APPENDIX I

AUDITED COMBINED FINANCIAL STATEMENTS OF SUNMOW HOLDING SDN BHD FOR THE FYE 31 DECEMBER 2018 AND FYE 31 DECEMBER 2019

SUNMOW HOLDING SDN. BHD.

(Incorporated in Malaysia)

Registration No: 202001024626 (1380946 – V)

ACCOUNTANTS' REPORT ON THE
COMBINED FINANCIAL STATEMENTS
for the financial years ended 31 December 2018 and 2019

SUNMOW HOLDING SDN. BHD.
(Incorporated in Malaysia)
Registration No: 202001024626 (1380946 – V)

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Date: 28 DEC 2020

The Board of Directors
Sunmow Holding Sdn. Bhd.
No.142, 1st Floor,
Parkcity Commerce Square,
Jalan Tun Ahmad Zaidi,
97000 Bintulu, Sarawak.

Dear Sirs/Madam,

REPORTING ACCOUNTANTS' OPINION ON COMBINED HISTORICAL AUDITED FINANCIAL INFORMATION OF SUNMOW HOLDING SDN. BHD. ("THE COMPANY") AND ITS SUBSIDIARIES ("THE GROUP")

OPINION

We have audited the financial information of the Company and its subsidiaries (collectively known as "the Group") which comprise the combined historical audited statements of financial position as at 31 December 2018 and 2019 and the combined historical audited statements of profit or loss and other comprehensive income, combined historical audited statements of changes in equity and combined historical audited statements of cash flows of the Group for each of the financial years ended 31 December 2018 and 2019, and notes to the combined historical audited financial statements, including a summary of significant accounting policies, as set out on pages 4 to 68.

The historical financial information has been prepared for inclusion in the Information Memorandum of the Company in connection with the listing of and quotation for the entire share capital of the Company on the LEAP Market of Bursa Malaysia Securities Berhad. This report is required by the LEAP Market Listing Requirements issued by the Bursa Malaysia Securities Berhad (the "Listing Requirements") and shall not be relied for other purposes.

In our opinion, the financial information gives a true and fair view of the financial position of the Group as at 31 December 2018 and 2019, and of their financial performance and their cash flows for each of the financial years ended 31 December 2018 and 2019 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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

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DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL INFORMATION

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

In preparing the financial information of the Group, the Directors are responsible for assessing the Group'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 to cease operations, or have no realistic alternative but to do so.

REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL INFORMATION

Our objectives are to obtain reasonable assurance about whether the financial information of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a 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 information.

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 information of the Group, 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 internal control.

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial information of the Group 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 to cease to continue as a going concern.

REPORTING ACCOUNTANTS' RESPONSIBILITY FOR THE AUDIT OF FINANCIAL INFORMATION (CONT'D)

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

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

- Obtain sufficient appropriate audit evidence regarding the combined historical audited financial information of the entities or business activities within the Group to express an opinion on the combined historical audited financial information 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.

OTHER MATTERS

Our report has been prepared for inclusion in the information memorandum of the Company in connection with the listing of and quotation for the entire issued share capital of the Company on the LEAP Market of Bursa Malaysia Securities Berhad. As such, this report should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

The significant events occurring after the end of the financial year ended 31 December 2019 have been disclosed in Note 31 to the combined historical audited financial statements.

Crowe Malaysia
Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Chin Su Su
03436/05/2021 J
Chartered Accountant

Kuching 28 DEC 2020

SUNMOW HOLDING SDN. BHD.
(Incorporated in Malaysia)
Registration No: 202001024626 (1380946 – V)

COMBINED HISTORICAL AUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 AND 2018

	NOTE	2019 RM	2018 RM
ASSETS			
NON-CURRENT ASSETS			
Plant and equipment	5	3,135,538	3,360,181
Investment properties	6	24,978,043	23,299,127
Deferred tax assets	7	241,877	-
Inventories	8	619,720	600,000
		28,975,178	27,259,308
CURRENT ASSETS			
Inventories	8	5,902,402	2,148,008
Trade receivables	9	12,506,491	18,673,012
Contract assets	10	39,423,354	41,459,923
Other receivables and deposits	11	1,137,216	1,254,167
Fixed deposits with licensed banks	12	2,931,175	2,846,181
Cash and bank balances		334,401	541,122
Current tax assets		20,830	109,855
		62,255,869	67,032,268
TOTAL ASSETS		91,231,047	94,291,576

SUNMOW HOLDING SDN. BHD.
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COMBINED HISTORICAL AUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 AND 2018 (CONT'D)

	NOTE	2019 RM	2018 RM
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	2,100,100	2,100,100
Reserves		23,017,809	21,908,045
TOTAL EQUITY		25,117,909	24,008,145
NON-CURRENT LIABILITIES			
Lease liabilities	14	511,197	815,698
Long term bank borrowings	15	5,415,938	3,482,139
Deferred tax liabilities	7	109	144
		5,927,244	4,297,981
CURRENT LIABILITIES			
Trade payables	16	47,942,107	55,523,998
Other payables and accruals	17	4,120,282	3,527,670
Lease liabilities	14	981,452	1,163,543
Short term bank borrowings	15	6,875,623	5,588,697
Amount owing to directors	18	239,051	181,542
Current tax liabilities		27,379	-
		60,185,894	65,985,450
TOTAL LIABILITIES		66,113,138	70,283,431
TOTAL EQUITY AND LIABILITIES		91,231,047	94,291,576

SUNMOW HOLDING SDN. BHD.
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COMBINED HISTORICAL AUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 AND 2018

	NOTE	2019 RM	2018 RM
REVENUE	19	103,575,891	119,823,540
COST OF SALES		(95,605,127)	(110,781,509)
GROSS PROFIT		7,970,764	9,042,031
OTHER INCOME	20	672,848	858,295
		8,643,612	9,900,326
ADMINISTRATIVE EXPENSES		(6,243,714)	(5,635,473)
FINANCE COSTS		(580,774)	(567,851)
NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS	21	(165,020)	(27,601)
PROFIT BEFORE TAXATION	22	1,654,104	3,669,401
INCOME TAX EXPENSE	23	(544,340)	(1,178,823)
PROFIT AFTER TAXATION FOR THE FINANCIAL YEAR		1,109,764	2,490,578
BASIC EARNINGS PER ORDINARY SHARE (RM)	24	0.53	1.19

SUNMOW HOLDING SDN. BHD.
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COMBINED HISTORICAL AUDITED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 AND 2018

	Share Capital RM	Retained Profits RM	Total Equity RM
Balance at 1.1.2018	2,100,100	19,417,467	21,517,567
Profit after taxation for the financial year	-	2,490,578	2,490,578
Balance at 31.12.2018/1.1.2019	2,100,100	21,908,045	24,008,145
Profit after taxation for the financial year	-	1,109,764	1,109,764
Balance at 31.12.2019	2,100,100	23,017,809	25,117,909

SUNMOW HOLDING SDN. BHD.
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COMBINED HISTORICAL AUDITED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 AND 2018

	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,654,104	3,669,401
Adjustments for:-		
Depreciation:		
- plant and equipment	272,593	365,903
- investment properties	214,588	253,458
- right-of-use assets	1,340,716	1,266,084
Impairment losses:		
- contract assets	43,398	26,943
- trade receivables	121,622	658
Interest expense	580,774	567,851
Inventories written down	810,336	-
Interest income	(90,262)	(92,739)
Operating profit before working capital changes	4,947,869	6,057,559
Increase in inventories	(4,019,114)	(1,400,031)
Decrease/(Increase) in trade and other receivables	8,278,254	(5,923,661)
Decrease/(Increase) in contract assets	1,993,171	(3,195,223)
(Decrease)/Increase in trade and other payables	(9,103,866)	12,266,378
CASH FROM OPERATIONS	2,096,314	7,805,022
Interest paid	(580,774)	(567,851)
Interest received	88,445	52,285
Income tax paid	(718,564)	(2,048,878)
Income tax refunded	48,716	-
NET CASH FROM OPERATING ACTIVITIES	934,137	5,240,578

SUNMOW HOLDING SDN. BHD.
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COMBINED HISTORICAL AUDITED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 AND 2018 (CONT'D)

	NOTE	2019 RM	2018 RM
CASH FLOWS FOR INVESTING ACTIVITIES			
Purchase of plant and equipment	25(a)	(118,291)	(77,883)
Purchase of investment properties	25(a)	(1,731,690)	(2,338,894)
Addition to right-of-use assets	25(a)	(1,258,325)	(2,041,200)
Increase in fixed deposits pledged to licensed banks		(84,994)	(115,934)
NET CASH FOR INVESTING ACITIVITIES		(3,193,300)	(4,573,911)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES			
Advance from directors		57,509	22,409
Drawdown of term loans	25(b)	3,160,360	1,466,908
Increase in U-factoring facility	25(b)	1,000,000	-
Increase/(Decrease) in bankers' acceptance	25(b)	546,000	(933,000)
Repayment of lease liabilities	25(b)	(1,225,792)	(1,072,716)
Repayment of term loans	25(b)	(969,146)	(545,618)
NET CASH FROM/(FOR) FINANCING ACTIVITIES		2,568,931	(1,062,017)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		309,768	(395,350)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		(2,280,868)	(1,885,518)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	25(d)	(1,971,100)	(2,280,868)

1. GENERAL INFORMATION

Sunmow Holding Sdn. Bhd. ("the Company") is a private limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:

Registered office	: No.5-1, Jalan Radin Bagus 9, Bandar Baru Sri Petaling, 57000 Kuala Lumpur, W.P.Kuala Lumpur.
Principal place of business	: No.142, 1st Floor, Parkcity Commerce Square, Jalan Tun Ahmad Zaidi, 97000 Bintulu, Sarawak.

The principal activity of the Company is investment holding. The principal activities of the combining entities, Sunmow Construction Sdn. Bhd., Sunmow Trading Sdn. Bhd. and Sunmow Development Sdn. Bhd. are stated in Note 3 to the combined historical audited financial statements.

The combined historical audited financial information, for which the Directors are solely responsible, have been prepared for illustrative purpose only. The following key matter has been assumed in the combined financial statements.

(a) The financial information as presented in the combined historical audited financial statements do not correspond to the actual consolidated financial statements of Sunmow Holding Sdn. Bhd., Sunmow Construction Sdn. Bhd., Sunmow Trading Sdn. Bhd and Sunmow Development Sdn. Bhd., as the combined historical audited financial statements reflect business combinations under common control for the purpose of the proposed listing. Consequently, the financial information from the combined historical audited financial statements do not purport to predict the financial positions, results of operations and cash flows of the combining entities during the reporting year.

2. PRINCIPAL ACTIVITIES

The Group are principally engaged in construction contract works, trading in building materials and tools and property development.

3. BASIS OF PREPARATION

The Company was incorporated on 21 August 2020 for the purpose of a restructuring exercise that will result in the Company becoming the holding company of the Group.

Sunmow Group has not been established as at the end of the financial year ended ("FYE") 31 December 2019 and hence, there are no consolidated financial statements of the Group for FYE 31 December 2018 and 2019.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of common controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

3. BASIS OF PREPARATION (CONT'D)

The combined historical audited financial statements of Sunmow Group for the FYE 31 December 2018 and 2019 were prepared in a manner similar to the "pooling-of-interest" method, as if the entities within Sunmow Group were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period or the dates of incorporation of entities within the Group, if later. Such manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant period.

The identifiable assets and liabilities of all commonly controlled entities are accounted for at their historical costs. The accounting policies of common controlled entities have been changed where necessary to align them with the policies adopted by Sunmow Group.

All material intra-group transactions and balances have been eliminated on combination.

The combined historical audited financial statements consist of the financial statements of combining entities which were under common control throughout the reporting year by virtue of common controlling shareholders as follows:

Name of Combining Entities	Country of Incorporation	Principal Activities	Effective Equity Interest 2019 %	Effective Equity Interest 2018 %
Sunmow Construction Sdn. Bhd.	Malaysia	Construction contract works	100	100
Sunmow Trading Sdn. Bhd.	Malaysia	Trading in building materials and tools	100	100
Sunmow Development Sdn. Bhd.	Malaysia	Property development	100	100

The audited financial statements of all the companies within the Group for the relevant years/period reported above were not subject to any qualification or modification.

The financial information as presented in the combined financial statements do not correspond to the consolidated financial statements of the Company, as the combined financial statements reflect business combinations under common control for the purpose of the proposed listing. Consequently, the financial information from the combined financial statements do not purport to predict the financial positions, results of operations and cash flows of the combining entities during the reporting years.

The combined financial statements have been prepared by using financial information obtained from the records of the combining entities during the reporting years/periods.

3. BASIS OF PREPARATION (CONT'D)

We were appointed auditors for the subsidiary companies for the following financial years/period ended:

(i) Sunmow Construction Sdn. Bhd.
- financial year ended 31 December 2018 and 31 December 2019

(ii) Sunmow Trading Sdn. Bhd.
- financial year ended 31 December 2018 and 31 December 2019

(iii) Sunmow Development Sdn. Bhd.
- financial period from 1 October 2019 to 31 December 2019

The combined historical audited financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards.

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3. BASIS OF PREPARATION (CONT'D)

3.1 During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

IC Interpretation 23 Uncertainty Over Income Tax Treatments

Amendments to MFRS 9: Prepayment Features with Negative Compensation

Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement

Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures

Annual Improvements to MFRS Standards 2015 – 2017 Cycles

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's combined historical audited financial statements:-

MFRS 16 Leases

The Group has elected to early adopt MFRS 16 which is effective on or after 1 January 2019.

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaced the previous guidance on lease accounting. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their lease assets and the related lease obligations in the combined historical audited statements of financial position (with limited exceptions) as right-of-use assets and lease liabilities respectively. The right-of-use assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method.

The adoption did not have any material impact on the Group's combined historical audited financial statements other than the new disclosures of MFRS 16 made in Note 5, Note 6 and Note 14 to the combined historical audited financial statements.

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3. BASIS OF PREPARATION (CONT'D)

3.2 The Group have not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	**Effective Date**
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16: COVID-19-Related Rent Concessions	1 June 2020
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the combined historical audited financial statements of the Group upon their initial application.

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4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Impairment of Plant and Equipment/Investment Properties/Right-of-use Assets

The Group determines whether an item of its plant and equipment/investment properties/right-of-use assets is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates.

(c) Write-down of Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:- (Cont'd)

(d) Impairment of Trade Receivables and Contract Assets

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables and contract assets. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables and contract assets.

(e) Revenue Recognition for Construction Contracts

The Group recognises construction revenue by reference to the construction progress using the input method, determined based on the proportion of construction costs incurred for work performed to date over the estimated total construction costs. The total estimated costs are based on approved budgets, which require assessment and judgement to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, management relies on past experience and the work of specialists.

(f) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made.

(g) Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences could be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the assessment of the probability of the future taxable profits.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(a) Lease Terms

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

In determining the incremental borrowing rate of the respective leases. The Group first determines 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.

4.2 BASIS OF CONSOLIDATION

The combined historical audited financial statements incorporate the audited financial statements of the Sunmow Construction Sdn. Bhd., Sunmow Trading Sdn. Bhd. and Sunmow Development Sdn. Bhd..

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, 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 significant affect the investee's return.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

(a) Merger Accounting for Common Control Business Combinations

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current financial year.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business, combination to the extent of the continuation of the controlling party and parties' interests.

When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included for the full financial year.

(b) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in the equity of the Group.

(c) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

(c) Loss of Control (Cont'd)

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value of the initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.3 FUNCTIONAL AND FOREIGN CURRENCIES

Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The combined historical audited financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

4.4 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the combined historical audited statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 – Revenue from Contracts with Customers at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the combined historical audited statements of financial position are disclosed in the individual policy statement associated with each item.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary Shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) 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 when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

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

4.5 PLANT AND EQUIPMENT

All items of 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.

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

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 plant and equipment are recognised in profit or loss as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 PLANT AND EQUIPMENT (CONT'D)

Depreciation on plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) 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 principal annual rates used for this purpose are:-

Equipment	10% - 20%
Furniture and fittings	10%
Motor vehicles	20%
Office equipment	10%
Plant and machinery	20%
Renovation	10%
Signboard	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 plant and equipment. Any changes are accounted for as a change in estimate.

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

An item of 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.

4.6 INVESTMENT PROPERTIES

Investment properties are properties which are owned or right-of-use asset held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties which are owned are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The right-of-use asset held under a lease contract that meets the definition of investment property is measured initially similarly as other right-of-use assets.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on a straight-line method over the estimated useful lives of the investment properties. The estimated useful lives of the investment properties are within 7 years to 99 years.

Investment property under construction is not depreciated.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 INVESTMENT PROPERTIES (CONT'D)

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

4.7 LEASES

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets that do not meet the definition of investment property and the associated lease liabilities are presented as a separate line item in the combined historical audited statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 IMPAIRMENT

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income, trade receivables and contract assets.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the combined historical audited statements of financial position.

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An impairment loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 IMPAIRMENT (CONT'D)

(b) Impairment of Non-financial Assets (Cont'd)

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

4.9 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost and net realisable value are determined as below:-

(a) Properties Held for Future Development

The costs comprise costs associated with the conversion fees, aggregate costs of development, materials and supplies, wages and other direct expenses and an appropriate proportion of common infrastructure costs and borrowing costs capitalised.

Net realisable value represents the estimated selling price of intended properties that to be developed less the estimated costs of completion and the estimated costs necessary in selling the properties. If the future development layout plan is not available, the replacement cost of the properties held for future development will be the best available measure of the net realisable value.

Properties held for future development for which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operation cycle is classified as non-current asset.

Properties held for future development is transferred to properties under development for sale category when development activities have commenced and are expected to be completed within the Group's normal operating cycle.

(b) Properties Held for Sale

The costs comprise the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

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

(c) Materials

Cost is determined on the first-in, first-out method and comprise the purchase price and incidentals incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 CONTRACT ASSET AND CONTRACT LIABILITY

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment requirements of MFRS 9 – Financial Instruments.

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

4.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and 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. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

4.12 PROVISIONS

Provisions are recognised when the Group has 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.

4.13 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.14 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss.

(b) Deferred Tax

Deferred tax is recognised using the liability method for all temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets recognised are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

4.15 OPERATING SEGMENTS

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 to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of financing a specific project-in-progress, in which case the actual borrowing costs incurred on that borrowings less any investment income on temporary investment of that borrowings will be capitalised.

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

4.17 FAIR VALUE MEASUREMENTS

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, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

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

Level 3: Inputs are unobservable inputs for the asset or liability.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.18 REVENUE FROM CONTRACT WITH CUSTOMERS

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when it transfers control over a product or service to customer. An asset is transferred when the customer obtains control of that asset.

The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(a) Sale of Goods

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Construction Services

Revenue from construction services is recognised over time in the period in which the services are rendered using the input method, determined based the proportion of construction costs incurred for work performed to date over the estimated total construction costs Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and penalties. Past experience is used to estimate and provide for the variable consideration, using expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognised when the construction services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the construction services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 OTHER OPERATING INCOME

(a) Interest Income

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

(b) Hiring Income

Hiring income is recognised when the services are delivered.

(c) Labour Supply

Revenue from labour supply is recognised when the services are delivered.

(d) Rental Income

Rental income from investment properties is accounted for on a straight-line method over the lease term.

4.20 EARNINGS PER ORDINARY SHARES

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

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5. PLANT AND EQUIPMENT

	At 1.1.2019 RM	Additions RM	Depreciation Charges RM	At 31.12.2019 RM
2019				
Carrying Amount				
Owned assets				
Equipment	722,359	29,700	(154,832)	597,227
Furniture and fittings	33,235	4,047	(8,130)	29,152
Motor vehicles	99,561	-	(82,100)	17,461
Office equipment	45,191	17,544	(5,981)	56,754
Plant and machinery	-	67,000	(12,283)	54,717
Renovation	54,921	-	(8,983)	45,938
Signboard	1,953	-	(284)	1,669
	957,220	118,291	(272,593)	802,918
Right-of-use assets				
Motor vehicles	1,496,664	396,033	(761,320)	1,131,377
Plant and machinery	906,297	607,150	(312,204)	1,201,243
	2,402,961	1,003,183	(1,073,524)	2,332,620
	3,360,181	1,121,474	(1,346,117)	3,135,538

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5. PLANT AND EQUIPMENT (CONT'D)

	At 1.1.2018 RM	Additions RM	Depreciation Charges RM	At 31.12.2018 RM
2018				
Carrying Amount				
Owned assets				
Equipment	872,368	7,110	(157,119)	722,359
Furniture and fittings	34,759	6,449	(7,973)	33,235
Motor vehicles	270,993	15,000	(186,432)	99,561
Office equipment	960	49,324	(5,093)	45,191
Renovation	63,921	-	(9,000)	54,921
Signboard	2,239	-	(286)	1,953
	1,245,240	77,883	(365,903)	957,220
Right-of-use assets				
Motor vehicles	1,915,074	286,100	(704,510)	1,496,664
Plant and machinery	1,208,396	-	(302,099)	906,297
	3,123,470	286,100	(1,006,609)	2,402,961
	4,368,710	363,983	(1,372,512)	3,360,181

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5. PLANT AND EQUIPMENT (CONT'D)

	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
31.12.2019			
Owned assets			
Equipment	1,661,099	(1,063,872)	597,227
Furniture and fittings	87,537	(58,385)	29,152
Motor vehicles	10,711,484	(10,694,023)	17,461
Office equipment	68,468	(11,714)	56,754
Plant and machinery	68,650	(13,933)	54,717
Renovation	89,993	(44,055)	45,938
Signboard	3,580	(1,911)	1,669
	12,690,811	(11,887,893)	802,918
Right-of-use-assets			
Motor vehicles	3,917,179	(2,785,802)	1,131,377
Plant and machinery	2,117,645	(916,402)	1,201,243
	6,034,824	(3,702,204)	2,332,620
	18,725,635	(15,590,097)	3,135,538

	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
31.12.2018			
Owned assets			
Equipment	1,631,399	(909,040)	722,359
Furniture and fittings	83,490	(50,255)	33,235
Motor vehicles	10,711,484	(10,611,923)	99,561
Office equipment	50,924	(5,733)	45,191
Plant and machinery	1,650	(1,650)	-
Renovation	89,993	(35,072)	54,921
Signboard	3,580	(1,627)	1,953
	12,572,520	(11,615,300)	957,220
Right-of-use-assets			
Motor vehicles	3,521,146	(2,024,482)	1,496,664
Plant and machinery	1,510,495	(604,198)	906,297
	5,031,641	(2,628,680)	2,402,961
	17,604,161	(14,243,980)	3,360,181

5. PLANT AND EQUIPMENT (CONT'D)

(a) The Group has lease contracts for equipment and motor vehicles used in its operations. Their lease range from 1 to 3 years.

(b) The motor vehicles have been leased under hire purchase agreements. The leases are secured by the leased assets. The Group has an option to purchase the asset at the expiry of the lease period at an insignificant amount.

6. INVESTMENT PROPERTIES

	At 1.1.2019 RM	Additions RM	Transfer to Inventories RM	Depreciation Charges RM	At 31.12.2019 RM
2019					
Carrying Amount					
Capital work-in-progress	4,923,252	1,731,690	(565,336)	-	6,089,606
Owned assets					
Buildings	11,402,020	-	-	(214,588)	11,187,432
Right-of-use assets					
Leasehold land	6,973,855	994,342	-	(267,192)	7,701,005
	23,299,127	2,726,032	(565,336)	(481,780)	24,978,043

	At 1.1.2018 RM	Additions RM	Depreciation Charges RM	At 31.12.2018 RM
2018				
Carrying Amount				
Capital work-in-progress	3,887,758	1,035,494	-	4,923,252
Owned assets				
Buildings	10,352,078	1,303,400	(253,458)	11,402,020
Right-of-use assets				
Leasehold land	5,278,230	1,955,100	(259,475)	6,973,855
	19,518,066	4,293,994	(512,933)	23,299,127

6. INVESTMENT PROPERTIES (CONT'D)

	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
31.12.2019			
Capital work-in-progress	6,089,606	-	6,089,606
<u>Owned assets</u>			
Buildings	11,675,030	(487,598)	11,187,432
<u>Right-of-use-assets</u>			
Leasehold land	8,675,796	(974,791)	7,701,005
	26,440,432	(1,462,389)	24,978,043

	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
31.12.2018			
Capital work-in-progress	4,923,252	-	4,923,252
<u>Owned assets</u>			
Buildings	11,675,030	(273,010)	11,402,020
<u>Right-of-use-assets</u>			
Leasehold land	7,681,454	(707,599)	6,973,855
	24,279,736	(980,609)	23,299,127

	2019 RM	**2018** RM
Fair value of land and buildings	31,593,658	29,412,603

(a) The leasehold land and buildings have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 15.

(b) The fair value of the investment properties are based on directors' estimation which are arrived at by reference to market evidence of transaction prices for similar properties and recent experience in the locations and category of properties being valued. The most significant input into this valuation approach is the price per square foot of comparable properties. Adjustments are then made for differences in location, size, facilities available, market conditions and other factors in order to arrive at a common basis.

7. DEFERRED TAX ASSETS/(LIABILITIES)

	At 1.1.2019 RM	Recognised in Profit or Loss (Note 23) RM	At 31.12.2019 RM
2019			
Deferred tax assets			
Plant and equipment	-	241,877	241,877
Deferred tax liabilities			
Plant and equipment	(144)	35	(109)
	(144)	241,912	241,768

	At 1.1.2018 RM	Recognised in Profit or Loss (Note 23) RM	At 31.12.2018 RM
2018			
Deferred tax liabilities			
Plant and equipment	(143)	(1)	(144)

At the end of the reporting period, the amounts of deferred tax assets not recognised due to uncertainty of their realisation are as follows:-

	2019 RM	**2018** RM
Unused tax losses	79,420	-

No deferred tax assets are recognised in respect of these items as it is not probable that taxable profits of the Company will be available against which the deductible temporary differences can be utilised.

The unused tax losses are allowed to be utilised for 7 consecutive years of assessment while the unabsorbed capital allowances are allowed to be carried forward indefinitely.

8. INVENTORIES

	2019 RM	2018 RM
Non-current		
At cost:-		
Property development costs	619,720	600,000
Current		
At cost:-		
Materials	33,600	24,008
Properties - Completed units	3,361,030	-
- Under construction	392,772	2,124,000
At net realisable value:-		
Properties - Completed units	2,115,000	-
	5,902,402	2,148,008
	6,522,122	2,748,008
Recognised in profit or loss:-		
Inventories recognised as cost of sales	54,408	147,680
Amount written down to net realisable value	810,336	-

(a) Property development costs

	2019 RM	2018 RM
Cost:		
At 1 January	600,000	-
Addition during the financial year	19,720	600,000
At 31 December	619,720	600,000

9. TRADE RECEIVABLES

	2019 RM	2018 RM
Third parties	12,996,328	18,878,527
Related parties	-	162,700
	12,996,328	19,041,227
Allowance for impairment losses	(489,837)	(368,215)
	12,506,491	18,673,012
Allowance for impairment losses:-		
At 1 January	368,215	367,557
Addition during the financial year	121,622	658
At 31 December	489,837	368,215

The Group's normal trade credit term range from 30 to 90 (2018 – 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

10. CONTRACT ASSETS

	2019 RM	2018 RM
Contract Assets		
Contract assets relating to construction contracts	39,493,695	41,486,866
Allowance for impairment losses	(70,341)	(26,943)
	39,423,354	41,459,923

	2019 RM	2018 RM
Allowance for impairment losses:-		
At 1 January	26,943	-
Addition during the financial year	43,398	26,943
At 31 December	70,341	26,943

(a) The contract assets primarily relate to the Group's right to consideration for construction work completed on construction contracts but not yet billed as at the reporting date.

10. CONTRACT ASSETS (CONT'D)

(b) The changes to contract assets balances during the financial year are summarised below:-

	2019 RM	2018 RM
At 1 January	41,459,923	38,291,643
Revenue recognised in profit or loss during the financial year	102,491,261	119,636,533
Billings to customers during the financial year	(104,484,432)	(116,441,310)
Impairment losses on contract assets	(43,398)	(26,943)
At 31 December	39,423,354	41,459,923

Included in contract assets are retention sums totalling RM15,519,129 (2018 – RM14,351,820).

(c) As at the end of the reporting period, the transaction price allocated to the unsatisfied or partially unsatisfied performance obligations of contract is RM99,825,088 (2018 – RM100,686,548).

	2019 RM	2018 RM
Within 1 year	75,064,611	29,761,955
Between 1 and 5 years	24,760,477	70,924,593
At 31 December	99,825,088	100,686,548

11. OTHER RECEIVABLES AND DEPOSITS

	2019 RM	2018 RM
Other receivables:-		
Third parties	709,466	867,440
Related parties	-	10,830
	709,466	878,270
Deposits	427,750	375,897
	1,137,216	1,254,167

The amount owing by related parties represents unsecured, interest-free advances which are repayable on demand and are to be settled in cash.

12. FIXED DEPOSITS WITH LICENSED BANKS

(a) The fixed deposits with licensed banks of the Group at the end of the reporting period bore effective interest rates ranging from 2.55% to 3.25% (2018 – 2.55% to 3.05%) per annum. The fixed deposits have maturity periods ranging from 1 to 12 (2018 – 1 to 12) months for the Group.

(b) Included in the fixed deposits with licensed banks of the Group at the end of the reporting period was an amount of RM2,931,175 (2018 – RM2,846,181) which has been pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 15.

13. SHARE CAPITAL

	2019	2018	2019	2018
	Number Of Shares		RM	RM
Issued and Fully Paid-Up				
Ordinary Shares				
Sunmow Construction Sdn. Bhd.	2,000,000	2,000,000	2,000,000	2,000,000
Sunmow Trading Sdn. Bhd.	100	100	100	100
Sunmow Development Sdn. Bhd.	100,000	100,000	100,000	100,000
At 31 December	2,100,100	2,100,100	2,100,100	2,100,100

The holders of ordinary shares are entitled to receive dividends as and when declared by the Group, and are entitled to one vote per ordinary share at meetings of the Group. The ordinary shares have no par value.

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14. LEASE LIABILITIES

	2019 RM	2018 RM
At 1 January	1,979,241	2,851,957
Additions	739,200	200,000
Interest expense recognised in profit or loss (Note 22)	93,956	144,998
Repayment of principal	(1,225,792)	(1,072,716)
Repayment of interest expense	(93,956)	(144,998)
	1,492,649	1,979,241
Analysed by:-		
Current liabilities	981,452	1,163,543
Non-current liabilities	511,197	815,698
	1,492,649	1,979,241

(a) Certain lease liabilities of the Group are secured by the Group's motor vehicles under the hire purchase arrangements with lease terms ranging from 1 to 3 (2018 – 1 to 3) years and bear effective interest rates from 2.42% to 4.00% (2018 - 2.42% to 4.00%).

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15. BANK BORROWINGS

	2019 RM	2018 RM
Short term borrowings:		
- Bank overdrafts	2,305,501	2,821,990
- Bankers' acceptances	2,424,000	1,878,000
- Term loans	1,146,122	888,707
- U-factoring facility	1,000,000	-
	6,875,623	5,588,697
Long term borrowings:		
- Term loans	5,415,938	3,482,139
Total borrowings:		
- Bank overdrafts	2,305,501	2,821,990
- Bankers' acceptances	2,424,000	1,878,000
- Term loans	6,562,060	4,370,846
- U-factoring facility	1,000,000	-
	12,291,561	9,070,836

(a) The borrowings of the Group were secured by way of:-
   (i) first party legal charge over the Group's plant and equipment (Note 5);
   (ii) fixed charge over certain Group's investment properties (Note 6); and
   (iii) pledge of fixed deposits of the Group (Note 12).

(b) The bank overdrafts of the Group at the end of the reporting period bore floating interest rates, ranging from 5.00% to 7.97% (2018 – 5.00% to 7.97%) per annum.

(c) The bankers' acceptance of the Group at the end of the reporting period bore floating interest rates, ranging from 3.82% to 4.97% (2018 – 3.99% to 5.27%) per annum.

(d) The term loans of the Group at the end of the reporting period bore effective interest rates ranging from 4.25% to 8.22% (2018 – 4.43% to 8.38%), are repayable in monthly instalments ranging from RM1,569 to RM47,815 (2018 – RM1,569 to RM47,815) and will be fully settled on various dates between 2020 to 2033.

(e) The U-factoring facility allowed the sales of Group's debts to bank in exchange for money for working capital purposes and bore interest rate of 10.57% (2018 – Nil).

16. TRADE PAYABLES

	2019 RM	2018 RM
Third parties	40,944,694	50,852,983
Related parties	1,126,214	967,622
	42,070,908	51,820,605
Add: Retention sums	5,871,199	3,703,393
	47,942,107	55,523,998

(a) The normal trade credit term granted to the Group range from 30 to 60 (2018 – 30 to 60) days.

(b) The retention sums are expected to be settled within the periods ranging from 1 to 3 (2018 – 1 to 3) years.

(c) The amount owing to related parties is unsecured, interest free and repayable on demand.

17. OTHER PAYABLES AND ACCRUALS

	2019 RM	2018 RM
Other payables:-		
Third parties	3,369,085	2,555,193
Accruals	747,597	972,477
Deposit	3,600	-
	4,120,282	3,527,670

18. AMOUNT OWING TO DIRECTORS

The amount owing to directors represents non trade transactions which is unsecured, interest free and repayable on demand.

19. REVENUE

	2019 RM	2018 RM
<u>Revenue from Contracts with Customers</u>		
Construction contracts	102,491,261	119,636,533
Sale of goods	1,084,630	187,007
	103,575,891	119,823,540

20. OTHER INCOME

	2019 RM	2018 RM
Hiring income	54,380	66,171
Interest income:		
- fixed deposits with licensed banks	86,812	88,459
- others	3,450	4,280
Labour supply	45,980	22,557
Rental income	94,328	99,184
Sundry income	387,898	577,644
	672,848	858,295

21. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS

	2019 RM	2018 RM
Impairment losses:		
- trade receivables (Note 9)	121,622	658
- contract assets (Note 10)	43,398	26,943
	165,020	27,601

22. PROFIT BEFORE TAXATION

	2019 RM	2018 RM
Profit before taxation for the financial year is arrived at after charging:-		
Auditors' remuneration:		
- current financial year	56,050	22,200
- overprovision in the previous financial year	-	(500)
Depreciation:		
- plant and equipment	272,593	365,903
- investment properties	214,588	253,458
- right-of-use assets	1,340,716	1,266,084
Directors' non-fees emoluments:		
- salaries, bonuses and allowances	835,000	890,800
- E.I.S. contributions	380	379
- E.P.F. contributions	101,400	109,100
- SOCSO contributions	3,314	3,315

22. PROFIT BEFORE TAXATION (CONT'D)

	2019 RM	2018 RM
Profit before taxation for the financial year is arrived at after charging:- (Cont'd)		
Interest expense:		
- bank overdrafts	80,603	61,448
- bankers' acceptance	149,339	179,183
- term loans	221,692	182,222
- U-factoring	35,184	-
Interest expense on lease liabilities	93,956	144,998
Inventories written down	810,336	-
Short-term lease expenses:		
- equipment	715,034	938,654
- office	24,000	24,000
- site	179,650	182,600
Staff costs:		
- salaries, wages, bonuses and allowances	4,034,902	4,287,994
- E.I.S. contributions	7,208	7,355
- E.P.F. contributions	485,559	422,398
- SOCSO contributions	91,777	65,706

23. INCOME TAX EXPENSE

	2019 RM	2018 RM
Current tax expense:		
- for the financial year	784,521	1,071,582
- underprovision in the previous financial year	1,731	107,240
	786,252	1,178,822
Deferred tax (income)/expense (Note 7):		
- for the financial year	98,765	1
- overprovision in the previous financial year	(340,677)	-
	(241,912)	1
	544,340	1,178,823

23. INCOME TAX EXPENSE (CONT'D)

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

	2019 RM	2018 RM
Profit before taxation	1,654,104	3,669,401
Tax at the statutory tax rate of 24% (2018 - 24%)	396,985	880,656
Non-deductible expenses	467,240	190,927
Deferred tax assets not recognised during the financial year	19,061	-
Underprovision of current tax in the previous financial year	1,731	107,240
Overprovision of deferred taxation in the previous financial year	(340,677)	-
Income tax expense for the financial year	544,340	1,178,823

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018 – 24%) of the estimated assessable profit for the financial year.

24. EARNINGS PER SHARE

	2019 RM	2018 RM
Profit after taxation (RM)	1,109,764	2,490,578
Profit attributable to owners of the Company (RM)	1,109,764	2,490,578
Weighted average number of ordinary shares at 31 December	2,100,100	2,100,100
Basic earnings per ordinary share (RM)	0.53	1.19

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25. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of plant and equipment, investment properties and the addition of right-of-use assets is as follows:-

	2019 RM	2018 RM
Plant and equipment		
Cost of plant and equipment purchased (Note 5)	118,291	77,883
Investment properties		
Cost of investment properties purchased (Note 6)	1,731,690	2,338,894
Right-of-use assets		
Cost of right-of-use assets acquired	1,997,525	2,241,200
Less: Addition of new lease liabilities (Note 25(b))	(739,200)	(200,000)
	1,258,325	2,041,200

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25. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows:-

	Bankers' Acceptance RM	Term Loans RM	U-factoring Facility RM	Lease Liabilities RM	Total RM
2019					
At 1 January	1,878,000	4,370,846	-	1,979,241	8,228,087
Changes in Financing Cash Flows					
Proceeds from drawdown	10,996,000	3,160,360	7,450,000	-	21,606,360
Repayment of principal	(10,450,000)	(969,146)	(6,450,000)	(1,225,792)	(19,094,938)
Repayment of interests	(149,339)	(221,692)	(35,184)	(93,956)	(500,171)
	396,661	1,969,522	964,816	(1,319,748)	2,011,251
Non-cash Changes					
Acquisition of new leases (Note 14 and 25(a))	-	-	-	739,200	739,200
Interest expense recognised in profit or loss (Note 22)	149,339	221,692	35,184	93,956	500,171
	149,339	221,692	35,184	833,156	1,239,371
At 31 December	2,424,000	6,562,060	1,000,000	1,492,649	11,478,709

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25. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows:- (Cont'd)

	Bankers' Acceptance RM	Term Loans RM	Hire Purchase RM	Lease Liabilities RM	Total RM
2018					
At 1 January	2,811,000	3,449,556	-	2,851,957	9,112,513
Changes in Financing Cash Flows					
Proceeds from drawdown	9,204,000	1,466,908	-	-	10,670,908
Repayment of principal	(10,137,000)	(545,618)	-	(1,072,716)	(11,755,334)
Repayment of interests	(179,183)	(182,222)	-	(144,998)	(506,403)
	(1,112,183)	739,068	-	(1,217,714)	(1,590,829)
Non-cash Changes					
Acquisition of new leases (Note 14 and 25(a))	-	-	-	200,000	200,000
Interest expense recognised in profit or or loss (Note 22)	179,183	182,222	-	144,998	506,403
	179,183	182,222	-	344,998	706,403
At 31 December	1,878,000	4,370,846	-	1,979,241	8,228,087

(c) The total cash outflows for leases as a lessee are as follows:-

	2019 RM	**2018** RM
Interest paid on lease liabilities	93,956	144,998
Payment of lease liabilities	1,225,792	1,072,716
Payment of short-term leases	918,684	1,145,254
	2,238,432	2,362,968

25. CASH FLOW INFORMATION (CONT'D)

(d) The cash and cash equivalents comprise the following:-

	2019 RM	2018 RM
Fixed deposits with licensed banks	2,931,175	2,846,181
Cash and bank balances	334,401	541,122
Bank overdrafts (Note 15)	(2,305,501)	(2,821,990)
	960,075	565,313
Less: Fixed deposits pledged to licensed banks (Note 12(b))	(2,931,175)	(2,846,181)
	(1,971,100)	(2,280,868)

26. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation during the financial year are as follows:-

	2019 RM	2018 RM
Directors		
Short-term employee benefits:		
- salaries, bonuses and other benefits	838,694	894,494
Defined contribution benefits	101,400	109,100
Total directors' remuneration (Note 22)	940,094	1,003,594

The estimated monetary value of benefits-in-kind provided by the Group to the directors of the Group was RM51,960 (2018 – RM51,960).

27. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control.

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group also carried out the following significant transactions with the related parties during the financial year:-

	2019 RM	2018 RM
Contract fees received from companies related to certain director of the Group	-	(11,500)
Hiring charges paid or payable to a company in which a director of the Group has a substantial financial interest	312,000	312,000
Property development costs paid or payable to a company in which a director of the Group is a member	-	600,000

The significant outstanding balances of the related parties (including the allowance for impairment loss made) together with their terms and conditions are disclosed in the respective notes to the financial statements.

During the financial year, Sunmow Development Sdn. Bhd. entered into a development agreement with landowner to develop a parcel of land into residential housing project, where the landowner consist of directors of Sunmow Development Sdn. Bhd..

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28. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Managing Director as its chief operating decision maker in order to allocate resources to segments and to assess their performance on a quarterly basis. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 3 main reportable segments as follows:-

- Construction Segment – involved in construction contract works.
- Trading Segment – involved in trading of building materials and tools.
- Property Development Segment

(a) The Managing Director assesses the performance of the reportable segments based on their profit before interest expense and taxation. The accounting policies of the reportable segments are the same as the Group's accounting policies.

(b) Each reportable segment assets is measured based on all assets of the segment other than tax-related assets.

(c) Each reportable segment liabilities is measured based on all liabilities of the segment other than borrowings and tax-related liabilities.

Transactions between reportable segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation.

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28. OPERATING SEGMENTS (CONT'D)

28.1 BUSINESS SEGMENTS

	Construction RM	Trading RM	Property development RM	Group RM
2019				
Revenue				
External revenue	103,541,261	34,630	-	103,575,891
Inter-segment revenue	-	109,221	-	109,221
	103,541,261	143,851	-	103,685,112
Consolidation adjustments				(109,221)
Consolidated revenue				103,575,891
Represented by:-				
Revenue recognised at a point of time				
- Sales of goods	1,050,000	143,851	-	1,193,851
Revenue recognised over time				
- Construction services	102,491,261	-	-	102,491,261
	103,541,261	143,851	-	103,685,112
Consolidation adjustments				(109,221)
				103,575,891
Results				
Segment profit/(loss)	2,320,633	(81,369)	(4,386)	2,234,878
Finance costs	(580,774)	-	-	(580,774)
Consolidated profit before taxation				1,654,104
Segment profit/(loss) includes the followings:-				
Interest income	(90,047)	(215)	-	(90,262)
Interest expense	580,774	-	-	580,774
Depreciation:				
- plant and equipment	272,433	160	-	272,593
- investment properties	214,588	-	-	214,588
- right-of-use assets	1,340,716	-	-	1,340,716
Inventories written down	810,336	-	-	810,336
Allowance for impairment losses on:				
- trade receivables	121,622	-	-	121,622
- contract assets	43,398	-	-	43,398

28. OPERATING SEGMENTS (CONT'D)

28.1 BUSINESS SEGMENTS (CONT'D)

	Construction RM	Trading RM	Property development RM	Group RM
2019				
Assets				
Segment assets	90,461,080	635,934	657,975	91,754,989
Consolidation adjustments				(523,942)
Consolidated total assets				91,231,047
Additions to non-current assets other than financial instruments and deferred tax assets are:-				
Plant and equipment	118,291	-	-	118,291
Inventories - property development costs	-	-	19,720	19,720
Investment properties	1,731,690	-	-	1,731,690
Right-of-use assets	1,997,525	-	-	1,997,525
Liabilities				
Segment liabilities	65,975,246	39,724	622,110	66,637,080
Consolidation adjustments				(523,942)
Consolidated total liabilities				66,113,138

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28. OPERATING SEGMENTS (CONT'D)

28.1 BUSINESS SEGMENTS (CONT'D)

	Construction RM	Trading RM	Property development RM	Group RM
2018				
Revenue				
External revenue	119,636,533	187,007	-	119,823,540
Inter-segment revenue	-	206,819	-	206,819
	119,636,533	393,826	-	120,030,359
Consolidation adjustments				(206,819)
Consolidated revenue				119,823,540
Represented by:-				
Revenue recognised at a point of time				
- Sales of goods	-	393,826	-	393,826
Revenue recognised over time				
- Construction services	119,636,533	-	-	119,636,533
	119,636,533	393,826	-	120,030,359
Consolidation adjustments				(206,819)
				119,823,540
Results				
Segment profit/(loss)	4,183,134	63,286	(9,168)	4,237,252
Finance costs	(567,851)	-	-	(567,851)
Consolidated profit before taxation				3,669,401
Segment profit/(loss) includes the followings:-				
Interest income	(91,147)	(1,592)	-	(92,739)
Interest expense	567,851	-	-	567,851
Depreciation:				
- property and equipment	365,743	160	-	365,903
- investment properties	253,458	-	-	253,458
- right-of-use assets	1,266,084	-	-	1,266,084
Inventories written down	-	-	-	-
Allowance for impairment losses on:				
- trade receivables	658	-	-	658
- contract assets	26,943	-	-	26,943

28. OPERATING SEGMENTS (CONT'D)

28.1 BUSINESS SEGMENTS (CONT'D)

	Construction RM	Trading RM	Property development RM	Group RM
2018				
Assets				
Segment assets	93,442,369	728,637	641,590	94,812,596
Consolidation adjustments				(521,020)
Consolidated total assets				94,291,576
Additions to non-current assets other than financial instruments and deferred tax assets are:-				
Property and equipment	77,883	-	-	77,883
Inventories - property development costs	-	-	600,000	600,000
Investment properties	2,338,894	-	-	2,338,894
Right-of-use assets	2,241,200	-	-	2,241,200
Liabilities				
Segment liabilities	70,152,089	51,023	601,339	70,804,451
Consolidation adjustments				(521,020)
Consolidated total liabilities				70,283,431

28.2 GEOGRAPHICAL INFORMATION

The Group operates predominantly in Malaysia. Accordingly, the information by geographical segments is not presented.

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28. OPERATING SEGMENTS (CONT'D)

28.3 MAJOR CUSTOMERS

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

	Revenue 2019 RM	Revenue 2018 RM	Segment
Customer #1	16,547,854	17,232,821	Construction
Customer #2	18,716,130	30,370,573	Construction
Customer #3	11,733,632	14,620,394	Construction
Customer #4	23,934,092	28,958,898	Construction

29. CAPITAL COMMITMENTS

	2019 RM	2018 RM
Construction of investment properties	3,780,619	5,256,994

30. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

30.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group does not have any transactions or balances denominated in foreign currencies and hence, is not exposed to foreign currency risk.

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed deposits with licensed banks are carried at amortised cost. Therefore, they are not subject to interest rate risk as in defined MFRS 7 since neither carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Notes 14 and 15 to the financial statements.

Interest Rate Risk Sensitivity Analysis

Any reasonably possible change in the interest rates of floating rate term loans at the end of the reporting period does not have a material impact on the profit after taxation of the Group and hence, no sensitivity analysis is presented.

(iii) Equity Price Risk

The Group does not have any quoted investments and hence is not exposed to equity price risk.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

(i) Credit Risk Concentration Profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the combined historical audited statements of financial position of the Group after deducting any allowance for impairment losses (where applicable).

(iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost and contract assets are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

Trade Receivables and Contract Assets

The Group applies the simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for its trade receivables (including related parties). To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing. The expected loss rates are based on the Group's historical credit losses experienced. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group considers any trade receivables having financial difficulty or in default with significant balances outstanding for more than 1 year are deemed credit impaired and assesses for their risk of loss individually.

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30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables and contract assets are summarised below:-

	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Amount RM
2019				
Current (not past due)	5,754,593	-	(15,074)	5,739,519
1 to 30 days past due	4,200	-	-	4,200
31 to 60 days past due	3,595,252	-	(25,283)	3,569,969
61 to 90 days past due	271,672	-	(28,441)	243,231
More than 90 days past due	3,062,406	-	(112,834)	2,949,572
Credit impaired	308,205	(308,205)	-	-
Trade receivables	12,996,328	(308,205)	(181,632)	12,506,491
Contract assets	39,493,695	-	(70,341)	39,423,354
	52,490,023	(308,205)	(251,973)	51,929,845
2018				
Current (not past due)	3,905,200	-	(2,485)	3,902,715
1 to 30 days past due	2,444,522	-	(2,604)	2,441,918
31 to 60 days past due	288,959	-	(455)	288,504
61 to 90 days past due	533,556	-	(2,301)	531,255
More than 90 days past due	11,560,785	-	(52,165)	11,508,620
Credit impaired	308,205	(308,205)	-	-
Trade receivables	19,041,227	(308,205)	(60,010)	18,673,012
Contract assets	41,486,866	-	(26,943)	41,459,923
	60,528,093	(308,205)	(86,953)	60,132,935

The movements in the loss allowances in respect of trade receivables and contract assets are disclosed in Notes 9 and 10 to the financial statements respectively.

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Other Receivables and Related Parties

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables. Under this approach, the Group assesses whether there is a significant increase in credit risk on the receivables by comparing their risk of default as at the reporting date with the risk of default as at the date of initial recognition based on available reasonable and supportable forward-looking information. Regardless of the assessment, a significant increase in credit risk is presumed if a receivable is more than 30 days past due in making a contractual payment.

The Group considers a receivable is credit impaired when the receivable is in significant financial difficulty, for instances, the receivable is in breach of financial covenants or insolvent. Receivables that are credit impaired are assessed individually while other receivables are assessed on a collective basis.

Based on the assessment performed, the identified impairment loss was immaterial and hence, it is not provided for.

Fixed Deposits with Licensed Banks, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

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30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM	Over 5 Years RM
2019						
Non-derivative Financial Liabilities						
Lease liabilities	2.42% - 4.00%	1,492,649	1,572,925	1,036,399	536,526	-
Term loans	4.25% - 8.22%	6,562,060	8,086,073	1,440,625	3,987,191	2,658,257
Trade payables	-	47,942,107	47,942,107	47,942,107	-	-
Other payables and accruals	-	4,116,682	4,116,682	4,116,682	-	-
Bankers' acceptance	3.82% - 4.97%	2,424,000	2,455,365	2,455,365	-	-
Bank overdrafts	5.00% - 7.97%	2,305,501	2,455,013	2,455,013	-	-
U-factoring facility	10.57%	1,000,000	1,105,700	1,105,700	-	-
Amount owing to directors	-	239,051	239,051	239,051	-	-
		66,082,050	67,972,916	60,790,942	4,523,717	2,658,257

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):- (Cont'd)

	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM	Over 5 Years RM
2018						
Non-derivative Financial Liabilities						
Lease liabilities	2.42% - 4.00%	1,979,241	2,087,635	1,248,100	839,535	-
Term loans	4.43% - 8.38%	4,370,846	5,233,942	1,100,630	2,979,844	1,153,468
Trade payables	-	55,523,998	55,523,998	55,523,998	-	-
Other payables and accruals	-	3,527,670	3,527,670	3,527,670	-	-
Bankers' acceptance	3.99% - 5.27%	1,878,000	1,905,478	1,905,478	-	-
Bank overdrafts	5.00% - 7.97%	2,821,990	3,004,996	3,004,996	-	-
Amount owing to directors	-	181,542	181,542	181,542	-	-
		70,283,287	71,465,261	66,492,414	3,819,379	1,153,468

30. FINANCIAL INSTRUMENTS (CONT'D)

30.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debts divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. The debt-to equity ratio of the Group at the end of the reporting period was as follows:-

	2019 RM	**2018** RM
Lease liabilities	1,492,649	1,979,241
Term loans	6,562,060	4,370,846
Bank overdrafts	2,305,501	2,821,990
Bankers' acceptance	2,424,000	1,878,000
U-factoring facility	1,000,000	-
	13,784,210	11,050,077
Less: Fixed deposits with licensed banks	(2,931,175)	(2,846,181)
Less: Cash and bank balances	(334,401)	(541,122)
Net debt	10,518,634	7,662,774
Total equity	25,117,909	24,008,145
Debt-to-equity ratio	0.42	0.32

The debt-to-equity ratio has increased from 0.32 to 0.42 due to increase in term loans and U-factoring facility during the year.

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30. FINANCIAL INSTRUMENTS (CONT'D)

30.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	2019 RM	2018 RM
Financial Assets		
Amortised Cost		
Trade receivables	12,506,491	18,673,012
Other receivables	709,466	878,270
Fixed deposits with licensed banks	2,931,175	2,846,181
Cash and bank balances	334,401	541,122
	16,481,533	22,938,585
Financial Liabilities		
Amortised Cost		
Lease liabilities	1,492,649	1,979,241
Term loans	6,562,060	4,370,846
Bank overdrafts	2,305,501	2,821,990
Bankers' acceptance	2,424,000	1,878,000
U-factoring facility	1,000,000	-
Trade payables	47,942,107	55,523,998
Other payables and accruals	4,116,682	3,527,670
Amount owing to directors	239,051	181,542
	66,082,050	70,283,287

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30. FINANCIAL INSTRUMENTS (CONT'D)

30.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	2019 RM	2018 RM
Financial Assets		
Amortised Cost		
Net (losses)/gains recognised in profit or loss	(31,360)	92,081
Financial Liabilities		
Amortised Cost		
Net losses recognised in profit or loss	(580,774)	(567,851)

30.5 FAIR VALUE INFORMATION

At the end of the reporting period, there were no financial instruments carried at fair values in the combined historical audited statements of financial position.

The fair values of the financial assets and financial liabilities of the Group that maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

31. SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

Saved as disclosed below, there were no other material events subsequent to the end of the current financial year under review that have not been reflected in the financial statements.

(a) The outbreak of COVID-19 in early 2020 has affected the business and economic environment of the Group and hence, may impact its performance and financial position in the future. However, given the unpredictability associated with the COVID-19 pandemic and any further contingency measures that may be put in place by the government and various private corporations, the potential financial impact of the COVID-19 pandemic on the Group's 2020 financial statements could not be reasonably quantified at this juncture.

(b) To facilitate the Company's Proposed Listing on the LEAP Market of Bursa Malaysia Securities Berhad, the following Pre-IPO Reorganisation was undertaken by the Company subsequent to the financial year:

(i) the Acquisition of 700,000 ordinary shares of Sunmow Development Sdn. Bhd. (SDSB) for a purchase consideration of RM640,000 satisfied via the issuance of 5,120,000 Shares to the Vendors of SDSB at an issue price of RM0.125 each, pursuant to the share sale agreement dated 15 December 2020 between the Company and the Vendors of SDSB;

31. SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR (CONT'D)

(b) To facilitate the Company's Proposed Listing on the LEAP Market of Bursa Malaysia Securities Berhad, the following Pre-IPO Reorganisation was undertaken by the Company subsequent to the financial year: (Cont'd)

(ii) the Acquisition of 200 ordinary shares of Sunmow Trading Sdn. Bhd. (STSB) for a purchase consideration of RM600,000 satisfied via the issuance of 4,800,000 Shares to the Vendors of STSB at an issue price of RM0.125 each, pursuant to the share sale agreement dated 15 December 2020 between the Company and the Vendors of STSB;

(iii) the Acquisition of 2,000,000 ordinary shares of Sunmow Construction Sdn. Bhd. (SCSB) for a purchase consideration of RM25,000,000 satisfied via the issuance of 200,000,000 Shares to the Vendors of SCSB at an issue price of RM0.125 each, pursuant to the share sale agreement dated 15 December 2020 between the Company and the Vendors of SCSB;

(iv) the Company has approved the following Pre-IPO Reorganisation to be undertaken prior to the Proposed Listing:

- Proposed transfer of 4,000,000 ordinary shares to eligible employees at nominal value as Shares Gift by a director of the Company.

- Proposed Issuance and allotment of 24,000,000 Shares at the subscription price of RM0.50 per Share to Pre-Listing Investors.

The acquisition of the above companies were consolidated using merger method of accounting.

(c) Sunmow Construction Sdn. Bhd. signed several sales and purchase agreements to dispose a few units of shophouses and residential properties for a total sales consideration of RM6,875,000. Included in the disposal transactions were 3 units of shophouses which were sold to the directors and related parties of the Company at a total sales consideration of RM1,780,000.

(d) Sunmow Construction Sdn. Bhd. declared an interim dividend of 50 sen per ordinary share on the Company's issued share capital of 2,000,000 ordinary shares at a total amount of RM1,000,000 for the financial year ending 31 December 2020.

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SUNMOW HOLDING SDN. BHD.
(Incorporated in Malaysia)
Registration No: 202001024626 (1380946 – V)

STATEMENT BY DIRECTORS

We, Kong Chiong Miew and Kong Chiong Ung, being two of the directors of Sunmow Holding Sdn. Bhd., state that, in the opinion of the directors, the combined historical audited financial statements set out on pages 4 to 68 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the combined historical audited statements of financial position of Sunmow Holding Sdn. Bhd. as at 31 December 2018 and 2019 and of their financial performance, changes in equity and cash flows for the corresponding financial years ended on that date.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 DEC 2020

Kong Chiong Miew **Kong Chiong Ung**

APPENDIX II

AUDITED FINANCIAL STATEMENTS OF SUNMOW HOLDING BERHAD FOR THE FYE 31 DECEMBER 2020

SUNMOW HOLDING BERHAD
(Formerly known as Sunmow Holding Sdn. Bhd.)
(Incorporated In Malaysia)
Registration No. 202001024626 (1380946-V)

FINANCIAL REPORT
for the financial period ended 31 December 2020

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SUNMOW HOLDING BERHAD
(Formerly known as Sunmow Holding Sdn. Bhd.)
(Incorporated In Malaysia)
Registration No. 202001024626 (1380946-V)

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group for the financial year ended 31 December 2020 and of the Company for the financial period from 21 August 2020 to 31 December 2020.

PRINCIPAL ACTIVITIES

The Company was incorporated on 21 August 2020 and is principally engaged in investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial period.

CONVERSION TO PUBLIC LIMITED COMPANY

On 8 February 2021, the Company was converted into a public limited company under the name of Sunmow Holding Berhad.

RESULTS

	The Group	**The Company**
	RM	RM
Profit/(Loss) after taxation for the financial period	2,578,578	(1,024,084)

DIVIDENDS

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

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

The Company was incorporated with a total paid-up capital of RM1 comprising 2 ordinary shares.

During the financial period,

(a) the Company increased its issued and paid-up share capital from RM1 to RM1,250,000 by way of:-

  (i) an issuance of 19,998 new ordinary shares for a cash consideration of RM9,999 for working capital.

  (ii) an issuance of 9,920,000 new ordinary shares for a consideration otherwise than cash of RM1,240,000 for acquisition of 100% equity interest in Sunmow Development Sdn. Bhd. and Sunmow Trading Sdn. Bhd.

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

(b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial period, no options were granted by the Company to any person to take up any unissued shares in the Company.

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 impairment losses on receivables, and satisfied themselves that there are no known bad debts and that adequate allowance had been made for impairment losses on receivables.

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 impairment losses on receivables 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 made out, 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 value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITY

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

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

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

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations 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 which 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 during the financial period 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 period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial period in which this report is made.

DIRECTORS

The names of directors who served during the financial period and up to the date of this report are as follows:-

Kong Chiong Ung	(Appointed on 21.08.2020)
Kong Chiong Miew	(Appointed on 21.08.2020)
Lee Yew Chen	(Appointed on 24.09.2020)
Kio Fook Khan	(Appointed on 24.09.2020)
Cheah Pek Yoke	(Appointed on 24.09.2020; Resigned on 05.01.2021)

The names of directors of the Company's Subsidiaries who served during the financial period and up to the date of this report are similar to those disclosed above.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial period in shares of the Company during the financial period are as follows:-

	< ------------ Number of Ordinary Shares ------------ >			
	At 21.8.2020	Bought	Sold	At 31.12.2020
Direct interests				
Kong Chiong Ung	1	4,230,599	-	4,230,600
Kong Chiong Miew	1	4,715,399	-	4,715,400
Indirect interests				
Lee Yew Chen #	-	994,000	-	994,000

\# Deemed interested by virtue of his indirect substantial shareholding in Bene Sky Sdn. Bhd.

The other directors holding office at the end of the financial period had no interests in shares in the Company during the financial period.

DIRECTORS' BENEFITS

Since the date of the incorporation of the Company, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivables by the 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 interests as disclosed in Note 31(b) to the financial statements.

Neither during nor at the end of the financial period was the Group and the Company a party to any arrangements whose object is 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' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial period are disclosed in Note 27 to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial period, there is no indemnity given to or professional indemnity insurance effected for directors, officers or auditors of the Company.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 27 to the financial statements.

SUBSIDIARIES

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

SIGNIFICANT EVENTS OCCURRING DURING AND AFTER THE FINANCIAL PERIOD

The significant events occurring during and after the financial period are disclosed in Note 35 to the financial statements.

DIRECTORS' REPORT

AUDITORS

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors dated 12 MAY 2021

Kong Chiong Ung

Kong Chiong Miew

SUNMOW HOLDING BERHAD
(Formerly known as Sunmow Holding Sdn. Bhd.)
(Incorporated In Malaysia)
Registration No. 202001024626 (1380946-V)

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

We, Kong Chiong Ung and Kong Chiong Miew, being two of the directors of Sunmow Holding Berhad, state that, in the opinion of the directors, the financial statements set out on pages 11 to 72 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2020 and of their financial performance and cash flows for the financial period ended on that date.

Signed in accordance with a resolution of the directors dated 12 MAY 2021

Kong Chiong Ung

Kong Chiong Miew

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

I, Hee Eng Choo, MIA Membership Number : 33590, being the officer primarily responsible for the financial management of Sunmow Holding Berhad, do solemnly and sincerely declare that the financial statements set out on pages 11 to 72 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned Hee Eng Choo, NRIC Number: 820905-13-5430 at Bintulu in the State of Sarawak on this ~~10 MAY 2021~~ 12 MAY 2021

Hee Eng Choo

Before me

PESURUHJAYA SUMPAH
Q 091
Ting Huong Kheng
No. Sijil Amalan Peguam 625
1/1/2019-31/12/2021
MALAYSIA

1st Floor, No. 201 (Lot 8332),
Bintulu Sentral,
Jalan Kidurong,
97000 Bintulu, Sarawak.

Crowe

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUNMOW HOLDING BERHAD

(Formerly known as Sunmow Holding Sdn. Bhd.)
(Incorporated In Malaysia)
Registration No. 202001024626 (1380946-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Sunmow Holding Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 72.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the financial period 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.

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 and the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and 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.

Crowe

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUNMOW HOLDING BERHAD (CONT'D)

(Formerly known as Sunmow Holding Sdn. Bhd.)
(Incorporated In Malaysia)
Registration No. 202001024626 (1380946-V)

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SUNMOW HOLDING BERHAD (CONT'D)
(Formerly known as Sunmow Holding Sdn. Bhd.)
(Incorporated In Malaysia)
Registration No. 202001024626 (1380946-V)

OTHER MATTERS

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

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Lau Hin Siang
02636/07/2021 J
Chartered Accountant

Bintulu, Sarawak.

12 MAY 2021

SUNMOW HOLDING BERHAD
(Formerly known as Sunmow Holding Sdn. Bhd.)
(Incorporated In Malaysia)
Registration No. 202001024626 (1380946-V)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	The Group 2020 RM	The Group 2019 RM	The Company 2020 RM
ASSETS				
NON-CURRENT ASSETS				
Investment in subsidiaries	6	-	-	1,240,000
Property and equipment	7	6,713,416	3,135,538	-
Investment properties	8	23,725,756	24,978,043	-
Deferred tax assets	9	251,383	241,877	-
Property development costs	10	602,250	619,720	-
		31,292,805	28,975,178	1,240,000
CURRENT ASSETS				
Inventories	11	2,275,080	5,902,402	-
Trade receivables	12	20,767,967	12,506,491	-
Contract assets	13	28,953,101	39,423,354	-
Other receivables and deposits	14	2,844,530	1,137,216	-
Current tax assets		32,630	20,830	-
Fixed deposits with licensed banks	15	3,362,809	2,931,175	-
Cash and bank balances		792,397	334,401	6,630
		59,028,514	62,255,869	6,630
TOTAL ASSETS		90,321,319	91,231,047	1,246,630

STATEMENTS OF FINANCIAL POSITION (CONT'D)
AS AT 31 DECEMBER 2020

		The Group		The Company
		2020	2019	2020
	Note	RM	RM	RM
EQUITY AND LIABILITIES				
EQUITY				
Share capital	16	1,250,000	-	1,250,000
Share application reserve	17	25,000,000	-	-
Merger (deficit)/reserve	17	(24,539,800)	2,100,100	-
Equity reserves	17	999,500	-	999,500
Retained profits/(accumulated losses)		25,596,387	23,017,809	(1,024,084)
TOTAL EQUITY		28,306,087	25,117,909	1,225,416
NON CURRENT LIABILITIES				
Lease liabilities	18	2,703,900	511,197	-
Term loans	19	5,900,767	5,415,938	-
Deferred tax liabilities	9	115	109	-
		8,604,782	5,927,244	-
CURRENT LIABILITIES				
Trade payables	20	40,987,153	47,942,107	-
Other payables, deposit and accruals	21	2,721,931	4,120,282	21,214
Amount owing to directors	22	2,692,123	239,051	-
Lease liabilities	18	1,612,900	981,452	-
Term loans	19	1,188,734	1,146,122	-
Amount owing to bankers	23	3,751,073	5,729,501	-
Current tax liabilities		456,536	27,379	-
		53,410,450	60,185,894	21,214
TOTAL LIABILITIES		62,015,232	66,113,138	21,214
TOTAL EQUITY AND LIABILITIES		90,321,319	91,231,047	1,246,630

SUNMOW HOLDING BERHAD

(Formerly known as Sunmow Holding Sdn. Bhd.)
(Incorporated In Malaysia)
Registration No. 202001024626 (1380946-V)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 21 AUGUST 2020 TO 31 DECEMBER 2020

	Note	The Group 2020	The Group 2019	The Company 21.8.2020 - 31.12.2020 RM
REVENUE	24	62,612,557	103,575,891	-
COST OF SALES		(54,998,061)	(95,605,127)	-
GROSS PROFIT		7,614,496	7,970,764	-
OTHER INCOME	25	3,295,212	672,848	-
ADMINISTRATIVE EXPENSES		(6,616,504)	(6,243,714)	(1,024,084)
FINANCE COSTS		(488,389)	(580,774)	-
NET IMPAIRMENT GAIN/(LOSSES) ON FINANCIAL ASSETS	26	3,010	(165,020)	-
PROFIT/(LOSS) BEFORE TAXATION	27	3,807,825	1,654,104	(1,024,084)
INCOME TAX EXPENSE	28	(1,229,247)	(544,340)	-
PROFIT/(LOSS) AFTER TAX		2,578,578	1,109,764	(1,024,084)
OTHER COMPREHENSIVE INCOME		-	-	-
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE FINANCIAL PERIOD		2,578,578	1,109,764	(1,024,084)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) ATTRIBUTABLE TO:-				
Owners of the Company		2,578,578	1,109,764	(1,024,084)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 21 AUGUST 2020 TO 31 DECEMBER 2020

	Note	Share Capital RM	Share Application Reserve RM	Merger Reserve/ (Deficit) RM	Equity Reserves RM	Retained Profits RM	Total Equity RM
The Group							
Balance at 1.1.2019		-	-	2,100,100	-	21,908,045	24,008,145
Total comprehensive income for the financial year						1,109,764	1,109,764
Balance at 31.12.2019		-	-	2,100,100	-	23,017,809	25,117,909
Balance at 1.1.2020		-	-	2,100,100	-	23,017,809	25,117,909
Total comprehensive income for the financial year						2,578,578	2,578,578
Contribution by and distributions to owners of the Company:							
- Issuance of shares	16	10,000					10,000
- Acquisition of subsidiaries	16	1,240,000	25,000,000	(26,639,900)			(399,900)
- Share gift to employees	17(c)				999,500		999,500
		1,250,000	25,000,000	(26,639,900)	999,500	-	609,600
Balance at 31.12.2020		1,250,000	25,000,000	(24,539,800)	999,500	25,596,387	28,306,087

STATEMENTS OF CHANGES IN EQUITY (CONt'D)
FOR THE FINANCIAL PERIOD FROM 21 AUGUST 2020 TO 31 DECEMBER 2020

The Company	Note	Share Capital RM	Equity Reserves RM	Accumulated losses RM	Total Equity RM
Balance at date of incorporation on 21.8.2020		1	-	-	1
Total comprehensive expenses for the financial period				(1,024,084)	(1,024,084)
Issuance of shares	16	1,249,999			1,249,999
Share gift to employees	17(c)		999,500		999,500
Balance at 31.12.2020		1,250,000	999,500	(1,024,084)	1,225,416

SUNMOW HOLDING BERHAD

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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 21 AUGUST 2020 TO 31 DECEMBER 2020

	Note	The Group 2020 RM	The Group 2019 RM	The Company 21.8.2020 - 31.12.2020 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit/(loss) before taxation		3,807,825	1,654,104	(1,024,084)
Adjustments for:				
Gain on disposal of property and equipment and investment properties		(118,020)	-	-
Property and equipment written off		1	-	-
Property development costs		17,470	(19,720)	-
Depreciation:				
- property and equipment		213,689	281,097	-
- investment properties		256,568	214,588	-
- right-of-use assets		1,426,275	1,332,212	-
Impairment loss:				
- contract assets		30,280	43,398	-
- trade receivables		46,710	121,622	-
Impairment losses on trade receivables no longer required		(80,000)	-	-
Interest expense		488,389	580,774	-
Share gift to employees		999,500	-	999,500
Interest income		(75,811)	(90,262)	-
Inventories written down		-	810,336	-
Operating profit/(loss) before working capital changes		7,012,876	4,928,149	(24,584)
Decrease/(increase) in inventories		3,627,322	(3,999,394)	-
(Increase)/decrease in trade and other receivables		(9,941,647)	8,278,254	-
Decrease in contract assets		10,439,973	1,993,171	-
(Decrease)/increase in trade and other payables		(8,755,123)	(9,103,866)	21,214
CASH FROM/(FOR) OPERATIONS		2,383,401	2,096,314	(3,370)
Interest expense paid		(486,471)	(580,774)	-
Interest income received		81,958	88,445	-
Income tax paid		(821,390)	(669,848)	-
NET CASH FROM/(FOR) OPERATING ACTIVITIES		1,157,498	934,137	(3,370)

STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE FINANCIAL PERIOD FROM 21 AUGUST 2020 TO 31 DECEMBER 2020

	Note	The Group 2020 RM	The Group 2019 RM	The Company 21.8.2020 - 31.12.2020 RM
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES				
Purchase of property and equipment	29(a)	(352,522)	(118,291)	-
Purchase of investment properties	29(a)	(1,719,102)	(1,731,690)	-
Addition to right-of-use assets	29(a)	(769,538)	(1,258,325)	-
Proceed on disposal of property and equipment		60,550	-	-
Proceed on disposal of investment properties		2,480,000	-	-
Increased pledged fixed deposits with licensed banks		(431,634)	(84,994)	-
NET CASH FOR INVESTING ACTIVITIES		(732,246)	(3,193,300)	-
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES				
Banker's acceptance		(172,000)	546,000	-
U Factor facility		(1,000,000)	1,000,000	-
Director account		2,453,072	57,509	-
Drawdown of term loans	29(b)	2,965,709	3,160,360	-
Proceeds from issuance of ordinary shares	16	10,000	-	10,000
Repayment of lease liabilities	29(b)	(979,341)	(1,225,792)	-
Repayment of term loans	29(b)	(2,438,268)	(969,146)	-
NET CASH FROM FINANCING ACTIVITIES		839,172	2,568,931	10,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,264,424	309,768	6,630
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD		(1,971,100)	(2,280,868)	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	29(d)	(706,676)	(1,971,100)	6,630

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	No. 5-1, Jalan Radin Bagus 9, Bandar Baru Sri Petaling, 57000 Kuala Lumpur W.P. Kuala Lumpur
Principal place of business	:	No. 142, 1st Floor, Parkcity Commerce Square, Jalan Tun Ahmad Zaidi, 97000 Bintulu, Sarawak.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 12 May 2021.

2. CONVERSION TO PUBLIC LIMITED COMPANY

On 8 February 2021, the Company was converted into a public limited company under the name of Sunmow Holding Berhad.

3. PRINCIPAL ACTIVITIES

The Company was incorporated on 21 August 2020 and is principally engaged in investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial period.

4. BASIS OF PREPARATION

The Company was incorporated on 21 August 2020 for the purpose of a restructuring exercise that will result in the Company becoming the holding company of Sunmow Construction Sdn. Bhd., Sunmow Trading Sdn. Bhd. and Sunmow Development Sdn. Bhd. and the consolidated financial statements are prepared under merger method of accounting for common control business combinations as disclosed in Note 5.2 to the financial statements.

These are the Group's first set of financial statements since its date of incorporation.

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

4.1 During the current financial period, the Group has adopted the following new accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any):-

MFRSs and IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 3: Definition of a Business

Amendments to MFRS 4: Extension of the Temporary Exemption from Applying MFRS 9

Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform

Amendment to MFRS 16: Covid-19-Related Rent Concessions

Amendments to MFRS 101 and MFRS 108: Definition of Material

Amendments to References to the Conceptual Framework in MFRS Standards.

4. BASIS OF PREPARATION (CONT'D)

4.1 During the current financial period, the Group has adopted the following new accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any):-

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

4.2 The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial period:-

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform - Phase 2	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendment to MFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts - Cost of Fulfiling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(a) Depreciation of Property and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Impairment of Property and Equipment / Investment Properties / Right-of-use Assets

The Group determines whether an item of its property and equipment / investment properties / right-of-use assets is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates.

(c) Write-down of Inventories

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

(d) Impairment of Trade Receivables and Contract Assets

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables and contract assets. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables and contract assets.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(e) Revenue Recognition for Construction Contracts

The Group recognises construction revenue by reference to the construction progress using the input method, determined based on the proportion of construction costs incurred for work performed to date over the estimated total construction costs. The total estimated costs are based on approved budgets, which require assessment and judgement to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, management relies on past experience and the work of specialists.

(f) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made.

(g) Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences could be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the assessment of the probability of the future taxable profits.

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(h) Lease Terms

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, 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.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Merger Accounting for Common Control Business Combinations

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory.

Acquisitions of subsidiaries and businesses under common control that meet the conditions of a merger are accounted for using the merger method of accounting.

Under the merger method of accounting, the results of subsidiaries and businesses under common control are presented as if the business combination had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the business combination is cancelled with the values of the shares received. Any resulting credit or debit difference is classified as a merger reserve or merger deficit as applicable.

(b) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in the equity of the Group.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.2 BASIS OF CONSOLIDATION (CONT'D)

(c) Loss of Control

Upon the loss of control fo a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value of the initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

5.3 FUNCTIONAL AND PRESENTATION CURRENCIES

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional and presentation currency

5.4 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 – Revenue from Contracts with Customers at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

Equity Instruments (Cont'd)

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary Shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 FINANCIAL INSTRUMENTS (CONT'D)

(d) 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 when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

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

5.5 INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries are stated at cost in the statements of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognized in profit or loss.

5.6 PROPERTY AND EQUIPMENT

All items of property 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.

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

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 property and equipment are recognised in profit or loss as incurred.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.6 PROPERTY AND EQUIPMENT (CONT'D)

Depreciation on property and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) 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 principal annual rates used for this purpose are:-

Equipment	10% - 20%
Furnitures and fittings	10%
Motor vehicles	20%
Office equipment	10%
Plant and machinery	20%
Renovation	10%
Signboard	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 and equipment. Any changes are accounted for as a change in estimate.

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

An item of property 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.

5.7 INVESTMENT PROPERTIES

Investment properties are properties which are owned or right-of-use asset held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties which are owned are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The right-of-use asset held under a lease contract that meets the definition of investment property is measured initially similarly as other right-of-use assets.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on a straight-line method over the estimated useful lives of the investment properties. The estimated useful lives of the investment properties are within 7 years to 99 years.

Investment property under construction is not depreciated.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.7 INVESTMENT PROPERTIES (CONT'D)

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

5.8 PROPERTY DEVELOPMENT COSTS

Property development costs are stated at the lower of cost and net realisable value.

The cost comprises cost associated with the conversion fees, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of common infrastructure costs and borrowing costs capitalised.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary in selling the property.

5.9 LEASES

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets are included within property, plant and equipment and investment properties.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.10 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost and net realisable value are determined as below:-

(a) Properties Held for Sale

The costs comprise the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sales.

(b) Materials

Cost is determined on the first-in, first-out method and comprise the purchase price and incidentals incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

5.11 CONTRACT ASSET AND CONTRACT LIABILITY

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment requirements of MFRS 9 - Financial Instruments.

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

5.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and 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. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

5.13 PROVISIONS

Provisions are recognised when the Group has 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.

5.14 IMPAIRMENT

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income, trade receivables and contract assets.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.14 IMPAIRMENT (CONT'D)

(a) Impairment of Financial Assets (Cont'd)

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statements of financial position.

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.15 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(c) Share-based Payment Transactions

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company (known as "share options").

At grant date, the fair value of the share options is recognised as an expense on a straight-line method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding credit to employee share option reserve in equity. The amount recognised as an expense is adjusted to reflect the actual number of the share options that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

In the Company's separate financial statements, the grant of the share options to the subsidiaries' employees is not recognised as an expense. Instead, the fair value of the share options measured at the grant date is accounted for as an increase to the investment in subsidiary undertaking with a corresponding credit to the employee share option reserve.

Upon expiry of the share option, the employee share option reserve is transferred to retained profits.

When the share option are exercised, the employee share option reserve is transferred to share capital if new ordinary shares are issued.

5.16 INCOME TAXES

(a) Current tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.16 INCOME TAXES (CONT'D)

(b) Deferred Tax

Deferred tax is recognised using the liability method for temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets recognised are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

5.17 OPERATING SEGMENTS

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 to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

5.18 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of financing a specific project-in-progress, in which case the actual borrowing costs incurred on that borrowings less any investment income on temporary investment of that borrowings will be capitalised.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.19 FAIR VALUE MEASUREMENTS

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, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

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

Level 3: Inputs are unobservable inputs for the asset or liability.

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

5.20 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that

The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(a) Sales of Goods

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the poing in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.20 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

(b) Construction Services

Revenue from construction services is recognised over time in the period in which the services are rendered using the input method, determined based the proportion of construction costs incurred for work performed to date over the estimated total construction costs. Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and penalties. Past experience is used to estimate and provide for the variable consideration, using most likely method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognised when the construction services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the construction services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised.

5.21 OTHER OPERATING INCOME

(a) Interest Income

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

(b) Hiring Income

Hiring income is recognised when the services are delivered.

(c) Labour Supply

Revenue from labour supply is recognised when the services are delivered.

(d) Rental Income

Rental income from investment properties is accounted for on a straight-line method over the lease term.

6. INVESTMENT IN SUBSIDIARIES

	The Company 2020 RM
Unquoted shares, at cost	1,240,000

The details of the subsidiaries is as follows:-

Name of Subsidiaries	Principal Place of Business/Country of Incorporation	Percentage of Issued Share Capital Held by Parent **2020** %	Principal Activities
Sunmow Development Sdn. Bhd.	Malaysia	100	Property development
Sunmow Trading Sdn. Bhd.	Malaysia	100	Trading of building materials and tools

(a) During the current financial period, the Company has acquired 100% equity interest in Sunmow Development Sdn. Bhd. (SDSB) for a purchase consideration of RM640,000 satisfied via the issuance of 5,120,000 Shares to the Vendors of SDSB at an issue price of RM0.125 each, pursuant to the share sale agreement dated 15 December 2020 between the Company and the Vendors of SDSB.

(b) During the current financial period, the Company has acquired 100% equity interest in Sunmow Trading Sdn. Bhd. (STSB) for a purchase consideration of RM600,000 satisfied via the issuance of 4,800,000 Shares to the Vendors of STSB at an issue price of RM0.125 each, pursuant to the share sale agreement dated 15 December 2020 between the Company and the Vendors of STSB.

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7. PROPERTY AND EQUIPMENT

The Group **2020**	At 1.1.2020 RM	Additions (Note 29(a)) RM	Disposal RM	Write off (Note 27) RM	Depreciation Charge (Note 27) RM	At 31.12.2020 RM
Carrying Amount						
Owned assets						
Equipment	597,227	75,200	1,440	-	150,030	520,957
Furniture and fittings	29,152	6,596	-	-	4,222	31,526
Motor vehicle	17,461	125,000	-	1	16,197	126,263
Office equipment	56,754	65,926	-	-	8,412	114,268
Plant and machinery	54,717	79,800	-	-	28,030	106,487
Renovation	45,938	-	-	-	6,560	39,378
Signboard	1,669	-	-	-	238	1,431
	802,918	352,522	1,440	1	213,689	940,310
Right-of-use assets						
Equipment	-	502,000	-	-	8,367	493,633
Motor vehicle	1,131,377	1,331,030	-	-	585,315	1,877,092
Plant and machinery	1,201,243	2,740,000	-	-	538,862	3,402,381
	2,332,620	4,573,030	-	-	1,132,544	5,773,106
	3,135,538	4,925,552	1,440	1	1,346,233	6,713,416

7. PROPERTY AND EQUIPMENT

	<---------------------- 1.1.2019		---------------------->			
The Group	As Previously Reported	Initial Application of MFRS 16	As Restated	Additions (Note 29(a))	Depreciation Charge (Note 27)	At 31.12.2019
2019	RM	RM	RM	RM	RM	RM
Carrying Amount						
Owned assets						
Equipment	722,359	-	722,359	29,700	154,832	597,227
Furniture and fittings	33,235	-	33,235	4,047	8,130	29,152
Motor vehicle	1,596,225	(1,488,160)	108,065	-	90,604	17,461
Office equipment	45,191	-	45,191	17,544	5,981	56,754
Plant and machinery	906,297	(906,297)	-	67,000	12,283	54,717
Renovation	54,921	-	54,921	-	8,983	45,938
Signboard	1,953	-	1,953	-	284	1,669
	3,360,181	(2,394,457)	965,724	118,291	281,097	802,918
Right-of-use assets						
Motor vehicle	-	1,488,160	1,488,160	396,033	752,816	1,131,377
Plant and machinery	-	906,297	906,297	607,150	312,204	1,201,243
	-	2,394,457	2,394,457	1,003,183	1,065,020	2,332,620
	3,360,181	-	3,360,181	1,121,474	1,346,117	3,135,538

7. PROPERTY AND EQUIPMENT (CONT'D)

The Group **2020**	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
Owned assets			
Equipment	1,730,359	1,209,402	520,957
Furniture and fittings	94,133	62,607	31,526
Motor vehicle	10,270,484	10,144,221	126,263
Office equipment	134,394	20,126	114,268
Plant and machinery	148,450	41,963	106,487
Renovation	89,992	50,614	39,378
Signboard	3,580	2,149	1,431
	12,471,392	11,531,082	940,310
Right-of-use assets			
Equipment	502,000	8,367	493,633
Motor vehicle	5,248,209	3,371,117	1,877,092
Plant and machinery	4,857,645	1,455,264	3,402,381
	10,607,854	4,834,748	5,773,106
	23,079,246	16,365,830	6,713,416

2019	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
Owned assets			
Equipment	1,661,099	1,063,872	597,227
Furniture and fittings	87,537	58,385	29,152
Motor vehicle	10,711,484	10,694,023	17,461
Office equipment	68,469	11,715	56,754
Plant and machinery	68,650	13,933	54,717
Renovation	89,992	44,054	45,938
Signboard	3,580	1,911	1,669
	12,690,811	11,887,893	802,918
Right-of-use assets			
Motor vehicle	3,917,179	2,785,802	1,131,377
Plant and machinery	2,117,645	916,402	1,201,243
	6,034,824	3,702,204	2,332,620
	18,725,635	15,590,097	3,135,538

(a) The Company has lease contracts for equipment and motor vehicles used in its operations. Their lease terms range from 1 to 3 years.

(b) The equipment, motor vehicles and plant and machinery have been leased under hire purchase arrangements. The leases are secured by the leased assets. The Company has an option to purchase the asset at the expiry of the lease period at an insignificant amount.

8. INVESTMENT PROPERTIES

The Group 2020	At 1.1.2020 RM	Additions (Note 29(a)) RM	Disposal RM	Reclassified RM	Depreciation Charge (Note 27) RM	At 31.12.2020 RM
Carrying Amount						
Capital work in progress	6,089,606	1,719,102	-	(1,844,758)	-	5,963,950
Owned assets						
Buildings	11,187,432	-	968,436	1,844,758	256,568	11,807,186
Right-of-use assets						
Leasehold land	7,701,005	-	1,452,654	-	293,731	5,954,620
	24,978,043	1,719,102	2,421,090	-	550,299	23,725,756

8. INVESTMENT PROPERTIES

	<---------- 1.1.2019	----------	---------->				
The Group **2019**	As Previously Reported RM	Initial Application of MFRS 16 RM	As Restated RM	Additions (Note 29(a)) RM	Transfer to inventories RM	Depreciation Charge (Note 27) RM	At 31.12.2019 RM
Carrying Amount							
Capital work in progress	4,923,252	-	4,923,252	1,731,690	(565,336)	-	6,089,606
Leasehold land and buildings	18,375,875	(18,375,875)	-	-	-	-	-
Owned assets							
Buildings	-	11,402,020	11,402,020	-	-	214,588	11,187,432
Right-of-use assets							
Leasehold land	-	6,973,855	6,973,855	994,342	-	267,192	7,701,005
	23,299,127	-	23,299,127	2,726,032	(565,336)	481,780	24,978,043

Included in the additions are borrowing cost capitalised amounting to RM69,968 (2019 : RM56,842).

8. INVESTMENT PROPERTIES (CONT'D)

The Group	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
2020			
Capital work in progress	5,963,950	-	5,963,950
Owned assets			
Buildings	12,521,189	714,003	11,807,186
Right-of-use assets			
Leasehold land	7,177,897	1,223,277	5,954,620
	25,663,036	1,937,280	23,725,756
2019			
Capital work in progress	6,089,606	-	6,089,606
Owned assets			
Buildings	11,675,030	487,598	11,187,432
Right-of-use assets			
Leasehold land	8,675,797	974,792	7,701,005
	26,440,433	1,462,390	24,978,043

	31.12.2020 RM	**0.1.1900** RM
Fair value	38,515,234	31,593,658

(a) The leasehold land and buildings have been pledged to a licensed bank as security for banking facilities granted to the Company as disclosed in Notes 19 and 23 to the financial statements.

(b) The fair values of the investment properties are based on directors' estimation which are arrived at by reference to market evidence of transaction prices for similar properties and recent experience in the locations and category of properties being valued. The most significant input into this valuation approach is the price per square foot of comparable properties. Adjustments are then made for differences in location, size, facilities available, market conditions and other factors in order to arrive at a common basis.

9. DEFERRED TAX ASSETS/(LIABILITIES)

The Group **2020**	At 1.1.2020 RM	Recognised in Profit or Loss (Note 28) RM	At 31.12.2020 RM
Deferred tax assets:-			
Property and equipment	241,877	9,506	251,383
Deferred tax liabilities:-			
Property and equipment	(109)	(6)	(115)

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

The Group 2019	At 1.1.2019 RM	Recognised in Profit or Loss (Note 28) RM	At 31.12.2019 RM
Deferred tax assets:-			
Property and equipment	-	241,877	241,877
Deferred tax liabilities:-			
Property and equipment	(144)	35	(109)

At the end of the reporting period, the amounts of deferred tax assets of a subsidiary not recognised due to uncertainty of their realisation are as follows:-

	2020 RM	**2019** RM
Unutilised tax losses	176,315	79,420

The unused tax losses are allowed to be utilised for 7 consecutive years of assessment while unabsorbed capital allowances are allowed to be carried forward indefinitely.

10. PROPERTY DEVELOPMENT COSTS

	The Group	
	2020 RM	**2019** RM
At beginning of financial period	619,720	600,000
(Reduction)/Additions	(17,470)	19,720
At end of financial period	602,250	619,720
Analysed by:-		
Property development costs	602,250	619,720

11. INVENTORIES

	The Group	
	2020 RM	**2019** RM
Lubricant	5,648	-
Material	96,210	33,600
Properties - Completed units	1,101,200	5,096,200
- Under construction	1,072,022	772,602
	2,275,080	5,902,402
Recognised in profit or loss:-		
Inventories recognised as cost of sales	88,423	54,408
Amount written down to net realisable value	-	810,336

12. TRADE RECEIVABLES

	The Group	
	2020	**2019**
	RM	RM
Trade receivables:-		
- third parties	15,072,899	12,996,327
- related parties	6,151,614	-
	21,224,513	12,996,327
Allowance for impairment losses	456,546	489,836
	20,767,967	12,506,491
Allowance for impairment losses:-		
At 1 January	489,836	368,214
Addition during the financial period	46,710	121,622
Reversal during the financial period	(80,000)	-
At 31 December	456,546	489,836

The Company's normal trade credit terms range from 30 to 60 (2019 : 30 to 60) days. Other credit terms are assessed and approved on a case-by-case basis.

13. CONTRACT ASSETS

	The Group	
	2020	**2019**
	RM	RM
Contract Assets		
Contract assets relating to construction contracts	29,053,722	39,493,695
Allowance for impairment losses	100,621	70,341
	28,953,101	39,423,354
Allowance for impairment losses:-		
At 1 January	70,341	26,943
Addition during the financial period	30,280	43,398
At 31 December	100,621	70,341

(a) The contract assets primarily relate to the Group's right to consideration for construction work completed on construction contracts but not yet billed as at the reporting date.

(b) The changes to contract asset balances during the financial period are summarised below:-

	The Group	
	2020	**2019**
	RM	RM
At 1 January	39,423,354	41,459,923
Revenue recognised during the financial period	58,208,233	102,491,261
Billings to customers during the financial period	(68,648,206)	(104,484,432)
Impairment losses	(30,280)	(43,398)
At 31 December	28,953,101	39,423,354

13. CONTRACT ASSETS (CONT'D)

(b) The changes to contract asset balances during the financial period are summarised below:- (Cont'd)

	The Group	
	2020	**2019**
	RM	RM
Represented by:-		
Contract assets	28,953,101	39,423,354

Included in contract assets are retention sums totalling RM14,157,856 (2019 - RM15,519,129).

14. OTHER RECEIVABLES AND DEPOSITS

	The Group	
	2020	**2019**
	RM	RM
Other receivables:-		
- third parties	1,793,928	709,466
Deposits	1,050,602	427,750
	2,844,530	1,137,216

15. FIXED DEPOSITS WITH LICENSED BANKS

(a) The fixed deposits with licensed banks of the Group at the end of the reporting period bore effective interest rates ranging from 1.40% to 3.00% (2019 : 2.55% to 3.25%) per annum. The fixed deposits have maturity periods ranging from 1 to 12 (2019 : 1 to 12) months for the Group.

(b) Included in the fixed deposits with licensed banks of the Group at the end of the reporting period was an amount of RM3,362,809 (2019 : RM2,931,175) which has been pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 23 to the financial statements.

16. SHARE CAPITAL

	The Group/The Company	
	2020	
Issued and paid up	Number of Ordinary Shares	Amount RM
At 21 August 2020	2	1
Issuance of new shares for cash	19,998	9,999
Issuance of new shares for consideration otherwise than cash	9,920,000	1,240,000
At 31 December	9,940,000	1,250,000

(a) The holders of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

(b) The Company increased its issued and paid-up share capital from RM1 to RM1,250,000 by way of:-

   (i) Issuance of 19,998 new ordinary shares at RM0.50 each for a cash consideration of RM9,999 for working capital.

   (ii) Issuance of 5,120,000 new ordinary shares at RM0.125 each for a purchase consideration of RM640,000 to the Vendors for acquisition of 700,000 ordinary shares (100%) in Sunmow Development Sdn. Bhd..

   (iii) Issuance of 4,800,000 new ordinary shares at RM0.125 each for a purchase consideration of RM600,000 to the Vendors for acquisition of 200 ordinary shares (100%) in Sunmow Trading Sdn. Bhd..

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17. RESERVES

Details of the movements in reserves are set out in the Statements of Changes in Equity. A description of each reserves is set out below:-

(a) Share application reserve

The share application reserve represents the issuance of 200,000,000 new ordinary shares at RM0.125 each for a purchase consideration of RM25,000,000 to the Vendors for acquisition of 2,000,000 ordinary shares (100%) in Sunmow Construction Sdn. Bhd. pursuant to the share sale agreement dated 15 December 2020 and the acquisition was completed on 14 January 2021.

(b) Merger reserve/(deficit)

The merger reserve/(deficit) represents the difference between carrying value of the assets and liabilities acquired under merger accounting to the cost of investment.

(c) Equity reserves

A Director of the Company offered his 4,000,000 shares at norminal value of RM1.00 to each eligible employees as Share Gift in two tranches.

The criteria for allocation to the eligible employees are based on their respective roles, responsibilities and length of service in the Group and their allocation of Shares are as follows:-

Nama	**Designation**	**Number of Shares allocated**
Ling Nai Ik	General Manager	191,000
Chieng Ching Hong	Project Manager	300,000
Hee Eng Choo	Group Accountant	220,000
Yong Sze Ling	Quantity Surveyor	440,000
Ting Chia Chia	Human Resource Manager	100,000
Other eligible employees	Executive and Non-Executive position	2,749,000
Total		4,000,000

Up to end of financial period, the offer letters for the first tranche of 1,999,000 shares as gift to employees have been signed.

18. LEASE LIABILITIES

	The Group	
	2020	**2019**
	RM	RM
At 1 January		
- As previously reported	1,492,649	-
- Initial application of MFRS 16	-	1,979,241
- As restated	1,492,649	1,979,241
Additions	3,803,492	739,200
Interest expense recognised in profit or loss (Note 27)	76,648	93,956
Repayment of principal	979,341	1,225,792
Repayment of interest expense	76,648	93,956
	4,316,800	1,492,649
Analysed by:-		
Current liabilities	1,612,900	981,452
Non-current liabilities	2,703,900	511,197
	4,316,800	1,492,649

Certain lease liabilities of the Company are secured by the Company's motor vehicles under the hire purchase arrangements with lease terms ranging from 1 to 3 years and bear effective interest rates from 2.34% to 3.35% (2019 : 2.42% to 4.00%)..

19. TERM LOANS

	The Group	
	2020	**2019**
	RM	RM
Current liabilities	1,188,734	1,146,122
Non-current liabilities	5,900,767	5,415,938
	7,089,501	6,562,060

(a) The term loans of the Group were secured by a way of:-

(i) first party legal charge over the Group's investment properties.

(ii) 80% guaranteed by Syarikat Jaminan Pembiayaan Perniagaan (SJPP) under BNM Special Relief Facility and joint and several guarantee by directors.

(b) The term loan of the Group at the end of the reporting period bore effective interest rates ranging from 3.00% to 6.72% (2019 : 4.25% to 8.22%).

(c) The term loans are repayable in monthly instalments ranging from RM1,569 to RM47,815 (2019 : RM1,569 to RM47,815) and will be fully settled on various dates between 2021 to 2033.

20. TRADE PAYABLES

	The Group	
	2020	**2019**
Trade payables:-	RM	RM
- third parties	34,132,454	38,830,340
- related parties	1,504,721	3,240,568
	35,637,175	42,070,908
Add: Retention sums	5,349,978	5,871,199
	40,987,153	47,942,107

(a) The normal trade credit terms granted to the Group range from 30 to 60 (2019 : 30 to 60) days.

(b) The retention sums are expected to be settled within the periods ranging from 1 to 3 (2019 : 1 to 3) years.

21. OTHER PAYABLES, DEPOSIT AND ACCRUALS

	The Group		The Company
	2020	**2019**	**2020**
Other payables:-	RM	RM	
- third parties	1,242,540	3,274,535	14
Deposit	108,450	98,150	-
Accruals	1,370,941	747,597	21,200
	2,721,931	4,120,282	21,214

22. AMOUNT OWING TO DIRECTORS

The amounts owing represent non trade transactions which are unsecured, interest free and have no fixed terms of repayment.

23. AMOUNT OWING TO BANKERS

	The Group	
	2020	**2019**
	RM	RM
Bank overdraft	1,499,073	2,305,501
Bankers' acceptance	2,252,000	2,424,000
U-factoring facility	-	1,000,000
	3,751,073	5,729,501

(a) The bank overdrafts of the Group are secured by a fixed charge over certain of the Group’s investment properties and fixed deposits with licensed banks as disclosed in Notes 8 and 15 to the financial statements respectively.

(b) The bank overdrafts of the Group at the end of the reporting period bore interest rates, ranging from 5.00% to 6.47% (2019 : 5.00% to 7.97%) per annum.

(c) The bankers' acceptance of the Group at the end of the reporting period bore interest rates, ranging from 2.59% to 4.46% (2019 : 3.82% to 4.97%).

23. AMOUNT OWING TO BANKERS (CONT'D)

(d) The U-factoring facility allowed the sale of Group's debts to bank in exchange for money for working capital purposes and bore interest rate of 9.07% (2019 : 10.57%).

24. REVENUE

	The Group	
	2020	**2019**
	RM	RM
Revenue from Contracts with Customers		
Construction contracts	58,208,233	102,491,261
Sales of goods	4,404,324	1,084,630
	62,612,557	103,575,891

25. OTHER INCOME

	The Group	
	2020	**2019**
	RM	RM
Gain on disposal of property and equipment	59,110	-
Gain on disposal of investment properties	58,910	-
Hiring income	2,612,092	54,380
Interest income	75,811	90,262
Rental income	59,500	94,328
Sundry income	429,789	433,878
	3,295,212	672,848

26. NET IMPAIRMENT (GAIN)/LOSSES ON FINANCIAL ASSETS

	The Group	
	2020	**2019**
	RM	RM
Impairment losses:		
- trade receivables (Note 12)	46,710	121,622
- contract asset (Note 13)	30,280	43,398
Reversal of impairment losses:		
- trade receivables (Note 12)	(80,000)	-
	(3,010)	165,020

27. PROFIT/(LOSS) BEFORE TAXATION

	The Group		The Company
	2020	2019	2020
PROFIT/(LOSS) is arrived:-	RM	RM	RM
After Charging			
Auditors' remuneration:			
- current financial period	57,500	56,050	18,000
- underprovision in the previous financial perioc	200	-	-
Depreciation:			
- property and equipment	213,689	281,097	-
- investment properties	256,568	214,588	-
- right-of-use assets	1,426,275	1,332,212	-
Directors' non-fee emoluments:			
- salaries, bonuses and allowances	803,100	835,000	-
- defined contribution benefits	97,522	101,400	-
Impairment loss (recognised under other expenses unless otherwise stated):			
- trade receivables	46,710	121,622	-
- contract assets	30,280	43,398	-
Staff costs (Including other key management personnel as diclosed in Note 30):			
- salaries, bonuses and allowances	935,413	943,671	-
- defined contribution benefits	505,917	485,559	-
- share gifts	999,500	-	999,500
Interest expense on financial liabilities that are not at fair value through profit or loss:			
- bank overdrafts	71,753	80,603	-
- lease interest	76,648	93,956	-
- term loan	214,213	221,692	-
- others	125,775	184,523	-
Inventories written down	-	810,336	-
Lease expenses:			
- short-term leases	748,731	918,684	-
After Crediting			
Interest income:			
- fixed deposits with licensed banks	75,486	86,812	-
- others	325	3,450	-
Rental income from investment properties	59,500	94,328	-
Reversal of impairment loss:			
- trade receivables	80,000	-	-

28. INCOME TAX EXPENSE

Income tax expenses recognised in profit or loss

	The Group		The Company
	2020	2019	2020
Income tax:-	RM	RM	RM
- current financial period	1,389,548	784,521	-
- (over)/underprovision in the previous financial period	(172,533)	1,731	-
	1,217,015	786,252	-
Real property gains tax	21,732	-	-
	1,238,747	786,252	-
Deferred tax (Note 9)			
- origination and reversal of temporary differences	(9,500)	(241,912)	-
	1,229,247	544,340	-

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

	The Group		The Company
	2020	2019	2020
	RM	RM	RM
Profit/(loss) before taxation	3,807,825	1,654,104	(1,024,084)
Tax at the statutory tax rate of 24% (2019 - 24%)	913,878	396,985	(245,780)
Tax effects of:-			
Change in tax rates	44	3	-
Utilisation of previously unrecognised deferred tax assets	-	(321,616)	-
Deferred tax assets not recognised during the financial period	263,108	-	240,444
Non-deductible expenses	222,218	502,237	5,336
Non-taxable income	(19,200)	-	-
Differential in tax rates	-	(35,000)	-
(Over/Under provision in the previous financial period	(172,533)	1,731	-
Real property gains tax	21,732	-	-
	1,229,247	544,340	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2019 - 24%) of the estimated assessable profit for the financial period.

29. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property and equipment, investment properties and the addition of right-of-use assets is as follows:-

	The Group	
	2020	**2019**
	RM	RM
Property and equipment		
Cost of property and equipment purchased	352,522	118,291
	352,522	118,291
Investment properties		
Cost of investment properties purchased	1,719,102	1,731,690
	1,719,102	1,731,690
Right-of-use assets		
Cost of right-of-use assets acquired	4,573,030	1,997,525
Less: Addition of new lease liabilities	3,803,492	739,200
	769,538	1,258,325

(b) The reconciliations of liabilities arising from financing activities are as follows:-

The Group	Term Loans RM	Lease Liabilities RM	Total RM
2020			
At 1 January	6,562,060	1,492,649	8,054,709
Changes in Financing Cash Flows			
Proceeds from drawdown	2,965,709	3,803,492	6,769,201
Repayment of principal	(2,438,268)	(979,341)	(3,417,609)
Repayment of interest	(214,213)	(76,648)	(290,861)
	313,228	2,747,503	3,060,731
Non-cash changes			
Interest expense recognised in profit of loss	214,213	76,648	290,861
	214,213	76,648	290,861
At 31 December	7,089,501	4,316,800	290,861

29. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows:- (Cont'd)

	Term Loans RM	Hire Purchase RM	Lease Liabilities RM	Total RM
2019				
At 1 January, as previously reported	4,370,846	1,979,241	-	6,350,087
Effects on adoption of MFRS 16	-	(1,979,241)	1,979,241	-
At 1 January, as restated	4,370,846	-	1,979,241	6,350,087
Changes in Financing Cash Flows				
Proceeds from drawdown	3,160,360	-	739,200	3,899,560
Repayment of principal	(969,146)	-	(1,225,792)	(2,194,938)
Repayment of interest	(221,692)	-	(93,956)	(315,648)
	1,969,522	-	(580,548)	1,388,974
Non-cash changes				
Interest expense recognised in profit of loss	221,692	-	93,956	315,648
	221,692	-	93,956	315,648
At 31 December	6,562,060	-	1,492,649	8,054,709

(c) The total cash outflows for leases as a lessee are as follows:-

	The Group 2020 RM	The Group 2019 RM
Payment of short-term leases	748,731	918,684
Interest paid on lease liabilities	76,648	93,956
Payment of lease liabilities	979,341	1,225,792
	1,804,720	2,238,432

(d) The cash and cash equivalents comprise the following:-

	The Group 2020 RM	The Group 2019 RM	The Company 2020 RM
Fixed deposits with licensed banks	3,362,809	2,931,175	-
Cash and bank balances	792,397	334,401	6,630
Bank overdrafts	(1,499,073)	(2,305,501)	-
	2,656,133	960,075	6,630
Less: Fixed deposits pledged to licensed bank	(3,362,809)	(2,931,175)	-
	(706,676)	(1,971,100)	6,630

30. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation during the financial period are as follows:-

	The Group	
	2020	**2019**
	RM	RM
Directors		
Short-term employee benefits:		
- salaries, bonuses and other benefits	803,100	835,000
Defined contribution benefits	97,522	101,400
Total directors' remuneration (Note 27)	900,622	936,400

The estimated monetary value of benefits-in-kind provided by the Company to the directors of the Company was RM51,960 (2019 - RM51,960).

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31. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control.

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31. RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group also carried out the following significant transactions with the related parties during the financial period:-

	The Group	
	2020	**2019**
	RM	RM
Contract fee received from companies related to certain director of the Company	(4,623,782)	-
Hiring income received or receivable from a company in which a director of the Company has financial interest	(2,507,692)	-
Rental income received or receivable from a company in which a director of the Company has a substantial financial interest	(4,500)	-
Sundry income received or receivable from a company in which a director of the Company has a substantial financial interest	(25,299)	(70,319)
Hiring charges paid or payable to a company in which a director of the Company has a substantial financial interest	76,000	384,000
Legal and professional charges paid or payable to a company in which a director of the Company has a substantial financial interest	74,518	-
Rental expenses paid or payable to a company in which a director of the Company has a substantial financial interest	19,200	19,200
Sub-contractor fee paid or payable to a company in which a director of the Company has a substantial financial interest	1,259,976	6,047,356
Training fee paid or payable to a company in which a director of the Company has a substantial financial interest	41,050	11,305
Workers' food ration paid or payable to a company in which a director of the Company has a substantial financial interest	224,666	377,267
Sale of investment properties to directors	1,780,000	-

The significant outstanding balances of the related parties (including the allowance for impairment loss made) together with their terms and conditions are disclosed in the respective notes to the financial statements.

32. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Managing Director as its chief operating decision maker in order to allocate resources to segments and to assess their performance on a quarterly basis. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 3 main reportable segments as follows:-

- Construction Segment - Involved in construction contract works and provision of construction support services.
- Trading Segment - Involved in trading of building materials and tools.
- Property Development Segment - Involved in property development.

(a) The Managing Director assesses the performance of the reportable segments based on their profit before taxation. The accounting policies of the reportable segments are the same as the Group's accounting policies.

(b) Each reportable segment assets is measured based on all assets of the segment.

(c) Each reportable segment liabilities is measured based on all liabilities of the segment.

Transactions between reportable segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation.

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32. OPERATING SEGMENTS (CONT'D)

32.1 BUSINESS SEGMENTS

2020	Construction RM	Trading RM	Property Development RM	Corporate RM	The Group RM
Revenue					
External revenue	62,603,233	9,324	-		62,612,557
Inter-segment revenue	-	167,241	-		167,241
	62,603,233	176,565	-		62,779,798
Consolidation adjustments					(167,241)
Consolidated revenue					62,612,557
Represented by:-					
Revenue recognised at a point of time					
- Sales of good	4,395,000	176,565	-		4,571,565
Revenue recognised over time					
- Construction services	58,208,233	-	-		58,208,233
	62,603,233	176,565	-		62,779,798
Consolidation adjustments					(167,241)
					62,612,557

32. OPERATING SEGMENTS (CONT'D)

32.1 BUSINESS SEGMENTS (CONT'D)

2020	Construction RM	Trading RM	Property Development RM	Corporate RM	The Group RM
Results					
Segment profit/(loss)	5,347,664	(20,166)	(7,200)	(1,024,084)	4,296,214
Finance costs	(486,471)	(1,918)	-	-	(488,389)
Consolidated profit before taxation					3,807,825
Segment profit/(loss) includes the followings:-					
Depreciation:					
- plant and equipment	213,529	160	-	-	213,689
- investment properties	256,568	-	-	-	256,568
- right-of-use assets	1,426,275	-	-	-	1,426,275
Gain on disposal of:					
- plant and equipment and investment properties	(118,020)	-	-	-	(118,020)
Property and equipment written off	1	-	-	-	1
Interest expenses	486,471	1,918	-	-	488,389
Interest income	(75,672)	(139)	-	-	(75,811)
Impairment lossed on					
- trade receivables	46,710	-	-	-	46,710
- contract assets	30,280	-	-	-	30,280
Reversal of impairment lossed on trade receivables	-	(80,000)	-	-	(80,000)

32. OPERATING SEGMENTS (CONT'D)

32.1 BUSINESS SEGMENTS (CONT'D)

2020	Construction RM	Trading RM	Property Development RM	Corporate RM	The Group RM
Assets					
Segments assets	89,451,659	716,136	632,937	1,246,630	92,047,362
Consolidation adjustments					(1,726,043)
Consolidated total assets					90,321,319
Addition to non-current other than financial instruments and deferred tax assets are:-					
Plant and equipment	352,522	-	-	-	352,522
Investment properties	1,719,102	-	-	-	1,719,102
Right-of-use assets	4,573,030	-	-	-	4,573,030
Liabilities					
Segment liabilities	62,333,873	141,916	4,272	21,214	62,501,275
Consolidation adjustments					(486,043)
Consolidated total liabilities					62,015,232

32. OPERATING SEGMENTS (CONT'D)

32.1 BUSINESS SEGMENTS (CONT'D)

2019	Construction RM	Trading RM	Property Development RM	Corporate RM	The Group RM
Revenue					
External revenue	103,541,261	34,630	-	-	103,575,891
Inter-segment revenue	-	109,221	-	-	109,221
	103,541,261	143,851	-	-	103,685,112
Consolidation adjustments					(109,221)
Consolidated revenue					103,575,891
Represented by:-					
Revenue recognised at a point of time					
- Sales of good	1,050,000	143,851	-	-	1,193,851
Revenue recognised over time					
- Construction services	102,491,261	-	-	-	102,491,261
	103,541,261	143,851	-	-	103,685,112
Consolidation adjustments					(109,221)
					103,575,891

32. OPERATING SEGMENTS (CONT'D)

32.1 BUSINESS SEGMENTS (CONT'D)

2019	**Construction** RM	**Trading** RM	**Property Development** RM	**Corporate** RM	**The Group** RM
Results					
Segment profit/(loss)	2,320,633	(81,369)	(4,386)	-	2,234,878
Finance costs	(580,774)	-	-	-	(580,774)
Consolidated profit before taxation					1,654,104
Segment profit/(loss) includes the followings:-					
Depreciation:					
- plant and equipment	280,937	160	-	-	281,097
- investment properties	214,588	-	-	-	214,588
- right-of-use assets	1,332,212	-	-	-	1,332,212
Interest expenses	580,774	-	-	-	580,774
Interest income	(90,047)	(215)	-	-	(90,262)
Inventories written down	810,336	-	-	-	810,336
Impairment lossed on					
- trade receivables	121,622	-	-	-	121,622
- contract assets	43,398	-	-	-	43,398

32. OPERATING SEGMENTS (CONT'D)

32.1 BUSINESS SEGMENTS (CONT'D)

2019	Construction RM	Trading RM	Property Development RM	Corporate RM	The Group RM
Assets					
Segments assets	90,461,080	635,934	657,975	-	91,754,989
Consolidation adjustments					(523,942)
Consolidated total assets					91,231,047
Addition to non-current other than financial instruments and deferred tax assets are:-					
Plant and equipment	118,291	-	-	-	118,291
Investment properties	1,731,690	-	-	-	1,731,690
Right-of-use assets	1,997,525	-	-	-	1,997,525
Liabilities					
Segment liabilities	65,975,246	39,724	622,110	-	66,637,080
Consolidation adjustments					(523,942)
Consolidated total liabilities					66,113,138

32. OPERATING SEGMENTS (CONT'D)

32.2 GEOGRAPHICAL INFORMATION

The Group operates predominantly in Malaysia. Accordingly, the information by geographical segments is not presented.

32.3 MAJOR CUSTOMERS

The followings are major customers with revenue equal to or more than 10% of the Group's total revenue.

	Revenue		**Segment**
	2020	**2019**	
	RM	RM	
Customer #1	-	16,547,854	Construction
Customer #2	9,170,709	18,716,130	Construction
Customer #3	-	11,733,632	Construction
Customer #4	19,476,808	23,934,092	Construction

33. CAPITAL COMMITMENTS

	The Group	
	2020	**2019**
	RM	RM
Constructions of investment properties	1,994,825	3,780,619

34. FINANCIAL INSTRUMENTS

The Group’s activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group’s overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance.

34.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group’s policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group does not have any transactions or balances denominated in foreign currencies and hence, is not exposed to foreign currency risk.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group’s policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

The Group's fixed deposits with licensed banks and fixed rate borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as in defined MFRS 7 since neither carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period.

Interest Rate Risk Sensitivity Analysis

Any reasonably possible change in the interest rates of floating rate term loans at the end of the reporting period does not have a material impact on the profit after taxation and other comprehensive income of the Group and of the Company and hence, no sensitivity analysis is presented.

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances and fixed deposit), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

(i) Credit Risk Concentration Profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

(iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost and contract assets are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets

The Group applies the simplified approach to measuring expected credit losses using a lifetime expected credit loss allowance for its trade receivables (including related parties). To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing. The expected loss rates are based on the Group's historical credit losses experienced. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group considers any trade receivables having financial difficulty or in default with significant balances outstanding for more than 1 year are deemed credit impaired and assesses for their risk of loss individually.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables and contract assets are summarised below:-

	Gross Amount	Individual Impairment	Collective Impairment	Carrying Amount
The Group	RM	RM	RM	RM
2020				
Current	6,215,453	-	(21,526)	6,193,927
1 to 30 days past due	6,974,935	-	(31,605)	6,943,330
31 to 60 days past due	2,436,966	-	(51,127)	2,385,839
61 to 90 days past due	1,043,318	-	(61,015)	982,303
More than 90 days past due	4,359,166	-	(96,598)	4,262,568
Credit impaired:				
- Individually impaired	194,675	(194,675)	-	-
Trade receivables	21,224,513	(194,675)	(261,871)	20,767,967
Contract assets	29,053,723	-	(100,622)	28,953,101
	50,278,236	(194,675)	(362,493)	49,721,068

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables and contract assets are summarised below:- (Cont'd)

	Gross Amount	Individual Impairment	Collective Impairment	Carrying Amount
The Group	RM	RM	RM	RM
2019				
Current	5,751,128	-	(15,074)	5,736,054
1 to 30 days past due	-	-	-	-
31 to 60 days past due	3,591,052	-	(25,283)	3,565,769
61 to 90 days past due	254,809	-	(28,441)	226,368
More than 90 days past due	3,091,133	-	(112,833)	2,978,300
Credit impaired:				
- Individually impaired	308,205	(308,205)	-	-
Trade receivables	12,996,327	(308,205)	(181,631)	12,506,491
Contract assets	39,493,695	-	(70,341)	39,423,354
	52,490,022	(308,205)	(251,972)	51,929,845

The movements in the loss allowances in respect of trade receivables and contract assets are disclosed in Notes 12 and 13 to the financial statements respectively.

Other Receivables and Related parties

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables. Under this approach, the Group assesses whether there is a significant increase in credit risk on the receivables by comparing their risk of default as at the reporting date with the risk of default as at the date of initial recognition based on available reasonable and supportable forward-looking information. Regardless of the assessment, a significant increase in credit risk is presumed if a receivable is more than 30 days past due in making a contractual payment.

The Group considers a receivable is credit impaired when the receivable is in significant financial difficulty, for instances, the receivable is in breach of financial covenants or insolvent. Receivables that are credit impaired are assessed individually while other receivables are assessed on a collective basis.

Based on the assessment performed, the identified impairment loss was immaterial and hence, it is not provided for.

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Fixed Deposits with Licensed Banks, Bash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

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34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

The Group	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
2020						
Non-derivative Financial Liabilities						
Lease liabilities	2.34% - 3.35%	4,316,800	4,655,607	1,812,381	2,843,226	-
Term Loans	3.00% - 6.72%	7,089,501	8,060,667	1,412,713	4,894,578	1,753,376
Trade payables	-	40,987,153	41,473,196	41,473,196	-	-
Other payables, deposit and accruals	-	2,721,931	2,698,749	2,698,749	-	-
Amount owing to directors	-	2,692,123	2,692,123	2,692,123	-	-
Amount owing to bankers	5.00% - 6.47%	3,751,073	3,751,073	3,751,073	-	-
		61,558,581	63,331,415	53,840,235	7,737,804	1,753,376

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):- (Cont'd)

The Group	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
2019						
Non-derivative Financial Liabilities						
Lease liabilities	2.42% - 4.00%	1,492,649	1,572,925	1,036,399	536,526	-
Term Loans	4.25% - 8.22%	6,562,060	8,086,073	1,440,624	3,421,002	3,224,447
Trade payables	-	47,942,107	47,942,107	47,942,107	-	-
Other payables, deposit and accruals	-	4,120,282	4,120,282	4,120,282	-	-
Amount owing to directors	-	239,051	239,051	239,051	-	-
Amount owing to bankers	5.00% - 7.97%	5,729,501	5,729,501	5,729,501	-	-
		66,085,650	67,689,939	60,507,964	3,957,528	3,224,447

34. FINANCIAL INSTRUMENTS (CONT'D)

34.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholder(s) value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to equity ratio of the Group at the end of the reporting period was as follows:-

	The Group	
	2020	**2019**
	RM	RM
Lease liabilities (Note 18)	4,316,800	1,492,649
Term loans (Note 19)	7,089,501	6,562,060
Amount owing to bankers (Note 23)	3,751,073	5,729,501
	15,157,374	13,784,210
Less: Fixed deposits with licensed banks (Note 15)	3,362,809	2,931,175
Less: Cash and bank balances	792,397	334,401
Net debt	11,002,168	10,518,634
Total equity	28,306,087	25,117,909
Debt-to-equity ratio	39%	42%

There was no change in the Group's approach to capital management during the financial period.

34.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group	
	2020	**2019**
	RM	RM
Financial Assets		
Amortised Cost		
Trade receivables	20,767,967	12,506,491
Other receivables and deposits	2,844,530	1,137,216
Fixed deposits with licensed banks	3,362,809	2,931,175
Cash and bank balances	792,397	334,401
	27,767,703	16,909,283

34. FINANCIAL INSTRUMENTS (CONT'D)

34.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D)

	The Group	
	2020	**2019**
	RM	RM
Financial Liabilities		
Amortised Cost		
Lease liabilities	4,316,800	1,492,649
Term loans	7,091,469	6,562,060
Trade payables	40,987,153	47,942,107
Other payables, deposits and accruals	2,721,931	4,120,282
Amount owing to directors	2,692,123	238,951
Amount owing to bankers	3,751,073	5,729,501
	61,560,549	66,085,550

34.4 FAIR VALUE INFORMATION

At the end of the reporting period, there were no financial instruments carried at fair values in the combined historical audited statements of financial position.

The fair values of the financial assets and financial liabilities of the Group that maturing within the next 12 months approximated their carrying amounts due to the relatively short term maturity of the financial instruments or repayable on demand terms.

35. SIGNIFICANT EVENTS OCCURRING DURING AND AFTER THE FINANCIAL PERIOD

(a) On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as global pandemic. Following the declaration, the Government of Malaysia has on 18 March 2020 imposed the Movement Control Order (“MCO”) and subsequently entered into various phases of the MCO to curb the spread of the COVID-19 pandemic in Malaysia.

The management has assessed the impact on the Group and of the opinion that there were no material financial impacts arising from the pandemic. Nevertheless, the Group has taken and will continue to take necessary steps to safeguard and preserve its financial condition, emphasising on liquidity management to meet its continuing financial commitments and liquidity needs.

35. SIGNIFICANT EVENTS OCCURRING DURING AND AFTER THE FINANCIAL PERIOD (CONT'D)

(b) To facilitate the Company's Proposed Listing on the LEAP Market of Bursa Malaysia Securities Berhad, the following Pre-IPO Reorganisation was undertaken by the Company during and subsequent to the financial period:

(i) the Acquisition of 700,000 ordinary shares of Sunmow Development Sdn. Bhd. (SDSB) for a purchase consideration of RM640,000 satisfied via the issuance of 5,120,000 Shares to the Vendors of SDSB at an issue price of RM0.125 each, pursuant to the share sale agreement dated 15 December 2020 between the Company and the Vendors of SDSB and the Acquisition was completed on 30 December 2020.

(ii) the Acquisition of 200 ordinary shares of Sunmow Trading Sdn. Bhd. (STSB) for a purchase consideration of RM600,000 satisfied via the issuance of 4,800,000 Shares to the Vendors of STSB at an issue price of RM0.125 each, pursuant to the share sale agreement dated 15 December 2020 between the Company and the Vendors of STSB and the Acquisition was completed on 30 December 2020.

(iii) the Acquisition of 2,000,000 ordinary shares of Sunmow Construction Sdn. Bhd. (SCSB) for a purchase consideration of RM25,000,000 satisfied via the issuance of 200,000,000 Shares to the Vendors of SCSB at an issue price of RM0.125 each, pursuant to the share sale agreement dated 15 December 2020 between the Company and the Vendors of SCSB and the Acquisition was completed on 14 January 2021

(iv) Issuance of 24,000,000 new ordinary shares at RM0.50 each for a cash consideration of RM12,000,000 on 18 February 2021.

(v) A Director has transferred his 4,000,000 ordinary shares in the Company as Share Gift to eligible employees on 15 February 2021 for the first tranche and on 4 March 2021 for the second tranche as disclosed in note 17(c)to the financial statements.

APPENDIX III

UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS OF SUNMOW HOLDING BERHAD FOR THE 7-MONTH FPE 31 JULY 2021

SUNMOW HOLDING BERHAD

(Incorporated in Malaysia)

Registration No: 202001024626 (1380946 – V)

UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL REPORT
for the financial period ended 31 July 2021

SUNMOW HOLDING BERHAD
(Incorporated in Malaysia)
Registration No: 202001024626 (1380946 – V)

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SUNMOW HOLDING BERHAD
(Incorporated in Malaysia)
Registration No: 202001024626 (1380946 – V)

UNAUDITED CONDENSED COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2021

	Unaudited As at 31.7.2021 RM	Unaudited As at 31.7.2020 RM
ASSETS		
NON-CURRENT ASSETS		
Plant and equipment	6,321,951	3,328,248
Investment properties	22,900,499	25,475,485
Deferred tax assets	251,383	144,789
Property development costs	620,905	642,250
	30,094,738	29,590,772
CURRENT ASSETS		
Inventories	1,753,210	5,970,580
Trade receivables	24,654,075	9,429,025
Contract assets	32,647,781	41,831,292
Other receivables and deposits	1,882,693	1,271,133
Amount owing by directors	-	20,473
Fixed deposits with licensed banks	12,526,617	3,336,523
Cash and bank balances	693,148	390,797
Current tax assets	17,698	68,839
	74,175,222	62,318,662
TOTAL ASSETS	104,269,960	91,909,434

SUNMOW HOLDING BERHAD
(Incorporated in Malaysia)
Registration No: 202001024626 (1380946 – V)

UNAUDITED CONDENSED COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2021 (CONT'D)

	Unaudited As at 31.7.2021 RM	Unaudited As at 31.7.2020 RM
EQUITY AND LIABILITIES		
EQUITY		
Share capital	38,250,000	-
Merger (deficit)/reserve	(24,539,800)	2,100,100
Equity reserve	2,000,000	-
Retained profits	26,503,209	24,658,145
TOTAL EQUITY	42,213,409	26,758,245
NON-CURRENT LIABILITIES		
Lease liabilities	2,287,697	532,403
Long term bank borrowings	5,363,721	5,929,901
Deferred tax liabilities	93	131
	7,651,511	6,462,435
CURRENT LIABILITIES		
Trade payables	36,106,141	44,771,449
Other payables and accruals	4,681,234	7,692,700
Lease liabilities	1,846,025	631,405
Short term bank borrowings	7,727,499	5,250,161
Amount owing to directors	3,071,919	343,039
Current tax liabilities	972,222	-
	54,405,040	58,688,754
TOTAL LIABILITIES	62,056,551	65,151,189
TOTAL EQUITY AND LIABILITIES	104,269,960	91,909,434

SUNMOW HOLDING BERHAD
(Incorporated in Malaysia)
Registration No: 202001024626 (1380946 – V)

UNAUDITED CONDENSED COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE 7-MONTHS PERIOD ENDED 31 JULY 2021

	Unaudited 1.1.2021 to 31.7.2021 RM	Unaudited 1.1.2020 to 31.7.2020 RM
REVENUE	34,010,473	28,889,071
COST OF SALES	(27,828,139)	(24,655,528)
GROSS PROFIT	6,182,334	4,233,543
OTHER INCOME	1,127,632	382,519
	7,309,966	4,616,062
ADMINISTRATIVE EXPENSES	(5,274,865)	(2,790,194)
FINANCE COSTS	(362,924)	(292,595)
NET IMPAIRMENT GAINS ON FINANCIAL ASSETS	17,293	29,498
PROFIT BEFORE TAXATION	1,689,470	1,562,771
INCOME TAX EXPENSE	(782,648)	(413,426)
PROFIT AFTER TAXATION FOR THE FINANCIAL PERIOD	906,822	1,149,345
EARNINGS PER SHARE	0.004	0.55

SUNMOW HOLDING BERHAD
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Registration No: 202001024626 (1380946 – V)

UNAUDITED CONDENSED COMBINED STATEMENTS OF CHANGES IN EQUITY FOR THE 7-MONTHS PERIOD ENDED 31 JULY 2021

	Share Capital RM	Share Application Reserve RM	Merger Deficit RM	Equity Reserve RM	Retained Profits RM	Total Equity RM
31 July 2021 (Unaudited)						
Balance at 1.1.2021	1,250,000	25,000,000	(24,539,800)	999,500	25,596,387	28,306,087
Profit after taxation for the financial period	-	-	-	-	906,822	906,822
Contributions by and distributions to owners of the Company:						
- Issuance of shares	12,000,000	-	-	-	-	12,000,000
- Issuance of shares pursuant to acquisition of a subsidiary	25,000,000	(25,000,000)	-	-	-	-
- Share gift to employees	-	-	-	1,000,500	-	1,000,500
	37,000,000	(25,000,000)	-	1,000,500	-	13,000,500
Balance at 31.7.2021	38,250,000	-	(24,539,800)	2,000,000	26,503,209	42,213,409

	Share Capital RM	Merger Reserve RM	Retained Profits RM	Total Equity RM
31 July 2020 (Unaudited)				
Balance at 1.1.2020	-	2,100,100	23,508,800	25,608,900
Profit after taxation for the financial period	-	-	1,149,345	1,149,345
Balance at 31.7.2020	-	2,100,100	24,658,145	26,758,245

SUNMOW HOLDING BERHAD
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UNAUDITED CONDENSED COMBINED STATEMENTS OF CASH FLOWS FOR THE 7-MONTHS PERIOD ENDED 31 JULY 2021

	Unaudited 1.1.2021 to 31.7.2021 RM	Unaudited 1.1.2020 to 31.7.2020 RM
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES		
Profit before taxation	1,689,470	1,562,771
Adjustments for:-		
Depreciation:		
- plant and equipment	138,823	117,671
- investment properties	307,280	170,506
- right-of-use assets	988,299	536,646
Impairment losses:		
- contract assets	-	12,482
Interest expense	362,924	292,595
Share gift to employees	1,000,500	-
Reversal of impairment losses on:		
- trade receivables	(17,293)	(41,980)
Plant and equipment written off	-	1
(Gain)/Loss on disposal of:		
- plant and equipment	(21,129)	1,311
Interest income	(120,315)	(50,727)
Operating profit before working capital changes	4,328,559	2,601,276
Decrease/(Increase) in inventories	503,215	(90,708)
(Increase)/Decrease in trade and other receivables	(2,891,101)	7,404,540
Increase in contract assets	(3,694,680)	(2,420,419)
Decrease in trade and other payables	(2,919,742)	(4,022,023)
CASH (FOR)/FROM OPERATIONS	(4,673,749)	3,472,666
Interest paid	(362,924)	(292,595)
Interest received	104,438	55,498
Income tax paid	(492,561)	(391,704)
Income tax refunded	240,510	-
NET CASH (FOR)/FROM OPERATING ACTIVITIES	(5,184,286)	2,843,865

SUNMOW HOLDING BERHAD
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UNAUDITED CONDENSED COMBINED STATEMENTS OF CASH FLOWS FOR THE 7-MONTHS PERIOD ENDED 31 JULY 2021 (CONT'D)

	Note	Unaudited 1.1.2021 to 31.7.2021 RM	Unaudited 1.1.2020 to 31.7.2020 RM
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES			
Purchase of plant and equipment	(a)	(103,459)	(343,467)
Purchase of investment properties	(a)	(140,971)	(877,378)
Addition to right-of-use assets	(a)	-	(169,000)
Proceeds from disposal of plant and equipment		750	550
Proceeds from disposal of investment properties		679,328	700,000
Decrease/(Increase) in fixed deposits pledged to licensed banks		1,881,911	(405,348)
NET CASH FROM/(FOR) INVESTING ACITIVITIES		2,317,559	(1,094,643)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES			
Advance from directors		379,797	83,515
Drawdown of term loans	(b)	86,534	661,466
Proceeds from issuance of shares		12,000,000	-
Increase in bankers' acceptance	(b)	-	867,000
Repayment of lease liabilities	(b)	(815,278)	(664,842)
Repayment of term loans	(b)	(678,076)	(299,946)
Increase/(Decrease) in U-factoring facility	(b)	700,000	(1,000,000)
NET CASH FROM/(FOR) FINANCING ACTIVITIES		11,672,977	(352,807)
NET INCREASE IN CASH AND CASH EQUIVALENTS		8,806,250	1,396,415
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD		(706,676)	(1,971,100)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	(d)	8,099,574	(574,685)

UNAUDITED CONDENSED COMBINED STATEMENTS OF CASH FLOWS FOR THE 7-MONTHS PERIOD ENDED 31 JULY 2021 (CONT'D)

(a) The cash disbursed for the purchase of plant and equipment, investment properties and the addition of right-of-use assets is as follows:-

	Unaudited 1.1.2021 to 31.7.2021 RM	Unaudited 1.1.2020 to 31.7.2020 RM
Plant and equipment		
Cost of plant and equipment purchased	119,369	343,467
Less: Addition of new lease liabilities	(15,910)	-
	103,459	343,467
Investment properties		
Cost of investment properties purchased	140,971	877,378
Right-of-use assets		
Cost of right-of-use assets acquired	616,290	505,000
Less: Addition of new lease liabilities	(616,290)	(336,000)
	-	169,000

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UNAUDITED CONDENSED COMBINED STATEMENTS OF CASH FLOWS FOR THE 7-MONTHS PERIOD ENDED 31 JULY 2021 (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows:-

	Bankers' Acceptance RM	Term Loans RM	U-factoring Facility RM	Lease Liabilities RM	Total RM
31 July 2021 (Unaudited)					
At 1 January	2,252,000	7,091,469	-	4,316,800	13,660,269
<u>Changes in Financing Cash Flows</u>					
Proceeds from drawdown	-	86,534	700,000	-	786,534
Repayment of principal	-	(678,076)	-	(815,278)	(1,493,354)
Repayment of interest	(49,799)	(86,449)	(18,101)	(143,787)	(298,136)
	(49,799)	(677,991)	681,899	(959,065)	(1,004,956)
<u>Non-cash Changes</u>					
Acquisition of new leases	-	-	-	632,200	632,200
Interest expense recognised in profit or loss	49,799	86,449	18,101	143,787	298,136
	49,799	86,449	18,101	775,987	930,336
At 31 July	2,252,000	6,499,927	700,000	4,133,722	13,585,649

UNAUDITED CONDENSED COMBINED STATEMENTS OF CASH FLOWS FOR THE 7-MONTHS PERIOD ENDED 31 JULY 2021 (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows:- (Cont'd)

	Bankers' Acceptance RM	Term Loans RM	U-factoring Facility RM	Lease Liabilities RM	Total RM
31 July 2020 (Unaudited)					
At 1 January	2,424,000	6,562,060	1,000,000	1,492,650	11,478,710
<u>Changes in Financing Cash Flows</u>					
Proceeds from drawdown	874,000	661,466	700,000	-	2,235,466
Repayment of principal	(7,000)	(299,946)	(1,700,000)	(664,842)	(2,671,788)
Repayment of interest	(49,799)	(141,926)	(12,908)	(32,715)	(237,348)
	817,201	219,594	(1,012,908)	(697,557)	(673,670)
<u>Non-cash Changes</u>					
Acquisition of new leases	-	-	-	336,000	336,000
Interest expense recognised in profit or loss	49,799	141,926	12,908	32,715	237,348
At 31 July	3,291,000	6,923,580	-	1,163,808	11,378,388

UNAUDITED CONDENSED COMBINED STATEMENTS OF CASH FLOWS
FOR THE 7-MONTHS PERIOD ENDED 31 JULY 2021 (CONT'D)

(c) The total cash outflows for leases as a lessee are as follows:-

	Unaudited 1.1.2021 to 31.7.2021 RM	Unaudited 1.1.2020 to 31.7.2020 RM
Interest paid on lease liabilities	143,787	32,715
Payment of lease liabilities	815,278	664,842
Payment of short-term leases	412,417	219,215
	1,371,482	916,772

(d) The cash and cash equivalents comprise the following:-

	Unaudited As at 31.7.2021 RM	Unaudited As at 31.7.2020 RM
Cash and cash equivalents at the end of the financial period comprises:		
Fixed deposits with licensed banks	12,526,617	3,336,523
Cash and bank balances	693,148	390,797
Bank overdrafts	(3,639,293)	(965,482)
	9,580,472	2,761,838
Less: Fixed deposits pledged to licensed banks	(1,480,898)	(3,336,523)
	8,099,574	(574,685)

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EXPLANATORY NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL REPORT FOR THE 7-MONTHS PERIOD ENDED 31 JULY 2021

1. BASIS OF PREPARATION

The condensed combined interim financial report of Sunmow Holding Bhd. ("Sunmow" or "Company") and its subsidiaries (the "Group") are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134: *Interim Financial Reporting* and the LEAP Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"). The Company was only incorporated on 21 August 2020 to facilitate the listing of the Group on the LEAP Market of Bursa Malaysia Securities Berhad.

The condensed combined interim financial report of the Group has been prepared as if the Group has been operated as a single economic entity throughout the financial periods under review.

The condensed combined interim financial report should be read in conjunction with the Accountants' Report dated 28 December 2020 and the audited report dated 12 May 2021 included in the Information Memorandum and the accompanying explanatory notes attached to the condensed combined financial report. The explanatory notes attached to the condensed combined interim financial report provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2020.

2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted by the Group in this financial report are consistent with those adopted in the Combined Historical Audited Financial Statements as disclosed in Appendix I of the Information Memorandum.

As at 1 January 2021, the Group has adopted the following Amendment to MFRSs which are effective for annual years beginning on or after 1 January 2021.

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 3: Definition of a Business

Amendments to MFRS 4: Extension of the Temporary Exemption from Applying MFRS 9

Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform

Amendments to MFRS 101 and MFRS 108: Definition of Material

Amendments to References to the Conceptual Framework in MFRS Standards

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

3. AUDITORS' REPORT

There was no qualified audit report issued by the auditors in the audited report for the financial year ended 31 December 2020 and the combined historical audited financial statements for the financial years ended 31 December 2019 and 2018.

4. SEASONAL AND CYCLICAL FACTORS

The nature of the Group's businesses were not subject to any significant seasonal and cyclical factors.

5. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There were no material unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the financial period ended 31 July 2021.

6. MATERIAL CHANGES IN ACCOUNTING ESTIMATES

There were no material changes in critical accounting estimates in the current financial period under review.

7. DEBT AND EQUITY SECURITIES

There was no issuance, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period ended 31 July 2021 other than the issuance of 12,000,000 new ordinary shares and the issuance of shares pursuant to acquisition of a subsidiary.

8. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE CURRENT FINANCIAL PERIOD

There were no material events subsequent to the end of the current financial period under review.

9. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial period ended 31 July 2021 except for the acquisition of a subsidiary.

10. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no contingent assets and contingent liabilities as at the end of the financial period under review.

11. CAPITAL COMMITMENTS

Outstanding capital commitments in respect of capital expenditure at financial position date not provided for at the end of each reporting period are as follows:

	Unaudited As at 31.7.2021 RM	Unaudited As at 31.7.2020 RM
Purchase of plant and equipment	17,155	239,608
Addition to right-of-use asset	-	4,814,320
Construction of investment properties	377,229	1,359,924
	394,384	6,413,852

12. DIVIDENDS PAID

There were no dividends paid during the current financial period under review.

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13. OPERATING SEGMENTS

Segmental information in respect of the Group's business segments is as follows:-

	Construction	Trading	Property development	Corporate	Group
	RM	RM	RM	RM	RM
31.7.2021					
Revenue					
External revenue	33,992,453	18,020	-	-	34,010,473
Inter-segment revenue	-	146,356	-	-	146,356
	33,992,453	164,376	-	-	34,156,829
Consolidation adjustments					(146,356)
Consolidated revenue					34,010,473
Represented by:-					
Revenue recognised at a point of time					
- Sales of goods	-	164,376	-	-	164,376
Revenue recognised over time					
- Construction services	33,992,453	-	-	-	33,992,453
	33,992,453	164,376	-	-	34,156,829
Consolidation adjustments					(146,356)
					34,010,473
Results					
Segment profit/(loss)	3,633,685	(212,850)	(3,485)	(1,364,956)	2,052,394
Finance costs	(362,649)	(275)	-	-	(362,924)
Consolidated profit before taxation					1,689,470
Segment profit/(loss) includes the followings:-					
Depreciation:					
- plant and equipment	138,730	93	-	-	138,823
- investment properties	307,280	-	-	-	307,280
- right-of-use assets	988,299	-	-	-	988,299
Gain on disposal of:					
- plant and equipment	(21,129)	-	-	-	(21,129)
Interest expense	362,649	275	-	-	362,924
Interest income	(14,870)	(6)	(66)	(105,373)	(120,315)
Reversal of impairment losses on trade receivables	-	(17,293)	-	-	(17,293)

13. OPERATING SEGMENTS (CONT'D)

Segmental information in respect of the Group's business segments is as follows:- (Cont'd)

	Construction	Trading	Property development	Corporate	Group
	RM	RM	RM	RM	RM
31.7.2021					
Assets					
Segment assets	91,616,586	832,269	831,533	11,669,060	104,949,448
Consolidation adjustments					(679,488)
Consolidated total assets					104,269,960
Additions to non-current assets other than financial instruments and deferred tax assets are:-					
Plant and equipment	119,369	-	-	-	119,369
Investment properties	140,971	-	-	-	140,971
Right-of-use assets	616,290	-	-	-	616,290
Liabilities					
Segment liabilities	62,156,790	324,796	206,353	48,100	62,736,039
Consolidation adjustments					(679,488)
Consolidated total liabilities					62,056,551

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13. OPERATING SEGMENTS (CONT'D)

Segmental information in respect of the Group's business segments is as follows:- (Cont'd)

	Construction	Trading	Property development	Group
	RM	RM	RM	RM
31.7.2020				
Revenue				
External revenue	28,883,571	5,500	-	28,889,071
Inter-segment revenue	-	38,955	-	38,955
	28,883,571	44,455	-	28,928,026
Consolidation adjustments				(38,955)
Consolidated revenue				28,889,071
Represented by:-				
Revenue recognised at a point of time				
- Sales of goods	-	44,455	-	44,455
Revenue recognised over time				
- Construction services	28,883,571	-	-	28,883,571
	28,883,571	44,455	-	28,928,026
Consolidation adjustments				(38,955)
				28,889,071
Results				
Segment profit/(loss)	1,923,122	(77,460)	(3,204)	1,842,458
Finance costs	(279,236)	(451)	-	(279,687)
Consolidated profit before taxation				1,562,771
Segment profit/(loss) includes the followings:-				
Depreciation:				
- plant and equipment	117,578	93	-	117,671
- investment properties	170,506	-	-	170,506
- right-of-use assets	536,646	-	-	536,646
Loss on disposal of:				
- plant and equipment	1,311	-	-	1,311
Plant and equipment written off	1			1
Interest expense	292,144	451	-	292,595
Interest income	(50,648)	(79)	-	(50,727)
Impairment losses on:				
- contract assets	12,482	-	-	12,482
Reversal of impairment losses on trade receivables	(29,480)	(12,500)	-	(41,980)

13. OPERATING SEGMENTS (CONT'D)

Segmental information in respect of the Group's business segments is as follows:- (Cont'd)

	Construction	Trading	Property development	Group
	RM	RM	RM	RM
31.7.2020				
Assets				
Segment assets	91,152,068	677,015	663,193	92,492,276
Consolidation adjustments				(582,842)
Consolidated total assets				91,909,434
Additions to non-current assets other than financial instruments and deferred tax assets are:-				
Plant and equipment	343,467	-	-	343,467
Investment properties	877,378	-	-	877,378
Right-of-use assets	505,000	-	-	505,000
Liabilities				
Segment liabilities	64,983,716	119,783	630,532	65,734,031
Consolidation adjustments				(582,842)
Consolidated total liabilities				65,151,189

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14. INCOME TAX EXPENSE

	Unaudited 1.1.2021 to 31.7.2021 RM	Unaudited 1.1.2020 to 31.7.2020 RM
Current tax expense:		
- for the financial period	782,670	316,316
Deferred tax (income)/expense:		
- for the financial period	(22)	(1,518)
- underprovision in the previous financial year	-	98,628
	(22)	97,110
	782,648	413,426

15. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control.

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group also carried out the following significant transactions with the related parties during the financial year:-

	Unaudited 1.1.2021 to 31.7.2021 RM	Unaudited 1.1.2020 to 31.7.2020 RM
Contract revenue received or receivable from a company in which a director of the Group has a financial interest	(5,669,189)	-
Rental income received or receivable from a company in which a director of the Group has a financial interest	(115,500)	-
Hiring charges paid or payable to a company in which a director of the Group has a substantial financial interest	-	76,000

16. FAIR VALUE INFORMATION

At the end of the reporting period, there were no financial instruments carried at fair values in the unaudited condensed combined statements of financial position.

The fair values of the financial assets and financial liabilities of the Group that maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

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1. FINANCIAL PERFORMANCE

(a) Highlight on combined Statement of Profit or Loss and Other Comprehensive Income

	Unaudited Individual 7 months period ended 31 July		
	2021	2020	Variance
	RM	RM	%
Revenue	34,010,473	28,889,071	17.73%
Profit before taxation ("PBT")	1,689,470	1,562,771	8.11%

The Group reported revenue of RM34.01 million for the financial period ended 31 July 2021 ("FPE 31 July 2021"). This represents increase in revenue of approximately 17.73% against its revenue for the financial period ended 31 July 2020 ("FPE 31 July 2020") of approximately RM28.89 million.

The increase in revenue was mainly due to the Group was awarded with new projects which commenced in FPE 31 July 2021. One of the projects' contract sums was revised higher in FPE 31 July 2021, hence higher revenue was recognised. During FPE 31 July 2020, the imposition of the MCO under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 has affected the Group's revenue. While the businesses are not essential services and the Group was unable to continue its operations during the MCO period i.e. from 18 March 2020 until 12 May 2020 ("MCO Period"). The revenue was unfavourably affected due to discontinuance of its operations during the MCO period.

While the Group's revenue for FPE 31 July 2021 increased by 17.73% as compared to FPE 31 July 2020, the Group's PBT for the FPE 31 July 2021 increased by 8.11% to RM1.70 million (FPE 31 July 2020: RM1.56 million). The increase in PBT was mainly due to the following:

(a) Slight increase in gross profit margin from 15% in 2020 to 18% in 2021. The increase was mainly contributed by the construction of Palm Kernel Meal Store for Palm Kernel Crushing Plant (BEO5), construction of Borneo Evangelical Mission Public Church (BEM), upgrading of existing village road in Jelalong (URDA) as well as partly contributed by the construction support services for Sabah and Sarawak mechanical pipelines maintenance (SSGP).

(b) Significant increase in hiring income by 1,600% from RM0.03 million in 2020 to RM0.51 million in 2021. The significant increase is mainly due to the contribution of SSGP project.

(c) Increase in interest income by 140% from RM0.07 million in 2020 to RM0.12 million in 2021.as more interest income has been generated from fixed deposits in licensed bank.

1. FINANCIAL PERFORMANCE (CONT'D)

(b) Highlight on combined Statement of Financial Position

	Unaudited As at 31.7.2021 RM	Unaudited As at 31.7.2020 RM
Total non-current assets	30,094,738	29,590,772
Total current assets	74,175,222	62,318,662
Total assets	104,269,960	91,909,434
Total equity	42,213,409	26,758,245
Total non-current liabilities	7,651,511	6,462,435
Total current liabilites	54,405,040	58,688,754
Total liabilities	62,056,551	65,151,189

The Group continues to report a net current assets ("NCA") position as at 31 July 2021. The Group's NCA position amounted to RM19.77 million as at 31 July 2021. The financial position of the Group remains healthy as at 31 July 2021. The Directors have taken into consideration the following factors in arriving at the view above:

(i) There is no material uncertainty over the Group's ability to repay its liabilities for a period of not less than 12 months from the date of this report;

(ii) As at 31 July 2021, the Group has positive shareholders' equity of RM42.21 million.

(iii) The gearing ratio has decreased from 0.46 times as at 31 July 2020 to 0.41 times as at 31 July 2021.

2. COMMENTARY ON PROSPECTS

The Government of Malaysia had on 16 March 2020 announced the imposition of a MCO in an effort to contain the COVID-19 outbreak in Malaysia. The MCO was imposed on 18 March 2020 and three subsequent 14-day extensions of the MCO were announced on 25 March 2020, 10 April 2020 and 23 April 2020 respectively to extend the effective date of the MCO from 1 April 2020 until 14 April 2020, from 15 April 2020 until 28 April 2020 and thereafter from 29 April 2020 to 12 May 2020. The MCO however was eased and relaxed, and extended under a Conditional MCO ("CMCO") from 4 May 2020 to 9 June 2020 instead ("CMCO" Period). Under the CMCO, certain restrictions previously gazetted under the MCO were gradually eased and almost all economic sectors were allowed to reopen. The CMCO was then uplifted and a Recovery MCO ("RMCO") was imposed from 10 June 2020 to 31 August 2020 instead ("RMCO" Period). Under the RMCO, further restrictions previously gazetted under the CMCO were gradually eased. However, given the recent significant rise in COVID-19 cases seen throughout Malaysia, MCO was re-imposed nationwide effective from 12 May 2021.

Subsequently, on 28 May 2021, the Government had announced the imposition of a nationwide lockdown started from 1 June 2021 to 14 June 2021, and further extended to 14 July 2021. All sectors were not allowed to operate during this period except for those in the essential economic and service sectors. Other control measures implemented included restrictions on the movement of people within Malaysia and internationally, and restrictions of business, economic, cultural and recreational activities.

Save as disclosed in Sections 4.2 of the Information Memorandum, as at the LPD, the Directors confirm that there has not been any reduction in the contracted value or the contracted terms of their on-going projects as they did not experience any cancellation or termination of the on-going projects. However, there is some postponement of tenders for new construction projects in the construction industry but they believe it will not have any adverse impact on their prospects in the long run. Further to the above, as at the LPD, the Group had not received any notice on any termination of projects.

Furthermore, the Group have submitted applications to all their on-going projects' customers for extension of time to complete their projects. Refer to Section 4.2 of the Information Memorandum for further details on the approval of extension of time.

In addition, the Group have implemented COVID-19 standard operating procedures and social distancing guidelines imposed by the Government, relevant authorities and local councils. Refer to Section 4.2 of the Information Memorandum for further details on the standard operating procedures. The Group will continue to monitor the situation to assess and address the impact of COVID-19 on their business and financial condition, particularly if the MCO is reintroduced or specific restrictions are introduced by the relevant authorities to adhere to appropriate social distancing practices which are deemed necessary to mitigate the spread of COVID-19.

The financial performance has not been adversely affected during the MCO and the Directors are of the opinion that the Group's prospects remain favourable in the long run.