

12. FINANCIAL INFORMATION (CONT'D)**12.8 REPORTING ACCOUNTANTS' REPORT ON COMPILATION OF THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021**

Date: 3 June 2022

The Board of Directors
Ecoscience International Berhad
 PLO. 555, Jalan Keluli 8
 Pasir Gudang Industrial Estate
 81700 Pasir Gudang
 Johor

Crowe Malaysia PLT
 201906000005 (LLP0018817-LCA) & AF 1018
 Chartered Accountants
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 Persiaran Southkey 1
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Dear Sirs

**ECOSCIENCE INTERNATIONAL BERHAD ("ECOSCIENCE" OR "THE COMPANY")
 REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL
 POSITION AS AT 31 DECEMBER 2021**

We have completed our assurance engagement to report on the compilation of pro forma statements of financial position of Ecoscience and its subsidiaries (collectively known as "the Group") as at 31 December 2021 and related notes ("Pro Forma Statements of Financial Position") as set out in Appendix A, for which we have stamped for the purpose of identification. The Pro Forma Statements of Financial Position have been prepared by the Board of Directors of the Company for inclusion in the prospectus of the Company ("Prospectus"), in connection with its listing of and quotation for the entire issued share capital on the ACE Market of Bursa Malaysia Securities Berhad ("Proposed Listing").

The applicable criteria on the basis of which the Board of Directors of the Company have compiled the Pro Forma Statements of Financial Position are set out in notes thereon to the Pro Forma Statements of Financial Position, and in accordance with the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The Pro Forma Statements of Financial Position have been compiled by the Board of Directors of the Company to illustrate the impact of the events or transactions as set out in notes thereon to the Pro Forma Statements of Financial Position as if the events have occurred or the transactions have been undertaken on 31 December 2021.

As part of this process, information about the Group's financial position has been extracted by the Board of Directors of the Company from the Group's audited statements of financial position as at 31 December 2021 set out in the Accountants' Report of the Company.

THE BOARD OF DIRECTORS' RESPONSIBILITIES

The Board of Directors of the Company is responsible for compiling the Pro Forma Statements of Financial Position based on the basis as described in the notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

12. FINANCIAL INFORMATION (CONT'D)**REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL**

We have complied with the independence and other ethical requirements of the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants and *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standard Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The Firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Statements of Financial Position have been compiled, in all material respects, by the Board of Directors of the Company on the basis as described in the notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagement to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of the Company has compiled, in all material respects, the Pro Forma Statements of Financial Position on the basis set out in the notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in compiling the Pro Forma Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Statements of Financial Position.

The purpose of Pro Forma Statements of Financial Position included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involved performing procedures to assess whether the applicable criteria used by the Board of Directors of the Company in the compilation of the Pro Forma Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

12. FINANCIAL INFORMATION (CONT'D)**REPORTING ACCOUNTANTS' RESPONSIBILITIES (CONT'D)**

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Pro Forma Statements of Financial Position have been compiled, in all material respects, on the basis set out in the notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

OTHER MATTER

We understand that this letter will be used solely for the purpose of inclusion in the Prospectus in connection with the Proposed Listing. As such, this letter 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.

Yours faithfully

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

Johor Bahru

Piong Yew Peng
03070/06/2023 J
Chartered Accountant

12. FINANCIAL INFORMATION (CONT'D)

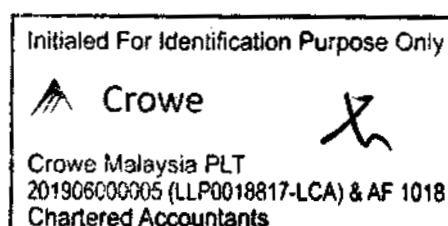
APPENDIX A

ECOSCIENCE INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

			Pro Forma I		Pro Forma II
	As at 31	Public	After	Utilisation	After Pro
	December	Issue	Public	of	Forma I and
	2021 #	RM'000	Issue	Proceeds	Utilisation of
Note	RM'000	RM'000	RM'000	RM'000	Proceeds
					RM'000
ASSETS					
NON-CURRENT ASSETS					
	24,864		24,864		24,864
Property, plant and equipment					
Other investments	2,069		2,069		2,069
	<u>26,933</u>		<u>26,933</u>		<u>26,933</u>
CURRENT ASSETS					
	15,213		15,213		15,213
Inventories	12,600		12,600		12,600
Trade receivables	7,284		7,284	(495)	6,789
Other receivables, deposits and prepayments	6.1	42,866	42,866		42,866
Contract assets	3,491		3,491		3,491
Current tax assets	13,519		13,519		13,519
Fixed deposits with licensed banks	6.2	6,507	24,651	31,158	(9,005)
Cash and bank balances	<u>101,480</u>		<u>126,131</u>		<u>116,631</u>
	<u>128,413</u>		<u>153,064</u>		<u>143,564</u>
TOTAL ASSETS					
EQUITY AND LIABILITIES					
EQUITY					
	51,566	24,651	76,217	(1,146)	75,071
Share capital	(45,209)		(45,209)		(45,209)
Merger deficit	(249)		(249)		(249)
Foreign exchange translation reserve	6.4	53,057	53,057	(1,354)	51,703
Retained profits	<u>59,165</u>		<u>83,816</u>		<u>81,316</u>
TOTAL EQUITY					

Note:

- Extracted from the Group's audited financial statements for the financial year ended 31 December 2021.



12. FINANCIAL INFORMATION (CONT'D)

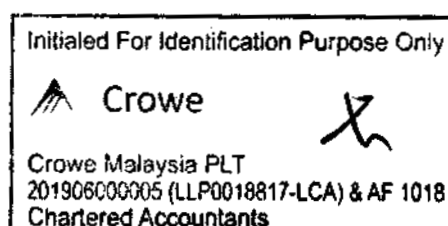
APPENDIX A

ECOSCIENCE INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021
(CONT'D)

	As at 31 December 2021 #	Public Issue RM'000	Pro Forma I After Public Issue RM'000	Utilisation of Proceeds RM'000	Pro Forma II After Pro Forma I and Utilisation of Proceeds RM'000
Note	RM'000	RM'000	RM'000	RM'000	RM'000
NON-CURRENT LIABILITIES					
Lease liabilities	485		485		485
Term loans	8,688		8,688		8,688
Deferred tax liabilities	2,421		2,421		2,421
	<u>11,594</u>		<u>11,594</u>		<u>11,594</u>
CURRENT LIABILITIES					
Trade payables	16,103		16,103		16,103
Other payables and accruals	9,943		9,943		9,943
Provisions	810		810		810
Lease liabilities	443		443		443
Term loans	1,033		1,033		1,033
Short term borrowings	16,674		16,674		16,674
Bank overdrafts	6.5 11,758		11,758	(7,000)	4,758
Current tax liabilities	890		890		890
	<u>57,654</u>		<u>57,654</u>		<u>50,654</u>
TOTAL LIABILITIES	<u>69,248</u>		<u>69,248</u>		<u>62,248</u>
TOTAL LIABILITIES AND EQUITIES	<u>128,413</u>		<u>153,064</u>		<u>143,564</u>
No of ordinary shares in issue ('000)	257,831		340,000		340,000
NA (RM'000)	59,165		83,816		81,316
NA per ordinary share (RM)	0.23		0.25		0.24
Gearing ratio (times)	0.66		0.47		0.39

Notes:

- Extracted from the Group's audited financial statements for the financial year ended 31 December 2021.



12. FINANCIAL INFORMATION (CONT'D)

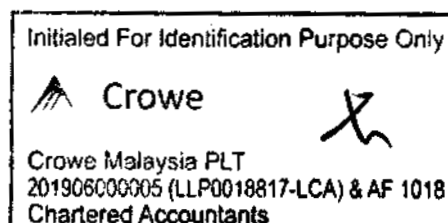
APPENDIX A

**ECOSCIENCE INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31
DECEMBER 2021**

1. ABBREVIATION

Unless the context otherwise requires, the following words and abbreviation shall apply throughout this report:

Ecoscience or Company	Ecoscience International Berhad
EMESB	Ecoscience Manufacturing & Engineering Sdn. Bhd.
AEPL	Asia Ecoscience Pte Ltd
ETSB	Ecoscience Technology Sdn. Bhd.
TWSB	Top Well Trading & Services Sdn. Bhd.
Group	Ecoscience, EMESB, ETSB, TWSB and AEPL collectively
Bursa Securities	Bursa Malaysia Securities Berhad
NA	Net assets
Proposed Listing	: Listing of and quotation for the entire enlarged issued share capital of Ecoscience on the ACE Market of Bursa Securities
RM and sen	Ringgit Malaysia and sen, respectively
Shares	Ordinary shares of Ecoscience



12. FINANCIAL INFORMATION (CONT'D)

APPENDIX A

**ECOSCIENCE INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31
DECEMBER 2021**

2. INTRODUCTION

The pro forma statements of financial position of the Group as at 31 December 2021 together with the notes thereon, for which the Board of Directors of the Company are solely responsible, have been prepared for illustrative purposes only for the purpose of inclusion in the prospectus to be issued by the Company in connection with the listing of and quotation for the entire issued share capital of Ecoscience on the ACE Market of Bursa Securities.

3. BASIS OF PREPARATION

The pro forma statements of financial position have been prepared based on the Accountants' Report of the Group as at 31 December 2021, which was prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with the format of the Accountants' Report and accounting policies of the Group. The Accountants' Report used in the preparation of the pro forma statements of financial position are not subject to any qualification, modification or disclaimer.

The pro forma statements of financial position of the Group together with the related notes thereon, have been prepared solely to illustrate the impact of the events and transactions set out in Note 4 to the pro forma statements of financial position had the events occurred or transactions been undertaken on 31 December 2021. The pro forma statements of financial position are not necessary indicative of the financial position that would have been attained had the Listing actually occurred at the respective dates.

4. LISTING SCHEME

As part of the Proposed Listing, Ecoscience undertook the followings:

(i) Initial public offering

In conjunction with, and as an integral part of, the Proposed Listing, Ecoscience will undertake an initial public offering of 112,169,500 Shares, comprising public issue of 82,169,500 new Shares and offer for sale of 30,000,000 existing Shares, at RM0.30, to be allocated in the following manner :

a) Malaysian public

17,000,000 Shares, representing 5.0% of the enlarged total number of Shares, will be made available for application by the Malaysian public via balloting, of which 50.0% will be set aside for Bumiputera investors.

b) Eligible persons

6,800,000 Shares, representing 2.0% of the enlarged total number of Shares, will be made available for application by the eligible directors, employees and persons who have contributed to the success of the Group.

Initialed For Identification Purpose Only

 Crowe



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

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**ECOSCIENCE INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31
DECEMBER 2021**

4. LISTING SCHEME (CONT'D)

As part of the Proposed Listing, Ecoscience undertook the followings (Cont'd):

(i) Initial public offering (Cont'd)

c) Private placement

88,369,500 Shares, representing approximately 26.0% of the enlarged number of issued Shares, will be made available by way of private placement, of which 45,869,500 Shares are allocated to the selected investors and 42,500,000 Shares are allocated to identified Bumiputera investors approved by the Ministry of International Trade and Industry.

The offer for sale does not have any impact on the pro forma statements of financial position as at 31 December 2021.

(ii) Listing

Upon completion of the initial public offering, the Company shall be admitted to the official list and the entire enlarged share capital of RM76,216,952 comprising 340,000,000 Shares shall be listed and quoted on the ACE Market of Bursa Securities.

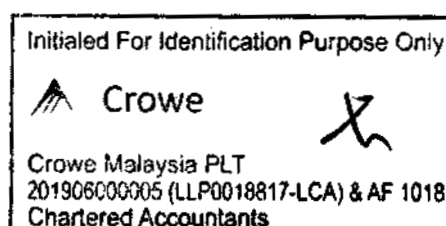
5. PRO FORMA ADJUSTMENTS TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

The pro forma statements of financial position of the Group as 31 December 2021 has been prepared solely for illustrative purposes only to show the effects of the following transactions based on the assumptions that they had been effected on 31 December 2021:

5.1 Pro Forma I

Pro Forma I incorporates the effects of the public issue as set out in Note 4 (i) above.

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12. FINANCIAL INFORMATION (CONT'D)

APPENDIX A

**ECOSCIENCE INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31
DECEMBER 2021**

**5. PRO FORMA ADJUSTMENTS TO THE PRO FORMA STATEMENTS OF
FINANCIAL POSITION AS AT 31 DECEMBER 2021 (CONT'D)**

5.2 Pro Forma II

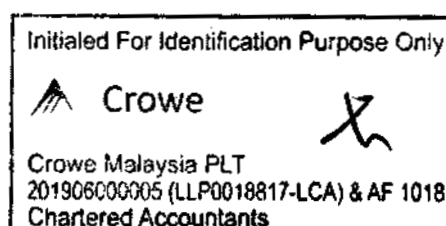
Pro Forma II incorporates the effect of the Pro Forma I and utilisation of the proceeds from the public issue as set out in Note 4 (ii) above. The proceeds from the public issue will be utilised as follows:-

Details of the utilisation of proceeds	Amount of proceeds		Estimated timeframe for utilisation from the date of Listing
	RM'000	%	
Not reflected in pro forma statements of financial position			
Business expansion ⁽¹⁾	6,000	24.34	Within 24 months
General working capital	7,851	31.85	Within 12 months
Reflected in pro forma statements of financial position			
Repayment of bank borrowings	7,000	28.40	Within 12 months
Estimated listing expenses ⁽²⁾	3,800	15.41	Within 1 month
Total	24,651	100.00	

Note:

(1) As at 27 May 2022, being the latest practicable date prior to the registration of the prospectus with the Securities Commission Malaysia ("LPD"), the Group has yet to enter into any contractual binding agreements or issue any purchase order in relation to the business expansion. Accordingly, the use of proceeds earmarked for the business expansion are not reflected in the pro forma statements of financial position.

(2) The estimated listing expenses of RM1,146,000 directly attributable to the Public Issue will be offset against share capital and the remaining estimated listing expenses of RM2,654,000 that attributable to Listing will be expensed off to the profit or loss. The Group has recognised RM1,300,000 of listing expenses to the profit or loss in previous financial years. During the financial year ended 31 December 2021, RM495,000 of listing expenses have been recognised as prepayment which will be offset against share capital upon listing.



12. FINANCIAL INFORMATION (CONT'D)

APPENDIX A

**ECOSCIENCE INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31
DECEMBER 2021**

6. NOTES TO PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

6.1 Other receivables, deposits, and prepayments

	RM'000
As at 31 December 2021 / As per Pro Forma I	7,284
Less: Prepayment for listing expenses ^	(495)
As per Pro Forma II	<u>6,789</u>

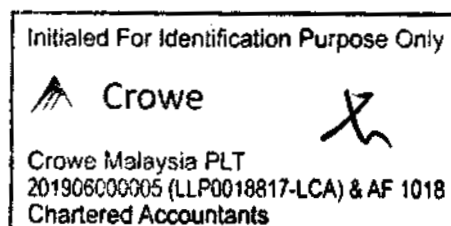
Note:

^ - During financial year ended 31 December 2021, RM495,000 of listing expenses have been recognised as prepayment which will be offset against share capital upon listing.

6.2 Cash and Bank Balances

	RM'000
As at 31 December 2021	6,507
Add: Proceeds from public issue	24,651
As per Pro Forma I	<u>31,158</u>
Less: Utilisation of proceeds	
- repayment of borrowings	(7,000)
- estimated listing expenses	(2,005)
As per Pro Forma II	<u>22,153</u>

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12. FINANCIAL INFORMATION (CONT'D)

APPENDIX A

ECOSCIENCE INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31
DECEMBER 2021

6. NOTES TO PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

6.3 Share Capital

The movements in the issued and paid-up share capital of Ecoscience are as follow:-

	Number of Ordinary Shares ('000)	Amount of Share Capital RM'000
Ordinary shares		
As at 31 December 2021	257,831	51,566
Public Issue	82,169	24,651
As per Pro Forma I	340,000	76,217
Estimated listing expenses #	-	(1,146)
As per Pro Forma II	340,000	75,071

Note:

- The estimated listing expenses of RM1,146,000 directly attributable to the public issue will be offset against share capital and the remaining estimated listing expenses of RM2,654,000 that attributable to Listing will be expensed off to profit or loss.

6.4 Retained Profits

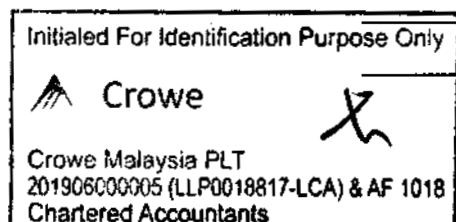
	RM'000
As at 31 December 2021 / As per Pro Forma I	53,057
Less: Estimated listing expenses *	(1,354)
As per Pro Forma II	51,703

Note:

* - The estimated listing expenses of RM1,146,000 directly attributable to the Public Issue will be offset against share capital and the remaining estimated listing expenses of RM2,654,000 that attributable to Listing will be expensed off the profit or loss. The Group has recognised RM1,300,000 of listing expenses to the profit or loss in previous financial years.

6.5 Bank Overdrafts

	RM'000
As at 31 December 2021 / As per Pro Forma I	11,758
Utilisation of proceeds	(7,000)
As per Pro Forma II	4,758



12. FINANCIAL INFORMATION (CONT'D)

APPENDIX A


ECOSCIENCE INTERNATIONAL BERHAD AND ITS SUBSIDIARIES

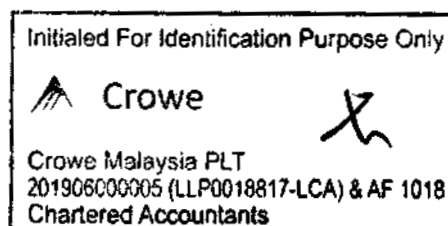
APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of the Company in accordance with a resolution dated **03 JUN 2022**

On behalf of the Board,


Wong Choi Ong


Pan Kum Wan



13. ACCOUNTANTS' REPORT

03 JUN 2022

The Board of Directors
Ecoscience International Berhad
PLO 555, Jalan Keluli 8
Pasir Gudang Industrial Estate
81700 Pasir Gudang
Johor Darul Takzim

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants
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REPORTING ACCOUNTANT'S OPINION ON THE FINANCIAL INFORMATION CONTAINED IN THE ACCOUNTANT'S REPORT OF ECOSCIENCE INTERNATIONAL BERHAD

OPINION

We have audited the financial information of Ecoscience International Berhad ("Ecoscience" or "the Company") which comprise the following:

- (a) The combined statements of financial position as at 31 December 2018, 2019 and 2020 and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of Ecoscience and its subsidiaries ("the Group") for the financial years ended 31 December 2018, 2019, and 2020;
- (b) The consolidated statement of financial position as at 31 December 2021 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year ended 31 December 2021; and
- (c) The notes to the financial information, including a summary of significant accounting policies as set out on pages 14 to 111.

This historical financial information has been prepared for inclusion in the prospectus of the Group in connection with the listing of and quotation for the entire issued share capital of the Group on the ACE Market of Bursa Malaysia Securities Berhad. This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia ("SC") (the "Prospectus Guidelines") and is given for the purpose of complying with Chapter 10 of the Prospectus Guidelines and for no other purpose.

In our opinion, the financial information gives a true and fair view of the financial position of the Group as at 31 December 2018, 2019, 2020 and 2021 and of their financial performance and their cash flows for the financial years then ended 31 December 2018, 2019, 2020 and 2021 in accordance with the 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 Accountant's 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 IESBA Code.

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13. ACCOUNTANTS' REPORT (CONT'D)**DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION**

The Directors of the Group are responsible for the preparation of financial information of the Group that gives a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. 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 ACCOUNTANT'S RESPONSIBILITY FOR THE AUDIT OF THE 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 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 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 report. However, future events or conditions may cause the Group to cease to continue as a going concern.

13. ACCOUNTANTS' REPORT (CONT'D)


REPORTING ACCOUNTANT'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL INFORMATION (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 represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

RESTRICTION ON DISTRIBUTION AND USE

This report is made solely to the Group for inclusion in the prospectus of the Group in relation to the listing of and quotation for the entire issued share capital of the Group on the Ace Market of Bursa Malaysia Securities Berhad and for no other purpose without our prior written consent. We do not assume responsibility to any other person for the content of this report contrary to the aforesaid purpose.

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

Piong Yew Peng
03070/06/2023 J
Chartered Accountant

Johor Bahru

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
STATEMENTS OF FINANCIAL POSITION**

		As at 31 December			
	Note	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	5	26,235	25,314	25,124	24,864
Other investments	6	-	1,674	1,952	2,069
		<u>26,235</u>	<u>26,988</u>	<u>27,076</u>	<u>26,933</u>
CURRENT ASSETS					
Inventories	7	4,610	4,571	8,648	15,213
Contract cost assets	8	-	-	2,676	-
Trade receivables	9	20,101	21,926	30,593	12,600
Other receivables, deposits and prepayments	10	12,235	2,232	3,020	7,284
Contract assets	11	28,491	34,390	43,496	42,866
Amount owing by an associate	12	98	69	-	-
Current tax assets		115	23	1,944	3,491
Fixed deposits with licensed banks	13	7,713	12,895	13,775	13,519
Cash and bank balances		2,411	12,797	7,119	6,507
		<u>75,774</u>	<u>88,903</u>	<u>111,271</u>	<u>101,480</u>
TOTAL ASSETS		<u>102,009</u>	<u>115,891</u>	<u>138,347</u>	<u>128,413</u>

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	As at 31 December			
		2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	14(a)	-	-	*	51,566
Invested equity	14(b)	6,357	6,357	6,357	-
Merger deficit	15	-	-	-	(45,209)
Foreign exchange translation reserve	16	(133)	(399)	668	(249)
Retained profits		32,786	41,516	44,987	53,057
TOTAL EQUITY		39,010	47,474	52,012	59,165
NON-CURRENT LIABILITIES					
Lease liabilities	17	397	772	928	485
Term loans	18	8,400	9,284	9,786	8,688
Deferred tax liabilities	19	1,832	1,911	1,605	2,421
		10,629	11,967	12,319	11,594
CURRENT LIABILITIES					
Trade payables	20	15,689	17,012	35,220	16,103
Other payables and accruals	21	8,045	9,395	6,616	9,943
Provisions	22	-	-	967	810
Contract liabilities	11	828	2,704	1,906	^
Lease liabilities	17	226	312	486	443
Term loans	18	347	713	902	1,033
Short-term borrowings	23	22,588	16,465	19,592	16,674
Bank overdrafts	24	3,363	8,460	6,799	11,758
Current tax liabilities		1,284	1,389	1,528	890
		52,370	56,450	74,016	57,654
TOTAL LIABILITIES		62,999	68,417	86,335	69,248
TOTAL EQUITY AND LIABILITIES		102,009	115,891	138,347	128,413
Number of ordinary shares ('000) #		257,831	257,831	257,831	257,831
Net assets ("NA") (RM'000)		39,010	47,474	52,012	59,165
NA per ordinary share (RM)		0.15	0.18	0.20	0.23

Note :

- It is assumed to be the number of ordinary shares before public issue

* - Denote RM2

^ - Amount is less than RM500

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	FYE 31 December			
		2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
REVENUE	26	113,627	170,928	153,693	153,163
COST OF SALES		(86,062)	(133,369)	(132,220)	(125,939)
GROSS PROFIT		27,565	37,559	21,473	27,224
OTHER INCOME		366	433	1,341	579
ADMINISTRATIVE EXPENSES		(14,657)	(14,885)	(13,281)	(14,285)
OTHER OPERATING EXPENSES		(511)	(1,077)	(12)	(328)
FINANCE COSTS		(1,971)	(2,515)	(2,542)	(2,770)
(NET IMPAIRMENT LOSS)/NET REVERSAL OF IMPAIRMENT LOSS ON FINANCIAL ASSETS	27	(369)	(2,417)	1,540	655
PROFIT BEFORE TAX	28	10,423	17,098	8,519	11,075
INCOME TAX EXPENSE	29	(2,687)	(4,616)	(1,999)	(3,005)
PROFIT AFTER TAX		7,736	12,482	6,520	8,070
OTHER COMPREHENSIVE (EXPENSE)/INCOME	30				
<u>Item that Will be Reclassified</u> <u>Subsequently to Profit or Loss</u>					
Foreign currency translation differences		(199)	(266)	1,067	(917)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		7,537	12,216	7,587	7,153
GP margin (%)		24.26	21.97	13.97	17.77
PBT margin (%)		9.17	10.00	5.54	7.23
PAT margin (%)		6.81	7.30	4.24	5.27
Effective tax rate (%)		25.78	27.00	23.47	27.13
Earnings before interest, tax, depreciation and amortisation ("EBITDA") (RM'000)		13,763	20,561	11,771	14,218
Number of ordinary shares ('000) #		257,831	257,831	257,831	257,831
Basic earnings per share ("EPS") (Sen)	31	3.00	4.84	2.53	3.13

Note :

- It is assumed to be the number of ordinary shares before public issue

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
STATEMENTS OF CHANGES IN EQUITY

	Note	Share Capital RM'000	Invested Equity RM'000	NON- DISTRIBUTABLE		Retained Profits RM'000	Total Equity RM'000
				Foreign Exchange Translation Reserve RM'000	DISTRIBUTABLE		
Balance at 1.1.2018		-	6,357	66		25,951	32,374
Profit after tax for the financial year		-	-	-		7,736	7,736
Other comprehensive expense for the financial year:							
- Foreign currency translation differences		-	-	(199)		-	(199)
Total comprehensive income for the financial year		-	-	(199)		7,736	7,537
Distributions to owners of the Company:							
- Dividend	32	-	-	-		(901)	(901)
Balance at 31.12.2018		-	6,357	(133)		32,786	39,010

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
STATEMENTS OF CHANGES IN EQUITY (CONT'D)**

	Share Capital RM'000	Invested Equity RM'000	NON- DISTRIBUTABLE		Retained Profits RM'000	Total Equity RM'000
			Foreign Exchange Translation Reserve RM'000	DISTRIBUTABLE		
Balance at 1.1.2019	-	6,357	(133)		32,786	39,010
Profit after tax for the financial year	-	-	-		12,482	12,482
Other comprehensive expense for the financial year:						
- Foreign currency translation differences	-	-	(266)		-	(266)
Total comprehensive income for the financial year	-	-	(266)		12,482	12,216
Contributions by and distribution to owners of the Company:						
- Difference arising from the assumed acquisition of equity interest of non-controlling interest	-	-	-		309	309
- Dividends	-	-	-		(4,061)	(4,061)
Total transactions with owners	-	-	-		(3,752)	(3,752)
Balance at 31.12.2019	-	6,357	(399)		41,516	47,474

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13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
STATEMENTS OF CHANGES IN EQUITY (CONT'D)**

	Note	Share Capital RM'000	Invested Equity RM'000	NON- DISTRIBUTABLE		Retained Profits RM'000	Total Equity RM'000
				DISTRIBUTABLE			
				Foreign Exchange Translation Reserve RM'000			
Balance at 1.1.2020		-	6,357	(399)		41,516	47,474
Profit after tax for the financial year		-	-	-		6,520	6,520
Other comprehensive income for the financial year:							
- Foreign currency translation differences		-	-	1,067		-	1,067
Total comprehensive income for the financial year		-	-	1,067		6,520	7,587
Distribution to owners of the Company:							
- Issuance of ordinary shares		*	-	-		-	*
- Dividend	32	-	-	-		(3,049)	(3,049)
Total transactions with owners		*	-	-		(3,049)	(3,049)
Balance at 31.12.2020		*	6,357	668		44,987	52,012

* - Represents RM2

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	NON-DISTRIBUTABLE				DISTRIBUTABLE		Total Equity RM'000
		Share Capital RM'000	Invested Equity RM'000	Merger Deficit RM'000	Foreign Exchange Translation Reserve RM'000	Retained Profits RM'000		
Balance at 1.1.2021	*	6,357	-	668	44,987	52,012		
Profit after tax for the financial year		-	-	-	8,070	8,070		
Other comprehensive expense for the financial year:								
- Foreign currency translation differences		-	-	(917)	-	(917)		
Total comprehensive income for the financial year		-	-	(917)	8,070	7,153		
Contributions by and distribution to owners of the Company:								
- Issuance of ordinary shares pursuant to acquisition of subsidiaries		51,566	(6,357)	-	-	-		
Balance at 31.12.2021		51,566	-	(249)	53,057	59,165		

* - Represents RM2

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
STATEMENTS OF CASH FLOWS**

	FYE 31 December			
	2018	2019	2020	2021
Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit before tax	10,423	17,098	8,519	11,075
Adjustments for:-				
Impairment losses:				
- investment in an associate	200	-	-	-
- trade receivables	-	2,367	-	106
Bad debts written off	369	50	-	16
Depreciation of property, plant and equipment	1,814	1,653	1,308	1,259
Loss on foreign exchange:				
- unrealised	70	75	-	-
Property, plant and equipment written off Provision/(Realisation of provision) for onerous contract	*	179	12	-
Provision for liquidated ascertained damages	-	-	372	(372)
Fair value loss/(gain) on other investments	-	507	595	215
Interest expenses	1,747	2,021	(278)	(117)
Deposit forfeited	-	-	2,215	2,078
Gain on disposal of property, plant and equipment	-	-	207	-
Interest income	(85)	(47)	(47)	(60)
Reversal of impairment losses on trade receivables	(221)	(211)	(271)	(194)
Waiver of other payables	-	-	(1,540)	(777)
	-	-	(10)	-
Operating profit before working capital changes	14,317	23,692	11,082	13,229
(Increase)/Decrease in inventories	(2,058)	39	(4,077)	(6,565)
(Increase)/Decrease in contract cost assets	-	-	(2,676)	2,676
(Increase)/Decrease in contract assets	6,286	(5,899)	(9,106)	630
(Increase)/Decrease in trade and other receivables	(13,166)	(1,328)	(8,122)	14,384
Increase/(Decrease) in contract liabilities	828	1,876	(798)	(1,906)
Increase/(Decrease) in trade and other payables	392	(1,344)	19,305	(16,270)
CASH FLOWS FROM OPERATIONS/ BALANCE CARRIED FORWARD	6,599	17,036	5,608	6,178

Note :

* - Amount is less than RM500

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
STATEMENTS OF CASH FLOWS (CONT'D)**

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATIONS/ BALANCE BROUGHT FORWARD	6,599	17,036	5,608	6,178
Tax paid	(2,225)	(6,440)	(4,241)	(4,332)
Tax refunded	60	2,121	53	7
NET CASH FROM OPERATING ACTIVITIES	4,434	12,717	1,420	1,853
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES				
Repayment from associate	189	29	69	-
(Advances to)/Repayment from related parties	(5,328)	7,502	-	-
Interest received	221	211	271	194
Proceeds from disposal of property, plant and equipment	85	514	47	60
Withdrawal/(Placement) of fixed deposits pledged with licensed banks	1,140	(5,182)	(880)	256
Purchase of other investment	-	(2,181)	-	-
Purchase of property, plant and equipment	33(a) (3,659)	(667)	(188)	(468)
Deposit paid for purchase of intangible asset	-	(413)	-	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES	(7,352)	(187)	(681)	42

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
STATEMENTS OF CASH FLOWS (CONT'D)**

		FYE 31 December			
		2018	2019	2020	2021
		RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
(Repayment to)/Advances from directors	33(b)	(62)	(108)	100	(100)
Advances from/(Repayment to) shareholder	33(b)	108	(108)	120	(120)
Repayment to related parties	33(b)	(162)	-	-	-
Proceeds from issuance of shares		-	400	*	-
Dividend paid		(901)	-	(7,110)	-
Drawdown of short-term borrowings	33(b)	58,826	73,288	52,595	73,091
Drawdown of term loans	33(b)	3,902	1,642	1,000	-
Interest paid	33(b)	(1,747)	(2,021)	(2,215)	(2,078)
Repayment of short-term borrowings	33(b)	(57,106)	(79,411)	(49,468)	(76,009)
Repayment of lease liabilities	33(b)	(263)	(258)	(370)	(486)
Repayment of term loans	33(b)	(474)	(402)	(308)	(1,004)
Repayment to associate	33(b)	(40)	-	-	-
NET CASH FROM/(FOR) FINANCING ACTIVITIES		2,081	(6,978)	(5,656)	(6,706)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(837)	5,552	(4,917)	(4,811)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		6	(952)	4,337	320
EFFECT OF TRANSLATION RESERVE		(121)	(263)	900	(760)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	33(d)	(952)	4,337	320	(5,251)

Note :

* - Amount is less than RM500

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS****1. ABBREVIATIONS**

Unless the context otherwise requires, the following abbreviations shall apply throughout this report:

Abbreviations

Acquisitions	Acquisition by Ecoscience of the entire equity interests in EMESB and AEPL which was completed on 10 August 2021
AEPL	Asia Ecoscience Pte Ltd (201601045G)
Bursa Securities	Bursa Malaysia Securities Berhad
Ecoscience or Company	Ecoscience International Berhad (202001024633)
EMESB	Ecoscience Manufacturing & Engineering Sdn. Bhd. (200301032285)
ETSB	Ecoscience Technologies Sdn. Bhd. (200801008771)
EUR	Euro
FRS	Financial Reporting Standards in Singapore
FYE	Financial Year Ended
Group	Collectively, Ecoscience and its subsidiaries
MASB	Malaysian Accounting Standards Board
MFRS	Malaysian Financial Reporting Standards
MPERS	Malaysian Private Entities Reporting Standards
RM and sen	Ringgit Malaysia and sen, respectively
SGD	Singapore Dollar
Shares	Ordinary shares in Ecoscience
TWSB	Top Well Trading & Services Sdn. Bhd. (201701028723)
USD	United States Dollar

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. GENERAL INFORMATION

2.1 INCORPORATION AND PRINCIPAL ACTIVITIES

Ecoscience was incorporated in Malaysia under the Companies Act 2016, on 21 August 2020 as a private limited company under the name of Ecoscience International Sdn. Bhd.. It was subsequently converted into a public limited company on 15 July 2021.

For the purpose of listing the Company on the ACE Market of Bursa Malaysia Securities Berhad, the Company undertook the Acquisitions as disclosed in Note 2.2 of this report.

Details of the Company's subsidiaries upon listing are as follows:-

Name of subsidiaries	Date and place of incorporation	Effective equity interest %	Issued share capital	Principal activities
Direct subsidiaries				
EMESB	18 November 2003 Malaysia	100	RM5,750,000	Construction of plants and facilities, fabrication of equipment, and supply of materials and equipment
AEPL	15 January 2016 Singapore	100	SGD200,000	Construction of plants and facilities, and fabrication of equipment
Indirect subsidiary held through EMESB				
ETSB	17 March 2008 Malaysia	100	RM2,000,000	Fabrication and supply of energy and environment related equipment
TWSB	14 August 2017 Malaysia	100	RM2	Supply of spare parts and construction materials, and provision of maintenance services

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****2. GENERAL INFORMATION (CONT'D)****2.2 ACQUISITIONS**

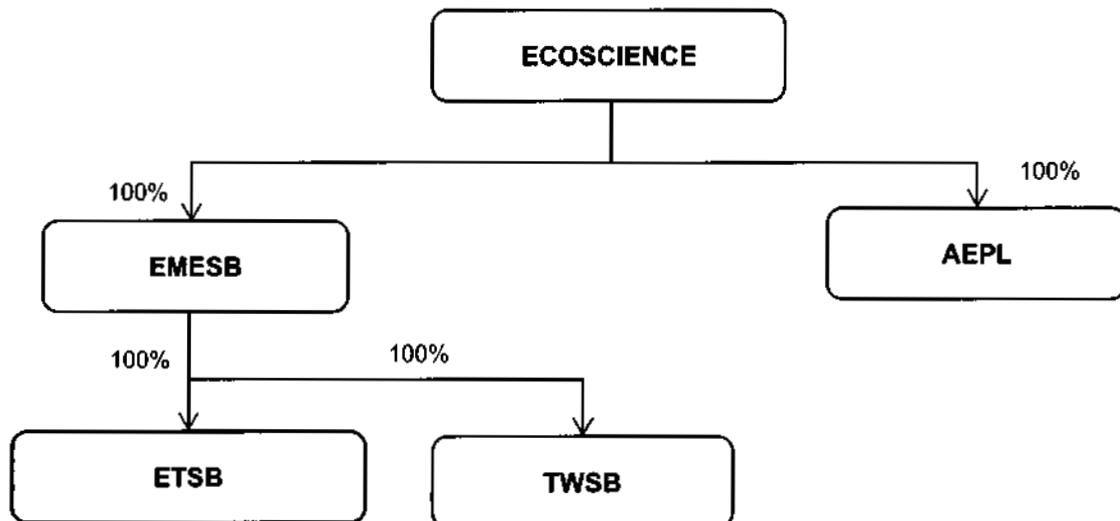
On 1 July 2020, EMESB subscribed additional 500,000 ordinary shares of ETSB for a cash consideration amounting to RM500,000 and subsequently on 3 August 2020, EMESB acquired 600,000 ordinary shares from the non-controlling interests of ETSB for a cash consideration amounting to RM136,200. Following the completion of the subscription and acquisition, ETSB became wholly-owned subsidiary of the EMESB.

On 19 February 2021, EMESB acquired 100% equity interest in TWSB for a total cash consideration of RM2.

The Company had on 7 July 2021 entered into conditional share sale agreements to acquire the entire equity interests in the following companies:-

- (a) Acquisition of entire equity interest in EMESB for a purchase consideration of RM35,825,000 to be satisfied by the issuance of 179,125,000 shares at an issue price of RM0.20 per Share. The acquisition of EMESB was completed on 10 August 2021.
- (b) Acquisition of the entire equity interest in AEPL for a purchase consideration of RM15,741,099.60 to be satisfied by the issuance of 78,705,498 shares in the Company at an issue price of RM0.20 per Share. The acquisition of AEPL was completed on 10 August 2021.

The corporate structure of the Group after the Acquisitions is as follows:



13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****2. GENERAL INFORMATION (CONT'D)****2.3 LISTING SCHEME**

In conjunction with, and as an integral part of, the listing of and quotation for the entire issued share capital of Ecoscience on the ACE Market of Bursa Malaysia Securities Berhad, Ecoscience will undertake an initial public offering of 112,169,500 Shares, comprising public issue of 82,169,500 new Shares and offer for sale of 30,000,000 existing Shares, at RM0.30, to be allocated in the following manner:

(i) Malaysian public

17,000,000 Shares, representing 5.0% of the enlarged total number of Shares, will be made available for application by the Malaysian public via balloting, of which 50.0% will be set aside for Bumiputera investors.

(ii) Eligible persons

6,800,000 Shares, representing 2.0% of the enlarged total number of Shares, will be made available for application by the eligible directors, employees and persons who have contributed to the success of the Group.

(iii) Private placement

88,369,500 Shares, representing approximately 26.0% of the enlarged number of issued Shares, will be made available by way of private placement, of which 45,869,500 Shares are allocated to the selected investors and 42,500,000 Shares are allocated to identified Bumiputera investors approved by the Ministry of International Trade and Industry.

Listing

Upon completion of the initial public offering, the Company shall be admitted to the official list and the entire enlarged share capital of approximately RM76,216,952 comprising 340,000,000 Shares shall be listed and quoted on the ACE Market of Bursa Securities.

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13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. GENERAL INFORMATION (CONT'D)

2.4 SHARE CAPITAL

As at the date of this report, the share capital of Ecoscience is RM51,566,101.60 comprising 257,830,500 Shares.

The details of the changes in the issued share capital of Ecoscience since its incorporation are as follows:-

Date of allotment	No. of shares allotted	Cumulative no. of shares allotted	Consideration RM	Cumulative issued share capital RM
21 August 2020	2	2	2.00	2.00
10 August 2021	257,830,498	257,830,500	51,566,099.60	51,566,101.60
Upon listing	82,169,500	340,000,000	24,650,850.00	76,216,951.60

3. DIVIDENDS

No dividend has been declared by Ecoscience since the date of its incorporation.

Details of dividends paid by the Company's subsidiaries during the financial years under review are as follows:-

Company	Related to	Paid on	Type of dividend	Dividend rate	Net Amount ('000)
AEPL	FYE 31 December 2018	16 July 2018 27 August 2018 1 November 2018	Interim exempt (one-tier)	RM4.52 (EUR0.95) (SGD1.50)	RM901 (EUR189) (SGD300)
AEPL	FYE 31 December 2019	14 January 2020	Interim exempt (one-tier)	RM15.29 (EUR3.33) (SGD5.00)	RM3,061 (EUR667) (SGD1,000)
EMESB	FYE 31 December 2019	23 January 2020	Single tier interim dividend	RM0.17	RM1,000
AEPL	FYE 31 December 2020	8 October 2020	Interim exempt (one-tier)	RM15.38 (EUR3.09) (SGD5.00)	RM3,049 (EUR618) (SGD1,000)

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES****4.1 BASIS OF PREPARATION**

For the purposes of the inclusion of the financial statements in the Prospectus of Ecoscience International Berhad in connection with the Listing, the financial statements comprise:-

- (i) the combined statements of financial position of the Group as at 31 December 2018, 2019, 2020, combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the FYE 31 December 2018, 2019, 2020.
- (ii) the consolidated statement of financial position of the Group as at 31 December 2021, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial years ended 31 December 2021.

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 financial statements from the day that control commences until the date that control ceases.

The financial statements of the Group for the relevant period were prepared in a manner similar to the merger method, as if the entities within the 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 entities, 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 accounting policies adopted by the Group.

The combined financial statements of the Group were prepared in the manner that no non-controlling interest in the Group. The acquisition of equity interest of non-controlling interest of ETSB by EMESB on 3 August 2020 is assumed to have taken place from the beginning of the earliest comparative period covered by the relevant period and when ETSB issued additional shares to non-controlling interest in the FYE 31 December 2019. The difference between the amount of share capital of ETSB and the purchase price for the non-controlling interest are accounted in retained earnings.

In addition, the combined financial statements of the Group were prepared on the assumption that Ecoscience was incorporated and exist from the beginning of the earliest comparative period covered by the relevant period.

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.1 BASIS OF PREPARATION (CONT'D)**

These combined financial statements of the Group are the combination or aggregation of all of the financial statements of the entities of the Group and have been prepared based on the separate financial statements for the relevant financial years as follows:

Company	Relevant financial years/periods	Accounting standards applied	Auditors
Ecoscience	FPE from 21 August 2020 (date of incorporation) to 31 December 2020	MFRS	Crowe Malaysia PLT
EMESB	FYE 31 December 2018 FYE 31 December 2019 FYE 31 December 2020	MFRS MFRS MFRS	Crowe Malaysia Crowe Malaysia PLT Crowe Malaysia PLT
ETSB	FYE 31 December 2018 FYE 31 December 2019 FYE 31 December 2020	MFRS MFRS MFRS	Crowe Malaysia Crowe Malaysia PLT Crowe Malaysia PLT
AEPL	FYE 31 December 2018 FYE 31 December 2019 FYE 31 December 2020	FRSs FRSs FRSs	Crowe Horwath First Trust LLP Crowe Horwath First Trust LLP Crowe Horwath First Trust LLP
TWSB	FPE from 14 August 2017 (date of incorporation) to 31 December 2018 FYE 31 December 2019 FYE 31 December 2020	MPERS MPERS MFRS	Chen Kheng Wu & Co Chen Kheng Wu & Co Crowe Malaysia PLT

The consolidated financial statements of the Group for the FYE 31 December 2021 were prepared based on the audited consolidated financial statements of Ecoscience and its subsidiaries for the FYE 31 December 2021.

The separate statutory audited financial statements of Ecoscience, EMESB, ETSB, AEPL and TWSB were not subject to any modified audit opinions.

The combined financial statements for the FYE 31 December 2018 and 2019 do not include Ecoscience as it was only incorporated on 21 August 2020.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.1 BASIS OF PREPARATION (CONT'D)**

The separate statutory audited financial statements of AEPL for the FYE 31 December 2018, 2019, 2020 and 2021 have been prepared in accordance with FRSs. There is no significant difference between MFRS and FRSs in the context of AEPL's financial statements for the abovementioned financial years and neither adjustment is required or reconciliation is presented for the financial statements under these accounting standards.

The separate statutory audited financial statements at TWSB from 14 August 2017 (date of incorporation) to 31 December 2018 are included in the combined financial statements for the FYE 31 December 2018 due to the financial statements of TWSB for the financial period from 14 August 2017 (date of incorporation) to 31 December 2017 do not have material financial impact to the combined financial statements for the FYE 31 December 2018.

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

In preparing this report, the financial information of AEPL was translated into RM for combination and consolidation purposes.

The exchange rates used for the purpose of this report are as follows:-

	Average Rate
FYE 31 December 2018	EUR 1 = RM4.7593
FYE 31 December 2019	EUR 1 = RM4.6352
FYE 31 December 2020	EUR 1 = RM4.8090
FYE 31 December 2021	EUR 1 = RM4.8944
	Closing Rate
FYE 31 December 2018	EUR 1 = RM4.7279
FYE 31 December 2019	EUR 1 = RM4.5907
FYE 31 December 2020	EUR 1 = RM4.9413
FYE 31 December 2021	EUR 1 = RM4.7142

(Source: Bank Negara Malaysia)

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13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 NEW MFRSs, AMENDMENT TO MFRSs AND IC INTERPRETATIONS THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The Group has not applied in advance the following applicable accounting standards (including the consequential amendments, if any) that have been issued by the MASB but are not yet effective for the financial year ended 31 December 2021:-

MFRSs and/or 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 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 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information	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 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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 Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022

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

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
4.3 SIGNIFICANT ACCOUNTING POLICIES
(i) Critical Accounting Estimates and Judgements

The outbreak of the COVID-19 has brought unprecedented challenges and added economic uncertainties in Malaysia and markets in which the Group operates. While the Group has considered the potential financial impact of the COVID-19 pandemic in the preparation of these financial statements, the full financial impact to the Group remains uncertain.

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 Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, 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 property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage 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, Plant and Equipment

The Group determines whether an item of its property, plant and equipment 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.

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) **Critical Accounting Estimates and Judgements (Cont'd)***Key Sources of Estimation Uncertainty (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 year in which such determination is made.

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13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) **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).

(b) *Contingent Liabilities*

The recognition and measurement for contingent liabilities are based on management's view of the expected outcome on contingencies after consulting experts, for matters in the ordinary course of business.

(ii) **Basis of Combination and Consolidation**

The Group resulting from the Acquisitions, as disclosed in Note 2.2 above, comprises entities under common control. Accordingly, the financial statements have been accounted for using principles of merger accounting.

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.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on combination. Where necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency of accounting policies with those of the Group.

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13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
(ii) Basis of Combination and Consolidation (Cont'd)
(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

However, an acquisition that resulted in a business combination involving common control entities is outside the scope of MFRS 3 Business Combinations. For such common control combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the audited financial statements.

In applying merger accounting, financial statements items of the combining entities or businesses for the reporting period in which common control combination occurs are included in the audited financial statements of the Group as if the combination had occurred from the date when the combining entities or businesses first come under the control of the controlling party or parties. Under merger accounting, the Group recognises the assets, liabilities and equity of the combining entities or businesses at the carrying amount as if such audited financial statements had been prepared by the controlling party including adjustments required for conforming to the Groups' accounting policies and applying those policies to all period presented. There is no recognition of any goodwill or gain from bargain purchase at the time of the common control combination. The effect of all transactions and balances between combining entities, whether occurring before or after the combination, are eliminated in preparing the audited financial statements of the Group.

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
(ii) Basis of Combination and Consolidation (Cont'd)
(b) Non-controlling Interests

Non-controlling interests are presented within equity in the statements of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) 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 consideration paid or received is recognised directly in equity of the Group.

(d) 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.

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 on 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.

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13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
(iii) Functional and Foreign Currencies
(a) 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 financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(c) Foreign Operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at average exchange rates. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

(iv) 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.

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
(iv) Financial Instruments (Cont'd)

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 an asset or a 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.

(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.

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
(iv) Financial Instruments (Cont'd)
(a) Financial Assets (Cont'd)
Debt Instruments (Cont'd)
(i) Amortised Cost (Cont'd)

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.

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13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(iv) 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).

(c) Equity Instruments

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

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(iv) Financial Instruments (Cont'd)****(d) Derivative Financial Instruments**

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the reporting period, other than those accounted for under hedge accounting, are recognised directly in profit or loss.

Any derivative embedded in a financial asset is not accounted for separately. Instead, the entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

An embedded derivative is recognised separately from the host contract which is a financial liability as a derivative if, and only if, its risks and characteristics are not closely related to those of the host contract and the host contract is not measured at fair value through profit or loss.

(e) 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 expired. 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.

(f) Financial Guarantee Contracts

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

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
(iv) Financial Instruments (Cont'd)
(f) Financial Guarantee Contracts (Cont'd)

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

(v) Investment in Associate

An associate is an entity in which the Group have a long-term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associates are stated at cost in the statement of financial position of the Group, 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 investment includes transaction costs.

The investment in an associate is accounted for in the financial statements using the equity method based on the financial statements of the associate made up to the end of each reporting period. The Group's share of the post acquisition profits and other comprehensive income of the associate is included in the statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's interest in the associate is carried in the statement of financial position at cost plus the Group's share of the post acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation. The interest in the associate is the carrying amount of the investment in the associate determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate.

Unrealised gains or losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Investment in Associate (Cont'd)

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 9. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued.

(vi) Property, Plant and Equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is 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, plant and equipment, other than freehold land, 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, plant and equipment are recognised in profit or loss as incurred.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on the 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 become idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Leasehold land	Over the remaining lease period
Buildings	2%
Plant and machinery	20%
Furniture, fittings and office equipment	20%
Motor vehicles	20%
Renovations	20%
Electrical installation	20%

Asset work-in progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(vi) Property, Plant and Equipment (Cont'd)**

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

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

(vii) 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 and the associated lease liabilities are presented as a separate line item in the 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 adjustment 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, 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.

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
(vii) Leases (Cont'd)
Accounting Policies Applied Until 31 December 2018

- Finance leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statements of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

- Operating leases

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statements of financial position of the Group and of the Company.

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

(viii) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out method and comprises the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition. The cost of conversion includes cost directly related to the units of production, and a proportion of fixed production overheads based on normal capacity of the production facilities.

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

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
(ix) Contract Cost Assets
Costs to Fulfil A Contract

The Group recognises costs that relate directly to a contract (or an anticipated contract) with customer as an asset when the costs generate or enhance resources of the Group, will be used in satisfying performance obligation in the future and are recovered.

The contract cost assets are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates.

An impairment loss is recognised in the profit or loss when the carrying amount of the contract cost assets exceeds the expected revenue less expected cost that will be incurred. Any impairment loss recovered shall be reversed to the extent of the carrying amount of the contract cost assets does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

(x) 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.

(xi) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits 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.

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(xii) 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, as well as on 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 statements of financial position.

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13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
(xii) Impairment (Cont'd)
(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 an annual impairment assessment is compulsory or 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 determines 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.

(xiii) 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. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(xiv) **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.

(xv) **Income Taxes**(a) **Current Tax**

Current tax assets and liabilities are the expected amount of income tax recoverable from 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).

(b) **Deferred Tax**

Deferred tax is recognised using the liability method for all temporary differences other than those that arise from goodwill or 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 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.

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
(xv) Income Taxes (Cont'd)

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. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

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.

(xvi) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(xvii) 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.

(xviii) Earnings per Ordinary Share

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

Diluted earnings per ordinary share is calculated by adjusting the profit or loss attributable to ordinary shareholders of the Group and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
(xix) 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.

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

(xx) 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.

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13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
(xxi) Revenue from Contract with Customers

Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer in exchange for transferring 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 the asset. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

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) Construction of Plants and Facilities

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.

(b) Fabrication of Equipment

Revenue 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.

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
(xxi) Revenue from Contract with Customers (Cont'd)
(b) Fabrication of Equipment (Cont'd)

Revenue from fabrication of equipment which either creates or enhances an asset that the customer controls as the asset is created or enhanced or the customer simultaneously receives and consumes the benefits provided as the Group performs is recognised over time according to the accounting policy as described in Note 4.3(xxii)(a).

(c) Others

Revenue from others include the sales of material, equipment and spare parts, repair and maintenance services and other services.

Sales of material, equipment and spare parts 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.

Revenue from repair and maintenance and other services is recognised at a point in time when the services have been rendered to the customers and coincides with the delivery of services and acceptance by customers.

A receivable is recognised when the goods are delivered or service 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.

Revenue from other services which the customer simultaneously receives and consumes the benefits provided as the Group performs is recognised over time according to the accounting policy as described in Note 4.3(xxii)(a).

(xxii) Revenue from Other Sources and Other Operating Income
(a) Interest Income

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

(b) Rental Income

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

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Electrical installation RM'000	Total RM'000
Carrying Amount									
At 1 January 2018	-	4,960	16,532	758	541	724	652	30	24,197
Additions (Note 33(a))	1,814	-	1,113	505	94	314	103	-	3,943
Disposal	-	-	-	-	-	(*)	-	-	(*)
Written off (Note 28)	-	-	-	-	(*)	-	-	-	(*)
Translation differences	-	-	(90)	-	(*)	-	(1)	-	(91)
Depreciation charges (Note 28)	-	(166)	(536)	(413)	(209)	(340)	(144)	(6)	(1,814)
At 31 December 2018	1,814	4,794	17,019	850	426	698	610	24	26,235

Note :

* - Amount is less than RM500

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

Carrying Amount	Owned assets					Right-of-use assets				Total RM'000		
	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Electrical installation RM'000	Leasehold land RM'000		Motor vehicles RM'000	Plant and machinery RM'000
At 1 January 2019, as previously reported	1,814	4,794	17,019	850	426	698	610	24	-	-	-	26,235
Initial Application of MFRS 16	-	(4,794)	-	-	-	(509)	-	-	4,794	509	-	-
At 1 January 2019, as restated	1,814	-	17,019	850	426	189	610	24	4,794	509	-	26,235
Additions (Note 33(a))	-	-	42	82	195	217	109	-	-	635	206	1,486
Disposal	-	-	-	(340)	-	(127)	-	-	-	-	-	(467)
Written off (Note 28)	-	-	-	(179)	(*)	-	-	-	-	-	-	(179)
Translation differences	-	-	(105)	-	(*)	-	(3)	-	-	-	-	(108)
Depreciation charges (Note 28)	-	-	(321)	(301)	(227)	(106)	(238)	(12)	(85)	(322)	(41)	(1,653)
At 31 December 2019	1,814	-	16,635	112	394	173	478	12	4,709	822	165	25,314

Note :

* - Amount is less than RM500

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Carrying Amount	Owned assets ----->					Right-of-use assets ----->						
	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Electrical installation RM'000	Asset under construction RM'000	Leasehold land RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Total RM'000
At 1 January 2020	1,814	16,635	112	394	173	478	12	-	4,709	822	165	25,314
Additions (Note 33(a))	-	-	103	92	-	-	-	23	-	325	319	862
Reclassification	-	-	-	-	(95)	-	-	-	-	95	-	-
Written off (Note 28)	-	-	-	(12)	-	-	-	-	-	-	-	(12)
Translation differences	-	263	-	-	-	5	-	-	-	-	-	268
Depreciation charges (Note 28)	-	(322)	(50)	(214)	(19)	(239)	(12)	-	(84)	(293)	(75)	(1,308)
At 31 December 2020	1,814	16,576	165	260	59	244	-	23	4,625	949	409	25,124

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

	Owned assets				Right-of-use assets				Total		
	Freehold land	Buildings	Plant and machinery	Furniture, fittings and office equipment	Motor vehicles	Renovations	Asset under construction	Leasehold land		Motor vehicles	Plant and machinery
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Carrying Amount											
At 1 January 2021	1,814	16,576	165	260	59	244	23	4,625	949	409	25,124
Additions (Note 33(a))	-	-	303	79	-	-	786	-	-	-	1,168
Reclassification	-	-	25	-	5	-	(25)	-	(5)	-	-
Translation differences	-	(169)	-	-	-	-	-	-	-	-	(169)
Depreciation charges (Note 28)	-	(323)	(103)	(105)	(25)	(177)	-	(85)	(336)	(105)	(1,259)
At 31 December 2021	1,814	16,084	390	234	39	67	784	4,540	608	304	24,864

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Electrical installation RM'000	Total RM'000
At 31 December 2018									
Cost	1,814	5,000	17,799	5,236	1,630	2,170	1,089	57	34,795
Accumulated depreciation	-	(206)	(780)	(4,386)	(1,204)	(1,472)	(479)	(33)	(8,560)
Carrying amount	1,814	4,794	17,019	850	426	698	610	24	26,235

<----- Owned assets -----> <----- Right-of-use assets ----->

	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Owned assets Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Electrical installation RM'000	Leasehold land RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Total RM'000
At 31 December 2019											
Cost	1,814	17,732	4,267	1,822	543	1,194	57	5,000	1,946	206	34,581
Accumulated depreciation	-	(1,097)	(4,155)	(1,428)	(370)	(716)	(45)	(291)	(1,124)	(41)	(9,267)
Carrying amount	1,814	16,635	112	394	173	478	12	4,709	822	165	25,314

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

	Owned assets										Right-of-use assets		
	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Electrical installation RM'000	Asset under construction RM'000	Leasehold land RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Total RM'000	
At 31 December 2020													
Cost	1,814	18,006	3,616	1,336	757	1,206	57	23	5,000	1,707	525	34,047	
Accumulated depreciation	-	(1,430)	(3,451)	(1,076)	(698)	(962)	(57)	-	(375)	(758)	(116)	(8,923)	
Carrying amount	1,814	16,576	165	260	59	244	-	23	4,625	949	409	25,124	
At 31 December 2021													
Cost	1,814	17,829	3,794	1,413	912	1,198	57	784	5,000	1,552	525	34,878	
Accumulated depreciation	-	(1,745)	(3,404)	(1,179)	(873)	(1,131)	(57)	-	(460)	(944)	(221)	(10,014)	
Carrying amount	1,814	16,084	390	234	39	67	-	784	4,540	608	304	24,864	

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

- (b) Included in the carrying amount of property, plant and equipment at the reporting period are the following assets pledged to financial institutions as security for banking facilities granted to the Group as disclosed in Notes 18, 23 and 24:-

	As at 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Freehold land	1,814	1,814	1,814	1,814
Leasehold land	4,794	4,709	4,625	4,540
Buildings	16,469	16,097	16,051	15,571
	<u>23,077</u>	<u>22,620</u>	<u>22,490</u>	<u>21,925</u>

6. OTHER INVESTMENTS

	As at 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
At 1 January	-	-	1,674	1,952
Additions	-	2,181	-	-
(Loss)/Gain on changes in fair value (Note 28)	-	(507)	278	117
At 31 December	<u>-</u>	<u>1,674</u>	<u>1,952</u>	<u>2,069</u>

Other investments represent life insurance policies (the "Policy") taken to insure managing director of EMESB (the "Insured Person"). Under the Policy, the beneficiary is a bank (the "Bank") and the total insured sum is RM2,650,000. At the inception of the Policy, EMESB paid an upfront payment of RM2,180,963. For any insured events happened to the Insured Person, the insured sum will be used to settle the outstanding bank loan of EMESB from the Bank and thereafter any exceed amount will be payable to EMESB. The Policy can be withdrawn at any time with surrender charges if such withdrawal occurs before the maturity date of the Policy and a cash refund will be based on the cash surrender value of the Policy at the date of withdrawal.

As at 31 December 2021, the directors of EMESB expected that the Policy will be terminated at the maturity date and there will be no specific surrender charges in accordance with the terms of the Policy. The directors of EMESB consider that the expected life of the Policy will remain unchanged from initial recognition.

In the event of death of the Insured Person, the other investments will be derecognised and any resulting gains or losses will be recognised in profit or loss.

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. INVENTORIES

	As at 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Raw materials	4,493	4,230	4,855	4,732
Trading goods	117	341	343	57
Work-in-progress	-	-	3,450	10,424
	<u>4,610</u>	<u>4,571</u>	<u>8,648</u>	<u>15,213</u>
Recognised in profit or loss:- Inventories recognised as cost of sales	<u>51,562</u>	<u>71,996</u>	<u>56,153</u>	<u>46,905</u>

8. CONTRACT COST ASSETS

	As at 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Costs to fulfil contracts	-	-	2,676	-

The costs to fulfil contracts represent costs incurred to fulfil contracts in future. The costs are to be amortised consistent with the pattern of recognition of the associated revenue.

9. TRADE RECEIVABLES

	As at 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Third parties	20,060	24,293	31,420	12,756
Related party	41	-	-	-
	<u>20,101</u>	<u>24,293</u>	<u>31,420</u>	<u>12,756</u>
Allowance for impairment losses	-	(2,367)	(827)	(156)
	<u>20,101</u>	<u>21,926</u>	<u>30,593</u>	<u>12,600</u>
Allowance for impairment losses:- At 1 January	-	-	2,367	827
Addition during the financial year (Note 27)	-	2,367	-	106
Reversal of allowance for impairment losses (Note 27)	-	-	(1,540)	(777)
At 31 December	-	2,367	827	156

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****9. TRADE RECEIVABLES (CONT'D)**

- (a) The Group's normal trade credit terms range from 30 to 60 days.
- (b) The amount owing by related party relates to a company in which certain directors of the Group have substantial financial interests with a credit term of 60 days

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Other receivables:-				
Third parties	2,631	1,129	990	179
Related parties	7,502	13	-	-
Goods and services tax recoverable	1,233	204	1	1
	11,366	1,346	991	180
Advance payments to suppliers	-	46	1,298	5,927
Deposits	491	633	502	528
Prepayments	378	207	229	649
	<u>12,235</u>	<u>2,232</u>	<u>3,020</u>	<u>7,284</u>

- (a) The advance payments to suppliers are unsecured and interest-free. The amount owing will be offset against future purchases from the suppliers.
- (b) The amount owing by related parties represents rental receivables and advances to a company in which certain directors of the Group have significant financial interests. The amounts owing are unsecured, interest-free and repayable on demand and are to be settled in cash.

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13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. CONTRACT ASSETS/(LIABILITIES)

	As at 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Contract Assets				
Contract assets relating to:				
- construction contracts	21,587	33,107	43,496	41,686
- fabrication of goods	6,904	1,283	-	1,180
	<u>28,491</u>	<u>34,390</u>	<u>43,496</u>	<u>42,866</u>
Contract Liabilities				
Contract liabilities relating to:				
- construction contracts	(828)	(2,704)	-	(*)
- fabrication of goods	-	-	(1,906)	(*)
	<u>(828)</u>	<u>(2,704)</u>	<u>(1,906)</u>	<u>(*)</u>
	<u>27,663</u>	<u>31,686</u>	<u>41,590</u>	<u>42,866</u>

Note :

* - Amount is less than RM500

- (a) The contract assets primarily relate to the Group's right to consideration for works completed on construction contracts and fabrication works but not yet billed as at the reporting date. The amount will be invoiced within 180 days.

Included in contract assets are retention sum receivables approximately RM15,557,000 (2020 – RM8,289,000, 2019 – RM4,971,000 and 2018 – RM9,261,000). These retention sum are expected to be collected within the periods ranging from 360 to 720 (2020 – 360 to 720, 2019 – 360 to 720, and 2018 – 360) days.

- (b) The contract liabilities primarily relate to advance considerations received from few customers for construction contracts, fabrication works and trading of goods of which the revenue will be recognised over the remaining contract term of the specific contract it relates to within 30 (2020 – 30, 2019 – 30, and 2018 - 30) days.
- (c) The changes to contract assets balances during the financial year are summarised below:-

	As at 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
At 1 January	34,777	27,663	31,686	41,590
Revenue recognised in profit or loss during the financial year	113,627	170,928	153,693	153,163
Billings to customers during the financial year	(120,766)	(167,025)	(143,910)	(150,871)
Translation difference	25	120	121	(1,016)
At 31 December	<u>27,663</u>	<u>31,686</u>	<u>41,590</u>	<u>42,866</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****11. CONTRACT ASSETS/(LIABILITIES) (CONT'D)**

- (d) Revenue expected to be recognised in the future relating to performance obligations that are partially or unsatisfied as at the reporting date is summarised below:-

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Within 1 year	94,416	115,293	37,120	55,636
Between 1 and 2 years	1,572	9,367	774	19,016
More than 2 years	-	672	-	4,242
	95,988	125,332	37,894	78,894

The amount disclosed above does not include variable consideration which is constrained.

12. AMOUNT OWING BY AN ASSOCIATE

The amount owing represented unsecured interest-free advances and payments made on behalf which was repayable on demand. The amount owing was settled in cash.

13. FIXED DEPOSITS WITH LICENSED BANKS

- (a) The fixed deposits with licensed banks of the Group at the end of the reporting period bore interest rates and have maturity periods as follows:-

	As at 31 December			
	2018	2019	2020	2021
	%	%	%	%
Interest rates	2.80 to 3.15	2.80 to 3.30	1.30 to 2.75	1.40 to 2.20
Maturity periods (days)	30 to 365	30 to 365	30 to 365	30 to 365

- (b) All the fixed deposits of the Group have been pledged to licensed banks as security for banking facilities granted to Group as disclosed in Notes 18, 23 and 24 to the financial statements.

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. SHARE CAPITAL AND INVESTED EQUITY

(a) Share Capital

	As at 31 December					
	2018	2019	2020	2021	2020	2021
	'000	Number of shares '000	'000	'000	RM'000	RM'000
Issued and Fully Paid-Up						
Ordinary Shares						
At 1 January	-	-	-	^	-	-
Issuance of new shares	-	-	^	257,831	-	*
At 31 December	-	-	^	257,831	-	*

Note :

^ - Denote 2 ordinary shares

* - Denote RM2

(i) 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.

(ii) During the FYE 31 December 2021, the Company increased its issued and paid-up share capital from RM2 to RM51,566,101.60 by way of:-

- (1) Issuance of 179,125,000 new ordinary shares at RM0.20 each to acquire the entire equity interest in EMESB for a purchase consideration of RM35,825,000; and
- (2) Issuance of 78,705,498 new ordinary shares of RM0.20 each to acquire the entire equity interest in AEPL for a purchase consideration of RM15,741,099.60.

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

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. SHARE CAPITAL AND INVESTED EQUITY (CONT'D)

(b) Invested Equity

	As at 31 December							
	2018	2019	2020	2021	2018	2019	2020	2021
	'000	Number of shares '000	'000	'000	RM'000	RM'000	RM'000	RM'000
Issued and Fully Paid-Up								
Ordinary Shares								
At 1 January	5,950	5,950	5,950	5,950	6,357	6,357	6,357	6,357
Adjustment pursuant to the acquisition of subsidiaries	-	-	-	(5,950)	-	-	-	(6,357)
At 31 December	5,950	5,950	5,950	-	6,357	6,357	6,357	-

For the purpose of this report, the total number of ordinary shares as at 31 December 2018, 2019, and 2020 represent the aggregate number of issued and fully paid-up ordinary shares of all combining entities within the Group. During the financial year, the amount has been reversed pursuant to the completion of the acquisitions of subsidiaries.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****15. MERGER DEFICIT**

The merger deficit arises from the difference between the carrying value of the investment in subsidiaries and the nominal value of shares of the Group's subsidiaries upon consolidation under the merger accounting principle.

16. FOREIGN EXCHANGE TRANSLATION RESERVE

The foreign exchange translation reserve arose from the translation of the financial statements of a foreign subsidiary whose functional currency is different from the Group's presentation currency.

17. LEASE LIABILITIES

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
At 1 January	602	623	1,084	1,414
Acquisition of new leases:				
- current year purchase of property, plant and equipment (Note 33(a))	284	719	600	-
- prior year purchase of property, plant and equipment	-	-	100	-
Interest expense recognised in profit or loss (Note 28)	31	31	57	58
Repayment of principal	(263)	(258)	(370)	(486)
Repayment of interest expense	(31)	(31)	(57)	(58)
At 31 December	<u>623</u>	<u>1,084</u>	<u>1,414</u>	<u>928</u>
Analysed by:-				
Current liabilities	226	312	486	443
Non-current liabilities	397	772	928	485
	<u>623</u>	<u>1,084</u>	<u>1,414</u>	<u>928</u>

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13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. TERM LOANS

	As at 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Analysed to:-				
Current liabilities	347	713	902	1,033
Non-current liabilities	8,400	9,284	9,786	8,688
	<u>8,747</u>	<u>9,997</u>	<u>10,688</u>	<u>9,721</u>

(a) The term loans at the end of the reporting period are secured by:-

- (i) legal charges over the landed properties as disclosed in Note 5(b) and fixed deposits with licensed banks of the Group as disclosed in Note 13(b);
- (ii) jointly and severally guaranteed by certain directors of the Group;
- (iii) corporate guarantee provided by EMESB.

(b) The interest rate profile of the term loans are summarised below:-

	As at 31 December			
	2018	2019	2020	2021
Effective Interest Rates (%)	2.79 to 5.20	2.95 to 4.65	1.56 to 3.70	1.58 to 3.73
Floating rate term loans (RM'000)	<u>8,747</u>	<u>9,997</u>	<u>10,688</u>	<u>9,721</u>

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13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. DEFERRED TAX LIABILITIES

	At 1.1.2018 RM'000	Recognised in Profit or Loss (Note 29) RM'000	At 31.12.2018 RM'000
2018			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment	2,150	208	2,358
<i>Deferred Tax Assets</i>			
Contract assets/liabilities	(11)	(515)	(526)
	2,139	(307)	1,832
2019			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment	2,358	40	2,398
Contract assets/liabilities	-	105	105
	2,358	145	2,503
<i>Deferred Tax Assets</i>			
Contract assets/liabilities	(526)	526	-
Allowance for impairment losses on trade receivables	-	(592)	(592)
	(526)	(66)	(592)
	1,832	79	1,911

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****19. DEFERRED TAX LIABILITIES (CONT'D)**

	At 1.1.2020 RM'000	Recognised in Profit or Loss (Note 29) RM'000	At 31.12.2020 RM'000
2020			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment	2,398	(141)	2,257
Contract assets/liabilities	105	(105)	-
	2,503	(246)	2,257
<i>Deferred Tax Assets</i>			
Provisions	-	(232)	(232)
Contract assets/liabilities	-	(233)	(233)
Allowance for impairment losses on trade receivables	(592)	405	(187)
	(592)	(60)	(652)
	1,911	(306)	1,605

	At 1.1.2021 RM'000	Recognised in Profit or Loss (Note 29) RM'000	At 31.12.2021 RM'000
2021			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment	2,257	45	2,302
Contract assets/liabilities	-	313	313
	2,257	358	2,615
<i>Deferred Tax Assets</i>			
Provisions	(232)	38	(194)
Contract assets/liabilities	(233)	233	-
Allowance for impairment losses on trade receivables	(187)	187	-
	(652)	458	(194)
	1,605	816	2,421

20. TRADE PAYABLES

The normal trade credit term granted to the Group is 30 to 60 days.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****21. OTHER PAYABLES AND ACCRUALS**

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Other payables				
- Third parties	4,087	2,054	2,321	4,893
- A director	108	-	100	-
- A shareholder	108	-	120	-
- Goods and services tax payable	13	-	-	-
	4,316	2,054	2,541	4,893
Deposit received	16	19	307	391
Accruals	618	1,057	1,564	1,774
Dividend payables	-	4,061	-	-
Payroll liabilities	3,095	2,204	2,204	2,885
	8,045	9,395	6,616	9,943

The dividend payables for FYE 31 December 2019 were subsequently paid on 14 January 2020 and 23 January 2020.

The amount owing to a director and a shareholder represent unsecured interest-free advances. The amount owing is repayable on demand and is to be settled in cash.

22. PROVISIONS

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
PROVISIONS FOR ONEROUS CONTRACT				
At 1 January	-	-	-	372
Provision made during the financial year	-	-	372	-
Realisation of provision made in previous financial year	-	-	-	(372)
At 31 December	-	-	372	-
PROVISIONS FOR LIQUIDATED ASCERTAINED DAMAGES				
At 1 January	-	-	-	595
Provision made during the financial year	-	-	595	215
At 31 December	-	-	595	810
	-	-	967	810

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****23. SHORT-TERM BORROWINGS**

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Bankers' acceptances	7,446	7,655	5,457	6,646
Invoice financing	14,642	8,310	13,635	9,528
Revolving credit	500	500	500	500
	<u>22,588</u>	<u>16,465</u>	<u>19,592</u>	<u>16,674</u>

- (a) The short-term borrowings of the Group at the end of the reporting period are drawn for a period and bore interest rates as follows:-

	As at 31 December			
	2018	2019	2020	2021
Periods (days)	43 to 150	115 to 150	115 to 180	114 to 150
Interest rates (%)	<u>4.08 - 7.39</u>	<u>3.77 - 8.57</u>	<u>3.07 - 7.07</u>	<u>2.58 - 5.41</u>

- (b) The short-term borrowings of the Group are secured in the same manner as the term loans disclosed in Note 18 to the financial statements.

24. BANK OVERDRAFTS

- (a) The bank overdrafts of the Group are secured in the same manner as the term loans disclosed in Note 18 to the financial statements.
- (b) The bank overdrafts of the Group at the end of the reporting period bear floating interest rates as follows:-

	As at 31 December			
	2018	2019	2020	2021
Interest rates (%)	<u>7.95 to</u> <u>10.65</u>	<u>7.45 to</u> <u>10.40</u>	<u>6.45 to</u> <u>9.40</u>	<u>6.45 to</u> <u>9.40</u>

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25. DERIVATIVE LIABILITIES

	As at 31 December			
	2018	2019	2020	2021
	RM'000	Contract/Notional Amount RM'000	RM'000	RM'000
<u>Derivative Liabilities</u>				
Forward currency contracts	3,316	16,813	13,952	1,245

The fair value of the derivative liabilities were not material and not recognised by the Group.

26. REVENUE

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
<u>Revenue from Contract with Customers</u>				
<u>At a point in time:</u>				
Fabrication of equipment	7,068	4,113	3,959	8,770
Supply of material and equipment	1,166	451	13,129	32,233
Others	1,520	1,252	2,961	1,748
	9,754	5,816	20,049	42,751
<u>Over time:</u>				
Construction of plants and facilities	97,159	150,381	119,518	86,113
Fabrication of equipment	2,845	14,731	13,966	24,290
Others	3,869	-	160	-
	103,873	165,112	133,644	110,403
	113,627	170,928	153,693	153,154
<u>Revenue from Other Sources</u>				
Rental income from equipment	-	-	-	9
	113,627	170,928	153,693	153,163

- (a) The information on the disaggregation of revenue by geographical market is disclosed in Note 37.2 to the financial statements.
- (b) The information on the unsatisfied performance obligations is disclosed in Note 11 to the financial statements.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****27. NET IMPAIRMENT LOSS/(NET REVERSAL OF IMPAIRMENT LOSS) ON FINANCIAL ASSETS**

	FYE 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Bad debt written off	369	50	-	16
Impairment losses:				
- trade receivables (Note 9)	-	2,367	-	106
Reversal of impairment losses:				
- trade receivables (Note 9)	-	-	(1,540)	(777)
	369	2,417	(1,540)	(655)

28. PROFIT BEFORE TAX

	FYE 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Profit before taxation is arrived				
<i>After Charging</i>				
Audit fee:				
- current year	62	103	103	124
- (over)/underprovision in prior year	(3)	-	-	2
Deposit forfeited	-	-	207	-
Depreciation of property, plant and equipment (Note 5)	1,814	1,653	1,308	1,259
Impairment loss on investment in associate	200	-	-	-
Interest expense on financial liabilities not at fair value through profit or loss:				
- bank overdraft	213	330	636	737
- bankers' acceptances	1,257	1,299	1,177	985
- lease liabilities (Note 17)	31	31	57	58
- term loans	246	361	345	298
Lease expenses:				
- short-term leases	261	869	196	417
- low-value assets	4	20	9	9
Fair value loss on other investment (Note 6)	-	507	-	-
Listing expenses	-	-	646	654
Loss on foreign exchange:				
- realised	241	316	-	328
- unrealised	70	75	-	-
Property, plant and equipment written off (Note 5)	*	179	12	-
Provisions:				
- onerous contract	-	-	372	-
- liquidated ascertained damages	-	-	595	215

Note :

* - Amount is less than RM500

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****28. PROFIT BEFORE TAX (CONT'D)**

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived (Cont'd):-				
<i>After Charging (Cont'd)</i>				
Realisation of provision of onerous contract	-	-	-	(372)
Staff costs:				
- short-term employee benefits	7,730	9,386	9,084	9,286
- defined contribution benefits	430	561	679	785
<i>After Crediting</i>				
Fair value gain on other investment (Note 6)	-	-	278	117
Gain on disposal of property, plant and equipment	85	47	47	60
Gain on foreign exchange - realised	2	-	213	-
Interest income on financial assets measured at amortised cost:				
- fixed deposits with licensed banks	221	211	271	194
- others	(*)	(*)	(*)	(*)
Rental income	58	165	186	186
Waiver of other payables	-	-	10	-

Note :

* - Amount is less than RM500

29. INCOME TAX EXPENSE

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Current tax expense:				
- for the financial year	2,977	4,157	1,918	2,234
- under/(over)provision in the previous financial year	17	380	387	(45)
	<u>2,994</u>	<u>4,537</u>	<u>2,305</u>	<u>2,189</u>
Deferred tax (Note 19):				
- origination and reversal of temporary differences	(536)	51	(273)	788
- under/(over)provision in the previous financial year	229	28	(33)	28
	<u>(307)</u>	<u>79</u>	<u>(306)</u>	<u>816</u>
Total income tax expense	<u>2,687</u>	<u>4,616</u>	<u>1,999</u>	<u>3,005</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****29. INCOME TAX EXPENSE (CONT'D)**

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

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	10,423	17,098	8,519	11,075
Tax at the statutory rate of 24%	2,502	4,104	2,045	2,658
Tax effects of :-				
Non-deductible expenses	442	591	314	941
Reduction in tax rates arising from incremental taxable income	(123)	-	-	-
Reduction in tax rates on small scale company up to RM600,000 at 17% (2020 - RM600,000 at 17%, 2019 - RM500,000 at 17%, 2018 - RM500,000 at 18%)	(3)	-	(2)	(2)
Non-taxable income	(19)	(9)	(304)	(56)
Effects of differential in tax rate of a foreign subsidiary	(266)	(577)	(491)	(438)
Utilisation of deferred tax assets not recognised in the previous financial years	-	-	(27)	(27)
Deferred tax assets not recognised during the years	66	198	163	-
Tax incentive, rebates and exemptions	(158)	(99)	(53)	(54)
Under/(Over)provision of income tax in the previous financial years	17	380	387	(45)
Under/(Over)provision of deferred tax in the previous financial years	229	28	(33)	28
	<u>2,687</u>	<u>4,616</u>	<u>1,999</u>	<u>3,005</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2020 – 24%, 2019 – 24%, and 2018 – 24%) of the estimated assessable profit for the financial years. The taxation of other jurisdiction is calculated at the rate prevailing in the jurisdiction.

For year of assessment 2018, the Malaysian statutory tax rate was reduced by 1% to 4%, based on the prescribed incremental percentage of chargeable income from business, compared to that of the immediate preceding year of assessment. The Group has accounted for the reduction in the tax rate in that financial year, based on the percentage of increase in chargeable income of its subsidiaries.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****29. INCOME TAX EXPENSE (CONT'D)**

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

	FYE 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Unused tax losses				
- expires in 31 December 2025	212	961	146	-
- expires in 31 December 2026	-	-	490	-
- expires in 31 December 2027	-	-	659	-
- expires in 31 December 2028	-	-	-	36
- expires in 31 December 2029	-	-	-	490
- expires in 31 December 2030	-	-	-	454
Unabsorbed capital allowances	3	133	128	-
Other deductible temporary differences	215	1,094	1,423	980

The unused tax losses are allowed to be utilised for 10 (2020 – 7, 2019 – 7, 2018 – 7) consecutive years of assessment while unabsorbed capital allowances are allowed to be carried forward indefinitely.

30. OTHER COMPREHENSIVE (EXPENSE)/INCOME

	FYE 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Item that Will be Reclassified Subsequently to Profit or Loss				
Foreign currency translation:				
- changes during the financial year	(199)	(266)	1,067	(917)

31. EARNINGS PER SHARE

	FYE 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Profit attributable to the owners of the Company	7,736	12,482	6,520	8,070
Number of ordinary shares ('000) #	257,831	257,831	257,831	257,831
Basic earnings per shares (Sen)	3.00	4.84	2.53	3.13

- It is assumed to be the number of ordinary shares before public issue.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****32. DIVIDENDS**

	FYE 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
In respect of financial year ended 31 December 2018				
Interim exempt (one-tier) dividend of RM4.52 per AEPL ordinary share	901	-	-	-
In respect of financial year ended 31 December 2019				
Single tier interim dividend of RM0.17 per EMESB ordinary share	-	1,000	-	-
Interim exempt (one-tier) dividend of RM15.29 per AEPL ordinary share	-	3,061	-	-
In respect of financial year ended 31 December 2020				
Interim exempt (one-tier) dividend of RM15.38 per AEPL ordinary shares	-	-	3,049	-
	901	4,061	3,049	-

33. CASH FLOWS INFORMATION

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

	FYE 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Cost of property, plant and equipment purchased (Note 5)	3,943	1,486	862	1,168
Less: Amount financed through new lease (Note 33(b))	(284)	(719)	(600)	-
Less: Amount owing to other payables	-	(100)	(74)	(700)
Cash disbursed for purchase of property, plant and equipment	3,659	667	188	468

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. CASH FLOWS INFORMATION (CONT'D)

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

	Bank Overdrafts RM'000	Term Loans RM'000	Lease Liabilities RM'000	Short-term Borrowings RM'000	Amount Owing To Director RM'000	Amount Owing To Shareholder RM'000	Amount Owing To Associate RM'000	Amount Owing To Related Parties RM'000	Total RM'000
2018									
At 1 January	*	5,251	602	20,868	170	-	40	162	27,093
<u>Changes in Financing Cash Flows</u>									
Proceeds from drawdown	*	3,902	-	58,826	-	-	-	-	62,728
Advances from	-	-	-	-	-	108	-	-	108
Repayment of principal	*	(474)	(263)	(57,106)	(62)	-	(40)	(162)	(58,107)
Repayment of interests	(213)	(246)	(31)	(1,257)	-	-	-	-	(1,747)
	(213)	3,182	(294)	463	(62)	108	(40)	(162)	2,982
<u>Non-cash Changes</u>									
Foreign exchange adjustments	-	68	-	-	-	-	-	-	68
Acquisition of new leases (Notes 17 and 33(a))	-	-	284	-	-	-	-	-	284
Interest expenses recognised in profit or loss (Note 28)	213	246	31	1,257	-	-	-	-	1,747
	213	314	315	1,257	-	-	-	-	2,099
At 31 December	*	8,747	623	22,588	108	108	-	-	32,174

* Bank overdrafts have formed part of the cash and cash equivalents, therefore, no movement for principal amount is presented.

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. CASH FLOWS INFORMATION (CONT'D)

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

	Bank Overdrafts RM'000	Term Loans RM'000	Lease Liabilities RM'000	Short-term Borrowings RM'000	Amount Owing To Director RM'000	Amount Owing To Shareholder RM'000	Total RM'000
2019							
At 1 January	*	8,747	623	22,588	108	108	32,174
<u>Changes in Financing Cash Flows</u>							
Proceeds from drawdown	*	1,642	-	73,288	-	-	74,930
Repayment of principal	*	(402)	(258)	(79,411)	(108)	(108)	(80,287)
Repayment of interests	(330)	(361)	(31)	(1,299)	-	-	(2,021)
	(330)	879	(289)	(7,422)	(108)	(108)	(7,378)
<u>Non-cash Changes</u>							
Foreign exchange adjustments	-	10	-	-	-	-	10
Acquisition of new leases (Notes 17 and 33(a))	-	-	719	-	-	-	719
Interest expenses recognised in profit or loss (Note 28)	330	361	31	1,299	-	-	2,021
	330	371	750	1,299	-	-	2,750
At 31 December	*	9,997	1,084	16,465	-	-	27,546

* Bank overdrafts have formed part of the cash and cash equivalents, therefore, no movement for principal amount is presented.

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. CASH FLOWS INFORMATION (CONT'D)

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

2020

At 1 January

Changes in Financing Cash Flows

Proceeds from drawdown
Advances from
Repayment of principal
Repayment of interests

	Bank Overdrafts RM'000	Term Loans RM'000	Lease Liabilities RM'000	Short-term Borrowings RM'000	Amount Owing To Director RM'000	Amount Owing To Shareholder RM'000	Total RM'000
*	9,997	1,084	16,465	-	-	-	27,546
*	1,000	-	52,595	-	-	-	53,595
-	-	-	-	100	120	-	220
*	(308)	(370)	(49,468)	-	-	-	(50,146)
(636)	(345)	(57)	(1,177)	-	-	-	(2,215)
(636)	347	(427)	1,950	100	120	-	1,454

Non-cash Changes

Foreign exchange adjustments
Acquisition of new leases (Note 17):
- current year purchase of property, plant and
equipment (Note 33(a))
- prior year purchase of property, plant and
equipment
Interest expenses recognised in profit or
loss (Note 28)

-	(1)	-	-	-	-	-	(1)
-	-	600	-	-	-	-	600
-	-	100	-	-	-	-	100
636	345	57	1,177	-	-	-	2,215
636	344	757	1,177	-	-	-	2,914
*	10,688	1,414	19,592	100	120	-	31,914

At 31 December

* Bank overdrafts have formed part of the cash and cash equivalents, therefore, no movement for principal amount is presented.

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. CASH FLOWS INFORMATION (CONT'D)

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

	Bank Overdrafts RM'000	Term Loans RM'000	Lease Liabilities RM'000	Short-term Borrowings RM'000	Amount Owing To Director RM'000	Amount Owing To Shareholder RM'000	Total RM'000
2021							
At 1 January	*	10,688	1,414	19,592	100	120	31,914
Changes in Financing Cash Flows							
Proceeds from drawdown	*	-	-	73,091	-	-	73,091
Repayment of principal	*	(1,004)	(486)	(76,009)	(100)	(120)	(77,719)
Repayment of interests	(737)	(298)	(58)	(985)	-	-	(2,078)
	(737)	(1,302)	(544)	(3,903)	(100)	(120)	(6,706)
Non-cash Changes							
Foreign exchange adjustments	-	37	-	-	-	-	37
Interest expenses recognised in profit or loss (Note 28)	737	298	58	985	-	-	2,078
	737	335	58	985	-	-	2,115
At 31 December	*	9,721	928	16,674	-	-	27,323

* Bank overdrafts have formed part of the cash and cash equivalents, therefore, no movement for principal amount is presented.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****33. CASH FLOWS INFORMATION (CONT'D)**

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

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Payment of short-term leases	261	869	196	417
Payment of low-value assets	4	20	9	9
Interest paid on lease liabilities	31	31	57	58
Payment on lease liabilities	263	258	370	486
	<u>559</u>	<u>1,178</u>	<u>632</u>	<u>970</u>

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

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks	7,713	12,895	13,775	13,519
Cash and bank balances	2,411	12,797	7,119	6,507
Bank overdrafts	(3,363)	(8,460)	(6,799)	(11,758)
	<u>6,761</u>	<u>17,232</u>	<u>14,095</u>	<u>8,268</u>
Less: Fixed deposits pledged to licensed banks (Note 13)	(7,713)	(12,895)	(13,775)	(13,519)
	<u>(952)</u>	<u>4,337</u>	<u>320</u>	<u>(5,251)</u>

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13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group include executive directors and certain members of senior management of the Group.

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

	FYE 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
(a) Directors				
<u>Directors of the Group</u>				
Short-term employee benefits:				
- fees	426	539	531	542
- salaries, bonuses and other benefits	2,176	2,693	3,094	3,599
	2,602	3,232	3,625	4,141
Defined contribution benefits	188	205	243	265
	2,790	3,437	3,868	4,406
<u>Directors of the Subsidiaries</u>				
Short-term employee benefits:				
- salaries, bonuses and other benefits	246	237	97	-
Defined contribution benefits	26	29	11	-
	272	266	108	-
Total directors' remuneration	3,062	3,703	3,976	4,406

The estimated monetary value of benefits-in-kind provided by the Group to the directors of the Group is as follows:-

	FYE 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Benefits-in-kind	35	48	49	45

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

	FYE 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
(b) Other Key Management Personnel				
Short-term employee benefits	1,494	1,619	1,732	2,046
Defined contribution benefits	102	103	133	161
	<u>1,596</u>	<u>1,722</u>	<u>1,865</u>	<u>2,207</u>

35. SIGNIFICANT 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.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel, and other entities in which the directors have substantial financial interests.

(b) Significant Related Party Transactions and Balances

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

	FYE 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Associate				
Advances to	467	-	-	-
Rental income	16	-	-	-
A director				
Disposal of motor vehicles	-	-	47	-
A company in which certain Directors of EMESB and ETSB have substantial financial interest				
Advances to	3,146	-	-	-
Rental income	10	28	30	-
Sales	240	43	-	-
Sub-contractor charges	<u>1,186</u>	<u>1,776</u>	<u>2,364</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****35. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)****(b) Significant Related Party Transactions and Balances (Cont'd)**

Other than those disclosed elsewhere in the financial statements, the Group carried out the following significant transactions with the related parties during the financial year (Cont'd):-

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
A shareholder of ETSB				
Sales	191	-	-	-
A company in which a shareholder of the EMESB and EIB have significant financial interest				
Sales	5,696	66	150	6,211
A company in which a key senior management of EMESB have significant financial interest				
Rental income	-	11	18	-
Sales	-	-	35	-
Sub-contractor charges	-	869	1,570	-

36. CAPITAL COMMITMENTS

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Purchase of property, plant and equipment	-	-	998	225

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****37. 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 the 3 main reportable segments as follows:-

- Construction of Plants and Facilities Segment – involved in the construction of palm oil mill, and its facilities, rubber plantation facilities and other industry facilities.
 - Fabrication of Equipment Segment – involved in the fabrication of palm oil mill equipment.
 - Supply of Material and Equipment – involved in trading of construction material and equipment
 - Others – involved in fabrication of other equipment and other services.
- (a) The managing director assess the performance of the reportable segments based on their profit before interest expense and tax. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Borrowings and investment-related activities are managed on a group basis by the central treasury function and are not allocated to reportable segments.

- (b) Each reportable segment assets is measured based on all assets of the segment other than tax-related assets. Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segments.
- (c) Each reportable segment liabilities is measured based on all liabilities of the segment other than borrowings and other tax-related liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.
- (d) Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the reportable segments are presented under unallocated items. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses and listing expenses.

Transfer prices between operating segments are at arm's length basis in a manner similar to transactions with third parties. The effects of such inter-segment transactions are eliminated on consolidation.

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. OPERATING SEGMENTS (CONT'D)

37.1 BUSINESS SEGMENTS

2018	Construction of Plants and Facilities RM'000	Fabrication of Equipment RM'000	Supply of Material and Equipment RM'000	Others RM'000	The Group RM'000
Revenue					
External revenue	97,159	9,913	1,166	5,389	113,627
Results					
Segment profit/(loss) before interest and taxation	13,449	(738)	960	(1,077)	12,594
Finance costs					(1,971)
Impairment loss on investment in associate					(200)
Profit before taxation					10,423
Segment profit/(loss) before interest and taxation includes the followings:-					
Bad debt written off	336	10	1	22	369
Depreciation of property, plant and equipment	1,595	112	6	101	1,814
Gain on foreign exchange - realised	-	-	-	(2)	(2)
Gain on disposal of property, plant and equipment	(78)	(2)	*	(5)	(85)
Interest income	(202)	(6)	*	(13)	(221)
Loss on foreign exchange - realised	217	9	*	15	241
Loss on foreign exchange - unrealised	63	6	1	*	70
Property, plant and equipment written off	*	-	-	-	*

Note :

* - Amount is less than RM500

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. OPERATING SEGMENTS (CONT'D)

37.1 BUSINESS SEGMENTS (CONT'D)

2018	Construction of Plants and Facilities RM'000	Fabrication of Equipment RM'000	Supply of Material and Equipment RM'000	Others RM'000	The Group RM'000
Assets					
Segment assets	82,369	11,797	396	7,332	101,894
Unallocated assets:					
- current tax assets					115
Total assets					<u>102,009</u>
Additions to non-current other than financial and deferred tax assets					
Property, plant and equipment	916	2,848	91	88	3,943
Liabilities					
Segment liabilities	21,880	812	61	1,809	24,562
Unallocated liabilities:					
- current tax liabilities					1,284
- deferred tax liabilities					1,832
- short-term borrowings					22,588
- lease liabilities					623
- term loans					8,747
- bank overdraft					3,363
Total liabilities					<u>62,999</u>

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. OPERATING SEGMENTS (CONT'D)

37.1 BUSINESS SEGMENTS (CONT'D)

2019	Construction of Plants and Facilities RM'000	Fabrication of Equipment RM'000	Supply of Material and Equipment RM'000	Others RM'000	The Group RM'000
Revenue					
External revenue	150,381	18,844	451	1,252	170,928
Results					
Segment profit/(loss) before interest and taxation	23,483	(2,830)	(111)	(929)	19,613
Finance costs					(2,515)
Profit before taxation					17,098
Segment profit/(loss) before interest and taxation includes the followings:-					
Depreciation of property, plant and equipment	945	642	36	30	1,653
Fair value loss on other investment	295	203	2	7	507
Gain on disposal of property, plant and equipment	(27)	(19)	(*)	(1)	(47)
Bad debt written off	-	50	-	-	50
Impairment losses on trade receivables	-	2,307	23	37	2,367
Interest income	(123)	(84)	(1)	(3)	(211)
Loss on foreign exchange - realised	197	103	6	10	316
Loss on foreign exchange - unrealised	72	3	*	*	75
Property, plant and equipment written off	104	72	1	2	179

Note :

* - Amount is less than RM500

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. OPERATING SEGMENTS (CONT'D)

37.1 BUSINESS SEGMENTS (CONT'D)

2019	Construction of Plants and Facilities RM'000	Fabrication of Equipment RM'000	Supply of Material and Equipment RM'000	Others RM'000	The Group RM'000
Assets					
Segment assets	87,944	24,133	1,840	1,951	115,868
Unallocated assets:					
- current tax assets					23
Total assets					<u>115,891</u>
Additions to non-current other than financial and deferred tax assets					
Property, plant and equipment	720	495	6	265	1,486
Liabilities					
Segment liabilities	17,505	10,535	184	887	29,111
Unallocated liabilities:					
- current tax liabilities					1,389
- deferred tax liabilities					1,911
- short term borrowings					16,465
- lease liabilities					1,084
- term loans					9,997
- bank overdraft					8,460
Total liabilities					<u>68,417</u>

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. OPERATING SEGMENTS (CONT'D)

37.1 BUSINESS SEGMENTS (CONT'D)

2020	Construction of Plants and Facilities RM'000	Fabrication of Equipment RM'000	Supply of Material and Equipment RM'000	Others RM'000	The Group RM'000
Revenue					
External revenue	119,518	17,925	13,129	3,121	153,693
Results					
Segment profit/(loss) before interest and taxation	10,599	(533)	803	851	11,720
Finance costs					(2,542)
Unallocated expenses					(659)
Profit before taxation					8,519
Segment profit/(loss) before interest and taxation includes the followings:-					
Deposit forfeited	-	-	-	207	207
Depreciation of property, plant and equipment	944	152	128	84	1,308
Fair value gain on other investment	(209)	(36)	(31)	(2)	(278)
Gain on disposal of property, plant and equipment	(35)	(6)	(5)	(1)	(47)
Gain on foreign exchange - realised	(143)	(15)	(10)	(45)	(213)
Interest income	204	35	30	2	271
Property, plant and equipment written off	9	2	1	*	12
Provisions					
- onerous contract	204	168	-	-	372
- liquidated ascertained damages	-	595	-	-	595
Reversal of impairment losses on trade receivables	-	(1,540)	-	-	(1,540)
Waiver of other payables	-	-	(10)	-	(10)

Note :

* - Amount is less than RM500

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
37. OPERATING SEGMENTS (CONT'D)
37.1 BUSINESS SEGMENTS (CONT'D)

2020	Construction of Plants and Facilities RM'000	Fabrication of Equipment RM'000	Supply of Material and Equipment RM'000	Others RM'000	The Group RM'000
Assets					
Segment assets	94,899	24,949	10,549	6,006	136,403
Unallocated assets:					
- current tax assets					1,944
Total assets					<u>138,347</u>
Additions to non-current other than financial and deferred tax assets					
Property, plant and equipment	632	107	92	31	862
Liabilities					
Segment liabilities	31,483	6,343	4,317	2,566	44,709
Unallocated liabilities:					
- current tax liabilities					1,528
- deferred tax liabilities					1,605
- short term borrowings					19,592
- lease liabilities					1,414
- term loans					10,688
- bank overdrafts					6,799
Total liabilities					<u>86,335</u>

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. OPERATING SEGMENTS (CONT'D)

37.1 BUSINESS SEGMENTS (CONT'D)

2021	Construction of Plants and Facilities RM'000	Fabrication of Equipment RM'000	Supply of Material and Equipment RM'000	Others RM'000	The Group RM'000
Revenue					
External revenue	86,113	33,060	32,233	1,757	153,163
Results					
Segment profit before interest and taxation	7,748	1,878	4,590	454	14,670
Finance costs					(2,770)
Unallocated expenses					(825)
Profit before taxation					<u>11,075</u>
Segment profit before interest and taxation includes the followings:-					
Bad debt written off	-	-	-	16	16
Depreciation of property, plant and equipment	569	374	307	9	1,259
Fair value gain on other investment	(54)	(31)	(31)	(1)	(117)
Gain on disposal of property, plant and equipment	(28)	(16)	(16)	(*)	(60)
Impairment losses on trade receivables	106	-	-	-	106
Interest income	(90)	(52)	(51)	(1)	(194)
Loss on foreign exchange - realised	278	23	11	16	328
Provision of liquidated ascertained damages	-	215	-	-	215
Reversal of impairment losses on trade receivables	-	(777)	-	-	(777)
Reversal of provision of onerous contract	(204)	(168)	-	-	(372)

Note :

* - Amount is less than RM500

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****37. OPERATING SEGMENTS (CONT'D)****37.1 BUSINESS SEGMENTS (CONT'D)**

2021	Construction of Plants and Facilities RM'000	Fabrication of Equipment RM'000	Supply of Material and Equipment RM'000	Others RM'000	The Group RM'000
Assets					
Segment assets	76,680	26,270	20,793	684	124,427
Unallocated assets:					
- prepayment					495
- current tax assets					3,491
Total assets					<u>128,413</u>
Additions to non-current other than financial and deferred tax assets are:-					
Property, plant and equipment	478	381	301	8	1,168
Liabilities					
Segment liabilities	12,237	7,757	6,592	249	26,835
Unallocated liabilities:					
- accruals					21
- current tax liabilities					890
- deferred tax liabilities					2,421
- short term borrowings					16,674
- lease liabilities					928
- term loans					9,721
- bank overdrafts					11,758
Total liabilities					<u>69,248</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****37. OPERATING SEGMENTS (CONT'D)****37.2 GEOGRAPHICAL SEGMENTS**

Revenue is based on the country in which the customers are located.

	Revenue			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Malaysia	8,868	23,027	28,178	41,849
Foreign				
Gabon	89,734	136,131	106,020	69,504
Liberia	6,006	2,055	765	451
Indonesia	9,019	7,821	18,730	41,359
India	-	1,892	-	-
Singapore	-	2	-	-
	113,627	170,928	153,693	153,163

Non-current assets are determined according to the country where these assets are located.

	Non-current assets			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Malaysia	22,489	23,423	23,317	23,420
Singapore	3,746	3,565	3,759	3,513
	26,235	26,988	27,076	26,933

37.3 MAJOR CUSTOMERS

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

	Revenue			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Customer A	89,480	136,291	105,208	58,433
Customer B	*	*	*	25,818

Note :

* - Amount is less than 10% of Group's total revenue

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****38. CONTINGENT LIABILITIES**

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Performance guarantees extended to third parties	7,274	16,577	9,743	3,830

39. 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.

39.1 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 is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the functional currency of the Group. The currencies giving rise to this risk are primarily EUR, USD and SGD. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****39. FINANCIAL INSTRUMENTS (CONT'D)****39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(a) Market Risk (Cont'd)****(i) Foreign Currency Risk (Cont'd)**

The Group's exposure to foreign currency risk (a currency which is other than the functional currencies of the entities within the Group) that are based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign currency exposure

	EUR	USD	SGD
	RM'000	RM'000	RM'000
31 December 2018			
<u>Financial Assets</u>			
Trade receivables	1,746	1,826	*
Other receivables	2,637	1,693	-
Cash and bank balances	101	311	134
	<u>4,484</u>	<u>3,830</u>	<u>134</u>
<u>Financial Liabilities</u>			
Other payables	(289)	-	(138)
Term loans	-	-	(2,907)
	<u>(289)</u>	<u>-</u>	<u>(3,045)</u>
Net financial assets/(liabilities)	4,195	3,830	(2,911)
Less: Forward foreign currency contracts (contracted notional principal)	-	(3,316)	-
Currency Exposure	<u>4,195</u>	<u>514</u>	<u>(2,911)</u>

Note :

* - Amount is less than RM500

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****39. FINANCIAL INSTRUMENTS (CONT'D)****39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(a) Market Risk (Cont'd)****(i) Foreign Currency Risk (Cont'd)**

The Group's exposure to foreign currency risk (a currency which is other than the functional currencies of the entities within the Group) that are based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below (Cont'd):-

Foreign currency exposure (Cont'd)

	EUR RM'000	USD RM'000	SGD RM'000
31 December 2019			
<u>Financial Assets</u>			
Trade receivables	136	1,675	-
Other receivables	1,107	-	-
Cash and bank balances	2,895	216	3,365
	<u>4,138</u>	<u>1,891</u>	<u>3,365</u>
<u>Financial Liabilities</u>			
Trade payables	-	(25)	-
Other payables	-	-	(3,640)
Term loans	-	-	(2,801)
	<u>-</u>	<u>(25)</u>	<u>(6,441)</u>
Net financial assets/(liabilities)	4,138	1,866	(3,076)
Less: Forward foreign currency contracts (contracted notional principal)	(7,613)	(9,200)	-
Currency Exposure	<u>(3,475)</u>	<u>(7,334)</u>	<u>(3,076)</u>

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****39. FINANCIAL INSTRUMENTS (CONT'D)****39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(a) Market Risk (Cont'd)****(i) Foreign Currency Risk (Cont'd)**

The Group's exposure to foreign currency risk (a currency which is other than the functional currencies of the entities within the Group) that are based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below (Cont'd):-

Foreign currency exposure (Cont'd)

	EUR RM'000	USD RM'000	SGD RM'000
31 December 2020			
<u>Financial Assets</u>			
Trade receivables	1,629	3,968	-
Other receivables	575	-	-
Cash and bank balances	3,168	373	255
	<u>5,372</u>	<u>4,341</u>	<u>255</u>
<u>Financial Liabilities</u>			
Trade payables	(1,853)	-	(547)
Term loans	-	-	(2,680)
	<u>(1,853)</u>	<u>-</u>	<u>(3,227)</u>
Net financial assets/(liabilities)	3,519	4,341	(2,972)
Less: Forward foreign currency contracts (contracted notional principal)	(10,482)	(3,471)	-
Currency Exposure	<u>(6,963)</u>	<u>870</u>	<u>(2,972)</u>

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****39. FINANCIAL INSTRUMENTS (CONT'D)****39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(a) Market Risk (Cont'd)****(i) Foreign Currency Risk (Cont'd)**

The Group's exposure to foreign currency risk (a currency which is other than the functional currencies of the entities within the Group) that are based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below (Cont'd):-

Foreign currency exposure (Cont'd)

	EUR RM'000	USD RM'000	SGD RM'000
31 December 2021			
<u>Financial Assets</u>			
Trade receivables	636	1,187	-
Other receivables	5	6	-
Cash and bank balances	20	2,162	164
	661	3,355	164
<u>Financial Liabilities</u>			
Trade payables	(20)	-	-
Other payables	-	-	(719)
Term loans	-	-	(2,574)
	(20)	-	(3,293)
Net financial assets/(liabilities)	641	3,355	(3,129)
Less: Forward foreign currency contracts (contracted notional principal)	-	(1,245)	-
Currency Exposure	641	2,110	(3,129)

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13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:-

	FYE 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Effects On Profit After Tax				
EUR/RM				
- strengthened by 7% (2020 - 11%, 2019 - 4%, 2018 - 5%)	198	337	(93)	33
- weakened by 7% (2020 - 11%, 2019 - 4%, 2018 - 5%)	(198)	(337)	93	(33)
USD/RM				
- strengthened by 6% (2020 - 10%, 2019 - 4%, 2018 - 8%)	25	(209)	84	97
- weakened by 6% (2020 - 10%, 2019 - 4%, 2018 - 8%)	(25)	209	(84)	(97)
SGD/RM				
- strengthened by 3% (2020 - 4%, 2019 - 3%, 2018 - 4%)	(97)	(77)	(90)	(71)
- weakened by 3% (2020 - 4%, 2019 - 3%, 2018 - 4%)	97	77	90	71

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****39. FINANCIAL INSTRUMENTS (CONT'D)****39.1 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 short-term and long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available from the granted banking facilities offered by various financial institutions.

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

The Group's exposure to interest rate risk that based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Notes 18, 23 and 24 to the financial statements.

Interest Rate Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Effects On Profit After Tax				
Increase of 25 (2020 - 125, 2019 - 25, 2018 - 25) basis point	(73)	(68)	(442)	(82)
Decrease of 25 (2020 - 125, 2019 - 25, 2018 - 25) basis point	73	68	442	82

(iii) Equity Price Risk

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

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****39. FINANCIAL INSTRUMENTS (CONT'D)****39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(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

At the end of the reporting periods, the Group's major concentration of credit risk relates its trade receivables (including related parties) are as follows:-

	As at 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Number of customers	2	2	4	2
Concentration profile	70%	79%	89%	68%

In addition, the Group also determines concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables at the end of the reporting period is as follows:-

	As at 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Malaysia	7,748	1,940	6,991	6,435
Gabon	11,389	18,320	16,320	6,023
Liberia	964	1,666	-	-
Indonesia	-	-	7,262	142
Others	-	-	20	-
	20,101	21,926	30,593	12,600

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
39. FINANCIAL INSTRUMENTS (CONT'D)
39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)
(b) Credit Risk (Cont'd)
(ii) Maximum 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 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 against the associated impairment, if any, when there is no reasonable expectation of recovery despite the fact that they are still subject to enforcement activities.

A financial asset is credit impaired when any of following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

- Significant financial difficult of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty;
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganization.

The Group considers a receivable to be in default when the receivable is unlikely to repay its debt to the Group in full or is more than 12 months past due.

Trade Receivables and Contract Assets

The Group applies the simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

To measure the expected credit loss, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****39. FINANCIAL INSTRUMENTS (CONT'D)****39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(b) Credit Risk (Cont'd)****(iii) Assessment of Impairment Losses****Trade Receivables and Contract Assets (Cont'd)*****Inputs, Assumptions and Techniques used for Estimating Impairment Losses
(Cont'd)***

The Group measures the expected credit losses of certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

The expected loss rates are based on the payment profiles of sales over a period of 12 months from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the trade receivables to settle their debts.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year.

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13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 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)*Allowance for Impairment Losses*

	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
31 December 2018				
Not past due	6,853	-	-	6,853
Past due:-				
- less than 3 months	12,181	-	-	12,181
- 3 to 6 months	14	-	-	14
- more than 6 months	106	-	-	106
- more than 1 year	947	-	-	947
Trade receivables	20,101	-	-	20,101
Contract assets	28,491	-	-	28,491
	48,592	-	-	48,592
31 December 2019				
Not past due	14,137	-	-	14,137
Past due:-				
- less than 3 months	7,138	-	-	7,138
- 3 to 6 months	529	-	(5)	524
- over 6 months	2,413	(2,277)	(24)	112
- more than 1 year	76	(60)	(1)	15
Trade receivables	24,293	(2,337)	(30)	21,926
Contract assets	34,390	-	-	34,390
	58,683	(2,337)	(30)	56,316

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 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)*Allowance for Impairment Losses (Cont'd)*

	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
31 December 2020				
Not past due	19,758	-	-	19,758
Past due:-				
- less than 3 months	10,625	-	-	10,625
- 3 to 6 months	210	-	-	210
- over 6 months	-	-	-	-
- more than 1 year	827	(639)	(188)	-
Trade receivables	31,420	(639)	(188)	30,593
Contract assets	43,496	-	-	43,496
	74,916	(639)	(188)	74,089
31 December 2021				
Not past due	8,038	-	-	8,038
Past due:-				
- less than 3 months	3,783	-	-	3,783
- 3 to 6 months	699	(35)	-	664
- over 6 months	115	-	-	115
- more than 1 year	121	(121)	-	-
Trade receivables	12,756	(156)	-	12,600
Contract assets	42,866	-	-	42,866
	55,622	(156)	-	55,466

The movements in the loss allowances in respect of trade receivables are disclosed in Note 9 to the financial statements.

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
39. FINANCIAL INSTRUMENTS (CONT'D)
39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)
(b) Credit Risk (Cont'd)
(iii) Assessment of Impairment Losses (Cont'd)
Other Receivables

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables.

Under this approach, loss allowance is measured on either 12-month expected credit losses or lifetime expected credit losses, by considering the likelihood that the receivable would not be able to repay during the contractual period (probability of default, PD), the percentage of contractual cash flows that will not be collected if default happens (loss given default, LGD) and the outstanding amount that is exposed to default risk (exposure at default, EAD).

In deriving the PD and LGD, the Group considers the receivable's past payment status and its financial condition as at the reporting date. The PD is adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the receivable to settle its debts.

Allowance for Impairment Losses

No expected credit loss is recognised on other receivable as it is negligible.

Fixed Deposits with Licensed Banks and Cash and Bank Balances

The Group considers the banks 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.

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 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'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
31 December 2018						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	15,689	15,689	15,689	-	-
Other payables and accruals	-	8,016	8,016	8,016	-	-
Short-term borrowings	5.66	22,588	22,588	22,588	-	-
Lease liabilities	6.62	623	671	249	422	-
Term loans	3.52	8,747	12,048	702	3,004	8,342
Bank overdrafts	8.23	3,363	3,363	3,363	-	-
		59,026	62,353	50,585	3,426	8,342
<u>Derivative Financial Liabilities</u>						
Foreign currency contracts (gross settled):						
- gross payments	-	-	3,294	3,294	-	-
- gross receipts	-	-	(3,316)	(3,316)	-	-
		59,026	62,353	50,585	3,426	8,342

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (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):-

Maturity Analysis (Cont'd)

	Weighted Average Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
31 December 2019						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	17,012	17,012	17,012	-	-
Other payables and accruals	-	9,376	9,376	9,376	-	-
Short-term borrowings	5.55	16,465	16,465	16,465	-	-
Lease liabilities	5.76	1,084	1,178	355	823	-
Term loans	3.89	9,997	13,355	1,104	4,368	7,883
Bank overdrafts	7.84	8,460	8,460	8,460	-	-
		62,394	65,676	52,602	5,191	7,883
<u>Derivative Financial Liabilities</u>						
Foreign currency contracts (gross settled):						
- gross payments	-	-	16,643	16,643	-	-
- gross receipts	-	-	(16,813)	(16,813)	-	-

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (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):-

Maturity Analysis (Cont'd)

	Weighted Average Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
31 December 2020						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	35,220	35,220	35,220	-	-
Other payables and accruals	-	6,309	6,309	6,309	-	-
Short-term borrowings	4.37	19,592	19,592	19,592	-	-
Lease liabilities	5.62	1,414	1,523	544	979	-
Term loans	2.69	10,688	13,537	1,197	4,928	7,412
Bank overdrafts	6.78	6,799	6,799	6,799	-	-
		80,022	83,038	69,719	5,907	7,412
<u>Derivative Financial Liabilities</u>						
Foreign currency contracts (gross settled):						
- gross payments	-	-	14,010	14,010	-	-
- gross receipts	-	-	(13,952)	(13,952)	-	-

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (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):-

Maturity Analysis (Cont'd)

	Weighted Average Effective interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
31 December 2021						
Non-derivative Financial Liabilities						
Trade payables	-	16,103	16,103	16,103	-	-
Other payables and accruals	-	9,552	9,552	9,552	-	-
Short-term borrowings	4.03	16,674	16,674	16,674	-	-
Lease liabilities	5.60	928	979	487	492	-
Term loans	2.80	9,721	12,008	1,306	4,109	6,593
Bank overdrafts	6.81	11,758	11,758	11,758	-	-
		64,736	67,081	55,887	4,601	6,593
Derivative Financial Liabilities						
Foreign currency contracts (gross settled):						
- gross payments	-	-	1,252	1,252	-	-
- gross receipts	-	-	(1,245)	(1,245)	-	-

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****39. FINANCIAL INSTRUMENTS (CONT'D)****39.2 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 debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and bank balances and fixed deposits with licensed banks. Capital includes equity attributable to the owners of the parent. The debt-to-equity ratio of the Group at the end of the reporting periods was as follows:-

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Short-term borrowings (Note 23)	22,588	16,465	19,592	16,674
Lease liabilities (Note 17)	623	1,084	1,414	928
Term loans (Note 18)	8,747	9,997	10,688	9,721
Bank overdrafts (Note 24)	3,363	8,460	6,799	11,758
	<u>35,321</u>	<u>36,006</u>	<u>38,493</u>	<u>39,081</u>
Less: Fixed deposits with licensed banks (Note 13)	(7,713)	(12,895)	(13,775)	(13,519)
Less: Cash and bank balances	(2,411)	(12,797)	(7,119)	(6,507)
Net debt	<u>25,197</u>	<u>10,314</u>	<u>17,599</u>	<u>19,055</u>
Total equity	<u>39,010</u>	<u>47,474</u>	<u>52,012</u>	<u>59,165</u>
Debt-to-equity ratio	<u>65%</u>	<u>22%</u>	<u>34%</u>	<u>32%</u>

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

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	As at 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Financial Assets				
<u>Fair Value Through Profit or Loss</u>				
Other investments (Note 6)	-	1,674	1,952	2,069
<u>Amortised Cost</u>				
Trade receivables (Note 9)	20,101	21,926	30,593	12,600
Other receivables (Note 10)	10,133	1,142	990	179
Amount owing by an associate (Note 12)	98	69	-	-
Fixed deposits with licensed banks (Note 13)	7,713	12,895	13,775	13,519
Cash and bank balances	2,411	12,797	7,119	6,507
	<u>40,456</u>	<u>48,829</u>	<u>52,477</u>	<u>32,805</u>
Financial Liabilities				
<u>Amortised Cost</u>				
Lease liabilities (Note 17)	623	1,084	1,414	928
Term loans (Note 18)	8,747	9,997	10,688	9,721
Trade payables (Note 20)	15,689	17,012	35,220	16,103
Other payables and accruals (Note 21)	8,016	9,376	6,309	9,552
Short-term borrowings (Note 23)	22,588	16,465	19,592	16,674
Bank overdrafts (Note 24)	3,363	8,460	6,799	11,758
	<u>59,026</u>	<u>62,394</u>	<u>80,022</u>	<u>64,736</u>

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
39. FINANCIAL INSTRUMENTS (CONT'D)
39.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Financial Assets				
<u>Fair Value Through Profit or Loss</u>				
Net (losses)/gains recognised in profit or loss	-	(507)	278	117
<u>Amortised Cost</u>				
Net (losses)/gains recognised in profit or loss	(490)	(2,311)	1,807	515
Financial liabilities				
<u>Amortised Cost</u>				
Net losses recognised in profit or loss	(1,714)	(2,277)	(1,941)	(2,003)

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13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

39. FINANCIAL INSTRUMENTS (CONT'D)

39.5 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group which are 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.

As the Group does not have any financial instruments carried at fair value, the following table sets out only the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2018								
<u>Financial Liability</u>								
Term loans	-	-	-	-	8,747	-	8,747	8,747
31 December 2019								
<u>Financial Asset</u>								
Other investments	-	1,674	-	-	-	-	1,674	1,674
<u>Financial Liability</u>								
Term loans	-	-	-	-	9,997	-	9,997	9,997

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

39. FINANCIAL INSTRUMENTS (CONT'D)

39.5 FAIR VALUE INFORMATION (CONT'D)

As the Group does not have any financial instruments carried at fair value, the following table sets out only the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period (Cont'd):-

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2020								
<u>Financial Asset</u>								
Other investments	-	1,952	-	-	-	-	1,952	1,952
<u>Financial Liability</u>								
Term loans	-	-	-	-	10,688	-	10,688	10,688
At 31 December 2021								
<u>Financial Asset</u>								
Other investments	-	2,069	-	-	-	-	2,069	2,069
<u>Financial Liability</u>								
Term loans	-	-	-	-	9,721	-	9,721	9,721

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****39. FINANCIAL INSTRUMENTS (CONT'D)****39.5 FAIR VALUE INFORMATION (CONT'D)****(a) Fair Value of Financial Instruments Carried at Fair Value**

The fair value of other investment is determined by reference to information provided by the respective financial institutions, with which the investments were entered into.

(b) Fair Value of Financial Instruments Not Carried at Fair Value

The fair value of the Group's terms loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.

40. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR**COVID-19 Outbreak**

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 Group's operations have been disrupted by a series of precautionary and control measures taken by the government and private corporations in response to the emergency of the COVID-19 pandemic. This has caused the delay of the progress for delivery of material to the site and affected the progress of projects.

Furthermore, the Group's projects in overseas were disrupted by the global pandemic due to the various measures imposed by the governments of the respective countries and the delay of materials from Malaysia.

Given the dynamic nature of the COVID-19 pandemic, it is not practicable to provide a reasonable estimate of its impacts on the Group's financial position, operating results and cash flows at the date on which these financial statements are authorised for issue.

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD****STATEMENT BY DIRECTORS**

We, Wong Choi Ong and Pan Kum Wan, being two of the directors of the Group, state that, in the opinion of the directors, the financial statements set out on pages 4 to 111 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Prospectus Guidelines issued by the Securities Commission Malaysia so as to give a true and fair view of the financial position of the Group as at 31 December 2018, 2019, 2020 and 2021 and of their financial performance and cash flows for the financial years ended 31 December 2018, 2019, 2020 and 2021.

Signed in accordance with a resolution of the directors dated **03 JUN 2022**

For and on behalf of the Board of Directors of
Ecoscience International Berhad


Wong Choi Ong


Pan Kum Wan

14. ADDITIONAL INFORMATION

14.1 EXTRACTS OF OUR CONSTITUTION

The following provisions are extracted from our Constitution and are qualified in its entirety by the remainder of our Constitution and by applicable law. The words and expressions appearing in the following provisions shall bear the same meanings used in our Constitution unless otherwise defined or the context otherwise requires:

14.1.1 Remuneration of our Directors

The provisions in our Constitution in respect of remuneration of our Directors are as follows:

Clause 84

A Managing Director or an Executive Director shall, subject to the terms of any agreement entered into in any particular case, receive such remuneration (whether by way of salary, bonus, commission, or participation in profits, or partly in one way and partly in another and other benefits) as the Board of Directors may determine.

Clause 93

- (1) The Company may from time to time by an ordinary resolution passed at a general meeting, approve the remuneration of the Directors, who hold non-executive office with the Company, for their services as non-executive Directors.
- (2) Subject to Clause 84, the fees of the Directors and any benefits payable to the Directors shall be subject to annual shareholders' approval at a general meeting.
- (3) If the fee of each such non-executive Director is not specifically fixed by the members, then the quantum of fees to be paid to each non-executive Director within the overall limits fixed by the members, shall be decided by resolution of the Board. In default of any decision being made in this respect by the Board, the fees payable to the non-executive Directors shall be divided equally amongst themselves and such a Director holding office for only part of a year shall be entitled to a proportionate part of a full year's fees. The non-executive Directors shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.
- (5) Executive Directors of the Company shall be remunerated in the manner referred to in Clause 84 but such remuneration shall not include a commission on or percentage of turnover.

14.1.2 Voting and borrowing powers of our Directors

The provisions in our Constitution dealing with voting powers of our Directors in the proposals, arrangements or contracts in which they are interested in and the borrowing powers exercisable by them and how such borrowing powers can be varied are as follows:

Clause 95

Without limiting the generality of Clauses 94(1) and (2), the Directors may, subject to the Act and the Listing Requirements, exercise all the powers of the Company to do all or any of the following for any debt, liability, or obligation of the Company or of any third party:

- (1) borrow money;
- (2) mortgage or charge its undertaking, property, and uncalled capital, or any part of the undertaking, property and uncalled capital;
- (3) issue debentures and other securities whether outright or as security; and/or

14. ADDITIONAL INFORMATION (CONT'D)

- (4) (a) lend and advance money or give credit to any person or company;
- (b) guarantee and give guarantees or indemnities for the payment of money or the performance of contracts or obligations by any person or company;
- (c) secure or undertake in any way the repayment of moneys lent or advanced to or the liabilities incurred by any person or company;

and otherwise to assist any person or company.

Clause 105(a)

A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest.

Clause 118

- (1) Subject to this Constitution, questions arising at a Board meeting shall be decided by a majority of votes of Directors present and voting and any such decision shall for all purposes be deemed a decision of the Directors.
- (2) Each Director is entitled to cast one (1) vote on each matter for determination.

Clause 119

In the case of an equality of votes, the chairperson of the Board meeting is entitled to a second or casting vote, except where two (2) Directors form a quorum, the chairperson of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question at issue shall not have a casting vote.

14.1.3 Changes in capital and variation of class rights

The provisions in our Constitution in respect of the changes in capital or variation of class rights are as follows:

Clause 8

- (1) If at any time the share capital is divided into different classes of shares, the rights attached to each class of shares (unless otherwise provided by the terms of issue of the shares of that class) may only, whether or not the Company is being wound up, be varied:
- (a) with the consent in writing of the holders holding not less than seventy-five percent (75%) of the total voting rights of the holders of that class of shares; or
- (b) by a special resolution passed by a separate meeting of the holders of that class of shares sanctioning the variation.
- (2) The provisions of this Constitution relating to general meetings apply with the necessary modifications to every separate meeting of the holders of the shares of the class referred to in Clause 8(1), except that:
- (a) for a meeting other than an adjourned meeting, a quorum is constituted by two (2) persons present holding at least one-third (1/3) of the number of issued shares of such class, excluding any shares of that class held as treasury shares;
- (b) if that class of shares only has one holder, a quorum is constituted by one (1) person present holding shares of such class; and

14. ADDITIONAL INFORMATION (CONT'D)

- (c) for an adjourned meeting, a quorum is constituted by one (1) person present holding share(s) of such class.
- (3) The rights attached to an existing class of preference shares shall be deemed to be varied by the issue of new preference shares that rank equally with the existing class of preference shares unless such issuance was authorised by:
 - (a) the terms of the issue of the existing preference shares; or
 - (b) this Constitution of the Company as in force at the time when the existing preference shares were issued.

Clause 12

- (1) Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject always to the Act, the Listing Requirements and this Constitution, the Directors have the right to:
 - (a) issue and allot shares in the Company; and
 - (b) grant rights to subscribe for shares or options over unissued shares in the Company.
- (2) Subject to the Act, the Listing Requirements, this Constitution and the relevant shareholders' approval being obtained, the Directors may issue any shares (including rights or options over subscription of such shares):
 - (a) with such preferred, deferred, or other special rights or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine;
 - (b) to any person, whether a Member or not, in such numbers or proportions as the Directors may determine; and
 - (c) for such consideration as the Directors may determine.
- (3) (a) Subject to the Act, the Listing Requirements and any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled.
 - (b) The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company.
 - (c) The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution.

14. ADDITIONAL INFORMATION (CONT'D)

- (4) Subject to Rule 6.07 of the Listing Requirements and notwithstanding the existence of a resolution pursuant to Sections 75(1) and 76(1) of the Act, the Company must not issue any shares or convertible securities if the total number of those shares or convertible securities, when aggregated with the total number of any such shares or convertible securities issued during the preceding twelve (12) months, exceeds ten percent (10%) or such threshold allowed by Bursa Securities of the total number of issued shares (excluding treasury shares) of the Company except where the shares or convertible securities are issued with the prior shareholder approval in a general meeting of the precise terms and conditions of the issue.
- (5) (a) The Company may pay commission (including brokerage) subject to the following:
- (i) the commission shall not exceed the rate of ten percent (10%) of the price at which the shares in respect whereof the same is paid are issued; or
 - (ii) the commission shall not exceed an amount equal to ten percent (10%) of that price,
- whichever is lesser;
- (b) The rate of commission shall be disclosed in the manner prescribed in the Act; and
- (c) The said commission may be satisfied by payment in cash or shares (fully or partly paid shares) or partly in one way and partly in the other. For the purpose of Clause 12(5), commission includes brokerage and the rates referred to in Clause 12(5)(a) shall not apply to brokerage.
- (6) Subject to Section 130 of the Act, where any shares of the Company are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a long period, the Company may pay interest or returns on the amount of such share capital as is for the time being paid up and charge the interest or returns paid to share capital as part of the cost of construction of the works, buildings or the provision of any plant.

Clause 46

- (1) The Company may from time to time by ordinary resolution and subject to other applicable laws or requirements:
- (a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or
 - (b) subdivide its shares or any of them into shares, whichever is in the subdivision; the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived.
- (2) The Company may from time to time by special resolution and subject to other applicable requirements:
- (a) cancel shares which, at the date of the passing of the resolution in that regard, have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled or in such other manner allowed by law; or
 - (b) reduce its share capital in such manner permitted by law, and (where applicable) subject to the relevant required approvals being obtained.

14. ADDITIONAL INFORMATION (CONT'D)

- (3) The Company shall have the power, subject to and in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines in respect thereof for the time being in force, to purchase its own shares and thereafter to deal with the shares purchased in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines thereunder or issued by Bursa Securities and any other relevant authorities in respect thereof.

14.1.4 Transfer of securities

The provisions in our Constitution in respect of arrangements for transfer of the securities and restrictions on their free transferability are as follows:

Clause 14

The transfer of any deposited security or class of deposited security of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the deposited securities.

Clause 15

Where:

- (a) the securities of the Company are listed on another stock exchange; and
- (b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules in respect of such securities,

the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities.

Clause 17

- (1) Subject to this Constitution and other written laws, any shareholder or debenture holder may transfer all or any of his shares or debentures by instrument of transfer as prescribed under the Act.
- (2) The instrument of transfer must be executed by or on behalf of the transferor and the transferee.
- (3) The transferor shall remain as the holder of such shares or debentures until the transfer is registered and the name of the transferee is entered in the register of members or register of debenture holders in respect of the shares or debentures respectively.

Clause 18

- (1) To enable the Company to register the name of the transferee, the following items in relation to the transfer of shares or debentures must be delivered by the transferor to the Office of the Company:
- (a) the instrument of transfer duly executed and stamped;

14. ADDITIONAL INFORMATION (CONT'D)

- (b) the certificate of the shares or debentures which the instrument of transfer relates; and
 - (c) any other evidence as the Directors may reasonably require showing the right of the transferor to make the transfer.
- (2) Upon receipt of the items referred to in Clause 18(1), the Company shall, upon the approval of the Board and unless otherwise resolved, register the name of the transferee in the register of members or register of debenture holders (as applicable).

Clause 19

- (1) The Directors may decline or delay to register the transfer of shares within thirty (30) days from the receipt of the instrument of transfer if:
- (a) the shares are not fully paid shares;
 - (b) the Directors passed a resolution with full justification to refuse or delay the registration of transfer;
 - (c) the Company has a lien on the shares; and/or
 - (d) the shareholder fails to pay the Company an amount due in respect of those shares, whether by way of consideration for the issue of the shares or in respect of the sums payable by the shareholder in accordance with this Constitution.
- (2) Where applicable, the Company shall send a notice of the resolution referred to in Clause 19(1)(b) to the transferor and transferee, within seven (7) days of the resolution being passed by the Directors.

Clause 20

On giving at least fourteen (14) days' notice to the Registrar of Companies to close the register of members or register of debenture holders, the Company may close the register of members or register for any class of members or register of debenture holders (collectively, the "Registers") for the purpose of updating the Registers. The registration of transfer may be suspended at such time and for such period as the Directors may from time to time determine, provided that no part of the relevant Register(s) be closed for more than 30 days in aggregate in any calendar year.

14.1.5 Rights, preference and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

There are no special rights attached to our Shares. As at the date of this Prospectus, we have only 1 class of shares in our Company, namely ordinary shares, all of which rank equally with one another.

14.2 LIMITATION ON THE RIGHTS TO HOLD SECURITIES AND/OR EXERCISE VOTING RIGHTS

There is no limitation on the right to own securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on our Shares imposed by law or by the constituent documents of our Company.

14. ADDITIONAL INFORMATION (CONT'D)**14.3 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS**

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his/her Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer the Shares to the Minister of Finance, Inc. and such Shares may not be traded on Bursa Securities.

Dealing in our Shares deposited with Bursa Depository may only be effected by a Depositor by means of entries in the securities account of that Depositor.

A depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be our shareholder and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

14.4 SHARE CAPITAL

Details of the share capital of our Company and our subsidiaries are as follows:

14.4.1 Our Company

Our issued share capital after the Acquisitions is RM51,566,101.60 comprising 257,830,500 Shares. The changes in our issued share capital since incorporation up to the completion of the Acquisitions are as follows:

Date of allotment	Number of Shares allotted	Consideration	Cumulative Issued Share Capital (RM)
21 August 2020	2	Cash	2
10 August 2021	257,830,498	⁽¹⁾ Consideration for other than cash	51,566,101.60

Note:

(1) Pursuant to the Acquisitions.

None of our Shares were issued at a discount, on special terms or based on instalment payment terms. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in respect of our Shares.

14. ADDITIONAL INFORMATION (CONT'D)**14.4.2 AEPL**

As at the LPD, the issued share capital of AEPL is SGD200,000 comprising 200,000 ordinary shares. There has been no change in the issued share capital of AEPL during the Financial Years Under Review up to the LPD.

None of the ordinary shares of AEPL were issued at a discount, on special terms or based on instalment payment terms. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in respect of the ordinary shares of AEPL.

14.4.3 EMESB

As at the LPD, the issued share capital of EMESB is RM5,750,000 comprising 5,750,000 ordinary shares. There has been no change in the issued share capital of EMESB during the Financial Years Under Review up to the LPD.

None of the ordinary shares of EMESB were issued at a discount, on special terms or based on instalment payment terms. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in respect of the ordinary shares of EMESB.

14.4.4 ETSB

As at the LPD, the issued share capital of ETSB is RM2,000,000 comprising 2,000,000 ordinary shares. The changes in the issued share capital of ETSB during the Financial Years Under Review up to the LPD are as follows:

Date of allotment	Number of Shares allotted	Consideration	Cumulative Issued Share Capital (RM)
18 June 2019	1,000,000	Cash	1,500,000
1 July 2020	500,000	Cash	2,000,000

None of the ordinary shares of ETSB were issued at a discount, on special terms or based on instalment payment terms. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in respect of the ordinary shares of ETSB.

14.4.5 TWTSSB

As at the LPD, the issued share capital of TWTSSB is RM2 comprising 2 ordinary shares. There has been no change in the issued share capital of TWTSSB during the Financial Years Under Review up to the LPD.

None of the ordinary shares of TWTSSB were issued at a discount, on special terms or based on instalment payment terms. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in respect of the ordinary shares of TWTSSB.

14.4.6 Associated companies

As at the LPD, we do not have any material associated company.

14. ADDITIONAL INFORMATION (CONT'D)

14.5 PUBLIC TAKE-OVERS

During the last financial year and up to the LPD, there were no:

- (i) public take-over offers by third parties in respect of our Shares; and
- (ii) public take-over offers by us in respect of other company's shares.

14.6 CONSENTS

The written consents of our Principal Adviser, Solicitors as to the laws of Malaysia, Issuing House and Share Registrar and company secretary as set out in the Corporate Directory of this Prospectus for the inclusion in this Prospectus of their names and all references thereto in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of our Auditors and Reporting Accountants for the inclusion of its name, Accountants' Report and Reporting Accountants' Report on Compilation of the Pro Forma Combined Statement of Financial Position, and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of our Independent Business and Market Research Consultants for the inclusion of its name, the executive summary of the IMR Report and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of our Solicitors as to the laws of Singapore for the inclusion of its name and legal opinions and all references thereto in the form and context in which such name appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

14.7 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, W.P. Kuala Lumpur during normal business hours for a period of at least 6 months from the date of issue of the Prospectus:

- (i) our Constitution;
- (ii) our material contracts referred to in Section 7.17 of this Prospectus;
- (iii) the Reporting Accountants' Report on Compilation of the Pro Forma Statements of Financial Position as set out in Section 12.8 of this Prospectus;
- (iv) Accountants' Report as set out in Section 13 of this Prospectus;
- (v) the letters of consent given by parties as disclosed in Section 14.6 of this Prospectus;
- (vi) the audited financial statements of the Company for the financial period ended 31 December 2020 and FYE 2021 and the audited financial statements of AEPL, EMESB, ETSB and TWTSSB for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021; and
- (vii) the IMR Report.

14. ADDITIONAL INFORMATION (CONT'D)

14.8 RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Offerors have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

HLIB, being our Principal Adviser, Sponsor, Underwriter and Placement Agent in relation to our IPO, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

15.1 OPENING AND CLOSING OF APPLICATION

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 21 JUNE 2022

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 1 JULY 2022

In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

Late Applications will not be accepted.

15.2 METHODS OF APPLICATION**15.2.1 Retail Offering**

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application and category of investors	Application Method
Applications by the Eligible Persons	Pink Application Form only
Applications by the Malaysian Public:	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)**15.2.2 Placement**

Types of Application	Application Method
Applications by:	
(a) Selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
(b) Bumiputera investors approved by the MITI	MITI will contact the Bumiputera Investors directly. They should follow MITI's instructions.

Selected investors and Bumiputera investors approved by MITI may still apply for our IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

15.3 ELIGIBILITY**15.3.1 General**

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

15.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

- (i) You must be one of the following:
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or
 - (b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and
- (iii) You must submit Applications by using only one of the following methods:
 - (a) White Application Form;
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

15.3.3 Application by the Eligible Persons

The Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated IPO Shares. Applicants must follow the notes and instructions on the said documents and where relevant, in this Prospectus.

15.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The **FULL** amount payable is RM0.30 for each IPO Share.

Payment must be made out in favour of "**TIIH SHARE ISSUE ACCOUNT NO. 722**" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

- (i) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd
 (Registration No. 197101000970 (11324-H))
 Unit 32-01, Level 32, Tower A, Vertical Business Suite
 Avenue 3, Bangsar South
 No. 8, Jalan Kerinchi
 59200 Kuala Lumpur
 W.P. Kuala Lumpur

- (ii) or **DELIVERED BY HAND AND DEPOSITED** in the Drop-in Boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, W.P. Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 1 July 2022 or by such other time and date specified in any change to the date or time for closing.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

15.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATION

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Application may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions.

15.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATION

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Application may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

15.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:

- (i) reject Applications which:
 - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 15.9 below.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

15.8 OVER/UNDER SUBSCRIPTION

In the event of over-subscription, the Issuing House, will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at <https://tiih.online> within one (1) Market Day after the balloting date.

Pursuant to the Listing Requirements, we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or the Eligible Persons, subject to the underwriting arrangements and reallocation as set out in Section 4.1.4 and Section 4.1.5 of this Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by our Underwriter based on the terms of the Underwriting Agreement.

15.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application Monies (without interest) will be refunded to you in the following manner.

15.9.1 For applications by way of Application Forms

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).
- (iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by ordinary post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

15.9.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

15.10 SUCCESSFUL APPLICANTS

If you are successful in your application:

- (i) Our IPO Shares allotted to you will be credited into your CDS account.
- (ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

15.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House's Enquiry Services at telephone no. (603) 2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of our IPO Shares derived from successful balloting will be made available to the public at our Issuing House website at <https://tiih.online>, **1 Market Day** after the balloting date.

You may also check the status of your Application at the above website, 5 Market Days after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.