for its high fat content, whereby the fatty belly meat is the most expensive and sought after. Many also consume tuna due to rising health awareness as they perceive tuna to have many nutritional benefits.

The demand for more premium and healthy food products, including tuna, is expected to increase as a result of global economic growth.

Increased demand for tuna as a consequence of the growing global population

The global population increased from 7.3 billion in 2014 to 7.8 billion in 2020.[8] Population growth has a positive correlation with demand for food, which includes fish. Further, global consumption of fish, including tuna, was estimated to be 20.5 kilogrammes ("**kg**") per capita in 2018.[9] This is much higher than other types of meat such as poultry (14.3 kg per capita), pork (12.3 kg per capita), beef (6.4 kg per capita) and sheep (1.7 kg per capita) in 2018.[10]

Demand for fish, including tuna, is expected to increase in tandem with the growth of the global population.

[The rest of this page is intentionally left blank]

[8] Source: World Bank
[9] Source: FAO
[10] Source: OECD

2 THE TUNA FISHING INDUSTRY IN MALAYSIA

INTRODUCTION

Malaysia is a tropical country with over 100 commercial marine fish species in the waters surrounding the country. Catches of tuna fishes in Malaysia, comprising both neritic and oceanic tuna, contributed nearly 5.0% of total marine fish catches in the country.[11]

Illustration of Malaysian waters

Source: PROVIDENCE

The tuna fishing areas surrounding Malaysia include the Indian Ocean, Malacca Straits, South China Sea and in Sulu and Sulawesi Seas. Most of the tuna fishes caught in the Indian Ocean are oceanic tuna fishes while a large proportion of the tuna fishes caught in the Malacca Straits, South China Sea and in Sulu and Sulawesi Seas are neritic tuna fishes due to the type of fishing techniques employed. Tuna fishing companies operating in the Indian Ocean utilise the longline fishing technique, which is more suitable and sustainable for the fishing of oceanic tuna fishes. Meanwhile, tuna fishing companies operating in the Malacca Straits, South China Sea and in Sulu and Sulawesi Seas use purse seine, drift gilling[12] as well as pole and line[13] fishing techniques.

The tuna fishing industry in Malaysia began in the 1980s, though catches were mostly neritic tuna fishes and fishing techniques used were purse seine, drift gilling as well as pole and line fishing techniques. Most of these fishing vessels are not equipped with technology to maintain the freshness of fishes and thus, could only remain at sea for less than 1 week.

The use of longliner-type fishing vessels for tuna fishing in the Indian Ocean began in 2003. Since then, catches of oceanic tuna fishes began to increase. Most of these longliner-type fishing vessels are geared for commercial deep-sea fishing and are equipped with blast freezers and cold-room facilities to maintain the freshness of tuna fishes for up to 6 months. Fishing vessels that operate in the Indian Ocean are required to be authorised by both the Department of Fisheries Malaysia and the IOTC.

AORB Group has 4 longliner-type fishing vessels (out of which 3 have been authorised by the IOTC while the remaining 1 is pending authorisation) and the Group undertakes commercial deep-sea fishing in the Indian Ocean for oceanic tuna fishes.

In the past, authorised tuna fishing vessels which carry the Malaysian flag and operate in the Indian Ocean unloaded their catches at Port Louis, Mauritius. However, since 2 designated tuna ports were opened in Malaysia, namely in Penang and Langkawi, an increasing number of tuna fishing vessels have been landing at these ports.

The Ministry of Agriculture and Food Industries ("**MAFI**") has since been promoting the commercial deep-sea fishing of tuna fishes, particularly oceanic tuna fishes in the Indian Ocean, and has been implementing measures to promote the industry's growth (details are elaborated in **Chapter 2: The Tuna Fishing Industry in Malaysia - Key Demand Drivers (Favourable Government initiatives)** of this IMR report).

[11] Source: IOTC
[12] Drift gilling fishing technique uses a wall of netting which drifts with the current and catches fish that get entangled
[13] Pole and line fishing technique uses barbless hooks and live bait, whereby fish are caught one at a time by multiple fishermen

INDUSTRY SIZE, PERFORMANCE AND GROWTH

The tuna fishing industry size in Malaysia, as measured by tonnage of tuna catches, increased from 68,908 tonnes in 2014 to 91,899 tonnes in 2019, registering a CAGR of 5.9%. The amount of tuna caught annually is determined by various factors including the number of authorised fishing vessels operating, environmental conditions which could affect yield and the management of fishing operations.

A large proportion of tuna catches in Malaysia are neritic tuna fishes, contributing 97.5% of total tuna catch tonnage in the country. These neritic tuna fishes are mostly found in Malacca Straits, South China Sea and in Sulu and Sulawesi Seas. Catches of oceanic tuna fishes are still small at present (representing 2.5% of total tuna catch tonnage in Malaysia) and these oceanic tuna fishes were primarily caught in the Indian Ocean where commercial deep-sea fishing activities take place. Despite contributing only 2.5% to total tuna catch volume in Malaysia, catches of oceanic tuna fishes (which are deep-sea tuna fishes such as albacore, bigeye, skipjack and yellowfin tuna fishes) have been growing at a faster CAGR of 22.1% between 2014 and 2019, as compared to catches of neritic tuna fishes (which are found in coastal waters and include bullet, frigate, kawakawa and longtail tuna fishes) which have been growing at a CAGR of 5.7% during the period. This indicates the growth in commercial deep-sea fishing activities for oceanic tuna fishes in the country. The tonnage of oceanic tuna catches in the Indian Ocean has been increasing from 851 tonnes in 2014 to 2,313 tonnes in 2019.

The World Health Organisation had on 11 March 2020 declared the Coronavirus Disease 2019 ("**COVID-19**") outbreak as a global pandemic. Following this, most countries, including Malaysia, have taken measures to contain the spread of COVID-19 by imposing national lockdown policies. In Malaysia, the first Movement Control Order ("**MCO**") was imposed by the Malaysian Government between 18 March 2020 and 3 May 2020 which restricted all business activities from operating, save for essential business activities. The MCO was lifted on 4 May 2020 and replaced with phases of the MCO that had relatively more relaxed regulations, allowing the reopening of most economic sectors and business activities.

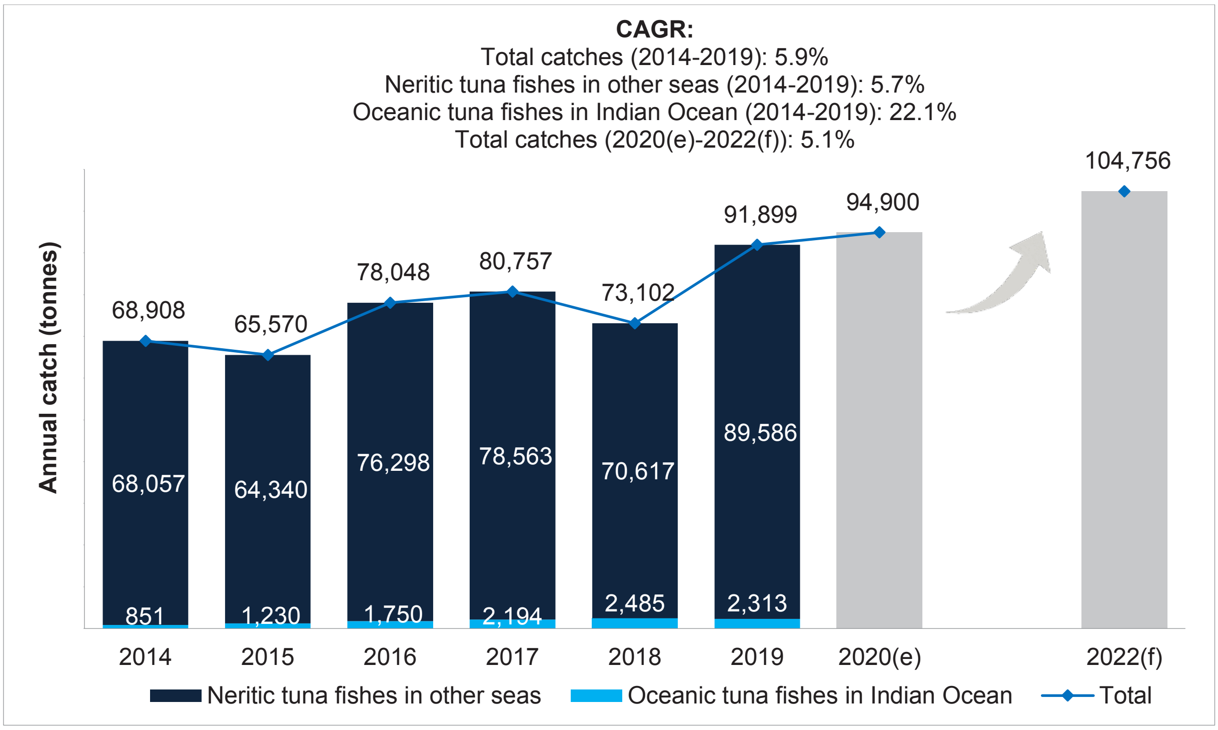
Due to a resurgence in number of COVID-19 patients in Malaysia, a second round of the MCO was implemented from 13 January 2021 to 31 May 2021 throughout Malaysia, albeit with more relaxed regulations compared to the first MCO implemented in March 2020. However, as COVID-19 cases continued to rise in the country, a third MCO was reimposed beginning 1 June 2021, which restricted most business activities from operating save for essential business activities.

Commercial tuna fishing is deemed an essential business activity as it provides a source of food and thus, industry players in the tuna fishing industry could still continue their fishing activities throughout the various phases of the MCO imposed by the Malaysian Government in 2020 and 2021. Sales of tuna fishes were not impacted as wholesalers, retailers and food manufacturers continued to purchase tuna fishes for onward sale to consumers. Further, some wholesalers and retailers had improvised by operating through online sales channels during the MCO periods, and this is expected to have supported the sales for tuna fishes in the year.

As such, PROVIDENCE expects the annual catches to continue to grow in 2020 by 3.3% to 94,900 tonnes.

Moving forward, PROVIDENCE estimates that the total annual catch of tuna in Malaysia will reach 104,756 tonnes by 2022, registering a CAGR of 5.1% between 2020 and 2022. This is in line with the MAFI's announcement to target to increase annual catch of oceanic tuna fishes to 30,000 tonnes in the near future. The Deputy Minister of MAFI also announced that the Government targets to have 70 commercial fishing vessels operating in the Indian Ocean by 2030.

Tuna fishing industry size in Malaysia

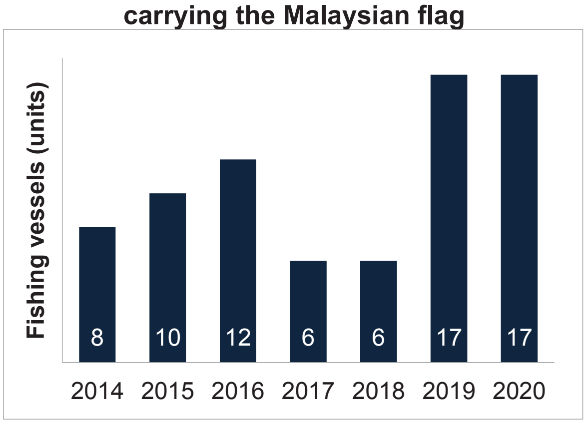


Notes:
1. (e) – Estimate
2. (f) – Forecast
3. Latest publicly available information on neritic tuna fishes and total annual fishes is as at 2019

Source: FAO, IOTC, PROVIDENCE analysis

The growth of catches of oceanic tuna fishes in the Indian Ocean, in terms of tonnage, has been largely attributed to the growing number of authorised longliner-type fishing vessels. Between 2014 and 2020, the number of Malaysian longliner-type fishing vessels that have been authorised to undertake commercial deep-sea fishing in the Indian Ocean has grown from 8 fishing vessels in 2014 to 17 fishing vessels in 2020. As at 30 September 2021, which is the latest publicly available information, there were 19 authorised longliner-type fishing vessels.

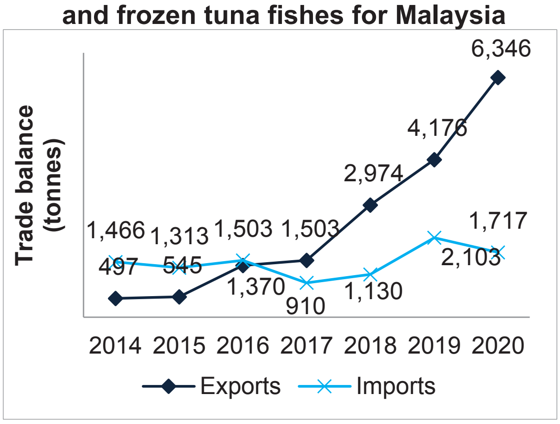
Number of longliner-type fishing vessels carrying the Malaysian flag



Note:
Excludes the 3 fishing vessels owned by AORB, of which 2 were not operational as at 2020 and one is pending authorisation from Department of Fisheries Malaysia and the IOTC

Source: IOTC

Export and import of unprocessed fresh and frozen tuna fishes for Malaysia



Source: Comtrade, PROVIDENCE analysis

Malaysia targets to increase the number of tuna fishing vessels operating in the Indian Ocean and as such, the number of fishing vessels carrying the Malaysian flag is expected to increase moving forward.[14] As announced by the Deputy Minister of MAFI, the Government targets to increase the number of commercial fishing vessels operating in the Indian Ocean to 70 vessels by 2030.

Imports of unprocessed fresh and frozen tuna fishes into Malaysia have been on an increasing trend from 1,466 tonnes in 2014 to 1,717 tonnes in 2020. A large proportion of these imports include imports of larger tuna fishes, i.e. oceanic tuna fishes. These imports of tuna fishes are either consumed in Malaysia or re-exported to other countries.

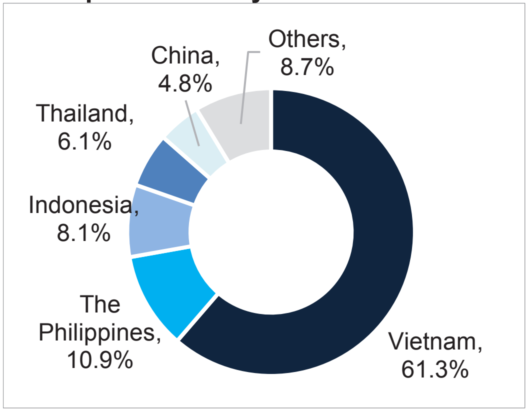
Exports play a large role in supporting Malaysia's tuna fishing industry as Malaysia exports a large proportion of its tuna fishes, particularly oceanic tuna fishes. In 2019, the exports of unprocessed fresh and frozen tuna fishes was 4,176 tonnes, which is approximately 4.5% of total tuna catch volume in the same year. The exports of unprocessed fresh and frozen tuna fishes from Malaysia have been growing year-on-year from 497 tonnes in 2014 to 6,346 tonnes in 2020.

KEY DEMAND DRIVERS

Increasing global demand for tuna fishes is expected to support the tuna fishing industry in Malaysia

Demand for tuna fishes caught in Malaysia has been supported by international markets. In 2020, the volume of unprocessed fresh and frozen tuna fishes that was exported was 6,346 tonnes. The majority was exported to Vietnam (61.3%), followed by the Philippines (10.9%), Indonesia (8.1%), Thailand (6.1%) and China (4.8%).

Exports of Malaysian tuna in 2020



Source: Comtrade

Global tuna consumption is estimated to have grown from 3.2 million tonnes in 2014 to 3.5 million tonnes in 2019, registering a CAGR of 1.8%. Demand for tuna has been growing on the back of globalisation which has led to assimilation of cultures from countries which have higher fish consumption per capita such as Japan, increasing affluence resulting from greater spending power as well as population growth.

Further details on the growth of global tuna consumption is set out in **Chapter 1 – Global Tuna Industry** of this IMR report.

The global demand for tuna fishes is likely to remain a constant driver for the tuna fishing industry in Malaysia.

Favourable Government initiatives to encourage commercial deep-sea tuna fishing activities as well as to develop a more competitive tuna industry in Malaysia will encourage the growth of the tuna fishing industry in Malaysia

The MAFI has been encouraging commercial deep-sea fishing for oceanic tuna fishes such as albacore, bigeye and yellowfin tuna fishes in Malaysia. These types of tuna fishes command premium prices and are in high demand from international markets. The MAFI has obtained a quota from IOTC in order to meet its target to increase annual catch to 30,000 tonnes of oceanic tuna fishes, which is estimated to be valued at RM300 million.

[14] As published in an article by The Star on "Only 10% of Tuna Fishing Licences Snapped Up" dated 23 April 2021

In an effort to encourage the development of commercial deep-sea fishing, particularly in the Indian Ocean, the MAFI opened 2 tuna landing ports in Penang and Langkawi which are located in Peninsular Malaysia. In the past, authorised tuna fishing vessels which carry the Malaysian flag and operate in the Indian Ocean unloaded their catches at Port Louis, Mauritius. The opening of the ports in Malaysia have encouraged tuna fishing vessel landings in Malaysia, allowing the Department of Fisheries Malaysia to better monitor and regulate the growth of the industry. MAFI intends to upgrade both of these landing ports in Malaysia to attract more tuna fishing vessels operating in the Indian Ocean to land at these ports.

The Government sees the potential for the growth of the tuna industry due to high demand from abroad. The Tuna Industry Development Strategy 2021-2023 is expected to be launched in 2021, with 10 strategies to grow and develop a more competitive and comprehensive tuna industry in the country. To further develop the industry, the MAFI is also intending to establish collaborations between the public and private sectors. These will take place along the entire tuna value chain, from tuna fishing activities, upgrading the facilities at tuna landing ports, as well as developing supporting infrastructure such as transportation, storage and processing.

These Government initiatives to develop the tuna industry as one of the country's new sources of wealth, are expected to lead to growth of the tuna fishing industry in Malaysia. The Deputy Minister of MAFI announced that the Government targets to have 70 commercial fishing vessels operating in the Indian Ocean by 2030.

Development of the tuna processing industry in Malaysia will further support growth of the tuna fishing industry in the country

The Government of Malaysia acknowledges that the processing of tuna adds value to the industry. As such, the Government of Malaysia is promoting the production of food products made from tuna. The MAFI is encouraging small and medium sized industry operators to venture into the production of processed tuna products such as steak, satay and burger patties. This will be done through the introduction of technology, using recipes which suit local palates and promotional activities. Simultaneously, the Ministry of Tourism, Arts and Culture Malaysia intends to co-operate by introducing tuna-based dishes at hotels and tourist destinations. These initiatives will provide consumers with a wider range of choices at different price points on the back of the anticipated growth in demand for tuna.

Further, the MAFI also intends to upgrade the local ports in Malaysia, i.e. in Penang and Langkawi, to encourage more landings of tuna fishing vessels operating in the Indian Ocean at these ports. This is expected to encourage the processing of tuna in the country before it is exported to other countries.

The demand for ready-to-eat tuna is the main driver of the tuna market as the majority of tuna is sold in canned form, which is approximately 75.0% of the global catch. Canned tuna is the most popular form of tuna and is consumed worldwide. It is inexpensive, readily available, comes in a variety of flavours and has a long shelf life. Canned tuna also promotes convenience and ease of consumption, as it is ready to be eaten straight from the can. Due to increasingly busy lifestyles, the population is more likely to have a dependence on prepared and ready-to-eat food, thus leading to the demand for canned tuna.

There is also growth opportunity for canned tuna in developing countries, as their consumption of tuna is relatively low compared to the European Union and USA.

Advancement in technology which allows tuna to be available all year round to meet demand

Upon capture, tuna fishes will begin to deteriorate and this affects quality, taste, appearance and texture. Fresh tuna is kept chilled in the fishing vessel, and the fishing vessel has to return to the port within 15 days. To maintain freshness during longer fishing voyages, commercial fishing vessels are equipped with blast freezers which can freeze tuna to -45°C or -60°C. This freezing technology suppresses the formation of ice crystals which begin to break down the food cells, which in turn minimises the destruction of food cells and slows down oxidation and deterioration.

This freezing technology will thus allow consumers to enjoy quality tuna as the freshness of the tuna can be maintained.

COMPETITIVE LANDSCAPE

The competitive landscape of the tuna fishing industry in Malaysia, particularly for commercial deep-sea tuna fishing, will consist of other tuna fishing vessels carrying the Malaysian flag, which are authorised to undertake commercial deep-sea fishing in the Indian Ocean.

The tuna fishing industry has high barriers to entry due to strict regulations, licensing requirements, high capital requirements and the need for staff with expertise and experience. As such, there are only 3 players in the tuna fishing industry in Malaysia, being those which have fishing vessel(s) that are authorised by the Department of Fisheries Malaysia and IOTC to fish for tuna fishes in the Indian Ocean.

These identified industry players are as detailed below:

Company name	Number of vessels owned (units)	Total registered capacity (gross registered tonnage)
AORB	4[(a)]	334
Fajar Arenaniaga Sdn Bhd	10[(b)]	1,058[(b)]
Kha Yang Marine Sdn Bhd	6[(b)]	665[(b)]

Notes:
(a) Number of fishing vessels include fishing vessels that are owned, although 1 is pending authorisation from Department of Fisheries Malaysia and/or IOTC. 2 of these vessels were only operational in 2021.
(b) Latest publicly available information is as at 30 September 2021

Source: IOTC, Companies Commission of Malaysia, AORB, PROVIDENCE

AORB owns 4 fishing vessels which carry the Malaysian flag as at 30 September 2021, out of which 3 are authorised by the Department of Fisheries Malaysia and IOTC and the remaining 1 is pending authorisation from the same parties. AORB is one of the 3 tuna fishing companies in Malaysia that own fishing vessel(s) that are authorised by the Department of Fisheries Malaysia and IOTC to fish for tuna (and tuna-like species) in the Indian Ocean.

[The rest of this page is intentionally left blank]