BETAMEK BERHAD
(Registration No.: 202101041577 (1441877-P))
(Incorporated in Malaysia)

ACCOUNTANTS' REPORT FOR THE FINANCIAL YEARS ENDED 31 MARCH 2019, 31 MARCH 2020, 31 MARCH 2021 AND 31 MARCH 2022

GRANT THORNTON MALAYSIA PLT

CHARTERED ACCOUNTANTS

Member Firm of Grant Thornton International Ltd.

GrantThornton

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Date: 13 September 2022

The Board of Directors
Betamek Berhad
Lot 137
Lingkaran Taman Industri Integrasi Rawang 2
Taman Industri Integrasi Rawang
48000 Rawang
Selangor Darul Ehsan

Dear Sirs,

Reporting Accountants' Opinion on the Financial Information (as defined herein) Contained in the Accountants' Report of Betamek Berhad ("the Company" or "Betamek")

Opinion

We have audited the accompanying combined financial statements ("Financial Information") of Betamek Berhad and its combining entity (collectively known as "the Group" or "Betamek Group") which comprises the combined statements of financial position of the Group as at 31 March 2019, 31 March 2020, 31 March 2021 and 31 March 2022, the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years ended 31 March 2019, 31 March 2020, 31 March 2021 and 31 March 2022 and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 69.

In our opinion, the accompanying Financial Information give a true and fair view of the combined financial position of the Group as at 31 March 2019, 31 March 2020, 31 March 2021 and 31 March 2022, and of their combined financial performance and their combined cash flows for the financial years then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

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Responsibilities of the Directors for the Financial Information

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

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

Reporting Accountants' Responsibility for the Audit of the Financial Information

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

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

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

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

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

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

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Reporting Accountants' Responsibility for the Audit of the Financial Information (cont'd)

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

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

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

We communicated 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 identified during our audit.

Other Matters

This report has been prepared solely to comply with the Prospectus Guidelines - Equity issued by the Securities Commission Malaysia and for inclusion in the prospectus of Betamek in connection with the listing of and quotation for the entire enlarged issued share capital of the Betamek on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.

GRANT THORNTON MALAYSIA PLT	FOO LEE MENG
(201906003682 & LLP0022494-LCA)	(NO: 03069/07/2023(J))
CHARTERED ACCOUNTANTS (AF 0737)	CHARTERED ACCOUNTANT

Kuala Lumpur

BETAMEK BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2019, 31 MARCH 2020, 31 MARCH 2021 AND 31 MARCH 2022

	Note	2019 RM	2020 RM	2021 RM	2022 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	18,448,446	18,875,227	37,808,231	38,360,840
Right-of-use assets	5	50,531	236,096	185,504	-
Intangible assets	6	-	860,888	5,455,997	5,694,964
Cash and bank balances, deposits and placements	7	246,481	256,464	266,493	-
Total non-current assets		18,745,458	20,228,675	43,716,225	44,055,804
Current assets					
Inventories	8	38,128,728	33,456,255	38,920,390	55,867,772
Trade receivables	9	14,500,965	9,198,619	17,059,164	16,532,863
Other receivables	10	7,097,990	8,568,469	11,365,783	6,997,631
Other investments	11	2,610,124	2,544,685	161,704	136,462
Tax recoverable		-	292,576	266,327	1,741,808
Cash and bank balances, deposits and placements	7	10,348,642	27,434,212	14,195,990	15,881,349
Total current assets		72,686,449	81,494,816	81,969,358	97,157,885
TOTAL ASSETS		91,431,907	101,723,491	125,685,583	141,213,689
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	12	8,000,000	8,000,000	8,000,000	8,000,001
Retained earnings		68,879,570	72,752,538	78,960,772	85,434,118
Total equity		76,879,570	80,752,538	86,960,772	93,434,119
LIABILITIES					
Non-current liabilities					
Borrowings	13	-	10,581,820	22,137,330	19,030,228
Lease liabilities	14	-	115,601	86,588	-
Deferred tax liabilities	15	1,502,000	1,462,000	2,360,000	3,513,000
Total non-current liabilities		1,502,000	12,159,421	24,583,918	22,543,228

BETAMEK BERHAD
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COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2019, 31 MARCH 2020, 31 MARCH 2021 AND 31 MARCH 2022 (CONT'D)

	Note	2019 RM	2020 RM	2021 RM	2022 RM
EQUITY AND LIABILITIES (CONT'D)					
LIABILITIES (CONT'D)					
Current liabilities					
Trade payables	16	10,223,476	5,430,794	8,696,266	8,944,732
Other payables	17	2,071,244	2,082,589	4,259,061	4,010,235
Borrowings	13	-	1,270,464	1,156,553	12,281,375
Lease liabilities	14	25,902	27,685	29,013	-
Tax payable		729,715	-	-	-
Total current liabilities		13,050,337	8,811,532	14,140,893	25,236,342
Total liabilities		14,552,337	20,970,953	38,724,811	47,779,570
TOTAL EQUITY AND LIABILITIES		91,431,907	101,723,491	125,685,583	141,213,689

The accompanying notes form an integral part of the combined financial statements.

BETAMEK BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 31 MARCH 2019, 31 MARCH 2020, 31 MARCH 2021 AND 31 MARCH 2022

	Note	2019 RM	2020 RM	2021 RM	2022 RM
Revenue	18	126,541,922	130,732,332	129,869,218	133,051,434
Cost of sales		(92,729,072)	(103,930,823)	(99,586,936)	(108,520,664)
Gross profit		33,812,850	26,801,509	30,282,282	24,530,770
Other income		857,385	291,907	1,708,257	1,086,412
Distribution expenses		(387,848)	(435,616)	(679,951)	(356,511)
Administration expenses		(5,078,464)	(6,512,514)	(5,533,569)	(6,054,026)
Property, plant and equipment written off		-	(4,526,448)	(3,830,398)	-
Other expenses		(13,881)	(65,439)	(2,646,209)	(976,772)
Operating profit		29,190,042	15,553,399	19,300,412	18,229,873
Finance income	19	38,801	209,163	160,073	24,680
Finance costs	20	(2,117)	(346,031)	(408,453)	(937,021)
Profit before tax	21	29,226,726	15,416,531	19,052,032	17,317,532
Tax expense	22	(6,275,064)	(4,543,563)	(6,843,798)	(3,844,186)
Profit/Total comprehensive income for the financial years		22,951,662	10,872,968	12,208,234	13,473,346

The accompanying notes form an integral part of the combined financial statements.

BETAMEK BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEARS ENDED 31 MARCH 2019, 31 MARCH 2020, 31 MARCH 2021 AND 31 MARCH 2022

	Note	**Non-distributable** Share capital RM	**Distributable** Retained earnings RM	Total RM
At 1 April 2018		8,000,000	51,427,908	59,427,908
Transaction with owners:-				
Dividends	23	-	(5,500,000)	(5,500,000)
Total comprehensive income for the financial year		-	22,951,662	22,951,662
At 31 March 2019		8,000,000	68,879,570	76,879,570
Transaction with owners:-				
Dividends	23	-	(7,000,000)	(7,000,000)
Total comprehensive income for the financial year		-	10,872,968	10,872,968
At 31 March 2020		8,000,000	72,752,538	80,752,538
Transaction with owners:-				
Dividends	23	-	(6,000,000)	(6,000,000)
Total comprehensive income for the financial year		-	12,208,234	12,208,234
At 31 March 2021		8,000,000	78,960,772	86,960,772
Transactions with owners:-				
Dividends	23	-	(7,000,000)	(7,000,000)
Issuance of share		1	-	1
Total transactions with owners		1	(7,000,000)	(6,999,999)
Total comprehensive income for the financial year		-	13,473,346	13,473,346
At 31 March 2022		8,000,001	85,434,118	93,434,119

The accompanying notes form an integral part of the combined financial statements.

BETAMEK BERHAD
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COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 31 MARCH 2019, 31 MARCH 2020, 31 MARCH 2021 AND 31 MARCH 2022

	Note	2019 RM	2020 RM	2021 RM	2022 RM
OPERATING ACTIVITIES					
Profit before tax		29,226,726	15,416,531	19,052,032	17,317,532
Adjustments for:-					
Amortisation of intangible assets		-	-	-	951,630
Bad debts written off		-	-	-	8,424
Depreciation of property, plant and equipment		1,904,220	1,991,986	2,597,899	2,934,078
Depreciation of right-of-use assets		57,637	67,395	50,592	29,512
Dividend income		(259,356)	(3,681)	(14,248)	(2,282)
Fair value loss on other investments		13,881	65,439	2,382,981	25,142
Gain on disposal of other investments		(66,896)	-	-	-
Interest expenses		2,117	346,031	408,453	937,021
Interest income		(38,801)	(209,163)	(160,073)	(24,680)
Inventories written off		-	-	89,757	-
Loss/(Gain) on disposal of property, plant and equipment		10,207	(25,543)	(805,880)	(7,610)
Other investments written off		-	-	-	100
Property, plant and equipment written off		-	4,526,448	3,830,398	-
Waiver of debt		(1,333)	-	-	-
Operating profit before working capital changes		30,848,402	22,175,443	27,431,911	22,168,867
Changes in working capital:-					
Inventories		(22,206,025)	4,672,473	(5,553,892)	(16,947,382)
Receivables		(6,238,084)	3,831,867	(10,657,859)	4,886,029
Payables		2,209,535	(4,781,337)	5,441,944	(360)
Trust receipts		-	-	-	8,151,321
Cash generated from operations		4,613,828	25,898,446	16,662,104	18,258,475
Income tax paid, net of refund		(7,175,106)	(5,605,854)	(5,919,549)	(4,166,667)
Interest received		32,118	199,180	150,044	19,589
Interest paid		-	(12,659)	(20,010)	(59,659)
Net cash (used in)/from operating activities		(2,529,160)	20,479,113	10,872,589	14,051,738

BETAMEK BERHAD
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COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 31 MARCH 2019, 31 MARCH 2020, 31 MARCH 2021 AND 31 MARCH 2022 (CONT'D)

	Note	2019 RM	2020 RM	2021 RM	2022 RM
INVESTING ACTIVITIES					
Dividend received		259,356	3,681	14,248	2,282
Purchase of other investments		(80,344)	-	-	-
Purchase of intangible assets		-	(860,888)	(4,595,109)	(1,190,597)
Purchase of property, plant and equipment		(1,144,715)	(7,263,891)	(26,887,784)	(3,410,738)
Purchase of right-of-use assets	A	-	(102,960)	-	-
Proceeds from disposal of other investments		147,240	-	-	-
Proceeds from disposal of property, plant and equipment		304,980	344,219	2,332,363	87,653
Proceed from issuance of share		-	-	-	1
Net cash used in investing activities		(513,483)	(7,879,839)	(29,136,282)	(4,511,399)
FINANCING ACTIVITIES					
Dividend paid		(5,500,000)	(7,000,000)	(6,000,000)	(7,000,000)
Drawdown of revolving credit		-	-	-	8,040,956
Drawdown of term loans		-	12,383,176	12,327,481	15,408,669
Interest arising from deposits pledged with a financial institution		(6,683)	(9,983)	(10,029)	-
Interest received		6,683	9,983	10,029	5,091
Interest paid		(2,117)	(333,372)	(388,443)	(877,362)
(Placement)/Drawdown of deposits pledged with a financial institution		-	(84,830)	-	146,493
Repayment of lease liabilities		(31,579)	(32,616)	(27,685)	(115,601)
Repayment of term loans		-	(530,892)	(885,882)	(23,583,226)
Net cash (used in)/from financing activities		(5,533,696)	4,401,466	5,025,471	(7,974,980)
CASH AND CASH EQUIVALENTS					
Net changes		(8,576,339)	17,000,740	(13,238,222)	1,565,359
Brought forward		18,924,981	10,348,642	27,349,382	14,111,160
Carried forward	B	10,348,642	27,349,382	14,111,160	15,676,519

BETAMEK BERHAD
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COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 31 MARCH 2019, 31 MARCH 2020, 31 MARCH 2021 AND 31 MARCH 2022 (CONT'D)

NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

A. PURCHASE OF RIGHT-OF-USE ASSETS

	2019 RM	2020 RM	2021 RM	2022 RM
Total purchase of right-of-use assets	-	252,960	-	-
Less: Acquired under lease arrangements	-	(150,000)	-	-
Cash payment	-	102,960	-	-

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the combined statements of cash flows comprise of the following amounts:-

	2019 RM	2020 RM	2021 RM	2022 RM
Deposits with financial institutions	246,481	341,294	11,351,323	476,414
Cash and bank balances	10,348,642	27,349,382	3,111,160	15,404,935
	10,595,123	27,690,676	14,462,483	15,881,349
Less: Deposits pledged with a financial institution	(246,481)	(341,294)	(351,323)	(204,830)
	10,348,642	27,349,382	14,111,160	15,676,519

The accompanying notes form an integral part of the combined financial statements.

BETAMEK BERHAD
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL INFORMATION

1. GENERAL INFORMATION

1.1 Introduction

This report has been prepared solely to comply with the Prospectus Guidelines - Equity issued by the Securities Commission Malaysia and for inclusion in the prospectus of Betamek Berhad ("the Company" or "Betamek") in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (hereinafter defined as "the Listing") and should not be relied upon for any other purposes.

1.2 Background

The Company was incorporated on 7 December 2021 as a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan. The Company has converted to public limited liability company on 18 March 2022.

The principal place of business of the Company is located at Lot 137, Lingkaran Taman Industri Integrasi Rawang 2, Taman Industri Integrasi Rawang, 48000 Rawang, Selangor Darul Ehsan.

1.3 Principal activities

The Company is principally engaged in investment holding.

Details of the combining entity of Betamek are as follows:-

Name of company	Effective ownership	Principal activities	Date of incorporation	Principal place of business
Held by the Company				
Betamek Electronics (M) Sdn. Bhd.	100%	Providing full-service electronics manufacturing services starting from design, development, and manufacturing to marketing of electronic products and components for the automotive and consumer markets.	23 August 1989	Malaysia

There was no significant change in the nature of the principal activities of Betamek and its combining entity.

1. GENERAL INFORMATION (CONT'D)

1.4 Acquisition

Betamek Group

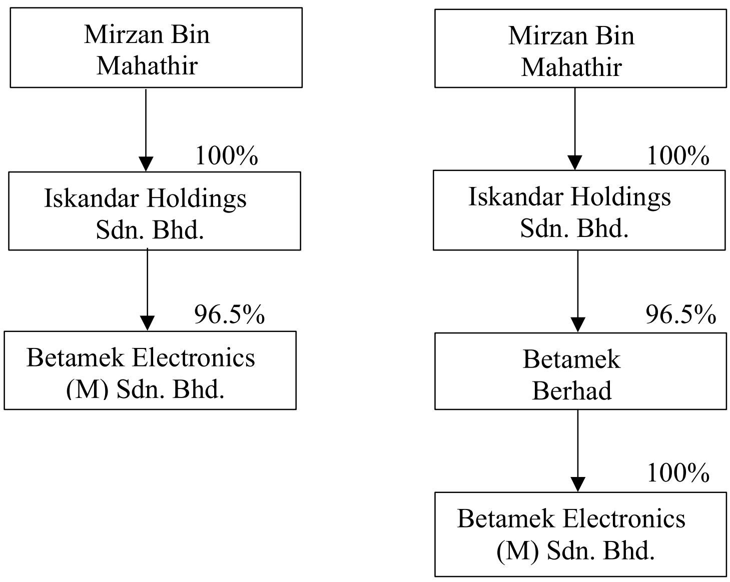
The Betamek Group will be formed pursuant to the completion of acquisition of Betamek Electronics (M) Sdn. Bhd. by Betamek prior to the listing and quotation on the ACE Market of Bursa Malaysia Securities Berhad.

Betamek will acquire the entire issued share capital of Betamek Electronics (M) Sdn. Bhd. comprising 6,000,000 ordinary shares ("Acquisition'').

The aggregate purchase consideration for the above Acquisition is RM93,789,000 to be satisfied by the issuance of 382,499,999 new ordinary shares at its indicative value of RM0.2452 per share.

Following the completion of the Acquisition, the expected group structure of Betamek Group is as follows:-

Before acquisition **After acquisition**



The Group is regarded as a continuing entity resulting from the Acquisition since the management of all the entities which took major part in the Acquisition which were controlled by the Directors and substantially under same major shareholders before and immediately after the Acquisition. Consequently, immediately after the Acquisition, there was a continuation of the control over entities' financial and operating policy decisions and risks and benefits to the ultimate shareholders that existed prior to the Acquisition. The Acquisition has been accounted for as an acquisition under common control in a manner similar to pooling of interests. Accordingly, the combined financial statements for the financial years ended ("FYE") 31 March 2019, 31 March 2020, 31 March 2021 and 31 March 2022 have been prepared comprise the financial statements of the combining entity which were under common control of the ultimate shareholders that existed prior to the Acquisition during the relevant periods or since their respective dates of incorporation.

No financial statements of Betamek Berhad were included for the financial years ended 31 March 2019, 31 March 2020 and 31 March 2021 as Betamek Berhad was only incorporated on 7 December 2021.

1. GENERAL INFORMATION (CONT'D)

1.5 Auditors

The relevant financial period/years of the audited financial statements used for the purpose of preparation of the financial statements ("Relevant Financial Period/Years") and the auditors are as follow:-

Companies	Relevant Financial Period/Years	Auditors
Betamek Berhad	FPE 31 March 2022	Grant Thornton Malaysia PLT
Betamek Electronics (M) Sdn. Bhd.	FYE 31 March 2019 FYE 31 March 2020 FYE 31 March 2021 FYE 31 March 2022	Grant Thornton Malaysia PLT

The audited financial statements of Betamek Berhad and Betamek Electronics (M) Sdn. Bhd. for the Relevant Financial Period/Years reported above were not subject to any qualification or modification.

2. BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS

2.1 Statement of compliance

The combined financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs") based on the Guidance Note on 'Combined Financial Statements' issued by the Malaysian Institute of Accountants in relation to the Listing.

The combined financial statements consist of the financial statements of the combining entity ("the Group") as disclosed in Note 1.4 to this report, which were under common control throughout the reporting years by virtue of common controlling shareholders.

The combined financial statements have been prepared using financial information obtained from the records of the combining entity during the reporting years.

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

2.2 Basis of measurement

The combined financial statements of the Group are prepared under the historical cost convention, except for the equity financial assets that have been measured at fair value.

2. BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS (CONT'D)

2.2 Basis of measurement (cont'd)

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 and its measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial market 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.

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

All assets and liabilities for which fair value is measured or disclosed in the combined financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:-

(a) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
(b) Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
(c) Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For assets and liabilities that are recognised in the combined financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting year.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

2.3 Functional and presentation currency

The combined financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional currency and all values are rounded to the nearest RM except when otherwise stated.

2. BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS (CONT'D)

2.4 MFRSs

2.4.1 Adoption of Amendments/Improvements to MFRSs

The Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these combined financial statements.

At the beginning of the current financial year, the Group adopted amendments/improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 April 2021.

Initial application of the amendments/improvements to MFRSs did not have material impact to the combined financial statements.

2.4.2 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's combined financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Effective for the financial period beginning on or after 1 January 2022:-

Amendments to MFRS 3	Business Combinations: Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment: Proceeds Before Intended Use
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract

Annual Improvements to MFRS Standards 2018 - 2020 (MFRS 1, MFRS 9 and MFRS141*)

Effective for the financial period beginning on or after 1 January 2023:-

MFRS 17*	Insurance Contracts
Amendments to MFRS 4*	Insurance Contracts: Extension of the Temporary Exemption from Applying MFRS 9
Amendments to MFRS 17*	Insurance Contracts
Amendments to MFRS 17*	Insurance Contracts: Initial Application of MFRS 17 and MFRS 9 - Comparative Information
Amendments to MFRS 101	Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current
Amendments to MFRS 101	Presentation of Financial Statements: Disclosure of Accounting Policies
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
Amendments to MFRS 112	Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to MFRSs – effective date deferred indefinitely:-

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

* Not applicable to the Group's operations

The initial application of the above applicable standards and amendments are not expected to have any material financial impact to the combined financial statements of the Group.

2. BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS (CONT'D)

2.5 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the combined financial statements. They affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by the management, and will seldom equal the estimated results.

2.5.1 Key sources of estimation uncertainty

Information about significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

Useful lives of depreciable assets

Management estimates the useful lives of the property, plant and equipment and right-of-use assets to be within 5 to 50 years and reviews the useful lives of depreciable assets at end each of the reporting period. At end of the reporting date, management assesses that the useful lives represent the expected usage of the assets of the Group. Actual result, however, may vary due to change in the expected level of usage and technology developments, which resulting in adjustment to the assets of the Group.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows.

In the process of measuring expected future cash flows, management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made. The Group's core business is subject to economic and social preference which may cause selling prices to change rapidly, and the Group's profit to change.

2. BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS (CONT'D)

2.5 Significant accounting estimates and judgements (cont'd)

2.5.1 Key sources of estimation uncertainty (cont'd)

Development costs

The Group capitalises costs for product development. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. The carrying amount of the Group's development costs at the end of the reporting period is disclosed in Note 6 to the combined financial statements.

This amount includes significant investment in the development of an innovative automotive electronics system. Prior to being marketed, it will need to obtain a quality certification issued by the relevant regulatory authorities. The innovative nature of the product gives rise to some uncertainty as to whether the certificate will be obtained.

The development costs of technology systems are amortised on a straight-line basis over their useful lives of 5 years. The Group assesses annually the useful lives of the intangible assets and if the expectation differs from the original estimate, such difference will impact the amortisation expenses in the period in which such estimate had been charged.

Provision for expected credit losses ("ECLs") of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on the repayment pattern of the customers, customers type and coverage by letters of credit.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Income taxes

Significant judgement is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised tax liabilities based on estimates of whether additional tax will be due. Where the final tax outcome is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

2.5.2 Significant management judgement

There is no significant area of critical judgements in applying accounting policies of the Group that have any significant effect on the combined financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group applies the significant accounting policies, as summarised below, consistently throughout all periods presented in the combined financial statements, unless otherwise stated.

3.1 Consolidation

3.1.1 Basis of business combination

Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Merger method

A business combination involving entity under common control is a business combination in which all the combining entity or business are ultimately controlled by same party or parties both before or after the business combination, and that control is not transitory. The acquisition of Betamek Electronics (M) Sdn. Bhd. resulted in a business involving common control entity since the management of all the entity which took part in the acquisition were controlled by common Directors and under common shareholders before and immediately after the acquisition, and accordingly the accounting treatment is outside the scope of MFRS 3. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entity in the consolidated financial statements. The merger method of accounting on a retrospective basis and restated its comparative as if the consolidation had taken place before the state of the earliest period presented in the combined financial statements.

Under the merger method of accounting, the results of subsidiary are presented as if the merger had been affected throughout the current year. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholders at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any reserves which are attributable to share capital of the merged entity, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

3.1.2 Subsidiary

Subsidiary is entity, including structured entity, controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group 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.

Investment in subsidiary is stated at cost less any impairment losses in the Company's financial position unless the investment is held for sale or distribution. The cost of investments includes transaction costs. Where an indication of impairment exists, the carrying amount of the subsidiary is assessed and written down immediately to its recoverable amount.

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.3 Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of the equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

3.1.4 Non-controlling interests

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

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

3.1.5 Eliminations on consolidation

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in asset, such as inventory and property, plant and equipment) are eliminated in full in preparing the consolidated financial statements.

3.2 Foreign currency transactions and balances

Transactions in foreign currencies are recorded in RM at rates of exchange ruling at the date of the transactions. Foreign currencies monetary assets and liabilities are translated at reporting date.

Gains and losses resulting from settlement of such transactions and conversion of monetary assets and liabilities, whether realised or unrealised, are included in the income statement as they arise.

All other foreign exchange differences are taken to the consolidated statements of comprehensive income in the financial year in which they arise.

3.3 Property, plant and equipment

Property, plant and equipment are initially stated at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All property, plant and equipment are subsequently stated at cost less accumulated depreciation and less any impairment losses.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.3 **Property, plant and equipment (cont'd)**

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bring the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised on the straight-line method in order to write off the cost of each asset over its estimated useful life. Freehold land with an infinite life is not depreciated.

Other property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Freehold building and renovation	2%
Plant and machinery	10%
Motor vehicles	20%
Tools, equipment and moulds	10%
Furniture and office equipment	10%

The residual values, useful life and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and expected pattern of consumption of future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain or loss arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss in the financial year in which the asset is derecognised.

3.4 **Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.4 **Leases (cont'd)**

As a lessee (cont'd)

Right-of-use assets (cont'd)

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:-

Motor vehicles	20%

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 3.6 to the combined financial statements.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses their incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to their short-term leases of machinery, equipment and premises (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low-value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.5 **Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit or loss in the period in which it incurred.

The useful life of intangible assets is assessed to be either finite or indefinite. Intangible assets with finite life are amortised on straight-line basis over the estimated economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by charging the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful life is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful life are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

3.5.1 **Research and development costs**

All research costs are immediately recognised in profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised as development costs and deferred only when the Group can demonstrate the technical feasibility of completing the asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are recognised in profit or loss as incurred.

Capitalised development costs comprise direct attributable costs incurred for development. Capitalised development costs, considered to have finite useful lives, are stated at cost less accumulated amortisation and any accumulated impairment losses. Development costs are amortised using the straight-line basis over the commercial lives of the underlying products from the date the products are commercialised.

The amortisation period and method are reviewed at the end of each reporting period to ensure that the expected useful lives of the assets are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of intangible assets. Development costs have a finite useful life and are amortised over the period of 5 years on a straight-line basis.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.6 **Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly trade subsidiaries or other available fair value indicators.

The Group bases their impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss has been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

3.7 **Inventories**

Inventories, comprising raw materials, accessories and consumables, work-in-progress and finished goods are stated at the lower of cost and net realisable value ("NRV") after adequate specific write down has been made by the Directors for deteriorated, obsolete and slow-moving inventories.

Cost of raw materials is determined using weighted average method and finished goods include direct materials, direct labour and an appropriate proportion of manufacturing overheads. Cost includes the original purchase price plus direct cost of bringing these inventories to their present condition and location.

Net realisable value represents estimated selling price in the ordinary course of business less estimated selling and distribution costs and all other estimated costs to completion.

When inventories are sold and revenue is recognised, the carrying amount of those inventories is recognised as cost of goods sold. Write-down to NRV and inventory losses are recognised as expenses when it occurred and any reversal is recognised in the profit or loss in the period in which the reversal occurs.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.8 **Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.8.1 **Financial assets**

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVTOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at FVTPL.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.8 **Financial instruments (cont'd)**

3.8.1 **Financial assets (cont'd)**

Subsequent measurement (cont'd)

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade and most of other receivables and cash and bank balances, deposits and placements.

Financial assets at FVTPL

Financial assets at FVTPL are carried in the combined statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

This category includes listed equity investments which the Group had not irrevocably elected to classify at FVTOCI. Dividends on listed equity investments are recognised as other income in the profit or loss when the right of payment has been established.

The Group's equity instruments at FVTPL includes other investments.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred their rights to receive cash flows from an asset or have entered into a passthrough arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.8 **Financial instruments (cont'd)**

3.8.1 **Financial assets (cont'd)**

Impairment

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Impairment for trade receivables

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment for financial assets other than trade receivables

The Group considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The assessment considers available, reasonable and supportable forward-looking information.

Credit impaired

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

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

At each reporting date, the Group assesses whether the financial assets carried at amortised cost and debt securities at FVTOCI are credit-impaired.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The Group considers a receivable as credit impaired when one or more events that have a detrimental impact on the estimated cash flows have occurred. These instances include adverse changes in the financial capability of the debtor and default or significant delay in payments. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.8 **Financial instruments (cont'd)**

3.8.2 **Financial liabilities**

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVTPL; or
- Financial liabilities at amortised cost.

The Group's financial liabilities include trade and most of other payables and borrowings.

Financial liabilities at amortised cost

This is the category most relevant to the Group. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the profit or loss. This category generally applies to interest-bearing borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

3.8.3 **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the combined statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, deposits with licensed banks and highly liquid investments that are readily convertible to known amount of cash which are subject to an insignificant risk of changes in value.

For the purpose of combined statements of financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the end of the reporting period are classified as non-current asset.

For the purpose of the combined statements of cash flows, cash and cash equivalents are presented net of pledged deposits.

3.10 Equity, reserves and distribution to owners

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

Retained earnings include all current and prior periods' accumulated profits.

Dividends are accounted for in shareholders' equity as an appropriation of retained earnings and recognised as a liability in the period in which they are declared.

All transactions with owners of the Company are recorded separately within equity.

3.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the profit or loss net of any reimbursement.

If the effect of the time of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.12 Employee benefits

3.12.1 Short-term employee benefits

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Employee benefits (cont'd)

3.12.2 Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pay fixed contributions into separate entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as expenses in the profit or loss incurred. As required by law, the Company and its subsidiary, all of which were incorporated in Malaysia, make such contributions to the Employees Provident Fund.

3.13 Revenue

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

A performance obligation is a promise in a contract with a customer to transfer to the customer either:-

(a) good or service (or a bundle of goods or services) that is distinct; or
(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Revenue from contracts with customers is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome.

If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative standalone selling prices of the goods or services promised in the contract.

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

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

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
(b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(c) 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.

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

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.13 **Revenue (cont'd)**

For performance obligations where any one of the above conditions not met, revenue is recognised at a point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or service, it creates a contract based on asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

3.13.1 **Sales of goods**

Revenue relating to sales of goods is recognised net of sales returns and discount upon the transfer of control of the goods to the customers. Revenue is not recognised to extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

3.13.2 **Other revenue recognition**

Interest income

Interest income is recognised in the profit or loss on time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

Dividend income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which is in the case of quoted securities is the ex-dividend date.

3.14 **Tax expense**

Tax expense comprise current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

3.14.1 **Current tax**

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting year, and any adjustment to tax payable in respect of previous years.

Current tax for current and prior periods is recognised in the combined statements of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.14 **Tax expense (cont'd)**

3.14.2 **Deferred tax**

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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

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

3.15 **Goods and Service Tax ("GST")**

GST is a consumption tax based on the value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate. Input tax that a company pays on business purchases is offset against output tax.

Revenue, expenses and assets are recognised net of GST except:

(i) Where the GST incurred in a purchase of asset or service is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
(ii) Receivables and payables that are stated with GST inclusive.

The net GST payable to the taxation authority is included as part of payables in the combined statements of financial position.

The Malaysian Government has zero rated the GST effective from 1 June 2018. This mean the GST rate on the supplier of goods or services or on the importation of goods has been revised from 6% to 0%.

The GST has been replaced with Sales and Service Tax effective from 1 September 2018. The rate for sales tax is fixed at 5% or 10%, while the rate for services tax is fixed at 6%.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Sales and Service Tax ("SST")

Expenses and assets are recognised net of the amount of SST, except:-

(i) When the SST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the SST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
(ii) When payables are stated with the amount of SST included.

The amount of SST payable to taxation authority is included as part of payables in the combined statements of financial position.

3.17 Borrowing costs

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

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

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

All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

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

3.18 Contingencies

3.18.1 Contingent liabilities

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

3.18.2 Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the combined statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.19 **Related parties**

A related party is a person or entity that is related to the Group that is preparing its combined financial statements. A related party transaction is a transfer of resources, services or obligations between the reporting entity and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the reporting entity if that person:-

   (i) Has control or joint control over the Group;
   (ii) Has significant influence over the Group; or
   (iii) Is a member of the key management personnel of the holding company of the Group.

(b) An entity is related to the Group if any of the following conditions applies:-

   (i) The entity and the Group are members of the same group;
   (ii) The entity is an associate or joint venture of the Group;
   (iii) Both the Group and the entity are joint ventures of the same third party;
   (iv) The Group is a joint venture of a third entity and the entity is an associate of the same third entity;
   (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group for an entity related to the Group;
   (vi) The entity is controlled or jointly-controlled by a person identified in (a) above;
   (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the corporate shareholders of the Group or the entity; or
   (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

3.20 **Operating segments**

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

4. **PROPERTY, PLANT AND EQUIPMENT**

	Freehold land RM	Freehold building and renovation RM	Plant and machinery RM	Motor vehicles RM	Tools, equipment and moulds RM	Furniture and office equipment RM	Total RM
Cost							
At 1 April 2018	3,056,107	11,216,092	7,928,587	782,788	11,798,933	1,541,307	36,323,814
Additions	-	-	488,412	76,410	510,282	69,611	1,144,715
Disposal	-	-	-	-	(351,868)	-	(351,868)
At 31 March 2019	3,056,107	11,216,092	8,416,999	859,198	11,957,347	1,610,918	37,116,661
Additions	-	4,466,481	396,250	-	1,692,653	708,507	7,263,891
Disposal	-	-	-	-	(350,860)	-	(350,860)
Written off	-	(7,603,271)	(109,968)	-	-	-	(7,713,239)
Transfer from right-of-use assets	-	-	-	288,184	-	-	288,184
At 31 March 2020	3,056,107	8,079,302	8,703,281	1,147,382	13,299,140	2,319,425	36,604,637
Additions	-	16,129,566	7,010,847	103,871	2,762,764	880,736	26,887,784
Disposal	-	-	(3,712,643)	-	(1,275,695)	(352,900)	(5,341,238)
Written off	-	(3,977,063)	(462,919)	-	-	(77,335)	(4,517,317)
At 31 March 2021	3,056,107	20,231,805	11,538,566	1,251,253	14,786,209	2,769,926	53,633,866
Additions	-	1,483,388	-	71,020	1,643,188	213,142	3,410,738
Disposal	-	-	-	(489,207)	(262,766)	-	(751,973)
Transfer from right-of-use assets	-	-	-	252,960	-	-	252,960
At 31 March 2022	3,056,107	21,715,193	11,538,566	1,086,026	16,166,631	2,983,068	56,545,591

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

	Freehold land	Freehold building and renovation	Plant and machinery	Motor vehicles	Tools, equipment and moulds	Furniture and office equipment	Total
	RM	RM	RM	RM	RM	RM	RM
Accumulated depreciation							
At 1 April 2018	-	3,191,182	5,774,333	548,882	6,226,162	1,060,117	16,800,676
Charge for the financial year	-	224,322	494,170	56,193	1,036,162	93,373	1,904,220
Disposal	-	-	-	-	(36,681)	-	(36,681)
At 31 March 2019	-	3,415,504	6,268,503	605,075	7,225,643	1,153,490	18,668,215
Charge for the financial year	-	216,702	502,595	67,011	1,060,953	144,725	1,991,986
Disposal	-	-	-	-	(32,184)	-	(32,184)
Written off	-	(3,081,767)	(105,024)	-	-	-	(3,186,791)
Transfer from right-of-use assets	-	-	-	288,184	-	-	288,184
At 31 March 2020	-	550,439	6,666,074	960,270	8,254,412	1,298,215	17,729,410
Charge for the financial year	-	310,805	944,992	65,552	1,091,823	184,727	2,597,899
Disposal	-	-	(3,700,172)	-	(53,483)	(61,100)	(3,814,755)
Written off	-	(521,266)	(114,870)	-	-	(50,783)	(686,919)
At 31 March 2021	-	339,978	3,796,024	1,025,822	9,292,752	1,371,059	15,825,635
Charge for the financial year	-	425,605	1,072,192	116,224	1,119,534	200,523	2,934,078
Disposal	-	-	-	(489,207)	(182,723)	-	(671,930)
Transfer from right-of-use assets	-	-	-	96,968	-	-	96,968
At 31 March 2022	-	765,583	4,868,216	749,807	10,229,563	1,571,582	18,184,751
Net carrying amount							
At 31 March 2019	3,056,107	7,800,588	2,148,496	254,123	4,731,704	457,428	18,448,446
At 31 March 2020	3,056,107	7,528,863	2,037,207	187,112	5,044,728	1,021,210	18,875,227
At 31 March 2021	3,056,107	19,891,827	7,742,542	225,431	5,493,457	1,398,867	37,808,231
At 31 March 2022	3,056,107	20,949,610	6,670,350	336,219	5,937,068	1,411,486	38,360,840

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

The freehold land and freehold building with net carrying amount amounted to RM19,960,436 (2021: RM19,040,616, 2020: RM9,623,213 and 2019: RM9,349,254) are pledged as securities for bank borrowings as disclosed in Note 13 to the combined financial statements.

5. **RIGHT-OF-USE ASSETS**

As a lessee

The Group has leases for motor vehicles that run for 5 years.

The Group also has leases of premises and machine and equipment with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemption for these leases.

Set out are the carrying amounts of right-of-use assets recognised and the movements during the financial years:-

	Motor vehicles RM
Cost	
At 1 April 2018/At 31 March 2019	288,184
Additions	252,960
Transfer to property, plant and equipment	(288,184)
At 31 March 2020/At 31 March 2021	252,960
Transfer to property, plant and equipment	(252,960)
At 31 March 2022	-
Accumulated depreciation	
At 1 April 2018	180,016
Charge for the financial year	57,637
At 31 March 2019	237,653
Charge for the financial year	67,395
Transfer to property, plant and equipment	(288,184)
At 31 March 2020	16,864
Charge for the financial year	50,592
At 31 March 2021	67,456
Charge for the financial year	29,512
Transfer to property, plant and equipment	(96,968)
At 31 March 2022	-
Net carrying amount	
At 31 March 2019	50,531
At 31 March 2020	236,096
At 31 March 2021	185,504
At 31 March 2022	-

5. **RIGHT-OF-USE ASSETS (CONT'D)**

As a lessee (cont'd)

In the prior financial years, motor vehicles above were held under finance lease arrangements and pledged as security for the related finance lease. The motor vehicles above were registered under the name of a Director of the Group and were held in trust by the said Director.

6. **INTANGIBLE ASSETS**

	Development costs RM
Cost	
At 1 April 2018/At 31 March 2019	-
Additions	860,888
At 31 March 2020	860,888
Additions	4,595,109
At 31 March 2021	5,455,997
Additions	1,190,597
At 31 March 2022	6,646,594
Accumulated amortisation	
At 1 April 2018/At 31 March 2019/At 31 March 2020/At 31 March 2021	-
Charge for the financial year	951,630
At 31 March 2022	951,630
Net carrying amount	
At 31 March 2019	-
At 31 March 2020	860,888
At 31 March 2021	5,455,997
At 31 March 2022	5,694,964

The development costs are incurred for developing new technology systems. In the prior financial years, there was no amortisation charges recorded since the product was still under the development phase.

6. INTANGIBLE ASSETS (CONT'D)

Impairment loss review of development costs

The Group tests annually for impairment or more frequently if there are indications that might be impaired.

For the purpose of impairment testing, development costs have been allocated to the Group's cash generating units ("CGU"). The Group identified according to the industry of the Group's operations.

Key assumptions made in determining the value-in-use are as follows:

- Cash flows were projected based on actual operating results and the five years business plan;
- The discount rate applied to the cash flows projections are derived from the weighted average cost of capital of the Group plus a reasonable risk premium; and
- The size of operation will remain at least or not lower than the current results.

The key assumptions used for determining the value in use, which are determined based on management's past experience and expectation of the future development, are as follows:-

	2019 %	2020 %	2021 %	2022 %
Projected growth rate	-	-	-	2.00
Discount rate	-	8.20	8.20	8.26

The projected cash flows from use are derived from the most recent financial budgets approved by management.

With regards to the assessments, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying values of these units to differ materially from their recoverable amounts except for the changes in prevailing operating environment which is not ascertainable.

7. CASH AND BANK BALANCES, DEPOSITS AND PLACEMENTS

	2019 RM	2020 RM	2021 RM	2022 RM
Non-current:-				
Deposits with a financial institution	246,481	256,464	266,493	-
Current:-				
Cash and bank balances	10,348,642	27,349,382	3,111,160	15,404,935
Deposits with a financial institution	-	84,830	11,084,830	476,414
	10,348,642	27,434,212	14,195,990	15,881,349
	10,595,123	27,690,676	14,462,483	15,881,349

7. **CASH AND BANK BALANCES, DEPOSITS AND PLACEMENTS (CONT'D)**

Deposits with financial institutions amounting to RM204,830 (2021: RM351,323, 2020: RM341,294 and 2019: RM246,481) are pledged to a bank for banking facilities granted to the Group.

The deposits with financial institutions will mature within 2 days to 365 days (2021: 8 days to 365 days, 2020 and 2019: 365 days) with interest rates ranging from 0.85% to 1.85% (2021: 0.85% to 1.85%, 2020: 4.05% and 2019: 1.98% to 2.99%) per annum.

8. **INVENTORIES**

	2019 RM	2020 RM	2021 RM	2022 RM
At cost:-				
Raw materials	18,626,770	16,492,562	17,024,962	36,857,219
Work-in-progress	15,106,735	13,181,052	16,461,762	14,947,687
Finished goods	4,395,223	3,782,641	5,433,666	4,062,866
	38,128,728	33,456,255	38,920,390	55,867,772
Recognised in profit or loss:-				
Inventories written off	-	-	89,757	-
Inventories recognised in cost of sales	78,887,684	87,954,081	81,512,937	92,469,351

9. **TRADE RECEIVABLES**

The trade receivables are non-interest bearing and are recognised at their original invoice amounts which represent their fair values on initial recognition. The normal credit terms granted to the customers ranging from 30 days to 60 days (2021, 2020 and 2019: 30 days to 60 days). Other credit terms are assessed and approved by the management on case-by-case basis.

10. **OTHER RECEIVABLES**

	2019 RM	2020 RM	2021 RM	2022 RM
Non-trade receivables	54,599	45,923	8,094	2,670
Deposits	136,647	771,238	635,833	36,757
Advances to suppliers	6,884,141	7,751,308	10,721,856	6,076,543
Prepayments	-	-	-	881,661
GST receivable	22,603	-	-	-
	7,097,990	8,568,469	11,365,783	6,997,631

11. OTHER INVESTMENTS

	2019	2020	2021	2022
	RM	RM	RM	RM
Financial assets at fair value				
Quoted shares in Malaysia	127,524	62,085	161,603	136,461
Unquoted shares in Malaysia	100	100	100	-
Unquoted shares outside Malaysia	2,482,500	2,482,500	1	1
	2,610,124	2,544,685	161,704	136,462

12. SHARE CAPITAL

	Number of ordinary shares			
	2019	2020	2021	2022
	Unit	Unit	Unit	Unit
Issued and fully paid with no par value:-				
At beginning of the financial year	6,000,000	6,000,000	6,000,000	6,000,000
Issuance of share	-	-	-	1
At end of the financial year	6,000,000	6,000,000	6,000,000	6,000,001

	Amount			
	2019	2020	2021	2022
	RM	RM	RM	RM
Issued and fully paid with no par value:-				
At beginning of the financial year	8,000,000	8,000,000	8,000,000	8,000,000
Issuance of share	-	-	-	1
At end of the financial year	8,000,000	8,000,000	8,000,000	8,000,001

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

13. BORROWINGS

	2019	2020	2021	2022
	RM	RM	RM	RM
Non-current				
Secured:-				
Term loans	-	10,581,820	22,137,330	13,858,879
Revolving credit	-	-	-	5,171,349
	-	10,581,820	22,137,330	19,030,228

13. **BORROWINGS (CONT'D)**

	2019 RM	2020 RM	2021 RM	2022 RM
Current				
Secured:-				
Term loans	-	1,270,464	1,156,553	1,260,447
Revolving credit	-	-	-	2,869,607
Trust receipts	-	-	-	8,151,321
	-	1,270,464	1,156,553	12,281,375
	-	11,852,284	23,293,883	31,311,603

The maturity of the borrowings as at the reporting date are as follows:-

	2019 RM	2020 RM	2021 RM	2022 RM
Within 1 year	-	1,270,464	1,156,553	12,281,375
After 1 year but not later than 5 years	-	7,465,032	10,784,361	11,139,203
Later than 5 years	-	3,116,788	11,352,969	7,891,025
	-	10,581,820	22,137,330	19,030,228
	-	11,852,284	23,293,883	31,311,603

The borrowings are secured by:-

(i) Legal charge over the Group's property;
(ii) Personal guarantee by a Director;
(iii) Corporate guarantee by the holding company;
(iv) Joint and several guarantee by a Director and ex-shareholders;
(v) Fixed deposits as disclosed in Note 7 to the combined financial statements; and
(vi) Assignment of receivables proceeds.

In the prior financial years, the borrowings were secured by:-

(i) Debentures covering fixed and floating charges over the present and future assets of the Group;
(ii) First party second legal charge over the Group's property;
(iii) Personal guarantee by a Director; and
(iv) Corporate guarantee by the holding company.

The effective interest rates of term loans of the Group are charged at rates ranging from 3.20% to 3.56% (2021: 3.56% to 3.81%, 2020: 4.31% to 4.81% and 2019: Nil) per annum.

The effective interest rate of revolving credit of the Group is charged at rate of 3.90% (2021, 2020 and 2019: Nil) per annum.

The effective interest rates of trust receipts of the Group are charged at rates ranging from 1.86% to 3.86% (2021, 2020 and 2019: Nil) per annum.

14. LEASE LIABILITIES

The Group has leased for motor vehicles. Future minimum lease payments as at reporting date are as follows:-

	2019 RM	2020 RM	2021 RM	2022 RM
Brought forward	57,481	25,902	143,286	115,601
Addition	-	150,000	-	-
Accretion of interest	2,117	6,588	5,699	3,402
Payment	(33,696)	(39,204)	(33,384)	(119,003)
Carried forward	25,902	143,286	115,601	-
Represented by:-				
Non-current	-	115,601	86,588	-
Current	25,902	27,685	29,013	-
	25,902	143,286	115,601	-

The maturity analysis of lease liabilities is disclosed in Note 27.2.2 to the combined financial statements.

The following amounts are recognised in profit or loss:-

	2019 RM	2020 RM	2021 RM	2022 RM
Depreciation of right-of-use assets	57,637	67,395	50,592	29,512
Interest expense on lease liabilities	2,117	6,588	5,699	3,402
Short-term leases	52,100	499,360	538,540	1,900
	111,854	573,343	594,831	34,814

The total cash outflows for leases of the Group amounted to RM120,903 (2021: RM571,924, 2020: RM538,564 and 2019: RM85,796).

The effective interest rates of lease liabilities of the Group are charged at rates of 4.28% (2021: 4.28%, 2020: 3.03% to 4.28% and 2019: 3.03%) per annum.

15. DEFERRED TAX LIABILITIES

	2019 RM	2020 RM	2021 RM	2022 RM
Brought forward	1,581,000	1,502,000	1,462,000	2,360,000
Recognised in profit or loss	(79,000)	(40,000)	898,000	1,153,000
Carried forward	1,502,000	1,462,000	2,360,000	3,513,000

15. **DEFERRED TAX LIABILITIES (CONT'D)**

The balance in the deferred tax liabilities is made up of temporary differences arising from:-

	Property, plant and equipment RM	Right-of-use assets RM	Intangible assets RM	Provisions RM	Total RM
At 1 April 2018	1,572,000	9,000	-	-	1,581,000
Recognised in profit or loss	(74,000)	(5,000)	-	-	(79,000)
At 31 March 2019	1,498,000	4,000	-	-	1,502,000
Recognised in profit or loss	(50,000)	10,000	-	-	(40,000)
At 31 March 2020	1,448,000	14,000	-	-	1,462,000
Recognised in profit or loss	1,309,000	(10,000)	-	(401,000)	898,000
At 31 March 2021	2,757,000	4,000	-	(401,000)	2,360,000
Recognised in profit or loss	671,000	(4,000)	637,000	(151,000)	1,153,000
At 31 March 2022	3,428,000	-	637,000	(552,000)	3,513,000

16. **TRADE PAYABLES**

The trade payables are non-interest bearing and the normal credit terms granted by the trade payables ranging from 30 days to 90 days (2021, 2020 and 2019: 30 days to 90 days).

17. **OTHER PAYABLES**

	2019 RM	2020 RM	2021 RM	2022 RM
Non-trade payables	200,568	202,566	468,069	338,595
Accruals	1,726,384	1,791,193	3,628,408	3,479,141
SST payable	144,292	88,830	162,584	192,499
	2,071,244	2,082,589	4,259,061	4,010,235

18. REVENUE

	2019 RM	2020 RM	2021 RM	2022 RM
Revenue recognised at a point in time:				
- Sales of trading goods	126,541,922	130,732,332	129,869,218	133,051,434
Primary geographical market:				
- Malaysia	126,541,922	130,732,332	129,869,218	133,051,434

Performance obligation

The performance obligation of sales of goods is satisfied upon delivery of the goods.

There were no obligations for rebates, returns, warranty and other similar or related obligations.

There were no remaining performance obligations unsatisfied as at the reporting date.

19. FINANCE INCOME

	2019 RM	2020 RM	2021 RM	2022 RM
Interest income:				
- Deposits pledged with a financial institution	6,683	9,983	10,029	5,091
- Deposits with financial institutions	-	2,906	-	18,618
- Bank balances	32,118	196,274	150,044	971
	38,801	209,163	160,073	24,680

20. FINANCE COSTS

	2019 RM	2020 RM	2021 RM	2022 RM
Interest expenses:				
- Lease liabilities	2,117	6,588	5,699	3,402
- Term loans	-	326,784	382,744	873,960
- Bank overdraft	-	12,659	20,010	13,753
- Trust receipts	-	-	-	45,906
	2,117	346,031	408,453	937,021

21. PROFIT BEFORE TAX

Profit before tax has been determined after charging/(crediting), amongst other items, the following:-

	2019 RM	2020 RM	2021 RM	2022 RM
Charging:-				
Auditors' remuneration	33,000	35,000	50,000	50,000
Amortisation of intangible assets	-	-	-	951,630
Bad debts written off	-	-	-	8,424
Depreciation of property, plant and equipment	1,904,220	1,991,986	2,597,899	2,934,078
Depreciation of right-of-use assets	57,637	67,395	50,592	29,512
Directors' fee	240,000	240,000	255,000	315,000
Fair value loss on other investments	13,881	65,439	2,382,981	25,142
Other investment written off	-	-	-	100
Loss on disposal of property, plant and equipment	10,207	-	-	-
Property, plant and equipment written off	-	4,526,448	3,830,398	-
Realised loss on foreign exchange	-	-	263,228	-
Crediting:-				
Dividend income:				
- Quoted shares	(259,356)	(3,681)	(14,248)	(2,282)
Gain on disposal of other investments	(66,896)	-	-	-
Gain on disposal of property, plant and equipment	-	(25,543)	(805,880)	(7,610)
Realised gain on foreign exchange	(257,188)	(88,744)	-	(533,749)
Waiver of debt	(1,333)	-	-	-

22. TAX EXPENSE

	2019 RM	2020 RM	2021 RM	2022 RM
Current tax:				
- Current financial years	7,063,000	4,772,000	4,317,000	3,615,500
- (Over)/Under provision in prior financial years	(708,936)	(188,437)	1,628,798	(924,314)
	6,354,064	4,583,563	5,945,798	2,691,186
Deferred tax:				
- Origination and reversed at temporary differences	(116,000)	(102,000)	1,100,000	612,000
- Under/(Over) recognised in prior financial years	37,000	62,000	(202,000)	541,000
	(79,000)	(40,000)	898,000	1,153,000
	6,275,064	4,543,563	6,843,798	3,844,186

22. **TAX EXPENSE (CONT'D)**

Malaysian income tax is calculated at statutory tax rate of 24% (2021, 2020 and 2019: 24%) of the estimated assessable profits for the financial years.

The numerical reconciliations between the effective tax rate and the statutory tax rate of the Group are as follows:-

	2019 RM	2020 RM	2021 RM	2022 RM
Profit before tax	29,226,726	15,416,531	19,052,032	17,317,532
Tax at Malaysian statutory tax rate of 24% (2021, 2020 and 2019: 24%)	7,014,414	3,699,967	4,572,488	4,156,208
Tax effects in respect of:-				
Expenses not deductible for tax purposes	23,697	977,047	1,679,740	180,133
Income not subject to tax	(79,159)	(7,014)	(289,524)	(108,841)
Expenses allowable for double deduction	(11,952)	-	-	-
Under/(Over) recognised of deferred tax liabilities in prior financial years	37,000	62,000	(202,000)	541,000
(Over)/Under provision of tax expense in prior financial years	(708,936)	(188,437)	1,628,798	(924,314)
Reinvestment tax allowance granted during the financial years	-	-	(545,704)	-
Total tax expense	6,275,064	4,543,563	6,843,798	3,844,186

23. **DIVIDENDS**

	2019 RM	2020 RM	2021 RM	2022 RM
<u>In respect of financial year ended 31 March 2018:-</u>				
Second interim single tier dividend of 92 sen per ordinary share, paid on 15 September 2018	5,500,000	-	-	-
<u>In respect of financial year ended 31 March 2019:-</u>				
First interim single tier dividend of 33 sen per ordinary share, paid on 10 July 2019	-	2,000,000	-	-
<u>In respect of financial year ended 31 March 2020:-</u>				
First interim single tier dividend of 27 sen per ordinary share, paid on 30 October 2019	-	1,600,000	-	-

23. **DIVIDENDS (CONT'D)**

	2019 RM	2020 RM	2021 RM	2022 RM
In respect of financial year ended 31 March 2020 (cont'd):-				
Second interim single tier dividend of 25 sen per ordinary share, paid on 16 December 2019	-	1,500,000	-	-
Third interim single tier dividend of 32 sen per ordinary share, paid on 13 March 2020	-	1,900,000	-	-
Fourth interim single tier dividend of 25 sen per ordinary share, paid on 15 June 2020	-	-	1,500,000	-
Fifth interim single tier dividend of 25 sen per ordinary share, paid on 15 September 2020	-	-	1,500,000	-
In respect of financial year ended 31 March 2021:-				
First interim single tier dividend of 25 sen per ordinary share, paid on 15 December 2020	-	-	1,500,000	-
Second interim single tier dividend of 25 sen per ordinary share, paid on 15 March 2021	-	-	1,500,000	-
Third interim single tier dividend of 50 sen per ordinary share, paid on 4 June 2021	-	-	-	3,000,000
In respect of financial year ended 31 March 2022:-				
First interim single tier dividend of 67 sen per ordinary share, paid on 28 March 2022	-	-	-	4,000,000
	5,500,000	7,000,000	6,000,000	7,000,000

The Directors do not recommend any final dividend payment for the current financial year.

24. EMPLOYEE BENEFITS EXPENSE

	2019 RM	2020 RM	2021 RM	2022 RM
Staffs' remuneration				
Salaries and other emoluments	11,531,587	12,854,051	13,644,165	12,309,729
Defined contribution plans	1,330,779	1,514,855	1,587,034	1,377,119
	12,862,366	14,368,906	15,231,199	13,686,848
Directors' remuneration				
Salaries and other emoluments	879,357	848,122	717,514	321,650
Defined contribution plans	-	-	-	10,800
Benefits-in-kind	-	-	-	15,000
	879,357	848,122	717,514	347,450
	13,741,723	15,217,028	15,948,713	14,034,298

25. RELATED PARTY DISCLOSURES

The significant related party transactions of the Group is as follows:-

	2019 RM	2020 RM	2021 RM	2022 RM
Dividend paid to holding company	3,575,000	4,550,000	3,900,000	5,810,000
Dividend paid to shareholders	1,925,000	2,450,000	2,100,000	140,000
Dividend paid to an ex-shareholder	-	-	-	1,050,000
Disposal of a motor vehicle to a Director	-	-	-	1

There is no related party balance during the financial years.

Compensation with key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group.

25. RELATED PARTY DISCLOSURES (CONT'D)

Compensation with key management personnel (cont'd)

Key management includes all the Directors of the Company and its subsidiary and certain members of senior management of the Group.

	2019 RM	2020 RM	2021 RM	2022 RM
Directors' remuneration	879,357	848,122	717,514	347,450
Key management personnel:-				
Salaries, bonus and other emoluments	1,011,119	1,101,850	988,517	1,139,119
Defined contribution plans	130,106	142,132	130,077	147,729
Benefits-in-kind	13,027	13,000	14,662	22,550
	1,154,252	1,256,982	1,133,256	1,309,398
	2,033,609	2,105,104	1,850,770	1,656,848

26. CAPITAL COMMITMENT

	2019 RM	2020 RM	2021 RM	2022 RM
Authorised and contracted for:				
- Property, plant and equipment	-	429,312	366,863	13,000

27. FINANCIAL INSTRUMENTS

27.1 Categories of financial instruments

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

(i) Financial assets and financial liabilities measured at amortised cost ("AC"); and
(ii) Financial assets at fair value through profit or loss ("FVTPL")

	Carrying amount RM	AC RM	FVTPL RM
2019			
Financial assets			
Trade receivables	14,500,965	14,500,965	-
Other receivables	7,075,387	7,075,387	-
Other investments	2,610,124	-	2,610,124
Cash and bank balances, deposits and placements	10,595,123	10,595,123	-
	34,781,599	32,171,475	2,610,124

27. **FINANCIAL INSTRUMENTS (CONT'D)**

27.1 **Categories of financial instruments (cont'd)**

The table below provides an analysis of financial instruments categories as follows (cont'd):-

(i) Financial assets and financial liabilities measured at amortised cost ("AC"); and
(ii) Financial assets at fair value through profit or loss ("FVTPL")

	Carrying amount RM	AC RM	FVTPL RM
2019 (cont'd)			
Financial liabilities			
Trade payables	10,223,476	10,223,476	-
Other payables	1,926,952	1,926,952	-
	12,150,428	12,150,428	-
2020			
Financial assets			
Trade receivables	9,198,619	9,198,619	-
Other receivables	8,568,469	8,568,469	-
Other investments	2,544,685	-	2,544,685
Cash and bank balances, deposits and placements	27,690,676	27,690,676	-
	48,002,449	45,457,764	2,544,685
Financial liabilities			
Trade payables	5,430,794	5,430,794	-
Other payables	1,993,759	1,993,759	-
Borrowings	11,852,284	11,852,284	-
	19,276,837	19,276,837	-
2021			
Financial assets			
Trade receivables	17,059,164	17,059,164	-
Other receivables	11,365,783	11,365,783	-
Other investments	161,704	-	161,704
Cash and bank balances, deposits and placements	14,462,483	14,462,483	-
	43,049,134	42,887,430	161,704
Financial liabilities			
Trade payables	8,696,266	8,696,266	-
Other payables	4,096,477	4,096,477	-
Borrowings	23,293,883	23,293,883	-
	36,086,626	36,086,626	-

27. FINANCIAL INSTRUMENTS (CONT'D)

27.1 Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments categories as follows (cont'd):-

(i) Financial assets and financial liabilities measured at amortised cost ("AC"); and
(ii) Financial assets at fair value through profit or loss ("FVTPL")

	Carrying amount RM	AC RM	FVTPL RM
2022			
Financial assets			
Trade receivables	16,532,863	16,532,863	-
Other receivables	6,115,970	6,115,970	-
Other investments	136,462	-	136,462
Cash and bank balances, deposits and placements	15,881,349	15,881,349	-
	38,666,644	38,530,182	136,462
Financial liabilities			
Trade payables	8,944,732	8,944,732	-
Other payables	3,817,736	3,817,736	-
Borrowings	31,311,603	31,311,603	-
	44,074,071	44,074,071	-

27.2 Financial risk management

The Group is exposed to financial risks arising from their operations and the use of financial instruments. They have established policies and procedures to ensure effective management of credit risk, liquidity risk, interest rate risk and foreign currency risk.

The following sections explain key risks faced by the Group and their management. Financial assets and financial liabilities of the Group is summarised in Notes 3.8 and 27.1 to the combined financial statements.

27.2.1 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet their contractual obligations. It is the Group's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group does not expect to incur material credit losses of their financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group do not offer credit terms without the approval of the management.

27. FINANCIAL INSTRUMENTS (CONT'D)

27.2 Financial risk management (cont'd)

27.2.1 Credit risk (cont'd)

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet their contractual obligations. It is the Group's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group does not expect to incur material credit losses of their financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group do not offer credit terms without the approval of the management.

Maximum exposure of the Group to credit risk is represented by the carrying amount of financial assets recognised at reporting date summarised below:-

	2019 RM	2020 RM	2021 RM	2022 RM
Financial assets				
Trade receivables	14,500,965	9,198,619	17,059,164	16,532,863
Other receivables	7,075,387	8,568,469	11,365,783	6,115,970
Cash and bank balances, deposits and placements	10,595,123	27,690,676	14,462,483	15,881,349
	32,171,475	45,457,764	42,887,430	38,530,182

Trade receivables and other receivables

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. The Group's debt recovery process are as follows:-

(a) Above 90 days past due after credit term, the Group will start to initiate a structured debt recovery process which is monitored by the finance team; and
(b) The Group will commence a legal proceeding against the customers who having dispute or does not adhere to the restructure of the repayment scheme.

The Group uses a provision matrix to measure ECLs for all the past due debts. Credit term which are past due more than 365 days and having dispute with the trade receivables will be considered as credit impaired.

27. **FINANCIAL INSTRUMENTS (CONT'D)**

27.2 **Financial risk management (cont'd)**

27.2.1 **Credit risk (cont'd)**

Trade receivables and other receivables (cont'd)

Recognition and measurement of impairment loss (cont'd)

The Group assessed the risk of loss based on the following factors:-

(a) Overall past trend payments of customers;
(b) Financial performances of each individual customers; and
(c) Gross domestic product growth rate and base lending rate.

None of the Group's financial assets are secured by collateral or other credit enhancements.

Set out below is the information about the credit risk exposure and ECLs on the Group's trade receivables:-

	Gross carrying amount RM	Expected credit loss RM	Net carrying amount RM
2019			
Not past due	12,975,557	-	12,975,557
Past due 1 to 30 days	564,491	-	564,491
Past due 31 to 60 days	766,106	-	766,106
Past due 61 to 90 days	194,811	-	194,811
	14,500,965	-	14,500,965
2020			
Not past due	7,182,175	-	7,182,175
Past due 1 to 30 days	1,066,498	-	1,066,498
Past due 31 to 60 days	417,836	-	417,836
Past due 61 to 90 days	532,110	-	532,110
	9,198,619	-	9,198,619
2021			
Not past due	13,765,857	-	13,765,857
Past due 1 to 30 days	995,688	-	995,688
Past due 31 to 60 days	686,863	-	686,863
Past due 61 to 90 days	1,602,332	-	1,602,332
Past due more than 90 days	8,424	-	8,424
	17,059,164	-	17,059,164
2022			
Not past due	16,242,805	-	16,242,805
Past due 1 to 30 days	290,058	-	290,058
	16,532,863	-	16,532,863

27. **FINANCIAL INSTRUMENTS (CONT'D)**

27.2 **Financial risk management (cont'd)**

27.2.1 **Credit risk (cont'd)**

Trade receivables and other receivables (cont'd)

Recognition and measurement of impairment loss (cont'd)

The Group uses three categories to reflect its credit risk and how the loss allowance is determined for each of those categories for financial assets other than trade receivables. A summary of the assumptions underpinning the Group's expected credit loss model is as follows:-

Category	Definition of categories	Basis of recognising expected credit loss
Performing	Receivables have a low risk of default and a strong capacity to meet contractual cash flows.	12 months expected credit loss
Underperforming	Receivables for which there is a significant increase in credit risk due to actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.	Lifetime expected credit loss
Non-performing	Receivables which are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred.	Lifetime expected credit loss

Based on the above, loss allowance is derived as follows:-

(i) The likelihood that the debtor would not be able to repay during the contractual period;
(ii) The percentage of contractual cash flows that will not be collected if default happens; and
(iii) The outstanding amount that is exposed to default risk.

Credit risk concentration

In respect of trade and other receivables, the Group has no significant concentration of credit risk with any single counterparty or any group of counterparties having similar characteristics, except below mentioned.

	2019		2020		2021		2022	
	RM	%	RM	%	RM	%	RM	%
Trade receivables								
Malaysia								
2 customers (2021 and 2020: 3 customers and 2019: 2 customers)	11,830,007	82	7,578,560	82	13,871,629	81	14,488,126	88

The Group continuously monitor credit standing of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used.

27. **FINANCIAL INSTRUMENTS (CONT'D)**

27.2 **Financial risk management (cont'd)**

27.2.1 **Credit risk (cont'd)**

Cash and bank balances, deposits and placements

The credit risk for cash and bank balances, deposits and placements is considered low, since the counterparties are reputable financial institutions with high quality external credit ratings and have no history of default. Consequently, the Group is of the view that the loss allowance is not material and hence, it is not provided for.

27.2.2 **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet their financial obligations as and when they fall due, due to shortage of funds.

In managing its exposures to liquidity risk that arises principally from their various payables, borrowings and lease liabilities, the Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible that they will have sufficient liquidity to meet its liabilities as and when they fall due.

The Group aims at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

The summary of the maturity profile based on the contractual undiscounted repayment obligations is as follow:-

			← Maturity		→
	Carrying amount	Contractual cash flows	Within 1 year	1 to 5 years	Later than 5 years
	RM	RM	RM	RM	RM
2019					
Trade payables	10,223,476	10,223,476	10,223,476	-	-
Other payables	1,926,952	1,926,952	1,926,952	-	-
Lease liabilities	25,902	30,858	30,858	-	-
	12,176,330	12,181,286	12,181,286	-	-
2020					
Trade payables	5,430,794	5,430,794	5,430,794	-	-
Other payables	1,993,759	1,993,759	1,993,759	-	-
Borrowings	11,852,284	29,472,520	1,519,781	11,791,047	16,161,692
Lease liabilities	143,286	158,529	33,384	125,145	-
	19,420,123	37,055,602	8,977,718	11,916,192	16,161,692

27. **FINANCIAL INSTRUMENTS (CONT'D)**

27.2 **Financial risk management (cont'd)**

27.2.2 **Liquidity risk (cont'd)**

The summary of the maturity profile based on the contractual undiscounted repayment obligations is as follow (cont'd):-

	Carrying amount	Contractual cash flows	← Within 1 year	Maturity 1 to 5 years	→ Later than 5 years
	RM	RM	RM	RM	RM
2021					
Trade payables	8,696,266	8,696,266	8,696,266	-	-
Other payables	4,096,477	4,096,477	4,096,477	-	-
Borrowings	23,293,883	27,952,739	1,593,012	13,659,858	12,699,869
Lease liabilities	115,601	125,145	33,384	91,761	-
	36,202,227	40,870,627	14,419,139	13,751,619	12,699,869
2022					
Trade payables	8,944,732	8,944,732	8,944,732	-	-
Other payables	3,817,736	3,817,736	3,817,736	-	-
Borrowings	31,311,603	35,695,897	13,052,012	13,129,166	9,514,719
	44,074,071	48,458,365	25,814,480	13,129,166	9,514,719

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of financial liabilities at the reporting date.

27.2.3 **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

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

The Group's interest rate management objective is to manage interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group targets a mix of fixed and floating debts based on assessment of its existing exposure and desired interest rate profile.

27. FINANCIAL INSTRUMENTS (CONT'D)

27.2 Financial risk management (cont'd)

27.2.3 Interest rate risk (cont'd)

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the reporting date is as follows:-

	2019 RM	2020 RM	2021 RM	2022 RM
Fixed rate instruments				
Financial asset				
Deposits and placements	246,481	341,294	11,351,323	476,414
Financial liabilities				
Lease liabilities	(25,902)	(143,286)	(115,601)	-
Trust receipts	-	-	-	(8,151,321)
	(25,902)	(143,286)	(115,601)	(8,151,321)
	220,579	198,008	11,235,722	(7,674,907)
Floating rate instruments				
Financial liabilities				
Term loans	-	(11,852,284)	(23,293,883)	(15,119,326)
Revolving credit	-	-	-	(8,040,956)
	-	(11,852,284)	(23,293,883)	(23,160,282)

Fair values sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss. Therefore, a change in interest rates as at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rate of +/-50 (2021, 2020 and 2019: +/-50) basis points ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instrument held at each reporting date that is sensitive to changes in interest rate. All other variables are held constant.

	Impact on profit/equity (Decrease)/Increase	
	+50bp RM	-50bp RM
2019	-	-
2020	(59,261)	59,261
2021	(116,469)	116,469
2022	(115,801)	115,801

27. FINANCIAL INSTRUMENTS (CONT'D)

27.2 Financial risk management (cont'd)

27.2.4 Foreign currency risk

The Group is exposed to foreign currency risk as a result of their normal operating activities, where the currency denomination differs from the local currency, Ringgit Malaysia ("RM"). The Group's policy is to keep the foreign exchange exposure to an acceptable level.

The Group is exposed to transactional currency risk primarily through costs of sales that are denominated in a currency other than the functional currency to which they related. The currency giving rise to this risk is primarily United States Dollar ("USD") and Singapore Dollar ("SGD").

Foreign currency denominated financial assets which expose the Group to currency risk are disclosed below. The amount shown is those reported to key management translated into RM at the closing rate:-

	2019 RM	2020 RM	2021 RM	2022 RM
Denominated in USD				
Other receivables	6,884,141	7,751,308	10,721,856	6,076,543
Trade payables	(2,870,893)	(1,893,138)	(3,655,021)	(4,118,598)
	4,013,248	5,858,170	7,066,835	1,957,945
Denominated in SGD				
Trade payables	(265,365)	(157,111)	(186,862)	(448,700)

Foreign currency sensitivity analysis

The following table illustrates the sensitivity of profit/equity with regards to the Group's financial assets and financial liabilities and the RM/USD and RM/SGD exchange rate assuming all other things being equal. A +/-1% (2021, 2020 and 2019: +/-1%) change in the RM/USD and RM/SGD exchange rate at the reporting is deemed possible. Both of these percentages have been determined based on average market volatility in exchange rates in the previous 12 months.

The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates. If the RM had strengthened/weakened against the USD and SGD, then the impact would be as follows:-

	Impact on profit/equity Increase/(Decrease) +1% RM	 -1% RM
RM/USD		
2019	40,132	(40,132)
2020	58,582	(58,582)
2021	70,668	(70,668)
2022	19,579	(19,579)

27. **FINANCIAL INSTRUMENTS (CONT'D)**

27.2 **Financial risk management (cont'd)**

27.2.4 **Foreign currency risk (cont'd)**

Foreign currency sensitivity analysis (cont'd)

The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates. If the RM had strengthened/weakened against the USD and SGD, then the impact would be as follows (cont'd):-

	Impact on profit/equity Increase/(Decrease)	
	+1%	-1%
	RM	RM
RM/SGD		
2019	2,654	(2,654)
2020	1,571	(1,571)
2021	1,869	(1,869)
2022	4,487	(4,487)

27.3 **Fair value of financial instruments**

The carrying amounts of financial assets and financial liabilities of the Group at the reporting date approximate their fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date or immaterial discounting impact.

27.4 **Fair value hierarchy**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:-

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
2019				
Financial assets				
Non-derivative financial assets at FVTPL	127,524	-	2,482,600	2,610,124
2020				
Financial assets				
Non-derivative financial assets at FVTPL	62,085	-	2,482,600	2,544,685
2021				
Financial assets				
Non-derivative financial assets at FVTPL	161,603	-	101	161,704

27. **FINANCIAL INSTRUMENTS (CONT'D)**

27.4 **Fair value hierarchy (cont'd)**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable (cont'd):-

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2022				
Financial assets				
Non-derivative financial assets at FVTPL	136,461	-	1	136,462

There was no transfer between Level 1 and Level 2 in 2022, 2021, 2020 and 2019.

27.5 **Net loss or gain arising from financial instruments**

	2019 RM	2020 RM	2021 RM	2022 RM
Net loss on:-				
Financial assets at FVTPL				
- recognised in profit or loss	13,881	65,439	2,382,981	25,142

28. **RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	1 April 2018 RM	Drawdown RM	Cash flows RM	31 March 2019 RM
Lease liabilities	57,481	-	(31,579)	25,902

	1 April 2019 RM	Drawdown RM	Cash flows RM	31 March 2020 RM
Lease liabilities	25,902	150,000	(32,616)	143,286
Term loans	-	12,383,176	(530,892)	11,852,284
	25,902	12,533,176	(563,508)	11,995,570

	1 April 2020 RM	Drawdown RM	Cash flows RM	31 March 2021 RM
Lease liabilities	143,286	-	(27,685)	115,601
Term loans	11,852,284	12,327,481	(885,882)	23,293,883
	11,995,570	12,327,481	(913,567)	23,409,484

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONT'D)

	1 April 2021 RM	Drawdown RM	Cash flows RM	31 March 2022 RM
Lease liabilities	115,601	-	(115,601)	-
Term loans	23,293,883	15,408,669	(23,583,226)	15,119,326
Revolving credit	-	8,040,956	-	8,040,956
	23,409,484	23,449,625	(23,698,827)	23,160,282

29. OPERATING SEGMENT

Business segment

The Group has arrived at two reportable segments that are organised and managed separately according to the nature of products and technological requirements, which require different business and marketing strategies. The reportable segments are summarised as follows:-

Business segments	Business activities
Vehicle audio and visual products	Design and manufacture of vehicle audio products and components comprising car infotainment systems and audio video accessories.
Vehicle accessories	Design and manufacture of vehicle accessories such as air conditioning control panels, USB chargers, mirror switches, switch clusters and power sockets.

The Group has aggregated certain operating segments to form a reportable segment due to the similar nature and operational characteristics of the products.

The Group evaluates performance on the basis of profit or loss from operations before tax.

Management monitors the operating results of its business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the combined financial statements.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the combined financial statements. These policies have been applied consistently throughout the financial years.

The inter-segment assets are adjusted against the segment assets to arrive at total assets reported in the combined statements of financial position.

29. **OPERATING SEGMENT (CONT'D)**

Business segment (cont'd)

(a) **Operating segments**

	Note	Vehicle audio and visual products RM	Vehicle accessories RM	Elimination RM	Total RM
2019					
Revenue					
External revenue		99,376,781	27,165,141	-	126,541,922
Inter-segment revenue	(i)	-	-	-	-
Total revenue		99,376,781	27,165,141	-	126,541,922
Results					
Finance income					(38,801)
Finance costs					2,117
Depreciation of property, plant and equipment					1,904,220
Depreciation of right-of-use assets					57,637
Other non-cash income	(ii)				(44,141)
Tax expense					6,275,064
Segment profit	(iii)				22,914,978
Assets					
Unallocated segment assets	(iv)				91,432,007
Additions to non-current assets	(v)				1,144,715
Liabilities					
Unallocated segment liabilities	(vi)				12,294,720

29. OPERATING SEGMENT (CONT'D)

Business segment (cont'd)

(a) Operating segments (cont'd)

	Note	Vehicle audio and visual products RM	Vehicle accessories RM	Elimination RM	Total RM
2020					
Revenue					
External revenue		101,641,227	29,091,105	-	130,732,332
Inter-segment revenue	(i)	-	-	-	-
Total revenue		101,641,227	29,091,105	-	130,732,332
Results					
Finance income					(209,163)
Finance costs					346,031
Depreciation of property, plant and equipment					1,991,986
Depreciation of right-of-use assets					67,395
Other non-cash expenses	(ii)				4,566,344
Tax expense					4,543,563
Segment profit	(iii)				11,009,836
Assets					
Unallocated segment assets	(iv)				100,570,027
Additions to non-current assets	(v)				8,377,739
Liabilities					
Unallocated segment liabilities	(vi)				7,513,383

29. OPERATING SEGMENT (CONT'D)

Business segment (cont'd)

(a) Operating segments (cont'd)

	Note	Vehicle audio and visual products RM	Vehicle accessories RM	Elimination RM	Total RM
2021					
Revenue					
External revenue		103,295,430	26,573,788	-	129,869,218
Inter-segment revenue	(i)	-	-	-	-
Total revenue		103,295,430	26,573,788	-	129,869,218
Results					
Finance income					(160,073)
Finance costs					408,453
Depreciation of property, plant and equipment					2,597,899
Depreciation of right-of-use assets					50,592
Other non-cash expenses	(ii)				5,497,256
Tax expense					6,843,798
Segment profit	(iii)				12,456,614
Assets					
Unallocated segment assets	(iv)				119,963,259
Additions to non-current assets	(v)				31,482,893
Liabilities					
Unallocated segment liabilities	(vi)				12,955,327

29. **OPERATING SEGMENT (CONT'D)**

Business segment (cont'd)

(a) **Operating segments (cont'd)**

	Note	Vehicle audio and visual products RM	Vehicle accessories RM	Elimination RM	Total RM
2022					
Revenue					
External revenue		107,196,555	25,854,879	-	133,051,434
Inter-segment revenue	(i)	-	-	-	-
Total revenue		107,196,555	25,854,879	-	133,051,434
Results					
Finance income					(24,680)
Finance costs					937,021
Amortisation of intangible assets					951,630
Depreciation of property, plant and equipment					2,934,078
Depreciation of right-of-use assets					29,512
Other non-cash income	(ii)				26,056
Tax expense					3,844,186
Segment profit	(iii)				14,385,687
Assets					
Unallocated segment assets	(iv)				133,776,917
Additions to non-current assets	(v)				4,601,335
Liabilities					
Unallocated segment liabilities	(vi)				12,954,967

Notes to the nature of adjustments and eliminations to arrive at amount reported in the combined financial statements.

29. OPERATING SEGMENT (CONT'D)

Business segment (cont'd)

(a) **Operating segments (cont'd)**

(i) Inter-segment revenues are eliminated on consolidation.

(ii) Other major non-cash (income)/expenses consist of the followings items are presented in the respective notes to the combined financial statements:-

	2019 RM	2020 RM	2021 RM	2022 RM
Bad debts written off	-	-	-	8,424
Fair value loss on other investments	13,881	65,439	2,382,981	25,142
Gain on disposal of other investments	(66,896)	-	-	-
Inventories written off	-	-	89,757	-
Loss/(Gain) on disposal of property, plant and equipment	10,207	(25,543)	(805,880)	(7,610)
Other investments written off	-	-	-	100
Property, plant and equipment written off	-	4,526,448	3,830,398	-
Waiver of debt	(1,333)	-	-	-
	(44,141)	4,566,344	5,497,256	26,056

(iii) The following items are added to/(deducted from) segment profit to arrive at "profit after tax" presented in the combined statements of profit or loss:-

	2019 RM	2020 RM	2021 RM	2022 RM
Segment profit	22,914,978	11,009,836	12,456,614	14,385,687
Finance income	38,801	209,163	160,073	24,680
Finance costs	(2,117)	(346,031)	(408,453)	(937,021)
Profit after tax	22,951,662	10,872,968	12,208,234	13,473,346

29. **OPERATING SEGMENT (CONT'D)**

Business segment (cont'd)

(a) **Operating segments (cont'd)**

(iv) The following items are added to segment assets to arrive at total assets reported in the combined statements of financial position:-

	2019 RM	2020 RM	2021 RM	2022 RM
Segment assets	91,432,007	100,570,027	119,963,259	133,776,917
Intangible assets	-	860,888	5,455,997	5,694,964
Tax recoverable	-	292,576	266,327	1,741,808
Total assets	91,432,007	101,723,491	125,685,583	141,213,689

(v) Additions to non-current assets other than the financial instruments and deferred tax assets consist of:-

	2019 RM	2020 RM	2021 RM	2022 RM
Property, plant and equipment	1,144,715	7,263,891	26,887,784	3,410,738
Right-of-use assets	-	252,960	-	-
Intangible assets	-	860,888	4,595,109	1,190,597
	1,144,715	8,377,739	31,482,893	4,601,335

(vi) The following items are added to segment liabilities to arrive at total liabilities reported in the combined statements of financial position:-

	2019 RM	2020 RM	2021 RM	2022 RM
Segment liabilities	12,294,720	7,513,383	12,955,327	12,954,967
Deferred tax liabilities	1,502,000	1,462,000	2,360,000	3,513,000
Lease liabilities	25,902	143,286	115,601	-
Borrowings	-	11,852,284	23,293,883	31,311,603
Tax payable	729,715	-	-	-
Total liabilities	14,552,337	20,970,953	38,724,811	47,779,570

(b) **Geographical information**

Revenue and non-current assets information by geographical segments are not presented as the Group's customers and activities are located and conducted principally in Malaysia.

29. OPERATING SEGMENT (CONT'D)

Business segment (cont'd)

(c) Information about major customers

The following are the major customers with revenue equal to or more than ten percent of revenue of the Group:-

	RM	%	Operating segment
2019			
Customer A	88,883,000	70	Vehicle audio, visual products and vehicle accessories
2020			
Customer A	94,703,543	73	Vehicle audio, visual products and vehicle accessories
Customer B	21,087,945	16	Vehicle audio, visual products and vehicle accessories
	115,791,488	89	
2021			
Customer A	87,668,855	68	Vehicle audio, visual products and vehicle accessories
Customer B	25,564,623	20	Vehicle audio, visual products and vehicle accessories
	113,233,478	88	
2022			
Customer A	68,558,120	52	Vehicle audio, visual products and vehicle accessories
Customer B	49,918,946	38	Vehicle audio, visual products and vehicle accessories
	118,477,066	90	

30. CAPITAL MANAGEMENT

Total capital managed at the Group's level is the shareholders' fund as shown in the combined statements of financial position.

The primary objective of the Group's capital management is to ensure that they maintain a strong credit rating and healthy capital ratio in order to support their business and maximise shareholders' value.

The Group manages their capital structure and make adjustments to it, in light of changes in economic conditions including the interest rate movements. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, sell assets to reduce debt or issue new share capital.

No changes were made in the objective, policies or processes during the financial year and prior financial years.

31. **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE REPORTING PERIOD**

Coronavirus ("COVID-19") Pandemic

The global and domestic economics encountered unprecedented challenges during the financial year ended 31 March 2021 as a result of the continuing COVID-19 pandemic. The Malaysian government implemented several counter-measures by imposing strict lockdowns, movement restrictions and closing borders to curb the COVID-19 outbreak in Malaysia. Despite the challenges, the Group was not affected by the COVID-19 pandemic for the financial year ended 31 March 2022.

Given the fluidity of the situation, the Group will continuously monitor the impact of the COVID-19 pandemic and take appropriate and timely measures to minimise the impact of the outbreak on the Group's operation for the financial year ending 31 March 2023.

Proposed Initial Public Offering

On 18 March 2022, the Group has converted into a public limited liability company and assumed its current name of Betamek Berhad.

The Group is proposed to undertake an Initial Public Offering ("Proposed IPO") on the ACE Market of Bursa Malaysia Securities Berhad.

BETAMEK BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, the undersigned, being the Directors of the Group, do hereby state that, in our opinion, the accompanying combined financial statements set out on pages 4 to 69 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the combined financial position as at 31 March 2019, 31 March 2020, 31 March 2021 and 31 March 2022, and of their combined financial performance and their cash flows for the financial years ended 31 March 2019, 31 March 2020, 31 March 2021 and 31 March 2022.

....	....
MIRZAN BIN MAHATHIR	MUHAMMAD FAUZI BIN ABD GHANI

Kuala Lumpur
13 September 2022