

13. ACCOUNTANTS' REPORT

SENG FONG HOLDINGS BERHAD
(Incorporated in Malaysia)

Registration No.: 202101022910 (1423210 - X)

ACCOUNTANTS' REPORT**Contents**

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13. ACCOUNTANTS' REPORT (CONT'D)

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The Board of Directors
Seng Fong Holdings Berhad
 No. 14 Taman Sri Jeram
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 Johor Darul Takzim

Dear Sirs

**REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS
 CONTAINED IN THE ACCOUNTANTS' REPORT OF
 SENG FONG HOLDINGS BERHAD ("SENG FONG" OR "THE COMPANY")**

OPINION

We have audited the combined financial statements of Seng Fong which comprise the combined statements of financial position as at 30 June 2019, 30 June 2020, 30 June 2021 and 31 December 2021, and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for each of the financial years ended 30 June 2019, 30 June 2020, 30 June 2021 and for the 6-month financial period ended 31 December 2021, and notes to the combined financial statements including a summary of significant accounting policies, as set out on pages 5 to 80. Seng Fong and its combining entities, namely Seng Fong Trading Sdn. Bhd. and its subsidiary/subsidiaries (or "SFT Group"), are collectively known as "the Group" hereinafter.

These historical combined financial statements have been prepared for inclusion in the prospectus of the Company in connection with the listing of and quotation for its entire enlarged number of issued ordinary shares on the Main Market of Bursa Malaysia Securities Berhad ("the Listing"). This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia ("the Guidelines") and is given for the purpose of complying with Chapter 10 of the Guidelines and for no other purpose.

In our opinion, the combined financial statements give a true and fair view of the financial position of the Group as at 30 June 2019, 30 June 2020, 30 June 2021 and 31 December 2021, and of the Group's financial performance and cash flows for each of the financial years ended 30 June 2019, 30 June 2020, 30 June 2021 and for the 6-month financial period ended 31 December 2021 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

BASIS FOR OPINION

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

13. ACCOUNTANTS' REPORT (CONT'D)
**REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS
CONTAINED IN THE ACCOUNTANTS' REPORT OF
SENG FONG HOLDINGS BERHAD (CONT'D)**
Independence and Other Ethical Responsibilities

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

DIRECTORS' RESPONSIBILITIES FOR THE COMBINED FINANCIAL STATEMENTS

The directors of the Company ("the Directors") are responsible for the preparation of the combined financial statements of the Company that give 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

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

**REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE COMBINED
FINANCIAL STATEMENTS**

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

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

- Identify and assess the risks of material misstatement of the combined financial statements, 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.

13. ACCOUNTANTS' REPORT (CONT'D)

REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF SENG FONG HOLDINGS BERHAD (CONT'D)

REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE COMBINED FINANCIAL STATEMENTS (CONT'D)

- 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 combined financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of this report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements of the Company, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the combined financial statements of the entities or business activities within the Group to express an opinion on the combined financial statements of the Company. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

OTHER MATTERS

The comparative information in respect of the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows and notes to the combined financial statements for the 6-month financial period ended 31 December 2020 has not been audited.

13. ACCOUNTANTS' REPORT (CONT'D)



**REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS
CONTAINED IN THE ACCOUNTANTS' REPORT OF
SENG FONG HOLDINGS BERHAD (CONT'D)**

RESTRICTION ON DISTRIBUTION AND USE

This report is made solely to the Company for inclusion in the prospectus of Seng Fong in connection with the Listing and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF1018
Chartered Accountants



Ng Kim Kiat
02074/10/2022 J
Chartered Accountant

Muar, Johor Darul Takzim

Date: 27 May 2022

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

(Incorporated in Malaysia)

Registration No.: 202101022910 (1423210 - X)

ACCOUNTANTS' REPORT**COMBINED STATEMENTS OF FINANCIAL POSITION**

		<-----Audited----->			
	Note	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	31.12.2021 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	4	32,011	26,926	30,854	40,706
Right-of-use assets	5	-	4,798	4,657	4,587
		<u>32,011</u>	<u>31,724</u>	<u>35,511</u>	<u>45,293</u>
CURRENT ASSETS					
Inventories	6	34,526	59,778	106,157	130,327
Trade and other receivables	7	73,303	49,344	39,444	60,142
Current tax assets		-	181	-	-
Derivative assets	8	-	177	-	51
Deposits, bank and cash balances	9	29,020	23,549	13,453	1,541
		<u>136,849</u>	<u>133,029</u>	<u>159,054</u>	<u>192,061</u>
Assets of disposal group classified as held for sale	10	25,639	-	-	-
		<u>162,488</u>	<u>133,029</u>	<u>159,054</u>	<u>192,061</u>
TOTAL ASSETS		<u>194,499</u>	<u>164,753</u>	<u>194,565</u>	<u>237,354</u>
EQUITY AND LIABILITIES					
EQUITY					
Share capital	11(a)	-	-	-	[^]
Invested capital	11(b)	6,000	6,000	6,000	6,000
Reserves	12	85,802	69,723	81,845	89,801
Equity attributable to owners of the Company		<u>91,802</u>	<u>75,723</u>	<u>87,845</u>	<u>95,801</u>
Non-controlling interests		<u>7,019</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EQUITY		<u>98,821</u>	<u>75,723</u>	<u>87,845</u>	<u>95,801</u>

[^] Denote RM 1

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)**

		<-----Audited----->			
	Note	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	31.12.2021 RM'000
NON-CURRENT LIABILITIES					
Bank borrowings	13	-	-	-	6,864
Deferred tax liabilities	14	3,628	3,628	3,740	3,736
		<u>3,628</u>	<u>3,628</u>	<u>3,740</u>	<u>10,600</u>
CURRENT LIABILITIES					
Trade and other payables	15	10,602	7,945	21,596	40,434
Bank borrowings	13	77,082	77,435	76,799	85,402
Current tax liabilities		165	22	4,447	5,087
Derivative liabilities	8	61	-	138	30
		<u>87,910</u>	<u>85,402</u>	<u>102,980</u>	<u>130,953</u>
Liabilities of disposal group classified as held for sale	10	4,140	-	-	-
		<u>92,050</u>	<u>85,402</u>	<u>102,980</u>	<u>130,953</u>
TOTAL LIABILITIES		<u>95,678</u>	<u>89,030</u>	<u>106,720</u>	<u>141,553</u>
TOTAL EQUITY AND LIABILITIES		<u>194,499</u>	<u>164,753</u>	<u>194,565</u>	<u>237,354</u>

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	←-----Audited-----→				Unaudited
		01.07.2018 to 30.06.2019 RM'000	01.07.2019 to 30.06.2020 RM'000	01.07.2020 to 30.06.2021 RM'000	01.07.2021 to 31.12.2021 RM'000	01.07.2020 to 31.12.2020 RM'000
REVENUE	16	636,834	616,435	768,177	400,490	337,116
COST OF SALES		(591,731)	(576,844)	(694,290)	(363,096)	(311,224)
GROSS PROFIT		45,103	39,591	73,887	37,394	25,892
OTHER INCOME		1,074	4,226	563	378	2,473
SELLING EXPENSES		(16,743)	(14,414)	(18,281)	(9,802)	(7,851)
ADMINISTRATIVE EXPENSES		(6,398)	(5,292)	(8,626)	(3,407)	(2,714)
OTHER EXPENSES		(1,324)	(5,558)	(588)	(125)	(1)
FINANCE COSTS	18	(2,862)	(2,373)	(1,123)	(510)	(570)
PROFIT BEFORE TAX	19	18,850	16,180	45,832	23,928	17,229
INCOME TAX EXPENSE	20	(4,504)	(3,442)	(11,210)	(5,972)	(4,000)
PROFIT AFTER TAX		14,346	12,738	34,622	17,956	13,229
OTHER COMPREHENSIVE INCOME						
<u>Items that will be reclassified</u>						
<u>subsequently to profit or loss</u>						
Foreign currency translation differences		418	265	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR/PERIOD		14,764	13,003	34,622	17,956	13,229
PROFIT AFTER TAX ATTRIBUTABLE TO:						
Owners of the Company		14,546	13,355	34,622	17,956	13,229
Non-controlling interests		(200)	(617)	-	-	-
		14,346	12,738	34,622	17,956	13,229
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:						
Owners of the Company		14,797	13,281	34,622	17,956	13,229
Non-controlling interests		(33)	(278)	-	-	-
		14,764	13,003	34,622	17,956	13,229
EARNINGS PER SHARE (RM)						
Basic	21	3.88	3.56	9.23	4.79	3.53
Diluted	21	3.88	3.56	9.23	4.79	3.53

13. ACCOUNTANTS' REPORT (CONT'D)

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ACCOUNTANTS' REPORT

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	Non-distributable			Distributable		Total equity RM'000	
		Invested capital RM'000	Share premium RM'000	Foreign exchange translation reserve RM'000	Retained profits RM'000	Attributable to owners of the Company RM'000		Non- controlling interests RM'000
Audited								
Balance at 1 July 2018		3,750	2,250	(177)	76,182	82,005	7,052	89,057
Profit after tax for the financial year		-	-	-	14,546	14,546	(200)	14,346
Other comprehensive income for the financial year:		-	-	251	-	251	167	418
- Foreign currency translation differences		-	-	251	-	251	167	418
Total comprehensive income for the financial year		-	-	251	14,546	14,797	(33)	14,764
Contributions by and distributions to owners of the Company:								
- Dividends	22	-	-	-	(5,000)	(5,000)	-	(5,000)
- Transfer to share capital upon implementation of the Companies Act 2016		2,250	(2,250)	-	-	-	-	-
Total transactions with owners		2,250	(2,250)	-	(5,000)	(5,000)	-	(5,000)
Balance at 30 June 2019		6,000	-	74	85,728	91,802	7,019	98,821

The annexed notes form an integral part of these combined financial statements.

13. ACCOUNTANTS' REPORT (CONT'D)

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ACCOUNTANTS' REPORT

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Invested capital RM'000	Non- distributable Foreign exchange translation reserve RM'000	Retained profits RM'000	Attributable to owners of the Company RM'000	Non- controlling interests RM'000	Total equity RM'000
Audited						
Balance at 1 July 2019	6,000	74	85,728	91,802	7,019	98,821
Profit after tax for the financial year	-	-	13,355	13,355	(617)	12,738
Other comprehensive income for the financial year:						
- Foreign currency translation differences	-	(74)	-	(74)	339	265
Total comprehensive income for the financial year	-	(74)	13,355	13,281	(278)	13,003
Contributions by and distributions to owners of the Company:						
- Dividends	-	-	(29,360)	(29,360)	-	(29,360)
- Disposal of a subsidiary	-	-	-	-	(6,741)	(6,741)
Total transactions with owners	-	-	(29,360)	(29,360)	(6,741)	(36,101)
Balance at 30 June 2020	6,000	-	69,723	75,723	-	75,723

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13. ACCOUNTANTS' REPORT (CONT'D)

SENG FONG HOLDINGS BERHAD

(Incorporated in Malaysia)

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ACCOUNTANTS' REPORT

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	Invested capital RM'000	<u>Distributable</u>		Total equity RM'000
			Retained profits RM'000		
Audited					
Balance at 1 July 2020		6,000	69,723		75,723
Profit after tax and total comprehensive income for the financial year		-	34,622		34,622
Contributions by and distributions to owners of the Company:					
- Dividends	22	-	(22,500)		(22,500)
Balance at 30 June 2021		6,000	81,845		87,845

The annexed notes form an integral part of these combined financial statements.

13. ACCOUNTANTS' REPORT (CONT'D)

SENG FONG HOLDINGS BERHAD

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ACCOUNTANTS' REPORT

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	Share capital RM'000	Invested capital RM'000	<u>Distributable</u>		Total equity RM'000
				Retained profits RM'000		
Audited						
Balance at 1 July 2021/date of incorporation		^	6,000	81,845		87,845
Profit after tax and total comprehensive income for the financial period		-	-	17,956		17,956
Contributions by and distributions to owners of the Company:						
- Dividends	22	-	-	(10,000)		(10,000)
Balance at 31 December 2021		^	6,000	89,801		95,801

^ Denote RM 1

13. ACCOUNTANTS' REPORT (CONT'D)

SENG FONG HOLDINGS BERHAD

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ACCOUNTANTS' REPORT

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Invested capital RM'000	<u>Distributable</u> Retained profits RM'000	Total equity RM'000
<u>Unaudited</u> Balance at 1 July 2020	6,000	69,723	75,723
Profit after tax and total comprehensive income for the financial period	-	13,229	13,229
Contributions by and distributions to owners of the Company: - Dividends	-	(11,500)	(11,500)
Balance at 31 December 2020	6,000	71,452	77,452

Note 22

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**COMBINED STATEMENTS OF CASH FLOWS**

	-----Audited----->				Unaudited
	01.07.2018 to 30.06.2019	01.07.2019 to 30.06.2020	01.07.2020 to 30.06.2021	01.07.2021 to 31.12.2021	
Note	RM'000	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/(FOR)					
OPERATING ACTIVITIES					
Profit before tax	18,850	16,180	45,832	23,928	17,229
Adjustments for:					
Depreciation of property, plant and equipment	3,110	2,250	2,236	1,100	1,164
Depreciation of right-of-use assets	-	141	141	70	70
Fair value loss/(gain) on derivatives measured at fair value through profit or loss mandatorily	170	(38)	(118)	124	(721)
Gain on disposal of property, plant and equipment	(7)	(64)	(54)	-	(54)
Gain on disposal of a subsidiary	-	(2,789)	-	-	-
Listing expenses	-	-	945	693	260
Property, plant and equipment written off	12	13	57	1	1
Unrealised (gain)/loss on foreign exchange	(470)	(392)	367	(93)	(316)
Interest expenses	2,862	2,373	1,123	510	570
Interest income	(316)	(569)	(119)	(50)	(50)
Operating profit before working capital changes	24,211	17,105	50,410	26,283	18,153
Inventories	23,985	(24,861)	(46,379)	(24,170)	(30,607)
Trade and other receivables	17,238	22,794	10,549	(21,157)	(7,022)
Trade and other payables	1,627	1,987	13,393	19,044	12,865
CASH FROM/(FOR) OPERATIONS	67,061	17,025	27,973	*	(6,611)
Interest paid	(2,862)	(2,373)	(1,123)	(510)	(570)
Interest received	316	569	119	50	50
Tax paid	(3,195)	(3,766)	(6,492)	(5,336)	(888)
NET CASH FROM/(FOR)	61,320	11,455	20,477	(5,796)	(8,019)
OPERATING ACTIVITIES					
CARRIED FORWARD	61,320	11,455	20,477	(5,796)	(8,019)

* Represents amount less than RM 500

13. ACCOUNTANTS' REPORT (CONT'D)

SENG FONG HOLDINGS BERHAD

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ACCOUNTANTS' REPORT**COMBINED STATEMENTS OF CASH FLOWS (CONT'D)**

	Note	←-----Audited-----→				Unaudited
		01.07.2018 to 30.06.2019 RM'000	01.07.2019 to 30.06.2020 RM'000	01.07.2020 to 30.06.2021 RM'000	01.07.2021 to 31.12.2021 RM'000	01.07.2020 to 31.12.2020 RM'000
BROUGHT FORWARD		61,320	11,455	20,477	(5,796)	(8,019)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES						
Proceeds from issuance of ordinary shares	11(a)	-	-	-	^	-
Proceeds from disposal of property, plant and equipment		75	140	100	-	100
Purchase of property, plant and equipment	23(a)	(8,124)	(2,483)	(6,307)	(10,953)	(1,096)
Disposal of a subsidiary, net of cash and cash equivalents disposed of	10(b)	-	11,915	-	-	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES		<u>(8,049)</u>	<u>9,572</u>	<u>(6,207)</u>	<u>(10,953)</u>	<u>(996)</u>
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES						
Advance from director		-	-	-	100	-
Dividends paid		(5,000)	(29,360)	(22,500)	(10,000)	(11,500)
Drawdown of term loan		-	-	-	9,372	-
Net movements in trade bills		(24,922)	1,040	(1,193)	6,678	(533)
Payment of listing expenses		-	-	(673)	(965)	(247)
Repayment of term loan		-	-	-	(348)	-
NET CASH (FOR)/FROM FINANCING ACTIVITIES		<u>(29,922)</u>	<u>(28,320)</u>	<u>(24,366)</u>	<u>4,837</u>	<u>(12,280)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		23,349	(7,293)	(10,096)	(11,912)	(21,295)
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		(48)	(23)	-	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD		<u>7,564</u>	<u>30,865</u>	<u>23,549</u>	<u>13,453</u>	<u>23,549</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	23(c)	<u>30,865</u>	<u>23,549</u>	<u>13,453</u>	<u>1,541</u>	<u>2,254</u>

^ Denote RM 1

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

(Incorporated in Malaysia)

Registration No.: 202101022910 (1423210 - X)

ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****1. GENERAL INFORMATION**

- (a) The Company was incorporated in Malaysia as a private limited liability company on 1 July 2021 under the Companies Act 2016.
- (b) On 9 September 2021, the Company was converted from a private company to a public company limited by shares and assumed its present name of Seng Fong Holdings Berhad ("Seng Fong").
- (c) As an integral part of listing the Company on the Main Market of Bursa Malaysia Securities Berhad, the Company entered into a conditional share sale agreement on 3 September 2021 to acquire the entire issued share capital of SFT, together with its subsidiary, for a purchase consideration of RM 77,844,599 to be fully satisfied by issuance of 77,844,599 new shares of the Company. The acquisition was completed on 18 May 2022.
- (d) The Company is principally engaged in investment holding and provision of management services. The details of its combining entities, namely SFT and its subsidiary/subsidiaries (or "SFT Group"), for the relevant reporting periods are as follows:

Name of Company	Date of incorporation	Country of incorporation	Equity interest	Principal activities
SFT Group:				
Seng Fong Trading Sdn. Bhd. ("SFT")	6 September 1975	Malaysia	100%	Investment holding and trading of various grades of natural rubber.
<u>Subsidiary of SFT</u> Syarikat Tenaga (Gemasp) Sdn. Bhd. ("STG")	16 March 1981	Malaysia	100%	Processing and sale of natural rubber of various grades, principally Standard Malaysia Rubber ("SMR") Grade and Premium Grade block rubber.
<u>Subsidiary of STG</u> Bao Man Industrial Co., Ltd. ("BMI")*	27 April 2016	Cambodia	60%	Processing of natural rubber.

* The disposal of 60% equity interest in BMI was completed on 11 June 2020 as disclosed in Note 10 to the combined financial statements.

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

(Incorporated in Malaysia)

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****1. GENERAL INFORMATION (CONT'D)**

- (e) Seng Fong and its combining entities, namely SFT and its subsidiary/subsidiaries, shall be collectively referred to as "the Group" hereinafter. The Group has its registered office and principal place of business as follows:

Registered office	No. 7 (1 st Floor) Jalan Pesta 1/1 Taman Tun Dr. Ismail 1 Jalan Bakri 84000 Muar Johor Darul Takzim
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Principal place of business	No. 14 Taman Sri Jeram Jalan Bakri 84000 Muar Johor Darul Takzim
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13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****2. BASIS OF PREPARATION**

- (a) As the acquisition of SFT Group was completed on 18 May 2022, there are no consolidated financial statements of Seng Fong for financial years ended 30 June 2019, 30 June 2020, 30 June 2021 and 6-month financial period ended 31 December 2021.

For the purpose of inclusion in the prospectus of Seng Fong in connection with the listing of and quotation for its entire enlarged number of issued ordinary shares on the Main Market of Bursa Malaysia Securities Berhad in accordance with Chapter 10 of the Guidelines issued by Securities Commission Malaysia, the combined financial statements of Seng Fong, which are the combination or aggregation of the financial statements of the following combining entities, have been prepared based on the following financial statements for the relevant reporting periods:

Combining entities	Relevant reporting periods	Accounting standards applied	Statutory auditor
Seng Fong	From date of incorporation to 31 December 2021	MFRSs	Crowe Malaysia PLT
SFT Group	Financial year ended 30 June 2019	MFRSs	Crowe Malaysia PLT
	Financial year ended 30 June 2020	MFRSs	Crowe Malaysia PLT
	Financial year ended 30 June 2021	MFRSs	Crowe Malaysia PLT
	6-month financial period ended 31 December 2021	MFRSs	Crowe Malaysia PLT

Notes:

MFRSs = Malaysian Financial Reporting Standards

The combined financial statements are prepared in a manner similar to the "pooling-of-interest" method, as if the entities within the Group had been operating as a single economic enterprise from the beginning of the earliest period covered by the relevant reporting periods. Such manner of presentation reflects the economic substance of the combining entities, which have been under common control throughout the relevant reporting periods.

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

The identifiable assets and liabilities of all commonly controlled entities are accounted for at their historical costs. All material intra-group transactions and balances are eliminated upon combination, where applicable.

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****2. BASIS OF PREPARATION (CONT'D)**

- (b) The combined financial statements comprising the combined statements of financial position, combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the relevant reporting periods are prepared under the historical cost convention and in accordance with Malaysian Financial Reporting Standards ("MFRSs"), including related interpretations which are effective for accounting periods on or before 1 July 2021.
- (c) The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the relevant reporting periods:

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
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 - Comparative Information	1 January 2023
Amendment 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 accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements upon their initial application.

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES****3.1 Critical accounting estimates and judgements*****Key sources of estimation uncertainty***

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

(a) Depreciation of 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) 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.

(c) Impairment of trade receivables

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. 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 value of trade receivables.

(d) Income taxes

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

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 combined financial statements.

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.2 Basis of consolidation**

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

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

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

3.2.1 Business combination within the scope of MFRS 3

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.

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.2 Basis of consolidation (cont'd)****3.2.1 Business combination within the scope of MFRS 3 (cont'd)****(a) Goodwill**

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill. Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

(b) Non-controlling interests

Non-controlling interests are presented within equity in the consolidated statement 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 the equity of the Group.

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.2 Basis of consolidation (cont'd)****3.2.1 Business combination within the scope of MFRS 3 (cont'd)****(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 of the initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.2.2 Business combination under common control

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

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger has taken effect throughout the current and previous financial years.

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

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

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 Investments in subsidiaries**

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

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

3.4 Property, plant and equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of 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 a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:

Leasehold land	Refer to Note 3.5 (2019 : 43-80 years)
Buildings	2.0%
Factory equipment, furniture, fittings, laboratory facilities, plant and machinery	5.0% - 10.0%
Vehicles, office equipment, furniture and fittings	5.0% - 20.0%

Capital 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 accounting estimate.

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.4 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.

3.5 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 adjusted for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, 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)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.5 Leases (cont'd)**Accounting policies applied until 30 June 2019**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 the 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.

3.6 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 and trade receivables.

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 using the simplified approach. The expected credit losses on this financial asset 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.

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.6 Impairment (cont'd)****(a) Impairment of financial assets (cont'd)**

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 statement of financial position.

(b) Impairment of non-financial assets

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

An impairment loss is recognised in profit or loss.

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

3.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out or weighted average cost method, where applicable, and comprises the purchase price or production costs and other incidental costs incurred in bringing the inventories to their present location and condition.

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

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.8 Financial instruments**

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

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

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

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 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.

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).

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.8 Financial instruments (cont'd)****(a) Financial assets (cont'd)***Debt instruments (cont'd)***(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 fair value changes do not include interest or dividend income.

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

Equity instruments

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

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 (excluding interest expense) of these financial liabilities are recognised in profit or loss.

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.8 Financial instruments (cont'd)****(b) Financial liabilities (cont'd)****(ii) Other financial liabilities**

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

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

(c) Equity instruments

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

Ordinary shares

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

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

(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.

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.8 Financial instruments (cont'd)****(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 expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.9 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. However, this basis does not apply to leasing transactions.

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 asset 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.

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.10 Non-current assets held for sale**

Non-current assets (or disposal group comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the non-current assets (or the disposal group) are remeasured in accordance with the Group's accounting policies. Upon classification as held for sale, the non-current assets (or non-current assets of the disposal group) are not depreciated and are measured at the lower of their previous carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss.

3.11 Borrowing costs

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

3.12 Income taxes**(a) Current tax**

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

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

(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.

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.

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.12 Income taxes (cont'd)**

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.

3.13 Earnings per ordinary share

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

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

3.14 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

3.15 Revenue from contracts with customers

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

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

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

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

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.15 Revenue from contracts with customers (cont'd)****Sale of natural block rubber**

Revenue from sale of natural block rubber 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.

3.16 Interest income

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

3.17 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.

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

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

(Incorporated in Malaysia)

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.18 Functional and foreign currencies (cont'd)****(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 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 exchange rates at the dates of the transactions. 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.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or partial disposal involving loss of control over a subsidiary that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

3.19 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue 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.

13. ACCOUNTANTS' REPORT (CONT'D)

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4. PROPERTY, PLANT AND EQUIPMENT

<u>Audited</u>	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Factory equipment, furniture, fittings, laboratory facilities, plant and machinery RM'000	Vehicles, office equipment, furniture and fittings RM'000	Capital work- in-progress RM'000	Total RM'000
At cost							
At 1 July 2018	340	7,436	20,554	42,725	3,497	521	75,073
Additions	-	-	1,150	2,570	42	-	3,762
Disposals	-	-	-	-	(114)	-	(114)
Write off	-	-	-	(37)	(191)	-	(228)
Foreign exchange differences	-	21	149	241	15	-	426
	340	7,457	21,853	45,499	3,249	521	78,919
Reclassified as held for sale (Note 10(a))	-	(881)	(6,709)	(10,498)	(661)	-	(18,749)
At 30 June 2019	340	6,576	15,144	35,001	2,588	521	60,170

13. ACCOUNTANTS' REPORT (CONT'D)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

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

<u>Audited</u>	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Factory equipment, furniture, fittings, laboratory facilities, plant and machinery RM'000	Vehicles, office equipment, furniture and fittings RM'000	Capital work- in-progress RM'000	Total RM'000
Less: Accumulated depreciation At 1 July 2018	-	1,514	2,501	20,918	1,972	-	26,905
Charge for the financial year	-	158	408	2,258	286	-	3,110
Disposals	-	-	-	-	(46)	-	(46)
Write off	-	-	-	(25)	(191)	-	(216)
Foreign exchange differences	-	*	1	12	4	-	17
	-	1,672	2,910	23,163	2,025	-	29,770
Reclassified as held for sale (Note 10(a))	-	(35)	(164)	(1,129)	(283)	-	(1,611)
At 30 June 2019	-	1,637	2,746	22,034	1,742	-	28,159
Carrying amount At 30 June 2019	340	4,939	12,398	12,967	846	521	32,011

* Represents amount less than RM 500.

13. ACCOUNTANTS' REPORT (CONT'D)

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

<u>Audited</u>	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Factory equipment, furniture, fittings, laboratory facilities, plant and machinery RM'000	Vehicles, office equipment, furniture and fittings RM'000	Capital work- in-progress RM'000	Total RM'000
At cost							
At 1 July 2019	340	6,576	15,144	35,001	2,588	521	60,170
- As previously reported	-	(6,576)	-	-	-	-	(6,576)
- Initial application of MFRS 16 (Note 5)	340	-	15,144	35,001	2,588	521	53,594
As restated	-	-	102	1,467	624	-	2,193
Additions	-	-	-	(396)	(319)	-	(715)
Disposals	-	-	-	(1)	(49)	-	(50)
Write off	-	-	-	-	-	-	-
At 30 June 2020	340	-	15,246	36,071	2,844	521	55,022

13. ACCOUNTANTS' REPORT (CONT'D)

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

Audited	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Factory equipment, furniture, fittings, laboratory facilities, plant and machinery RM'000	Vehicles, office equipment, furniture and fittings RM'000	Capital work- in-progress RM'000	Total RM'000
Less: Accumulated depreciation							
At 1 July 2019	-	1,637	2,746	22,034	1,742	-	28,159
- As previously reported	-	(1,637)	-	-	-	-	(1,637)
- Initial application of MFRS 16 (Note 5)							
As restated	-	-	2,746	22,034	1,742	-	26,522
Charge for the financial year	-	-	304	1,743	203	-	2,250
Disposals	-	-	-	(320)	(319)	-	(639)
Write off	-	-	-	(1)	(36)	-	(37)
At 30 June 2020	-	-	3,050	23,456	1,590	-	28,096
Carrying amount							
At 30 June 2020	340	-	12,196	12,615	1,254	521	26,926

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

<u>Audited</u>	Freehold land RM'000	Buildings RM'000	Factory equipment, furniture, fittings, laboratory facilities, plant and machinery RM'000	Vehicles, office equipment, furniture and fittings RM'000	Capital work- in-progress RM'000	Total RM'000
<u>At cost</u>						
At 1 July 2020	340	15,246	36,071	2,844	521	55,022
Additions	-	1,869	1,576	165	2,657	6,267
Disposals	-	-	(306)	-	-	(306)
Write off	-	-	(453)	(169)	-	(622)
At 30 June 2021	340	17,115	36,888	2,840	3,178	60,361
<u>Less: Accumulated depreciation</u>						
At 1 July 2020	-	3,050	23,456	1,590	-	28,096
Charge for the financial year	-	319	1,680	237	-	2,236
Disposals	-	-	(260)	-	-	(260)
Write off	-	-	(404)	(161)	-	(565)
At 30 June 2021	-	3,369	24,472	1,666	-	29,507
Carrying amount						
At 30 June 2021	340	13,746	12,416	1,174	3,178	30,854

13. ACCOUNTANTS' REPORT (CONT'D)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

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

<u>Audited</u> At cost	Freehold land RM'000	Buildings RM'000	Factory equipment, furniture, fittings, laboratory facilities, plant and machinery RM'000	Vehicles, office equipment, furniture and fittings RM'000	Capital work- in-progress RM'000	Total RM'000
At 1 July 2021	340	17,115	36,888	2,840	3,178	60,361
Additions	-	15	60	31	10,847	10,953
Write off	-	-	(1)	(1)	-	(2)
At 31 December 2021	340	17,130	36,947	2,870	14,025	71,312
Less: Accumulated depreciation						
At 1 July 2021	-	3,369	24,472	1,666	-	29,507
Charge for the financial period	-	171	807	122	-	1,100
Write off	-	-	*	(1)	-	(1)
At 31 December 2021	-	3,540	25,279	1,787	-	30,606
Carrying amount						
At 31 December 2021	340	13,590	11,668	1,083	14,025	40,706

* Represents amount less than RM 500.

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****5. RIGHT-OF-USE ASSETS**

	----- At 1 July 2019 -----			Depreciation charges RM'000	At 30 June 2020 RM'000
	As previously reported RM'000	Initial application of MFRS 16 RM'000	As restated RM'000		
Audited Carrying amount - Leasehold land	-	4,939	4,939	(141)	4,798
			At 1 July 2020 RM'000	Depreciation charges RM'000	At 30 June 2021 RM'000
Audited Carrying amount - Leasehold land			4,798	(141)	4,657
			At 1 July 2021 RM'000	Depreciation charges RM'000	At 31 December 2021 RM'000
Audited Carrying amount - Leasehold land			4,657	(70)	4,587

The comparative information for financial year ended 30 June 2019 is not presented as the Group has applied MFRS 16 using the modified retrospective approach.

The Group leases two pieces of leasehold land of which the leasing activity is summarised below:

Leasehold land

The Group has entered into 2 (30.06.2021 : 2, 30.06.2020 : 2) non-cancellable operating lease agreements for the use of land. The leases are for a period ranging from 60 to 99 years (30.06.2021 : 60 to 99 years, 30.06.2020 : 60 to 99 years).

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****6. INVENTORIES**

	<-----Audited----->			
	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	31.12.2021 RM'000
Raw materials	31,266	45,485	77,497	109,877
Store and supplies	1,541	1,466	2,294	3,924
Finished goods	1,719	12,827	26,366	16,526
	<u>34,526</u>	<u>59,778</u>	<u>106,157</u>	<u>130,327</u>
Recognised in profit or loss				
Inventories recognised as cost of sales	<u>591,731</u>	<u>576,844</u>	<u>694,290</u>	<u>363,096</u>

7. TRADE AND OTHER RECEIVABLES

	<-----Audited----->			
	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	31.12.2021 RM'000
Trade receivables	<u>71,155</u>	<u>46,135</u>	<u>35,898</u>	<u>55,917</u>
Other receivables				
Deposits	146	147	153	153
Prepayments	637	632	601	1,006
Cesses claimable	376	2,423	2,792	3,066
Goods and services tax recoverable	989	-	-	-
Sundry receivables	-	7	-	*
	<u>2,148</u>	<u>3,209</u>	<u>3,546</u>	<u>4,225</u>
	<u>73,303</u>	<u>49,344</u>	<u>39,444</u>	<u>60,142</u>

* Represents amount less than RM 500.

The Group's normal trade terms granted to customers are as follows:

	30.06.2019	30.06.2020	30.06.2021	31.12.2021
Trade terms	cash term - 90 days	cash term - 90 days	cash term - 90 days	cash term - 90 days

13. ACCOUNTANTS' REPORT (CONT'D)

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8. DERIVATIVE ASSETS/(LIABILITIES)

	Contract/Notional amount				Audited			
	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	31.12.2021 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	31.12.2021 RM'000
Derivative assets								
Forward currency contracts	-	62,644	-	9,549	-	177	-	51
Derivative liabilities								
Forward currency contracts	60,201	-	41,436	18,081	(61)	-	(138)	(30)

The Group uses forward currency contracts to manage some of its transaction exposure. These contracts are not designated as cash flows or fair value hedges and are entered into for periods consistent with currency translation exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting. The range of settlement dates on forward currency contracts are as follows:

Settlement date	30.06.2019	30.06.2020	30.06.2021	31.12.2021
	July 2019 to September 2019	July 2020 to October 2020	July 2021 to September 2021	January 2022

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****9. DEPOSITS, BANK AND CASH BALANCES**

	-----Audited----->			
	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	31.12.2021 RM'000
Cash and bank balances	3,588	8,694	4,084	1,541
Short-term deposits with licensed banks	25,432	14,855	9,369	-
	<u>29,020</u>	<u>23,549</u>	<u>13,453</u>	<u>1,541</u>

The short-term deposits with licensed banks of the Group at the end of each reporting period bear effective interest rates and have maturity periods as follows:

	30.06.2019	30.06.2020	30.06.2021	31.12.2021
Effective annual interest rates (%)	3.30	2.20 - 2.30	1.80	-
Maturity periods	1 day	1 day to 1 month	1 day	-

10. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

- (a) On 20 June 2019, STG agreed on a management buyout of its subsidiary, namely BMI, led by the latter's chief operating officer vide a term sheet to divest its entire 60% equity interests in BMI subject to terms and conditions therein.

As at 30 June 2019, the assets and liabilities of BMI have been presented in the combined statements of financial position as "Assets of disposal group classified as held for sale" and "Liabilities of disposal group classified as held for sale".

However, the operations of BMI have not been classified as a discontinued operation because its operations and cash flows could not be clearly distinguished, operationally and for financial reporting purposes, from the rest of entities within the Group as BMI sold all its processed natural block rubber to STG within the Group.

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****10. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)**

(a) Cont'd

As at 30 June 2019, the assets and liabilities of the disposal group are as follows:

	RM'000
Assets	
Property, plant and equipment	17,138
Inventories	6,476
Trade and other receivables	180
Deposits, bank and cash balances	1,845
Assets of disposal group classified as held for sale	<u>25,639</u>
Liabilities	
Trade and other payables	(4,140)
Liabilities of disposal group classified as held for sale	<u>(4,140)</u>

The carrying amount of non-current assets are the same as their carrying value before being reclassified as held for sale.

- (b) On 30 April 2020, STG executed the sale and purchase agreement for the disposal of the entire 60% equity interests in BMI for a total cash consideration of USD 3,000,000 (equivalent to RM 12,318,000). The transaction was completed on 11 June 2020.

For the financial year ended 30 June 2020, the financial effects of the disposal of BMI at the disposal date are summarised below:

	RM'000
Property, plant and equipment	18,017
Inventories	6,404
Trade and other receivables	894
Cash and bank balances	403
Trade and other payables	(8,865)
Non-controlling interests	(6,741)
Carrying amount of net assets disposed of	<u>10,112</u>
Foreign exchange translation reserve	(583)
Gain on disposal of BMI	<u>2,789</u>
Consideration received	12,318
Less: Cash and cash equivalents of BMI disposed of	(403)
Net cash inflow from the disposal of BMI	<u>11,915</u>

13. ACCOUNTANTS' REPORT (CONT'D)

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11. SHARE CAPITAL AND INVESTED CAPITAL

(a) Share capital

	Audited			
	30.06.2019	30.06.2020	30.06.2021	31.12.2021
	Number of shares '000)	Number of shares '000)	Number of shares '000)	Number of shares '000)
	RM'000	RM'000	RM'000	RM'000
Ordinary shares	-	-	-	-
At date of incorporation/end of the financial period	-	-	-	-
				#
				^

Denote 1 ordinary share
 ^ Denote RM 1

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.

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

(Incorporated in Malaysia)

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****12. RESERVES**

	<-----Audited----->			
	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	31.12.2021 RM'000
Non-distributable				
Foreign exchange translation reserve	74	-	-	-
Distributable				
Retained profits	85,728	69,723	81,845	89,801
	<u>85,802</u>	<u>69,723</u>	<u>81,845</u>	<u>89,801</u>

Foreign exchange translation reserve

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

13. BANK BORROWINGS

	<-----Audited----->			
	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	31.12.2021 RM'000
Current				
Unsecured - Term loan	-	-	-	2,083
- Trade bills	77,082	77,435	76,799	83,319
	<u>77,082</u>	<u>77,435</u>	<u>76,799</u>	<u>85,402</u>
Non-current				
Unsecured - Term loan	-	-	-	6,864
	<u>77,082</u>	<u>77,435</u>	<u>76,799</u>	<u>92,266</u>
Total bank borrowings				
Unsecured - Term loan	-	-	-	8,947
- Trade bills	77,082	77,435	76,799	83,319
	<u>77,082</u>	<u>77,435</u>	<u>76,799</u>	<u>92,266</u>

- (a) The bank borrowings of the Group are secured against the followings:
- (i) Joint and several guarantees provided by certain directors of the Company; and
 - (ii) Corporate guarantee provided by SFT.

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****13. BANK BORROWINGS (CONT'D)**

- (b) The bank borrowings of the Group at the end of each reporting period bear effective annual interest rates as follows:

	30.06.2019 %	30.06.2020 %	30.06.2021 %	31.12.2021 %
Term loan	-	-	-	2.7
Trade bills	2.7 - 3.2	0.6 - 2.4	0.5 - 0.7	0.6 - 2.1

14. DEFERRED TAX LIABILITIES

	<-----Audited----->			
	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	31.12.2021 RM'000
(a) Movements of deferred tax liabilities				
Balance at beginning of the financial year/period	3,638	3,628	3,628	3,740
Recognised in profit or loss	(10)	-	112	(4)
Balance at the end of the financial year/period	3,628	3,628	3,740	3,736
(b) Components of deferred tax liabilities				
Property, plant and equipment	3,628	2,788	2,929	2,939
Right-of-use assets	-	840	811	797
	3,628	3,628	3,740	3,736

13. ACCOUNTANTS' REPORT (CONT'D)

SENG FONG HOLDINGS BERHAD

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****15. TRADE AND OTHER PAYABLES**

	<-----Audited----->			
	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	31.12.2021 RM'000
Trade payables				
Amount owing to related party	-	47	-	-
Other trade payables	3,017	1,994	6,727	25,738
	<u>3,017</u>	<u>2,041</u>	<u>6,727</u>	<u>25,738</u>
Other payables				
Amount owing to related parties	227	232	1,500	1,141
Amount owing to director	-	-	-	100
Accruals	2,097	1,790	4,591	2,560
Sundry payables	5,261	3,882	8,778	10,895
	<u>7,585</u>	<u>5,904</u>	<u>14,869</u>	<u>14,696</u>
	<u>10,602</u>	<u>7,945</u>	<u>21,596</u>	<u>40,434</u>

(a) The normal trade terms granted to the Group by material suppliers are as follows:

	30.06.2019	30.06.2020	30.06.2021	31.12.2021
Trade terms	cash term - 60 days	cash term - 60 days	cash term - 60 days	cash term - 60 days

(b) The non-trade amount owing to related parties relates to outstanding transport charges which are subject to cash term - 60 days of credit.

(c) The non-trade amount owing to director is unsecured, interest free, repayable on demand and to be settled in cash.

(d) Included in sundry payables of the Group is an amount payable for the purchase of property, plant and equipment (Note 23(a)) as follows:

	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	31.12.2021 RM'000
Purchase of property, plant and equipment	330	36	-	-

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****16. REVENUE**

Revenue of the Group comprises the followings:

	<-----Audited----->				Unaudited
	01.07.2018 to 30.06.2019 RM'000	01.07.2019 to 30.06.2020 RM'000	01.07.2020 to 30.06.2021 RM'000	01.07.2021 to 31.12.2021 RM'000	01.07.2020 to 31.12.2020 RM'000
<u>Revenue from contracts with customers recognised at a point in time</u>					
Sale of natural block rubber	636,834	616,435	768,177	400,490	337,116

17. DIRECTORS' REMUNERATION

	<-----Audited----->				Unaudited
	01.07.2018 to 30.06.2019 RM'000	01.07.2019 to 30.06.2020 RM'000	01.07.2020 to 30.06.2021 RM'000	01.07.2021 to 31.12.2021 RM'000	01.07.2020 to 31.12.2020 RM'000
Executive directors of the Company					
Salaries, bonuses and other benefits	1,796	838	3,232	482	434
Contributions to defined contribution plan	27	23	47	97	12
	<u>1,823</u>	<u>861</u>	<u>3,279</u>	<u>579</u>	<u>446</u>
Non-executive directors of the Company					
Fees	-	-	-	72	-
Executive director of subsidiary					
Salaries, bonuses and other benefits	233	233	233	117	116
	<u>2,056</u>	<u>1,094</u>	<u>3,512</u>	<u>768</u>	<u>562</u>
Estimated monetary value of benefits-in-kind	40	28	52	26	26

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

(Incorporated in Malaysia)

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****18. FINANCE COSTS**

	<-----Audited----->				Unaudited
	01.07.2018 to 30.06.2019 RM'000	01.07.2019 to 30.06.2020 RM'000	01.07.2020 to 30.06.2021 RM'000	01.07.2021 to 31.12.2021 RM'000	01.07.2020 to 31.12.2020 RM'000
Interest expense on financial liabilities that are not at fair value through profit or loss					
- bank overdrafts	*	*	*	-	*
- term loan	-	-	-	18	-
- trade bills	2,862	2,373	1,123	492	570
	<u>2,862</u>	<u>2,373</u>	<u>1,123</u>	<u>510</u>	<u>570</u>

* Represents amount less than RM 500.

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13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****19. PROFIT BEFORE TAX**

	<-----Audited----->				Unaudited
	01.07.2018 to 30.06.2019 RM'000	01.07.2019 to 30.06.2020 RM'000	01.07.2020 to 30.06.2021 RM'000	01.07.2021 to 31.12.2021 RM'000	
This is arrived at after charging:					
Auditors' remuneration					
- current financial year/ period	122	111	101	115	51
- under provision in previous financial year	8	-	-	22	-
Depreciation of property, plant and equipment	3,110	2,250	2,236	1,100	1,164
Depreciation of right-of-use assets	-	141	141	70	70
Fair value loss on derivatives measured at fair value through profit or loss mandatorily	170	-	-	124	-
Laboratory expenses	847	814	887	419	431
Property, plant and equipment written off	12	13	57	1	1
Realised loss on foreign exchange	1,142	5,545	164	-	-
Staff costs (including key management personnel as disclosed in Note 24(c))					
- short-term employee benefits	10,670	9,684	12,578	4,745	4,905
- contributions to defined contribution plan	367	381	509	294	204
- others	1,102	1,662	1,438	934	466
Unrealised loss on foreign exchange	-	-	367	-	-
And crediting:					
Fair value gain on derivatives measured at fair value through profit or loss mandatorily	-	(38)	(118)	-	(721)
Gain on disposal of property, plant and equipment	(7)	(64)	(54)	-	(54)
Gain on disposal of a subsidiary	-	(2,789)	-	-	-
Realised gain on foreign exchange	-	-	-	(182)	(1,279)
Total interest income on financial assets measured at amortised cost	(316)	(569)	(119)	(50)	(50)
Unrealised gain on foreign exchange	(470)	(392)	-	(93)	(316)

13. ACCOUNTANTS' REPORT (CONT'D)

SENG FONG HOLDINGS BERHAD

(Incorporated in Malaysia)

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****20. INCOME TAX EXPENSE**

	<-----Audited----->				Unaudited
	01.07.2018 to 30.06.2019 RM'000	01.07.2019 to 30.06.2020 RM'000	01.07.2020 to 30.06.2021 RM'000	01.07.2021 to 31.12.2021 RM'000	01.07.2020 to 31.12.2020 RM'000
Current tax					
- Malaysian tax	4,656	3,621	11,314	5,976	3,990
- (Over)/Under provision in prior years	(142)	(179)	(216)	-	1
	<u>4,514</u>	<u>3,442</u>	<u>11,098</u>	<u>5,976</u>	<u>3,991</u>
Deferred tax					
- (Reversal)/Origination of temporary differences	(2)	-	112	(4)	9
- Over provision in prior years	(8)	-	-	-	-
	<u>(10)</u>	<u>-</u>	<u>112</u>	<u>(4)</u>	<u>9</u>
	<u>4,504</u>	<u>3,442</u>	<u>11,210</u>	<u>5,972</u>	<u>4,000</u>

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

	<-----Audited----->				Unaudited
	01.07.2018 to 30.06.2019 RM'000	01.07.2019 to 30.06.2020 RM'000	01.07.2020 to 30.06.2021 RM'000	01.07.2021 to 31.12.2021 RM'000	01.07.2020 to 31.12.2020 RM'000
Profit before tax	18,850	16,180	45,832	23,928	17,229
Tax at the statutory tax rate	4,524	3,883	10,999	5,743	4,135
Effects of differential in tax rate of BMI	20	62	-	-	-
Tax effects of:					
- non-deductible expenses	223	442	427	229	113
- non-taxable income	(113)	(766)	-	-	(249)
(Over)/Under provision in prior years					
- current tax	(142)	(179)	(216)	-	1
- deferred tax	(8)	-	-	-	-
	<u>4,504</u>	<u>3,442</u>	<u>11,210</u>	<u>5,972</u>	<u>4,000</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the relevant reporting periods. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****21. EARNINGS PER SHARE**

	<-----Audited----->				Unaudited
	01.07.2018 to 30.06.2019	01.07.2019 to 30.06.2020	01.07.2020 to 30.06.2021	01.07.2021 to 31.12.2021	01.07.2020 to 31.12.2020
Profit attributable to owners of the Company (RM'000)	14,546	13,355	34,622	17,956	13,229
Number of ordinary shares in issue (unit'000)	3,750	3,750	3,750	3,750	3,750
Basic earnings per ordinary share (RM)	3.88	3.56	9.23	4.79	3.53

The Group has not issued any potential dilutive ordinary shares throughout the relevant reporting periods and hence, the diluted earnings per share is equal to the basic earnings per share.

22. DIVIDENDS

	<-----Audited----->				Unaudited
	01.07.2018 to 30.06.2019 RM'000	01.07.2019 to 30.06.2020 RM'000	01.07.2020 to 30.06.2021 RM'000	01.07.2021 to 31.12.2021 RM'000	01.07.2020 to 31.12.2020 RM'000
In respect of the financial year ended 30 June 2019					
First interim dividend	3,000	-	-	-	-
Second interim dividend	2,000	-	-	-	-
Final dividend	-	12,000	-	-	-
In respect of the financial year ended 30 June 2020					
First interim dividend	-	8,000	-	-	-
Second interim dividend	-	9,360	-	-	-
Third interim dividend	-	-	5,500	-	5,500
In respect of the financial year ended 30 June 2021					
First interim dividend	-	-	6,000	-	6,000
Second interim dividend	-	-	6,000	-	-
Third interim dividend	-	-	5,000	-	-
Final dividend	-	-	-	10,000	-
	<u>5,000</u>	<u>29,360</u>	<u>22,500</u>	<u>10,000</u>	<u>11,500</u>

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****22. DIVIDENDS (CONT'D)**

On 29 April 2022, SFT declared an interim dividend of RM 5,000,000 in respect of the financial year ending 30 June 2022, which shall be paid by 7 June 2022. Such dividend will be accounted for in the financial statements for financial year ending 30 June 2022.

23. CASH FLOWS INFORMATION

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

	←-----Audited-----→			Unaudited	
	01.07.2018 to 30.06.2019 RM'000	01.07.2019 to 30.06.2020 RM'000	01.07.2020 to 30.06.2021 RM'000	01.07.2021 to 31.12.2021 RM'000	01.07.2020 to 31.12.2020 RM'000
Cost of property, plant and equipment purchased	3,762	2,193	6,267	10,953	1,609
Unpaid balance included under sundry payables (Note 15(d))	(330)	(36)	-	-	(553)
Cash paid in respect of acquisition in previous financial year	4,715	326	40	-	40
Foreign exchange differences	(23)	-	-	-	-
Cash disbursed for purchase of property, plant and equipment	8,124	2,483	6,307	10,953	1,096

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****23. CASH FLOWS INFORMATION (CONT'D)**

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

	Term loan RM'000	Trade bills RM'000	Total RM'000
<u>Audited</u>			
At 1 July 2018	-	102,288	102,288
<u>Changes in financing cash flows</u>			
Proceeds from drawdown	-	793,686	793,686
Repayment of borrowing principal	-	(818,608)	(818,608)
Repayment of borrowing interests	-	(2,862)	(2,862)
	-	(27,784)	(27,784)
<u>Non-cash changes</u>			
Foreign exchange adjustments	-	(284)	(284)
Interest expense recognised in profit or loss	-	2,862	2,862
	-	2,578	2,578
At 30 June 2019	-	77,082	77,082
	Term loan RM'000	Trade bills RM'000	Total RM'000
<u>Audited</u>			
At 1 July 2019	-	77,082	77,082
<u>Changes in financing cash flows</u>			
Proceeds from drawdown	-	949,700	949,700
Repayment of borrowing principal	-	(948,660)	(948,660)
Repayment of borrowing interests	-	(2,373)	(2,373)
	-	(1,333)	(1,333)
<u>Non-cash changes</u>			
Foreign exchange adjustments	-	(687)	(687)
Interest expense recognised in profit or loss	-	2,373	2,373
	-	1,686	1,686
At 30 June 2020	-	77,435	77,435

13. ACCOUNTANTS' REPORT (CONT'D)

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****23. CASH FLOWS INFORMATION (CONT'D)**

(b) Cont'd

	Term loan RM'000	Trade bills RM'000	Total RM'000
<u>Audited</u>			
At 1 July 2020	-	77,435	77,435
<u>Changes in financing cash flows</u>			
Proceeds from drawdown	-	905,150	905,150
Repayment of borrowing principal	-	(906,343)	(906,343)
Repayment of borrowing interests	-	(1,123)	(1,123)
	-	(2,316)	(2,316)
<u>Non-cash changes</u>			
Foreign exchange adjustments	-	557	557
Interest expense recognised in profit or loss	-	1,123	1,123
	-	1,680	1,680
At 30 June 2021	-	76,799	76,799
	Term loan RM'000	Trade bills RM'000	Total RM'000
<u>Audited</u>			
At 1 July 2021	-	76,799	76,799
<u>Changes in financing cash flows</u>			
Proceeds from drawdown	9,372	548,170	557,542
Repayment of borrowing principal	(348)	(541,492)	(541,840)
Repayment of borrowing interests	(18)	(492)	(510)
	9,006	6,186	15,192
<u>Non-cash changes</u>			
Foreign exchange adjustments	(77)	(158)	(235)
Interest expense recognised in profit or loss	18	492	510
	(59)	334	275
At 31 December 2021	8,947	83,319	92,266

13. ACCOUNTANTS' REPORT (CONT'D)

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ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

23. CASH FLOWS INFORMATION (CONT'D)

(b) Cont'd

	Term loan RM'000	Trade bills RM'000	Total RM'000
Unaudited			
At 1 July 2020	-	77,435	77,435
Changes in financing cash flows			
Proceeds from drawdown	-	516,469	516,469
Repayment of borrowing principal	-	(517,002)	(517,002)
Repayment of borrowing interests	-	(570)	(570)
	-	(1,103)	(1,103)
Non-cash changes			
Foreign exchange adjustments	-	(1,467)	(1,467)
Interest expense recognised in profit or loss	-	570	570
	-	(897)	(897)
At 31 December 2020	-	75,435	75,435

(c) The cash and cash equivalents comprise the following:

	<-----Audited----->				Unaudited
	01.07.2018 to 30.06.2019 RM'000	01.07.2019 to 30.06.2020 RM'000	01.07.2020 to 30.06.2021 RM'000	01.07.2021 to 31.12.2021 RM'000	01.07.2020 to 31.12.2020 RM'000
Deposits, bank and cash balances	29,020	23,549	13,453	1,541	2,254
Cash and cash equivalents under disposal group held for sale (Note 10(a))	1,845	-	-	-	-
	30,865	23,549	13,453	1,541	2,254

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****24. 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 combined financial statements, the Group has related party relationships with its holding company, Sumber Panji Sdn. Bhd. ("Sumber Panji"), directors and key management personnel.

(b) Significant related party transactions and balances

Other than those disclosed elsewhere in the combined financial statements, the Group also carried out the following significant transactions with the related parties for the relevant reporting periods:

	<-----Audited----->				Unaudited
	01.07.2018 to 30.06.2019 RM'000	01.07.2019 to 30.06.2020 RM'000	01.07.2020 to 30.06.2021 RM'000	01.07.2021 to 31.12.2021 RM'000	01.07.2020 to 31.12.2020 RM'000
Director					
- Advance from	-	-	-	(100)	-
Holding company					
- Dividend	-	17,360	22,500	10,000	11,500
Companies where persons connected to directors have financial interests					
- Purchase of indirect materials	92	51	125	57	77
- Transport charges	1,010	988	809	394	405
Sole proprietorships owned by persons connected to directors					
- Purchase of indirect materials	89	89	83	47	27
- Purchase of packing materials	703	562	464	-	268
- Sundry supplies	82	85	72	41	37
- Transport charges	2,817	2,726	3,901	1,872	1,674

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****24. RELATED PARTY DISCLOSURES (CONT'D)****(c) Key management personnel compensation**

The key management personnel include executive directors, non-executive directors and certain members of senior management of the Group. The key management personnel compensation for the relevant reporting periods are as follows:

	←-----Audited-----→				Unaudited
	01.07.2018 to 30.06.2019 RM'000	01.07.2019 to 30.06.2020 RM'000	01.07.2020 to 30.06.2021 RM'000	01.07.2021 to 31.12.2021 RM'000	
Directors' remuneration excluding benefits-in-kind (Note 17)	2,056	1,094	3,512	768	562
Other key management personnel					
Salaries, bonuses and other benefits	508	493	612	287	275
Contributions to defined contribution plan	46	50	72	27	27
	<u>554</u>	<u>543</u>	<u>684</u>	<u>314</u>	<u>302</u>
	<u>2,610</u>	<u>1,637</u>	<u>4,196</u>	<u>1,082</u>	<u>864</u>

25. OPERATING SEGMENTS**(a) Business segments**

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely processing and sale of natural block rubber.

13. ACCOUNTANTS' REPORT (CONT'D)**SENG FONG HOLDINGS BERHAD**

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****25. OPERATING SEGMENTS (CONT'D)****(b) Geographical information**

In presenting the information on the basis of geographical segments, segmental information on non-current assets is not presented as all non-current assets are located in Malaysia.

Segmental revenue is presented based on the geographical location of customers as follows:

	<-----Audited----->				Unaudited
	01.07.2018 to 30.06.2019 RM'000	01.07.2019 to 30.06.2020 RM'000	01.07.2020 to 30.06.2021 RM'000	01.07.2021 to 31.12.2021 RM'000	01.07.2020 to 31.12.2020 RM'000
Asia (excluding Malaysia)	635,809	615,156	767,181	395,085	336,398
Europe	1,022	-	785	5,255	507
Malaysia	3	238	-	150	-
Oceania	-	1,041	211	-	211
	<u>636,834</u>	<u>616,435</u>	<u>768,177</u>	<u>400,490</u>	<u>337,116</u>

(c) Major customers

The following are major customers with revenue equal to or more than 10% of Group's revenue for the relevant reporting periods:

	<-----Audited----->				Unaudited
	01.07.2018 to 30.06.2019 RM'000	01.07.2019 to 30.06.2020 RM'000	01.07.2020 to 30.06.2021 RM'000	01.07.2021 to 31.12.2021 RM'000	01.07.2020 to 31.12.2020 RM'000
Customer A	143,994	160,895	198,552	87,064	79,252
Customer B	105,149	69,956	-	-	-
Customer C	70,495	-	-	-	-
Customer D	67,745	-	-	-	-
Customer E	*	95,636	138,988	117,220	66,084
Customer F	*	65,472	*	*	*
Customer G	*	*	119,816	60,799	41,366
Customer H	-	*	92,009	56,593	37,594
Customer I	-	*	*	*	33,811
	<u>387,383</u>	<u>391,959</u>	<u>549,365</u>	<u>321,676</u>	<u>258,107</u>

* Not being major customer by definition herein for the respective reporting period

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	<-----Audited----->			
	30.06.2019	30.06.2020	30.06.2021	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Purchase of property, plant and equipment	426	1,374	11,575	5,104

27. 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.

27.1 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 currency other than the respective functional currencies of entities within the Group. The currency giving rise to this risk is primarily United States Dollar ("USD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. On occasion, the Group enters into forward currency contracts to hedge against its foreign currency risk. The Group also holds cash and cash equivalents denominated in foreign currency for working capital purposes.

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

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27. FINANCIAL INSTRUMENTS (CONT'D)

27.1 Financial risk management policies (cont'd)

(a) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

Foreign currency exposure

<u>Audited</u> 30 June 2019	USD RM'000	RM RM'000	Total RM'000
Financial assets			
Trade and other receivables (N1)	71,155	-	71,155
Deposits, bank and cash balances	6	29,014	29,020
	71,161	29,014	100,175
<u>Financial liabilities</u>			
Trade and other payables	(949)	(9,653)	(10,602)
Bank borrowings	(77,082)	-	(77,082)
Derivative liabilities	(61)	-	(61)
	(78,092)	(9,653)	(87,745)
Net financial (liabilities)/assets	(6,931)	19,361	12,430
Less : Net financial assets denominated in the respective entities' functional currencies	-	(19,361)	(19,361)
Less : Forward currency contracts (contracted notional principal)	(60,201)	-	(60,201)
Currency exposure	(67,132)	-	(67,132)

Net financial (liabilities)/assets
 Less : Net financial assets denominated in the respective entities' functional currencies
 Less : Forward currency contracts (contracted notional principal)

Currency exposure

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27. FINANCIAL INSTRUMENTS (CONT'D)

27.1 Financial risk management policies (cont'd)

(a) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

Foreign currency exposure (cont'd)

	USD RM'000	RM RM'000	Total RM'000
<u>Audited</u> 30 June 2020			
<u>Financial assets</u>			
Trade and other receivables (N1)	46,135	7	46,142
Deposits, bank and cash balances	56	23,493	23,549
Derivative assets	177	-	177
	46,368	23,500	69,868
<u>Financial liabilities</u>			
Trade and other payables	(1,476)	(6,469)	(7,945)
Bank borrowings	(77,435)	-	(77,435)
	(78,911)	(6,469)	(85,380)
Net financial (liabilities)/assets	(32,543)	17,031	(15,512)
Less : Net financial assets denominated in the respective entities' functional currencies	-	(17,031)	(17,031)
Less : Forward currency contracts (contracted notional principal)	(62,644)	-	(62,644)
Currency exposure	(95,187)	-	(95,187)

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27. FINANCIAL INSTRUMENTS (CONT'D)

27.1 Financial risk management policies (cont'd)

(a) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

Foreign currency exposure (cont'd)

<u>Audited</u> 30 June 2021	USD RM'000	RM RM'000	Total RM'000
<u>Financial assets</u>			
Trade and other receivables (N1)	35,898	-	35,898
Deposits, bank and cash balances	9	13,444	13,453
	<u>35,907</u>	<u>13,444</u>	<u>49,351</u>
<u>Financial liabilities</u>			
Trade and other payables	(2,978)	(18,618)	(21,596)
Bank borrowings	(76,799)	-	(76,799)
Derivative liabilities	(138)	-	(138)
	<u>(79,915)</u>	<u>(18,618)</u>	<u>(98,533)</u>
Net financial liabilities	(44,008)	(5,174)	(49,182)
Less : Net financial liabilities denominated in the respective entities' functional currencies	-	5,174	5,174
Less : Forward currency contracts (contracted notional principal)	(41,436)	-	(41,436)
Currency exposure	<u>(85,444)</u>	<u>-</u>	<u>(85,444)</u>

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27. FINANCIAL INSTRUMENTS (CONT'D)

27.1 Financial risk management policies (cont'd)

(a) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

Foreign currency exposure (cont'd)

Audited	USD	RM	Total
31 December 2021	RM'000	RM'000	RM'000
<u>Financial assets</u>			
Trade and other receivables (N1)	55,917	*	55,917
Deposits, bank and cash balances	383	1,158	1,541
Derivative assets	51	-	51
	56,351	1,158	57,509
<u>Financial liabilities</u>			
Trade and other payables	(18,041)	(22,393)	(40,434)
Bank borrowings	(59,666)	(32,600)	(92,266)
Derivative liabilities	(30)	-	(30)
	(77,737)	(54,993)	(132,730)
	(21,386)	(53,835)	(75,221)
Net financial liabilities	-	53,835	53,835
Less : Net financial liabilities denominated in the respective entities' functional currencies	8,532	-	8,532
Less : Forward currency contracts (contracted notional principal)	(12,854)	-	(12,854)
Currency exposure			

Net financial liabilities denominated in the respective entities' functional currencies

N1 - Excluding deposits, prepayments and certain receivables.

* Represents amount less than RM 500.

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

	-----Audited----->			
	30.06.2019	30.06.2020	30.06.2021	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Effects on profit after tax				
USD/RM				
- strengthened by 5%	(2,551)	(3,617)	(3,247)	(488)
- weakened by 5%	2,551	3,617	3,247	488

There is no impact on the Group's equity at the end of each reporting period.

(ii) Interest rate risk

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

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

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the relevant reporting period is disclosed in Note 13.

Interest rate risk sensitivity analysis

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

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

(b) Credit risk

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

(i) Credit risk concentration profile

The Group's major concentration of credit risk that accounted for 10% or more of total trade receivables at the end of each reporting period is as follows:

	<-----Audited----->			
	30.06.2019	30.06.2020	30.06.2021	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Number of customers	4	3	4	4
Percentage of trade receivables	78%	76%	90%	80%

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 each reporting period is as follows:

	<-----Audited----->			
	30.06.2019	30.06.2020	30.06.2021	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Asia (excluding Malaysia)	71,155	46,135	35,617	53,393
Europe	-	-	281	2,524
	<u>71,155</u>	<u>46,135</u>	<u>35,898</u>	<u>55,917</u>

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****27. FINANCIAL INSTRUMENTS (CONT'D)****27.1 Financial risk management policies (cont'd)****(b) Credit risk (cont'd)****(ii) Maximum exposure to credit risk**

At the end of each reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the combined 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 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 reorganisation.

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 90 days past due.

Trade receivables

The Group applies the simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for all trade receivables.

Inputs, assumptions and techniques used for estimating impairment losses

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

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.

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****27. FINANCIAL INSTRUMENTS (CONT'D)****27.1 Financial risk management policies (cont'd)****(b) Credit risk (cont'd)****(iii) Assessment of impairment losses (cont'd)*****Trade receivables (cont'd)******Inputs, assumptions and techniques used for estimating impairment losses (cont'd)***

The expected loss rates are based on the payment profiles of sales over 1 year before the reporting 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 using the linear regressive analysis. The Group has identified the Gross Domestic Product (GDP) as the key macroeconomic factor of the forward-looking information.

There are no significant changes in the estimation techniques and assumptions during the relevant reporting periods.

The information about the exposure to credit risk for trade receivables is summarised below:

	<-----Audited----->			
	30.06.2019	30.06.2020	30.06.2021	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Carrying amount				
Current (not past due)	71,155	46,135	35,898	55,917

The Group believes that no impairment allowance is necessary in respect of its trade receivables because the probability of default by these trade receivables were negligible.

Other receivables

The Group considers a receivable is credit impaired when the receivable is in significant financial difficulty. Receivables that are credit impaired are assessed individually.

At the end of the relevant reporting period, there was no indication that the other receivables are not recoverable.

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27. FINANCIAL INSTRUMENTS (CONT'D)

27.1 Financial risk management policies (cont'd)

(b) Credit risk (cont'd)

(iii) Assessment of impairment losses (cont'd)

Deposits, bank and cash balances

The Group considers the licensed 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 practices prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity analysis

The following table sets out the maturity profile of the financial liabilities at the end of each 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 each reporting period):

Audited 30 June 2019	Effective interest rate % per annum	Carrying amount RM'000	Contractual undiscounted cash flows RM'000	Within 1 year RM'000
<u>Non-derivative financial liabilities</u>				
Trade and other payables	-	10,602	10,602	10,602
Bank borrowings				
- Trade bills	2.7 - 3.2	77,082	77,082	77,082
<u>Derivative financial liabilities</u>				
Forward currency contracts (gross settled)	-	61	-	-
- gross payments	-	-	60,201	60,201
		87,745	147,885	147,885

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27. FINANCIAL INSTRUMENTS (CONT'D)

27.1 Financial risk management policies (cont'd)

(c) Liquidity risk (cont'd)

Maturity analysis (cont'd)

Audited 30 June 2020	Effective interest rate % per annum	Carrying amount RM'000	Contractual undiscounted cash flows RM'000	Within 1 year RM'000
<u>Non-derivative financial liabilities</u>				
Trade and other payables	-	7,945	7,945	7,945
Bank borrowings				
- Trade bills	0.6 - 2.4	77,435	77,435	77,435
		85,380	85,380	85,380

Audited 30 June 2021	Effective interest rate % per annum	Carrying amount RM'000	Contractual undiscounted cash flows RM'000	Within 1 year RM'000
<u>Non-derivative financial liabilities</u>				
Trade and other payables	-	21,596	21,596	21,596
Bank borrowings				
- Trade bills	0.5 - 0.7	76,799	76,799	76,799
<u>Derivative financial liabilities</u>				
Forward currency contracts (gross settled)	-	138	-	-
- gross payments	-	-	41,436	41,436
		98,533	139,831	139,831

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****27. FINANCIAL INSTRUMENTS (CONT'D)**

27.1 Financial risk management policies (cont'd)

(c) Liquidity risk (cont'd)

Maturity analysis (cont'd)

Audited 31 December 2021	Effective interest rate % per annum	Carrying amount RM'000	Contractual undiscounted cash flows RM'000	Within 1 year RM'000	1-5 years RM'000
<u>Non-derivative financial liabilities</u>					
Trade and other payables	-	40,434	40,434	40,434	-
Bank borrowings					
- Term loan	2.7	8,947	9,453	2,293	7,160
- Trade bills	0.6 - 2.1	83,319	83,319	83,319	-
<u>Derivative financial liabilities</u>					
Forward currency contracts (gross settled)	-	30	-	-	-
- gross payments	-	-	18,081	18,081	-
		132,730	151,287	144,127	7,160

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****27. FINANCIAL INSTRUMENTS (CONT'D)****27.2 Capital risk management**

The Group manages its capital to ensure it maintains 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 net debt-to-equity ratio that complies with debt covenants. The net debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents.

The net debt-to-equity ratio of the Group at the end of each reporting period is calculated as follows:

	<-----Audited----->			
	30.06.2019	30.06.2020	30.06.2021	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Bank borrowings	77,082	77,435	76,799	92,266
Less : Cash and cash equivalents	(30,865)	(23,549)	(13,453)	(1,541)
Net debt	<u>46,217</u>	<u>53,886</u>	<u>63,346</u>	<u>90,725</u>
Total equity	<u>98,821</u>	<u>75,723</u>	<u>87,845</u>	<u>95,801</u>
Net debt-to-equity ratio	<u>0.47</u>	<u>0.71</u>	<u>0.72</u>	<u>0.95</u>

There was no change in the Group's approach to capital management during the relevant reporting periods.

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27. FINANCIAL INSTRUMENTS (CONT'D)

27.3 Classification of financial instruments

	-----Audited----->			
	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	31.12.2021 RM'000
Financial assets				
<u>Mandatorily at fair value through profit or loss</u>				
Derivative assets	-	177	-	51
<u>Amortised cost</u>				
Trade and other receivables (N1)	71,155	46,142	35,898	55,917
Deposits, bank and cash balances	29,020	23,549	13,453	1,541
	<u>100,175</u>	<u>69,691</u>	<u>49,351</u>	<u>57,458</u>
Financial liabilities				
<u>Mandatorily at fair value through profit or loss</u>				
Derivative liabilities	61	-	138	30
<u>Amortised cost</u>				
Trade and other payables	10,602	7,945	21,596	40,434
Bank borrowings	77,082	77,435	76,799	92,266
	<u>87,684</u>	<u>85,380</u>	<u>98,395</u>	<u>132,700</u>

N1 - Excluding deposits, prepayments and certain receivables.

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****27. FINANCIAL INSTRUMENTS (CONT'D)****27.4 Gains or losses arising from financial instruments**

	-----Audited-----			
	30.06.2019	30.06.2020	30.06.2021	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Financial assets				
<u>Fair value through profit or loss</u>				
Net gains recognised in profit or loss by:				
- mandatorily required by MFRS 9	-	38	-	51
<u>Amortised cost</u>				
Net (losses)/gains recognised in profit or loss	495	286	336	(126)
Financial liabilities				
<u>Fair value through profit or loss</u>				
Net (losses)/gains recognised in profit or loss by:				
- mandatorily required by MFRS 9	(170)	-	118	(175)
<u>Amortised cost</u>				
Net losses recognised in profit or loss	(2,570)	(1,699)	(1,707)	(241)

27.5 Fair value information

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

The fair value of term loan approximated its carrying amount as it is repriced to market interest rate on or near the relevant reporting date.

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****27. FINANCIAL INSTRUMENTS (CONT'D)****27.5 Fair value information (cont'd)**

The following table sets out the fair value profile of financial instruments that are carried at fair value at the end of each reporting period:

	Fair value of financial instruments carried at fair value			Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
Audited					
30 June 2019					
<u>Financial liabilities</u>					
Derivative liabilities					
- forward currency contracts	-	(61)	-	(61)	(61)
Audited					
30 June 2020					
<u>Financial assets</u>					
Derivative assets					
- forward currency contracts	-	177	-	177	177
Audited					
30 June 2021					
<u>Financial liabilities</u>					
Derivative liabilities					
- forward currency contracts	-	(138)	-	(138)	(138)
Audited					
31 December 2021					
<u>Financial assets</u>					
Derivative assets					
- forward currency contracts	-	51	-	51	51
<u>Financial liabilities</u>					
Derivative liabilities					
- forward currency contracts	-	(30)	-	(30)	(30)

Fair value of financial instruments carried at fair value

- (a) The fair values of forward currency contracts are determined by discounting the difference between the contractual forward prices and the current forward prices for the residual maturity of the contracts using a risk-free interest rate.
- (b) There was no transfer between level 1 and level 2 during the relevant reporting periods.

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ACCOUNTANTS' REPORT**NOTES TO THE COMBINED FINANCIAL STATEMENTS****28. SIGNIFICANT EVENTS DURING THE RELEVANT REPORTING PERIODS**

- (a) The Group entered into service agreement including principal and supplementary agreements dated 8 July 2015, 26 October 2020 and 1 July 2021 to install biomass plant equipment for a cash consideration of RM 6.250 million. As at 31 December 2021, the progress claims amounting to RM 1.785 million had been captured as capital work-in-progress under property, plant and equipment.
- (b) The Group entered into letter of award and variation order dated 23 December 2019 and 15 April 2021 respectively to install solar system for a cash consideration of RM 12.779 million. As at 31 December 2021, the progress claims amounting to RM 12.140 million had been captured as capital work-in-progress under property, plant and equipment.
- (c) On 11 March 2020, the World Health Organisation declared the Coronavirus Disease ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the Covid-19 outbreak in Malaysia.

During the relevant reporting periods, the MCO went through various phases throughout Malaysia where restrictions were either relaxed and/or tightened for certain states, districts and/or location based on the number of daily and active Covid-19 cases in the respective areas.

On 12 November 2021, the Group closed all its factories for 7 days from 12 November until 18 November 2021 in accordance with an order from the Ministry of Health Malaysia ("MOH") as some of the foreign workers had contracted Covid-19 ("Factory Closure"). Due to the Factory Closure, the production activities were temporarily disrupted as the workers were put under 7 days of quarantine.

The Factory Closure for 7 days did not have any material impact on the Group's operations and financial performance for the 6-month financial period ended 31 December 2021.

Overall, the Covid-19 global pandemic has not resulted in any material impairment to the Group's assets (including inventories and receivables) as of 31 December 2021 or affected the Group's ability to continue its business as a going concern.

- (d) On 3 September 2021, the Company entered into a conditional share sale agreement to acquire the entire issued share capital of SFT, together with its subsidiary, for a purchase consideration of RM 77,844,599 to be fully satisfied by issuance of 77,844,599 new shares of the Company.

The acquisition was completed on 18 May 2022.

13. ACCOUNTANTS' REPORT (CONT'D)

SENG FONG HOLDINGS BERHAD

(Incorporated in Malaysia)

Registration No.: 202101022910 (1423210 - X)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

29. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 19 May 2022, the Company completed a share split involving the subdivision of every existing 2 shares into 11 shares. As a result, the number of issued ordinary shares of the Company increased to 428,145,300 shares.

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13. ACCOUNTANTS' REPORT (CONT'D)

SENG FONG HOLDINGS BERHAD

(Incorporated in Malaysia)

Registration No.: 202101022910 (1423210 - X)

STATEMENTS BY DIRECTORS

We, Er Hock Lai and Er Tzer Nam, being two of the directors of Seng Fong Holdings Berhad, state that, in the opinion of the directors, the combined financial statements set out on pages 5 to 80 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Chapter 10 of the Prospectus Guidelines issued by the Securities Commission Malaysia so as to give a true and fair view of the combined financial position of the Group as of 30 June 2019, 30 June 2020, 30 June 2021 and 31 December 2021 and of their combined financial performance and cash flows for the relevant reporting periods ended on those dates.

Signed in accordance with a resolution of the directors dated **27 MAY 2022**



Er Hock Lai



Er Tzer Nam

14. ADDITIONAL INFORMATION

14.1 SHARE CAPITAL

- (i) Save as disclosed in this Prospectus, no securities will be allotted or issued on the basis of this Prospectus after six months from the date of the issue of this Prospectus.
- (ii) There are no special rights attached to our Shares. As at the date of this Prospectus, we have only one class of shares in our Company, namely ordinary shares, all of which rank equally with one another.
- (iii) Save as disclosed in Sections 4.2.1 and 6.2.1 of this Prospectus, our Group has not issued or proposed to issue any shares, stocks or debentures as fully or partly paid-up in cash or otherwise, within two years immediately preceding the date of this Prospectus.
- (iv) None of the share capital of our Group is under option, or agreed conditionally or unconditionally to be put under option as at the date of this Prospectus.
- (v) As at the date of this Prospectus, save for the IPO Shares reserved for Eligible Persons as disclosed in Section 4.2.1(ii) of this Prospectus, there is currently no other scheme involving our Directors or employees in the capital of our Group.
- (vi) As at the date of this Prospectus, our Group does not have any outstanding convertible securities, options, warrants or uncalled capital.
- (vii) Save as disclosed in this Prospectus and save as provided under our Constitution and the CA 2016, there are no other restrictions upon the holding or voting or transfer of our Shares.

14.2 EXTRACT 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:

14.2.1 Transfer of shares

The provision in our Company's Constitution in respect of the transfer of shares and restrictions on their free transferability are as follows:

Clause 33 - Transfers of securities

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

Clause 34 - Transferor's Right

Subject to the provisions of the Act, the Central Depositories Act and the Rules, the transfer of all other shares of the Company not so deposited with the Depository (not being Deposited Securities) shall be in the manner provided in the Act (including the applicable provisions of Third Schedule to the Act) to the extent that the same is not inconsistent with this Constitution.

14. ADDITIONAL INFORMATION (CONT'D)

The instrument of transfer of the share shall be executed by or on behalf of the transferor and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered into the Register as the case may be in respect thereof. Subject to the relevant law and regulations, an instrument of transfer must be in respect of only one (1) class of Shares.

Neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of any shares which is legally inoperative or insufficient to pass the property of such shares to be transferred by reason of any fraud or other cause unknown to the Company or its Directors or officers.

Clause 35 - Suspension of registration

Subject to the provisions of the Act, the Central Depositories Act and the Rules, the registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine not exceeding in the whole, thirty (30) days in any year. Ten (10) market days' notice, or such other period as may from time to time be specified by the Exchange governing the Register concerned; of intention to close the Register and the reason thereof shall be given to the Exchange and published in a daily newspaper circulating in Malaysia. Such notice shall state the Books Closing Date which shall not be less than eight (8) clear market days from the date of notification to the Exchange.

Clause 36 - Reasons for closing of books

The transfer books and Record of Depositors may be closed for the purpose of determining persons entitled to dividends, interest, or new securities or rights to a priority of application for issued of Securities. The Company shall request the Depository in accordance with the Rules to issue a Record of Depositors as at a date not less than three (3) Market Days before the occurrence of the related event.

Clause 37 - Restriction on transfer

There should be no restriction on the transfer of fully paid Shares except where required by law or the relevant regulations or where the Company has a lien and no Share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

Clause 38 - Refusal to register transfer

- (1) Subject to Section 106 and any other relevant provisions of the Act, the Directors may refuse or delay to register the transfer of a share, not being a Deposited Security, to a person of whom they shall not approve.
- (2) The Depository may refuse to register any transfer of Deposited Security that does not comply with the Central Depositories Act and the Rules.

Clause 39 - Notice of refusal

If the Directors passed a resolution to refuse or delay the registration of a transfer, they shall, within seven (7) days of the resolution being passed, give to the lodging broker, transferor and the transferee written notice of the resolution setting out the precise reasons thereof.

Clause 40 - Renunciation

Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person.

14. ADDITIONAL INFORMATION (CONT'D)

Clause 41 – Reasonable Diligence

Subject to the provisions of the Act, the Central Depositories Act and the Rules, where by the exercise of reasonable diligence the Company is unable to discover the whereabouts of a Member for a period of not less than ten (10) years the Company may cause an advertisement circulating in the place shown in the Register as the address of the Member stating that the Company after expiration of one (1) month from the date of the advertisement intends to transfer the shares to the Minister charged with responsibility for finance.

Clause 42 – Transfer of shares to Minister charged with responsibility for finance

Subject to the provisions of the Act, the Central Depositories Act and the Rules, if after the expiration of one (1) month from the date of the advertisement the whereabouts of the Member remains unknown, the Company may transfer the shares held by the Member to the Minister charged with responsibility for finance and for the purpose may execute for and on behalf of such Member a transfer of those shares to the Minister charged with responsibility for finance.

14.2.2 Transmission of shares

The provision in our Company's Constitution in respect of the transmission of shares and restrictions on their free transferability are as follows:

Clause 43 - Death of Member

In the case of the death of a Member, the person(s) recognised by the Company as having any title to his interest in the shares shall be, where the deceased was a sole holder, the legal representative(s) of the deceased, and where the deceased was a joint holder, the survivor; but nothing herein contained shall release the estate of a deceased Member from any liability in respect of any share which had been held by him.

Clause 44 - Notice of election

Subject to the provisions of the Act, the Central Depositories Act and the Rules, any person becoming entitled to a share in consequence of the death or bankruptcy of a Member may, upon such evidence being produced as may from time to time properly be required by the Directors and subject as hereinafter provided, elect either to be registered himself as holder of the share or to have some person nominated by him registered as the transferee thereof, but the Directors shall in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by that Member before his death or bankruptcy. Provided always that where the share is a Deposited Security, subject to the Rules, a transfer or withdrawal of the shares may be carried out by the person becoming so entitled. Nothing herein contained shall release the estate of a deceased Member from any liability in respect of any share which had been held by him.

Clause 45 - Share of deceased or bankrupt Member

Subject to Clause 47 if any person so becoming entitled elects to register himself, he shall deliver or send to the Company, a notice in writing signed by him and stating that he so elects, provided that where the share is a Deposited Security and the person becoming entitled elects to have the share transferred to him, the aforesaid notice must be served by him to the Depository together with such other relevant documents as may be required by the Depository. If he elects to have another person registered, he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of this Constitution relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer were a transfer signed by that Member.

14. ADDITIONAL INFORMATION (CONT'D)**Clause 46 - Person entitled may receive dividends**

Where the registered holder of any share dies or becomes bankrupt, his personal representative or the assignee or his estate, as the case may be, shall, upon the production of such evidence as may from time to time be properly required by the Directors on that behalf, be entitled to the same dividends and other advantages and to which he would be entitled if he were the registered holder of the Security (whether in relation to meetings of the Company or to voting or otherwise), except that he shall not, before being registered as a Member in respect of the share, be entitled in respect of it, to exercise any right conferred by membership in relation to meetings of the Company. Provided further always that the Directors may at any time give notice requiring any such person to elect, either to be registered himself or to transfer the Security, and if the notice is not complied with within ninety (90) days, the Directors may, thereafter, withhold payment of all dividends, bonuses or other moneys payable in respect of the Security until the requirements of the notice have been complied with.

Clause 47 - Transmission of Securities

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 holder of Securities, 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 Companies in Malaysia and vice versa provided that there shall be no change in the ownership of such Securities.

14.2.3 Remuneration of our Directors

The provisions in our Company's Constitution in respect of the remuneration of our Directors are as follows:

Clause 105 - Remuneration of Directors

The Directors shall be paid by way of fees for their services, such fixed sum (if any) as shall from time to time be determined by the Company in general meeting and such fees shall be divided among the Directors in such proportions and manner as the Directors may determine (or failing agreement, equally). PROVIDED ALWAYS that: -

- (a) fee payable to Directors who hold non-executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.
- (b) salaries payable to Directors who hold executive office in the Company may not include a commission on or percentage of turnover.
- (c) fees and any benefits payable to Directors shall be subject to annual shareholder approval at a general meeting.
- (d) any fee paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

14. ADDITIONAL INFORMATION (CONT'D)**Clause 106 - Reimbursement of expenses**

- (1) The Directors shall be entitled to be reimbursed for all their travelling and other reasonable expenses as may be incurred in attending meetings of the Directors or any committee of the Directors of the Company, in or about the business of the Company in the course of the performance of their duties as Directors.
- (2) If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Board of Directors provided that in the case of Non-Executive Directors of the Company, the said remuneration shall not include a commission on or percentage of profits or turnover. In the case of an Executive Director, such fee may be either in addition to or in substitution for his share in the fee from time to time provided for the Directors.

Clause 133 - Remuneration of Director holding executive office

The remuneration of a Director holding an executive office pursuant to this Constitution shall be fixed by the Directors and may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but shall not include a commission on or percentage of turnover.

14.2.4 Powers and duties of Directors

The provisions in our Company's Constitution in respect of the powers and duties of Directors are as follows:

Clause 108 - Business of Company to be managed by Directors

The business of the Company shall be managed by the Directors who may pay all expenses incurred in promoting and registering the Company, and exercise all such powers of the Company as are not by this Constitution required to be exercised by the Company in general meeting, subject nevertheless, to any of this Constitution, to the provisions of the Act, and to such resolutions, not being inconsistent with this Constitution or the provisions of the Act as may be prescribed by the Company in general meeting but no resolution made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if such resolution had not been made.

Clause 109 – Limitation on Directors' powers

The Directors shall not without the prior approval of the Company in general meeting: -

- (a) enter or carry into effect any arrangement or transaction for the acquisition of an undertaking or property of a substantial value, or the disposal of a substantial portion of the Company's undertaking or property;
- (b) exercise any power of the Company to issue Shares unless otherwise permitted under the Act; or
- (c) subject to Sections 228 and 229 of the Act, enter into any arrangement or transaction with a Director of the Company or its holding company or with a person connected with such a Director, to acquire from or dispose to such a Director or person connected, any Shares or non-cash assets of the requisite value.

14. ADDITIONAL INFORMATION (CONT'D)

Clause 110 – Scope of Directors' borrowing powers

- (1) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge the Company's or the subsidiaries' undertaking, property and uncalled capital or any part thereof and to issue debentures and other Securities, whether outright or as security for any debt, liability or obligation of the Company or its subsidiaries as may be thought fit.
- (2) The Directors shall not borrow any money or mortgage or charge any of the Company's or the subsidiaries' undertaking, property or any uncalled capital, or to issue debentures and other Securities whether outright or as security for any debt, liability or obligation of an unrelated third party.
- (3) The Directors may borrow or raise any such money as aforesaid upon or by the issue or sale of any bonds, debentures, debenture stock, or Securities, and upon such terms as to time of repayment, rate of interest, price of issue or sale; payment of premium or bonus upon redemption or repayment or upon any other terms as they may think proper.
- (4) Any debenture or other security may be issued at a discount, premium or otherwise and (with the sanction of the Company in general meeting) with any special privilege as to allotment of Shares, attending and voting at general meetings of the Company, appointment of Directors or otherwise.

Subject to the Act, if the Directors or any of them, or any other person, shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors, or persons so becoming liable as aforesaid, from any loss in respect of such liability.

Clause 111 - Power to maintain pension fund

The Directors may establish or arrange any contributory or non-contributory pension or superannuation scheme for the benefit of, or pay a gratuity, pension or emolument to any person who is or has been employed by or in the service of the Company or any subsidiary of the Company, or to any person who is or has been a Director or other officer of and holds or has held salaried employment in the Company or any such subsidiary, and the widow, family or dependants of any such person. The Directors may also subscribe to any association or fund which they consider to be for the benefit of the Company or any such subsidiary or any such person as aforesaid and make payments for or towards any hospital or scholastic expenses and any Director holding such salaried employment shall be entitled to retain any benefit received by him hereunder subject only, where the Act requires, for proper disclosure to the Members and the approval of the Company in general meeting.

Clause 112 - Power to use official seal

The Directors may exercise all the powers of the Company conferred by the Act in relation to any official seal for use outside Malaysia and in relation to branch registers. The Directors can use all the powers given by the Act for executing a document under Sections 66(2) and (3) of the Act instead of affixing the Seal or any other seal.

14. ADDITIONAL INFORMATION (CONT'D)

Clause 113 - Appointment of attorneys

The Directors may from time to time by power of attorney under the Seal, appoint any corporation, firm or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney/attorneys of the Company for such purposes and with such powers, authorities and discretion (not exceeding those vested in or exercisable by the Directors under this Constitution) and for such period and subject to such conditions as they may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit and may also authorise any such attorney to delegate all or any of the powers, authorities and discretion vested in him.

Clause 114 - Signing of cheques etc.

All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for money paid to the Company shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be in such manner as the Directors may determine by resolution.

Clause 115 - Discharge of duties

A Director shall at all times act honestly and use reasonable diligence in the discharge of the duties of his office and shall not make use of any information acquired by virtue of his position to gain directly or indirectly an improper advantage for himself or for any other person or to cause detriment to the Company.

Clause 116 - Notice of disclosures

Every Director shall give notice to the Company of such events and matters relating to himself as may be necessary or expedient to enable the Company and its officers to comply with the requirements of the Act.

Clause 117 - Director may hold other office

Subject always to Sections 221, 228 and 229 of the Act and subject to the requirements of the Exchange, a Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise nor shall any such contracts, or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established but the interest must be disclosed by him at the meeting of the Directors at which the contract or arrangement is determined, if the interest then exists or in any other case at the first meeting of the Directors after the acquisition of the interest.

Clause 118 - Director may act in his professional capacity

Any Director may act by himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a Director, provided that nothing herein contained shall authorise a Director or his firm to act as auditor of the Company and provided further that such shall be at normal commercial terms.

14. ADDITIONAL INFORMATION (CONT'D)

Clause 103 - Director's power to fill casual vacancies and to appoint additional directors

The Directors shall have power at any time and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Board but the total number of Directors shall not at any time exceed the maximum number fixed in accordance with this Constitution. Any Director so appointed shall hold office only until the next annual general meeting of the company, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

Clause 131 – Alternate Director

- (1) Each Director shall have power from time to time to nominate any person (not being a Director) to act as his alternate Director and at his discretion remove such alternate Director, but the appointment of such alternate Director shall not take effect until approved by a majority of the other Directors PROVIDED ALWAYS that:
 - (a) such person is not a Director of the Company;
 - (b) such person does not act as an alternate for more than one Director of the Company;
 - (c) the appointment is approved by a majority of the other Members of the Board; and
 - (d) any fee paid by the Company to an alternate Director shall be deducted from that Director's remuneration.
- (2) An alternate Director shall (except as regards the power to appoint an alternate Director and remuneration) be subject in all respects to the terms and conditions existing with reference to the other Directors, and shall be entitled to receive notices of all meetings of the Directors and to attend, speak and vote at any such meeting at which his appointer is not present.
- (3) Any appointment or removal of an alternate Director may be made by way of electronic or in any other manner approved by the Directors. Any way of electronic shall be confirmed as soon as possible by letter, but may be acted upon by the Company in the meanwhile.
- (4) If a Director making any such appointment as aforesaid shall cease to be a Director (otherwise than by reason of vacating his office at a meeting of the Company at which he is re-elected), the person appointed by him shall thereupon cease to have any power or authority to act as an alternate Director.
- (5) A Director shall not be liable for the acts and defaults of any alternate Director appointed by him.
- (6) An alternate Director shall not be taken into account in reckoning the minimum or maximum number of Directors allowed for the time being but he shall be counted for the purpose of reckoning whether a quorum is present at any meeting of the Directors attended by him at which he is entitled to vote.

14. ADDITIONAL INFORMATION (CONT'D)**Clause 135 - Power of Directors to appoint committees**

The Directors may establish any committees, local boards or agencies comprising two (2) or more persons for managing any other affairs of the Company either in Malaysia or elsewhere, and may lay down, vary or annul such rules and regulations as they may think fit for the conduct of the business thereof, and may appoint any person or persons to be the Member or Members of any such committee or local board or agency and may fix their remuneration and may delegate to any such committee or local board or agency any of the powers, authorities and discretion vested in the Directors, with power to sub-delegate, and may authorise the Member or Members of any such committee or local board or agency or any of them, to fill any vacancies therein, and to act notwithstanding vacancies, and any such appointment or delegation may be made upon such terms and subject to such conditions as the Director may think fit, and the Directors may remove any person so appointed, and may annul or vary any such delegation, but no persons dealing in good faith and without notice of any such annulment or variation shall be affected thereby. The regulations herein contained for the proceedings of Directors shall so far as not altered by any regulations made by the Directors apply also to the meetings and proceedings of any committee.

14.2.5 Proceedings of Directors

The provisions in our Company's Constitution in respect of the proceedings of Directors are as follows:

Clause 119 - Meeting of Directors

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Any Director may at any time and the Secretary shall on the requisition of any of the Directors, summon a meeting of the Directors. A meeting of the Directors may consist of a conference between Directors who are not all in one place, but each is able, to directly or by telephonic or other electronic communications, communicate with each other simultaneously. Such participation shall be deemed to be presence in person. The matters resolved during such meeting shall be subject to confirmation by the signatures of the participating Directors on the minutes taken of such meeting.

Clause 120 - Notice of Directors' Meeting

It shall not be necessary to give any Director or alternate Director who has not got an address in Malaysia, registered with the Company, notice of a meeting of the Directors. Unless otherwise determined by the Directors from time to time, a seven (7) days' notice of all Directors' meetings shall be given to all Directors and their alternates who have a registered address in Malaysia. Except in the case of an emergency, reasonable notice of every Directors' meeting shall be given in writing and the notice of each Directors' meeting shall be served in the manner referred to in Section 322 of the Act and the said Section 322 of the Act shall apply mutatis mutandis to the service of notice of Directors' meetings on Directors as they apply to the service of notices on Members of the Company.

Clause 121 - Quorum of meetings of Directors

The quorum necessary for the transaction of business of the Directors shall be two (2) and a meeting of the Director for the time being at which a quorum is present shall be competent to exercise all or any of the powers, authorities and discretion by or under this Constitution vested in or exercisable by the Directors generally. For the purpose of determining whether the quorum for the transaction of the business of the Directors exists:

- (a) in the case of a resolution agreed by Directors in telephonic communications, all such Directors shall be counted in the quorum;

14. ADDITIONAL INFORMATION (CONT'D)

- (b) in the case of a meeting of Directors, in addition to the Directors present at the meeting, any Director in telephonic communication with such meeting shall be counted in the quorum.

Clause 122 - Chairman of Directors

The Directors may elect a Chairman of their meetings and determine the period for which he is to hold office and unless otherwise determined, the Chairman shall be elected annually but if no such Chairman is elected, or if at any meeting the Chairman is not present within ten (10) minutes after the time appointed for holding the meeting the Directors present may choose one of their number to be Chairman of the meeting.

Clause 123 - Appointment of proxy

The Directors shall have full powers to appoint any person from time to time as and when necessary, as their proxies to represent them at Directors' Meetings. An instrument appointing a proxy shall be in writing in any form approved by the Directors under the hand of the appointer or his attorney duly authorised in writing.

Clause 124 - Votes by majority and Chairman's casting vote

Subject to this Constitution, any question arising at any meeting of Directors shall be decided by a majority of votes and a determination by a majority of Directors shall for all purposes be deemed a determination of the Directors. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote. Where at the meeting only two (2) Directors form the quorum and only such quorum is present at the meeting or are competent to vote on the question at issue, the Chairman shall not have a second or casting vote.

Clause 125 - Directors may act notwithstanding vacancy

The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the minimum number fixed by or pursuant to this Constitution as the necessary quorum of Directors, the continuing Director or Directors except in an emergency, may act for the purpose of increasing the number of Directors to that minimum number or of summoning a general meeting of the Company but for no other purpose.

Clause 126 - Disclosure of interest

Every Director shall comply with the provisions of Sections 219 and 221 of the Act in connection with the disclosure of his shareholding and interests in the Company and his interest in any contract or proposed contract with the Company and in connection with the disclosure, every Director shall state the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly, duties or interests might be created in conflict with his duty or interest as a Director of the Company.

Clause 127 - Restriction on voting

A Director may contract with and be interested in any contract or proposed contract with the Company and shall not be liable to account for any profit made by him by reason of any such contract; PROVIDED ALWAYS THAT the nature of the interest of the Director in any such contract be declared at a meeting of the Directors as required by Section 221 of the Act. A Director shall not vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly an interest (and if he shall do so his vote shall not be counted), nor shall he be counted for the purpose of any resolution regarding the same, in the quorum present at the meeting.

14. ADDITIONAL INFORMATION (CONT'D)**Clause 128 - Relaxation of restriction of voting**

A Director notwithstanding his interest may, provided that none of the other Directors present disagree, be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any office or place of profit under the Company or whereat the Directors resolve to exercise any of the rights of the Company (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company, or whereat any decision is taken upon any contract or arrangement in which he is in any way interested PROVIDED ALWAYS that he has complied with Section 221 and all other relevant provisions of the Act and of this Constitution.

Clause 129

A Director may vote in respect of: -

- (a) any arrangement for giving the Director himself or any other Directors any security or indemnity or any other Directors any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company;
- (b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part, under a guarantee or indemnity or by the deposit of a security.

Clause 130 - Directors may become Directors of other corporation

A Director of the Company may be or become a Director or other officer of or otherwise interested in any corporation promoted by the Company or in which the Company may be interested as shareholder or otherwise or any corporation which is directly or indirectly interested in the Company as shareholder or otherwise and no such Director shall be accountable to the Company for a remuneration or other benefit received by him as a Director or officer of, or from his interest in, such corporation unless the Company otherwise directs at the time of his appointment. The Directors may exercise the voting power conferred by the shares or other interest in any such other corporation held or owned by the Company, or exercisable by them as Directors of such other corporation, in such manner and in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of the Directors or other officers of such corporation), and any Director may vote in favour of the exercise of such voting rights in manner aforesaid, notwithstanding that he may be or is about to be appointed a Director or other officer of such corporation and as such is or may become interested in the exercise of such voting rights in manner aforesaid.

14.2.6 Share capital and variation of rights

The provisions in our Constitution in respect of the share capital and variation of rights are as follows:

Clause 6 - Power to issue shares with special rights

- (1) Without prejudice to any special rights previously conferred on the holders of any existing shares but subject to Section 75(2) of the Act and to this Constitution, the Directors shall only upon prior approval by way of resolution by the members, exercise any power to:
 - (a) allot Shares in the Company;
 - (b) grant rights to subscribe for Shares in the Company;
 - (c) convert any security into Shares in the Company; or

14. ADDITIONAL INFORMATION (CONT'D)

(d) allot Shares under an agreement or option or offer.

PROVIDED ALWAYS that:

the pricing, issuance and/or placement of Shares of convertible Securities shall be in compliance with and not in contravention of the provisions of the Listing Requirements; and

(2) Any such shares may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise as the Directors may determine. Where the Company has different classes of shares, this Constitution will state:

- (a) that the Company's share capital is divided into different classes of shares;
- (b) the voting rights attached to shares in each class;
- (c) any other rights attached to those shares; and
- (d) any other things which Section 90 of the Act requires.

Clause 7 - Allotment of Shares to directors, etc

The Company shall not issue Shares or other convertible Securities to the Directors or major shareholder or chief executive of the Company and/or its holding company or the person(s) connected to them unless the Members in the general meeting have approved the specific allotment to be made to such persons.

Clause 8 - Issue of new shares to members

Subject to any direction to the contrary that may be given by the Company in a 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. Such 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 any 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. The Directors may likewise also dispose of any new Shares or Securities 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 in the manner provided under this Constitution.

Clause 9 – General mandate for issue of Securities

Notwithstanding the existence of a resolution pursuant to Section 76 of the Act, but subject always to the Listing Requirements, the Company may obtain members' approval for further issues of Shares in accordance with the provisions of Section 75 of the Act, there is still in effect a resolution approving the issue of Shares by the Company.

14. ADDITIONAL INFORMATION (CONT'D)

Clause 10 - New Shares to rank with original Shares

Except so far as otherwise provided by the conditions of issue, or by this Constitution, any capital raised by the creation of new Shares shall be considered as part of the original share capital of the Company, and shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the original share capital.

Clause 11 - Rights of preference shareholders

Subject to the Act, any preference shares may with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed and the Company shall not issue preference shares ranking in priority above preference shares already issued, but may issue preference shares ranking equally therewith. Preference shareholders shall have the same rights as ordinary shareholders in relation to receiving notices, reports and audited financial statements and attending general meetings of the Company.

Clause 12 - Repayment of preference capital

Notwithstanding Clause 13 hereof, the repayment of preference share capital other than redeemable preference shares, or any alteration of preference shareholder's rights may only be made pursuant to a special resolution of the preference shareholders concerned PROVIDED ALWAYS that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing representing not less than seventy-five percent (75%) of the total voting rights of the preference shareholders concerned obtained within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.

Clause 13 - Modification of class rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders representing not less than seventy-five percent (75%) of the total voting rights of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class pursuant to the provisions of Section 292 of the Act. To every such separate general meeting, the provisions of this Constitution relating to general meetings shall mutatis mutandis apply, except that the necessary quorum hereof shall be two (2) persons at least holding or representing by proxy one third (1/3) of the issued shares of the class and for an adjourned meeting one (1) person holding shares of such class.

Clause 14 - Ranking of class rights

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects *pari passu* therewith.

14. ADDITIONAL INFORMATION (CONT'D)**Clause 15 - Commission on subscription of Shares**

The Company may exercise the powers of paying commission conferred by the Act, provided that the rate per cent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act, and the rate of 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 an amount equal to ten percent (10%) of that price (as the case may be). Such commission may be satisfied by the payment of cash or the allotment of fully or partly paid Shares or partly in one way and partly in the other. The Company may also on any issue of Shares pay such brokerage as may be lawful.

Clause 16 - Trusts not to be recognised

Except as required by law, no person shall be recognized by the Company as holding any Share upon any trust, and the Company shall not be bound by or be compelled in any way to recognize (even with notice thereof) any equitable, contingent, future or partial interest in any Share or any unit of Share or (except only as by this Constitution or by law otherwise provided) any other right in respect of any Shares, except an absolute right to the entirety thereof in the registered holder.

Clause 17 - Issue of Securities

A company must ensure that all new issues of Securities for which listing is sought are made by way of crediting the Securities accounts of the allottees with such Securities save and except where it is specifically exempted from compliance with section 38 of the Central Depositories Act, in which event it shall so similarly be exempted from compliance with this Requirement. For this purpose, the Company must notify the Depository of the names of the allottees and all such particulars required by the Depository, to enable the Depository to make the appropriate entries in the Securities accounts of such allottees. The Company shall, if required by the Listing Requirements to obtain an auditors' certificate to the effect that the issue of the new Securities is in accordance with the Listing Requirements and this Constitution.

Clause 18 - Allotment of Securities and dispatch notices

Subject to the provisions of the Act, the Central Depositories Act and the Rules, the Company shall allot and/or issue Securities, despatch notices of allotment to the successful allottees and make an application for the quotation of such Securities within the relevant periods prescribed by the Exchange.

Clause 19 - Compliance with the Act and Listing Requirements

The Company shall duly observe and comply with the provisions of the Act and the Listing Requirements from time to time prescribed by the Exchange applicable to any allotment of its Shares.

14.2.7 Alteration of capital

The provisions in our Constitution in respect of the alteration of capital are as follows:

Clause 61 - Power to alter capital

- (a) The shareholders may pass ordinary resolutions to alter the Company's share capital in accordance with the Act and the Listing Requirements as follows:
 - (i) to increase the share capital by such sum to be divided into Shares of such amount as the resolution shall prescribe;

14. ADDITIONAL INFORMATION (CONT'D)

- (ii) to 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;
 - (iii) to convert all or any of its paid-up Shares into stock and may reconvert that stock into paid-up Shares;
 - (iv) to subdivide its Shares or any of the Shares, whatever is in the subdivision, the proportions 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
 - (v) cancel any Shares, which at the date of the passing of the resolution, which have been forfeited, and diminish the amount of its share capital by the amount of the Shares so cancelled.
- (b) If any Shares are consolidated or divided, the Directors may deal with any fractions of Shares which result or any other problem that arises. If the Directors decide to sell any Shares which represent fractions, they must sell for the best price they can reasonably obtain and distribute the net proceeds of sale among shareholders in proportion to their fractional entitlements or shall be disregarded and will be dealt with by the Directors in such a manner as they deem fit at their absolute discretion and in the best interest of the Company. The Directors can sell to a person (including the Company, if the Act and Listing Requirements allow) and can authorise a person to transfer those Shares to the buyer or in accordance with the buyer's instructions. The buyer does not need to take any action to check how any money paid is used. The buyer's ownership will not be affected if the sale was irregular or invalid in any way.

Clause 62 - Share Buy-Back

Subject to and in accordance with the provisions of the Act and such other relevant law, regulation or guideline for the time being in force, the Company is allowed and shall have power, to the fullest extent permitted, to purchase any of its own Shares and other Securities and thereafter, the Directors may resolve and shall have the fullest power to deal with such purchased shares or other Securities in accordance with the provisions of the Act and such other relevant law, regulation or guideline.

Clause 63 - Power to reduce capital

The shareholders can pass a special resolution to reduce in any way the Company's share capital in accordance with Subdivision 4 of Division 1 of Part III of Act, whether with the confirmation of the Court or a solvency statement.

14. ADDITIONAL INFORMATION (CONT'D)**14.2.8 Rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights**

The provisions in our Constitution in respect of rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights are as follows:

Clause 59 - Rights of stock holders

The holders of stock shall, according to the amount of the stock held by them have the same rights, privileges and advantages as regards dividends, participation in assets on a winding up, voting at meetings of the Company and other matters as if they held the shares from which the stock arose, but no such right, privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by any such aliquot part of stock as would not, if existing in shares, have conferred that right, privilege or advantage.

Clause 69 - Record of Depositors eligible to be present and vote

Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 (where applicable) and notwithstanding any provision in the Act, a Depositor shall not be regarded as a Member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors.

Clause 81 - How a vote is to be taken

- (1) At any general meeting a resolution put to the vote of the meeting shall be decided by a show of hands, unless a poll is demanded as soon as, or before, the result of the show of hands is declared by the chairman. A poll can be demanded by:
 - (a) the Chairman of the meeting;
 - (b) at least three (3) Members;
 - (c) any Member or Members present in person or by proxy and representing at least 10% of the total voting rights of all Members having the right to vote at the meeting; or
 - (d) a Member or Members holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to at least 10% of the total sum paid on all the Shares conferring that right.

The Chairman of the meeting can also demand a poll before all, some or any of the resolutions are put to the vote on a show of hands. If Listing Requirements or the Exchange or any part of regulations requires that a poll be taken in relation to any resolution or that all resolutions at a meeting be by way of poll, that resolution or those resolutions will be decided by a poll. The Chairman shall demand a poll when this happens.

- (2) A demand for a poll can be withdrawn if the Chairman agrees to this. However, this does not apply to a resolution which Listing Requirements or the Exchange requires to be decided by a poll. If a poll is demanded, and this demand is then withdrawn, a declaration by the Chairman of the result of a vote by a show of hands on that resolution, which was made before the poll was demanded, will stand.

14. ADDITIONAL INFORMATION (CONT'D)

Clause 83 - Voting

Subject to Clause 86 and any rights or restrictions for the time being attached to any class of shares at meetings of Members or classes of Members, each Member entitled to vote may vote in person or by proxy or by attorney or duly authorized representative, and on a resolution to be decided on a show of hands, a holder of ordinary shares or preference shares who is personally present or by proxy or attorney or representative appointed under this Constitution and entitled to vote shall be entitled to one (1) vote, and on a poll, every Member present in person or by proxy or attorney or representative shall have one (1) vote for each Share he holds. A proxy shall be entitled to vote on a show of hands on any question at any general meeting.

Clause 84 - Shares of different monetary denominations

Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such a manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable.

Clause 85 - Vote of Member of unsound mind and person entitled to transfer

A Member who is of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental disorder may vote, whether in a show of hands or on a poll, by his committee or by such other person as properly has the management of his estate, and any such committee or other person may vote by proxy or attorney and subject to the provisions of the Act, the Central Depositories Act and the Rules, any person entitled, under the Clause relating to transmission of Shares in this Constitution to transfer any Shares, may vote at any general meeting in respect thereof in the same manner as if he was the registered holder of such Shares provided that at least forty-eight (48) hours before the time of holding the meeting or adjourned meeting or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, as the case may be at which he proposes to vote, he shall satisfy the Directors of his right to transfer such Shares unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof.

Clause 86 - Member barred from voting while call unpaid

Subject to this Constitution, a Member shall be entitled to be present and vote at any general meeting in respect of any Share or shares of which he is the registered holder and upon which all calls due to the Company have been paid. No person shall be entitled to be present or to vote on any resolution either as a Member or otherwise as a proxy or attorney or representative at any general meeting or demand a poll or be reckoned in the quorum in respect of any Shares upon which calls are due and unpaid.

Clause 87 - Time for objection

No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.

14. ADDITIONAL INFORMATION (CONT'D)

Clause 91 - Power of attorney

Every power, right or privilege herein given in these presents to any Member of the Company to convene, attend, vote and in any way take part in any meeting of the Company, may be exercised in the event of such Member being out of Malaysia by any attorney, whether a Member of the Company or not, duly appointed by such Member for the purpose, by a power of attorney produced at the Office of the Company during business hours not less than two (2) clear days before the same is acted on and any vote given or thing done by such attorney shall be valid notwithstanding the previous death of the Member giving such power of attorney or revocation of such power of attorney by other means provided no intimation in writing of such death or revocation shall have been received at the Office of the Company before such vote is given or thing done.

Clause 92 - Validity of vote given under proxy

A vote given in accordance with the terms of an instrument of proxy or attorney or authority shall be valid, notwithstanding the previous death or unsoundness of mind of the principal or revocation of the instrument or proxy or of the authority under which the instrument of proxy was executed, or the transfer of the Share in respect of which the instrument of proxy is given, if no intimation in writing of such death, unsoundness of mind, revocation or transfer as aforesaid has been received by the Company at the Office before the commencement of the meeting or adjourned meeting or in the case of a poll before the time appointed for the taking of the poll, at which the instrument of proxy is used.

Clause 93 – Corporate Representative

A corporation may by resolution of its directors or other governing body, if it is a Member of the Company, authorise such person as it thinks fit to act as its representative either at a particular meeting or at all meetings of the Company or of any class of Members and a person so authorised shall in accordance with his authority and until his authority is revoked by the corporation, be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual Member of the Company.

Clause 152 – Application of profits

Subject to compliance with the Act, the Directors may, if they think fit from time to time, pay to the Members such interim dividends as appear to the Directors to be justified by the profits of the Company. If at any time the share capital of the Company is divided into different classes, the Directors may pay such interim dividends in respect of those Shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights, as well as in respect of those Shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Directors act bona fide, they shall not incur any responsibility to the holder of Shares conferring any preferential rights for any damage that they may suffer by reason of the payment of an interim dividend on any Shares having deferred or non-preferential rights. The Directors may also pay half-yearly or at other suitable intervals to be settled by them, any dividend which may be payable at a fixed rate if they are of the opinion that the profits justify the payment.

Clause 155 – Payment of dividends

Subject to the rights of persons, if any, entitled to Shares with special rights as to dividend and the Act, all dividends shall be declared and paid according to the amounts paid or credited as paid on the Shares in respect whereof the dividend is paid, but no amount paid or credited as paid on a Share in advance of calls shall be treated for the purposes of this Constitution as paid on the Share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the Shares during any portion or portions of the period in respect of which the dividend is paid; but if any Share is issued on terms providing that it shall rank for dividend as from a particular date, that Share shall rank for dividend accordingly.

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 Shares with Bursa Depository on or before the date is fixed, failing which our Share Registrar will be required to transfer the Shares to the Minister of Finance 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 NO LIMITATION ON THE RIGHT TO OWN SECURITIES

Save as disclosed in Section 14.3 above, there are no limitations on the right to own securities, including any limitations on the right of non-resident or non-Malaysian shareholders to hold or exercise voting rights on our Shares, which imposed by Malaysian law or by constituent documents of our Company.

14.5 MATERIAL CONTRACTS

Save as disclosed below, our Group has not entered into any material contracts which are not in the ordinary course of our Group's business during the Financial Years Under Review up to the date of this Prospectus:

- (i) Service agreement between STG and Enviro Bio One Sdn Bhd ("**Enviro Bio**") dated 8 July 2015 ("**Service Agreement**") and its supplemental Service Agreements dated 26 October 2020 and 1 July 2021 for installation of 4.8 million kCal wood gasifier, as well as a separate service agreement dated 1 July 2021 for installation of 7.2 million kCal wood gasifier (collectively, "**Service Agreements**").

The Service Agreements comprises the performing of energy auditing service and the installation of the Biomass System in Factory 1, Factory 2 and Factory 3 for a cash consideration of RM6,250,000;

- (ii) Letter of award, letter of suspension, letter of commencement, letter of extension, variation order and letter of further extension between STG and Pekat Solar Sdn Bhd dated 23 December 2019, 18 April 2020, 7 July 2020, 5 March 2021, 15 April 2021 and 29 March 2022 respectively to design, supply, install and test the Solar System for a cash consideration of RM12,779,399;
- (iii) Conditional SSA dated 3 September 2021 between our Company and the Vendors to acquire the entire issued share capital of SFT, together with STG which is a wholly-owned subsidiary of SFT, for a purchase consideration of RM77,844,599 to be satisfied via the issuance of 77,844,599 new Shares at an issue price of RM1.00 per Share to the Vendors. The Acquisition was completed on 18 May 2022;
- (iv) Placement Agreement dated 13 May 2022 entered into by our Company, our Offerors and our Placement Agent in respect of 48,616,700 Issue Shares and 70,059,600 Offer Shares to be offered under the Institutional Offering for a placement commission of up to 2.0% of the value of such IPO Shares at the IPO Price in accordance with the terms of the Placement Agreement; and

14. ADDITIONAL INFORMATION (CONT'D)

- (v) Underwriting Agreement dated 23 May 2022 entered into by our Company and our Underwriter, where our Underwriter has agreed to underwrite up to 42,198,000 IPO Shares made available for application under the the Retail Offering for an underwriting commission of 2.0% of the total value of the underwritten IPO Shares at the IPO Price in accordance with the terms of the Underwriting Agreement.

14.6 MATERIAL LITIGATION

As at the LPD, our Group is not involved in any material litigation or arbitration, whether as plaintiff, defendant or third party, including those relating to bankruptcy, receivership or similar proceedings which may have a material adverse effect on the business or financial position of our Group, and our Directors confirm that there are no legal proceedings, pending or threatened against our Group, or of any fact likely to give rise to any legal proceeding which may materially and adversely affect our business or financial position.

14.7 CONSENTS

- (i) The written consents of our Principal Adviser, Underwriter, Placement Agent, Legal Advisers, Company Secretary, Share Registrar and Issuing House as set out in the Corporate Directory of this Prospectus for the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issuance of this Prospectus and have not subsequently been withdrawn.
- (ii) The written consent of our Auditors and Reporting Accountants for the inclusion in this Prospectus of its name and all references thereto, the Accountants' Report and the Reporting Accountants' Report on the Pro Forma Combined Statements of Financial Position in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus and has not subsequently been withdrawn.
- (iii) The written consent of our IMR for the inclusion in this Prospectus of its name, 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 issuance of this Prospectus and has not subsequently been withdrawn.

14.8 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office at No. 7 (1st Floor), Jalan Pesta 1/1, Taman Tun Dr. Ismail 1, Jalan Bakri, 84000 Muar, Johor, Malaysia, during office hours for a period of six months from the date of this Prospectus:

- (i) our Constitution;
- (ii) Reporting Accountants' Report on the Pro Forma Combined Statements of Financial Position as included in Section 12.15 of this Prospectus;
- (iii) Accountants' Report referred to in Section 13 of this Prospectus;
- (iv) the letters of consent referred to in Section 14.7 of this Prospectus;
- (v) material contracts referred to in Section 14.5 of this Prospectus;
- (vi) audited financial statements of our subsidiaries for the Financial Years Under Review; and

14. ADDITIONAL INFORMATION (CONT'D)

(vii) IMR Report as included in Section 8 of this Prospectus.

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

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., 14 June 2022.

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 24 June 2022.

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

Late Applications will not be accepted.

15.2 METHODS OF APPLICATION

15.2.1 Retail Offering

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

<u>Types of Application and Category of Investors</u>	<u>Application Method</u>
Applications by the Malaysian Public:	
Individuals	White Application Form or Electronic Share Application or Internet Share Application
Non-Individuals	White Application Form only
Applications by eligible Directors and employees of our Group	Pink Application Form only

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

15.2.2 Institutional Offering

<u>Types of Application</u>	<u>Application Method</u>
Applications by:	
(a) Bumiputera investors approved by MITI	MITI will contact the Bumiputera investors directly. They should follow MITI's instructions.
(b) Malaysian institutional and selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.

Bumiputera investors approved by MITI, other Malaysian institutional and selected investors 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 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 Eligible Persons

The Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation. The Eligible Persons must follow the notes and instructions in the said document 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 RM0.75 for each IPO Share.

Payment must be made out in favour of “**TIIH SHARE ISSUE ACCOUNT NO. 723**” 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) despatch 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

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

- (ii) **DELIVER BY HAND AND DEPOSIT** in the Issuing House drop-in boxes provided at the following address:

Tricor Customer Service Centre
Unit G-3, Ground Floor,
Vertical Podium, Avenue 3,
Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 24 June 2022 or by such other time and date specified in any change to the date or time for closing.

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 APPLICATIONS

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

Electronic Share Applications 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 Electronic Participating Financial Institutions.

15.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

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

Internet Share Applications 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

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

- (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of remittance.
- (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.

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 anytime 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 (<https://tiih.online>) within one Market Day after the balloting event.

Pursuant to the Listing Requirements, we are required to have a minimum of 25.0% of our Company's issued share capital to be held by at least 1,000 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 Eligible Persons, subject to the underwriting arrangements and reallocation as set out in Sections 4.9.1 and 4.2.4 of this Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the 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. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

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 National Registration Identity Card 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.
- (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 registered 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 Institution (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 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. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)**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.
- (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 Enquiry Services Telephone at telephone no. (03) 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 the Issuing House website at <https://tiih.online>, within 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 the Detailed Procedures for Application and Acceptance accompanying the electronic copy of this Prospectus on the website of Bursa Securities.